

HEALTHCARE REALTY TRUST INC
Form PRE 14A
March 02, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Healthcare Realty Trust Incorporated

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

Title of each Class of securities to which transaction applies:

(1)

Aggregate number of securities to which transaction applies:

(2)

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(3)

Proposed maximum aggregate value of transaction:

(4)

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:

(1)

Edgar Filing: HEALTHCARE REALTY TRUST INC - Form PRE 14A

Form, Schedule or Registration Statement No.:

(2)

Filing Party:

(3)

Date Filed:

(4)

3310 West End Avenue, Suite 700

Nashville, Tennessee 37203

March 21, 2017

TO OUR SHAREHOLDERS:

You are cordially invited to attend the 2017 annual meeting of shareholders of Healthcare Realty Trust Incorporated, to be held on May 2, 2017, at 2:00 p.m. (local time) at the Company's executive offices at 3310 West End Avenue, Suite 700, Nashville, Tennessee 37203.

The following pages contain the formal notice of the annual meeting and the Company's proxy statement, which describe the specific business to be considered and voted upon at the annual meeting. Whether or not you plan to attend the meeting, the Company would greatly appreciate your efforts to vote your shares as soon as possible by following the instructions located in the Notice of Internet Availability of Proxy Materials sent to you or in the Company's proxy statement. If you attend the meeting and wish to vote in person, you may withdraw your proxy and vote your shares personally.

Sincerely,

David R. Emery

Executive Chairman of the Board of Directors

3310 West End Avenue, Suite 700

Nashville, Tennessee 37203

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 2, 2017

TO OUR SHAREHOLDERS:

The annual meeting of shareholders of Healthcare Realty Trust Incorporated (the "Company") will be held on Tuesday, May 2, 2017, at 2:00 p.m. (local time) at 3310 West End Avenue, Suite 700, Nashville, Tennessee, for the following purposes:

- (1) To elect nine nominees as directors to serve one-year terms expiring at the 2018 annual meeting of shareholders or until their successors are duly elected and qualified;
- (2) To vote to approve an amendment to the Company's articles of incorporation to increase the number of authorized shares of common stock from 150,000,000 to 300,000,000;
- (3) To ratify the appointment of BDO USA, LLP as the independent registered public accounting firm for the Company and its subsidiaries for the Company's 2017 fiscal year;
- (4) To vote to approve, on a non-binding advisory basis, a resolution approving the Company's compensation of its named executive officers as disclosed pursuant to Item 402 of Regulation S-K;
- (5) To vote to approve, on a non-binding advisory basis, the frequency of a non-binding advisory vote on executive compensation; and
- (6) To transact any other business that properly comes before the meeting or any adjournment thereof.

The Board recommends that the shareholders vote FOR the election of the nominees to the Board of Directors and FOR each of the other proposals listed above. Holders of the Company's Common Stock of record at the close of business on March 9, 2017 are entitled to vote at the meeting or at any adjournment of the meeting.

By order of the Board of Directors,

Andrew E. Loope

Senior Vice President, Corporate Counsel and Secretary

Dated: March 21, 2017

TABLE OF CONTENTS

<u>Proposal 1 - Election of Directors</u>	<u>2</u>
<u>Corporate Governance</u>	<u>3</u>
<u>Security Ownership of Certain Beneficial Owners and Management</u>	<u>9</u>
<u>Proposal 2 - Amendment to Company's Articles of Incorporation to Increase Number of Authorized Shares</u>	<u>11</u>
<u>Proposal 3 - Ratification of Appointment of Independent Registered Public Accounting Firm</u>	<u>13</u>
<u>Audit Committee Report</u>	<u>14</u>
<u>Compensation Discussion and Analysis</u>	<u>15</u>
<u>Compensation Committee Report</u>	<u>23</u>
<u>Executive Compensation</u>	<u>24</u>
<u>Post-Employment Compensation</u>	<u>27</u>
<u>Proposal 4 - Non-Binding Advisory Vote on Executive Compensation</u>	<u>31</u>
<u>Proposal 5 - Non-Binding Advisory Vote on the Frequency of the Vote on Executive Compensation</u>	<u>32</u>
<u>Director Compensation</u>	<u>32</u>
<u>Certain Relationships and Related Transactions</u>	<u>33</u>
<u>Compensation Committee Interlocks and Insider Participation</u>	<u>34</u>
<u>General Information</u>	<u>34</u>
<u>Use of Non-GAAP Financial Measures</u>	<u>36</u>
<u>Appendix A - Articles of Amendment</u>	<u>39</u>

3310 West End Avenue, Suite 700

Nashville, Tennessee 37203

PROXY STATEMENT

This Proxy Statement contains information related to the annual meeting of shareholders of Healthcare Realty Trust Incorporated (the "Company") to be held at 3310 West End Avenue, Suite 700, Nashville, Tennessee, on Tuesday, May 2, 2017, at 2:00 p.m. (local time) for the purposes set forth in the accompanying notice, and at any adjournment thereof (the "Annual Meeting"). This Proxy Statement and the Annual Report to Shareholders for the Year Ended December 31, 2016 (the "Annual Report to Shareholders") are available to you on the Internet or, upon your request, will be delivered to you by mail or email in connection with the solicitation of proxies by the Board of Directors of the Company to be voted at the Annual Meeting. The Notice of Internet Availability of Proxy Materials (the "Notice of Internet Availability") is scheduled to be distributed on or about March 21, 2017.

Under rules adopted by the Securities and Exchange Commission (the "SEC"), the Company is making this Proxy Statement and the Annual Report to Shareholders available on the Internet instead of mailing a printed copy of these materials to each shareholder. Shareholders who receive the Notice of Internet Availability by mail will not receive a printed copy of these materials other than as described below. Instead, the Notice of Internet Availability contains instructions as to how shareholders may access and review the materials on the Internet, including information about how shareholders may submit proxies by telephone or over the Internet.

You can ensure that your shares are voted at the Annual Meeting by submitting your instructions by telephone or Internet, or if you requested a printed copy of the proxy materials, by completing, signing, dating and returning the proxy card accompanying the materials in the envelope provided to you. Submitting your instructions or proxy by any of these methods will not affect your right to attend and vote at the Annual Meeting. We encourage our shareholders to submit proxies in advance of the Annual Meeting. A shareholder who gives a proxy may revoke it at any time before it is exercised by voting in person at the Annual Meeting, by delivering a subsequent proxy or by notifying the inspectors of election in writing of such revocation. If your shares of the Company's common stock are held for you in a brokerage, bank or other institutional account, you must obtain a proxy from that entity and bring it with you to hand in with your ballot in order to be able to vote your shares at the Annual Meeting.

The close of business on March 9, 2017 has been fixed as the record date for the determination of shareholders entitled to vote at the meeting. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum, permitting the conduct of business at the meeting. The inspectors of election for the Annual Meeting will treat shares represented by proxies that reflect abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

Without your instructions, your broker or nominee is permitted to use its own discretion and vote your shares on certain routine matters (such as Proposal 3), but is not permitted to use its discretion and vote your shares on non-routine matters (such as Proposals 1, 2, 4, and 5). We urge you to give voting instructions to your broker or nominee on all proposals. Shares that are not permitted to be voted by your broker or nominee are called "broker non-votes." These so-called "broker non-votes" will be included in the calculation of the number of votes considered to be present at the meeting for purposes of determining a quorum.

As of the close of business on the record date, the Company had 150,000,000 authorized shares of common stock, \$0.01 par value (the "Common Stock"), of which _____ shares were outstanding and entitled to vote. The Common Stock is the Company's only outstanding class of voting stock. Each share of Common Stock will have one vote on each matter to be voted upon at the meeting.

PROPOSAL 1 - ELECTION OF DIRECTORS

The Board of Directors is organized in a single class. Accordingly, the shareholders vote on the entire Board of Directors each year. The Company's Articles of Incorporation do not provide for cumulative voting and, accordingly, each shareholder may cast one vote per share of Common Stock for each nominee. According to Maryland law, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. An abstention may not be specified with respect to the election of directors. Broker non-votes will have no effect on the outcome of the election. The Company has a director resignation policy that is applicable to any director that does not receive a majority of votes cast "for" his or her election to the board in an uncontested election. This policy is described in greater detail on page 5 of this Proxy Statement.

Unless a proxy specifies otherwise or results in a broker non-vote because of the failure of a shareholder to execute or return the proxy with instructions, the persons named in the proxy will vote the shares covered thereby for the nominees designated by the Board of Directors listed below. Should any nominee become unavailable for election, shares covered by a proxy will be voted for a substitute nominee selected by the Board of Directors upon the recommendation of the Corporate Governance Committee.

Qualifications of Directors and Nominees to be Directors

As described in the table below, the Board of Directors is comprised of individuals from diverse backgrounds and experiences. The Board believes that each director possesses unique qualifications, skills and attributes that complement the performance of the full Board. The experiences that each has obtained from their respective professional backgrounds, as set forth individually in the table below, have qualified them to serve on the Board of Directors. The Board also believes that the directors work together well and contribute individual strengths and skills to effectively carry out the Board's duties.

The nominees for election as directors are:

Name	Age	Principal Occupation, Directorships and Qualifications	Director Since
David R. Emery	72	Mr. Emery serves as Executive Chairman of the Board of Directors of the Company. Mr. Emery served as the Chairman and Chief Executive Officer of the Company from its founding until December 30, 2016. His understanding of the business of the Company and his leadership role since founding the Company in 1992 have enabled him to provide unique insight and leadership to the Board. His significant equity stake in the Company has also further aligned the Board with shareholder interests.	1993
Todd J. Meredith	42	Mr. Meredith was appointed President and Chief Executive Officer of the Company on December 30, 2016. Previously, he served as the Company's Executive Vice President - Investments, where he was responsible for overseeing the Company's investment activities, including the acquisition, financing, and development of medical office and other outpatient medical facilities. Mr. Meredith provides the board with strategic vision and depth of understanding of the Company's business from his many years of experience in directing and shaping key aspects of the business.	Nominee
Nancy H. Agee	64	Ms. Agee has served as the Chief Executive Officer of Carilion Clinic, a not-for-profit health care organization based in Roanoke, Virginia, since 2011. From 2001 to 2011, she served as the Chief Operating Officer of Carilion Clinic. Ms. Agee also serves as a director of RGC Resources, Inc., an energy company located in Roanoke, Virginia and HomeTown Bankshares Corporation, a state chartered bank located in Roanoke, Virginia. As the Chief Executive Officer of a leading health system, Ms. Agee provides the Board with valuable insight regarding the real estate needs and concerns of major health systems.	2016
Charles Raymond Fernandez, M.D.	73	Dr. Fernandez retired in August 2008 as Chief Executive Officer of the Piedmont Clinic in Atlanta, Georgia. As a medical doctor, Dr. Fernandez's experience	1993

provides the Board with insight regarding matters of importance to the Company's physician tenants. His experience in managing a large clinic of doctors provides particularly valuable insight regarding physician perspectives and hospital relationships.

Peter F. Lyle, Sr.	52	Mr. Lyle serves as the Vice President of Health Systems, Pharma and Medical Practice Services at Medical Management Associates, Inc., a health care consulting group based in Atlanta, Georgia. Mr. Lyle's experience in advising health systems and physician practices on key aspects of practice management adds to the Board's understanding of the business and delivery of healthcare services.	2016
--------------------	----	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------

Edwin B. Morris III	77	Mr. Morris previously served as Managing Director for Morris & Morse Company, Inc., a real estate advisory and investment firm in Boston, Massachusetts. Mr. Morris' experience in real estate financing and investment is valued for the Board's evaluation and oversight of the Company's investment opportunities and strategies.	1993
John Knox Singleton	68	Mr. Singleton is Chief Executive Officer of Inova Health System headquartered in Falls Church, Virginia. He also serves as a director of Washington Mutual Investors Fund and Virginia Tax Exempt Fund, each a mutual fund located in Washington, D.C. The experience Mr. Singleton has gained in these roles has enabled him to provide the Board with insight regarding the business of large not-for-profit health systems, as well as general compensation practices and governance matters.	1993
Bruce D. Sullivan, CPA	76	Mr. Sullivan retired in October 2001 as managing partner of the Nashville office of Ernst & Young LLP. Mr. Sullivan is a certified public accountant and also serves as a director of two small private companies. Mr. Sullivan's financial expertise has added strength to the Board as an audit committee financial expert. Additionally, the experience he gained in public accounting has added depth of knowledge to the Board regarding matters of finance, accounting and risk oversight.	2004
Christann M. Vasquez	56	Ms. Vasquez has served as the President of Dell Seton Medical Center at the University of Texas, a teaching hospital located in the downtown health center of Austin, Texas, since August 2014. From August 2009 to August 2014, Ms. Vasquez was the Executive Vice President and Chief Operating Officer of University Health System in San Antonio, Texas. Ms. Vasquez's extensive experience in healthcare operations and leadership roles with large health systems further expands the Board's understanding of the operational planning and concerns associated with the delivery of healthcare services in major markets by leading health systems.	2015

Except as indicated, each of the nominees has had the principal occupation indicated for more than five years. Each nominee has consented to be a candidate and to serve if elected.

The Board of Directors recommends that the shareholders vote FOR the election of all of the proposed nominees to the Board of Directors.

CORPORATE GOVERNANCE

Leadership Structure

On December 30, 2016, the Company separated the Chairman of the Board and Chief Executive Officer positions, which had previously been combined and held by Mr. Emery. On that date, Mr. Emery was appointed to serve as the Executive Chairman of the Board of Directors and Mr. Meredith was appointed to serve as the President and Chief Executive Officer of the Company. The Board of Directors believes that separation of these roles is appropriate given the continuity provided by Mr. Emery's continued involvement on the Board and Mr. Meredith's long tenure with the Company and the leadership abilities that he has demonstrated to the Board of Directors.

Lead Independent Director; Non-Management Executive Sessions; Communicating with the Board
 Periodically, the independent directors meet in executive session. The non-management directors have appointed Edwin B. Morris III as lead director to preside over the non-management executive sessions. During 2016, the non-management directors held three executive sessions. Any interested party may communicate with the non-management directors as a group by contacting Mr. Morris in writing c/o Healthcare Realty Trust Incorporated, 3310 West End Avenue, Suite 700, Nashville, Tennessee 37203. Any interested party may communicate directly with the full Board of Directors or any individual director by writing to Healthcare Realty Trust Incorporated, 3310 West End Avenue, Suite 700, Nashville, Tennessee 37203, Attention: Secretary. The Secretary of the Company will review all correspondence intended for the entire Board and will forward to the Board copies of all correspondence that, in the opinion of the Secretary, deals with the functions of the Board or committees thereof or that he otherwise determines requires their attention.

Committee Membership

The Board of Directors has a Corporate Governance Committee, Audit Committee, and Compensation Committee. The Board of Directors has adopted written charters for each committee. The committee charters are posted in the Corporate Governance section of the Company's website, www.healthcarerealty.com, under the "Investor Relations" tab and are available in print free of charge to any shareholder who requests a copy.

All committee members are non-employee, independent directors. Additionally, if elected to the Board, Mr. Meredith will not be appointed to serve on any of the committees. The following table sets forth the current members of the committees:

Name	Corporate Governance	Audit	Compensation
Nancy H. Agee (1)		X	
David R. Emery			
Charles Raymond Fernandez, M.D. (2)		X	
Peter F. Lyle, Sr.			X
Edwin B. Morris III			(X)
John Knox Singleton			X
Bruce D. Sullivan (1)	X	(X)	
Christann M. Vasquez (2)	X		
Dan S. Wilford (2)	(X)		

() Chair

(1) The Board has determined that Ms. Agee and Mr. Sullivan meet the criteria to be audit committee financial experts.

Mr. Wilford's term expires at the annual meeting and he has not been nominated by the Board of Directors to stand (2) for reelection. The Board expects that Ms. Vasquez will be the chair of the Corporate Governance Committee following annual meeting and that Dr. Fernandez will join the Corporate Governance Committee as a member.

Committee Duties

Corporate Governance Committee Four meetings in 2016

• Reviews and implements the Corporate Governance Committee charter and reports to the Board.

• Develops and implements policies and practices relating to corporate governance.

• Monitors implementation of the Company's Corporate Governance Principles.

• Develops criteria for selection of members of the Board.

• Seeks individuals qualified to become Board members for recommendation to the Board.

• Evaluates the independence and performance of individual directors.

Audit Committee Five meetings in 2016

• Reviews and implements the Audit Committee charter and reports to the Board.

• Selects the Company's independent registered public accounting firm, whose duty it is to audit the consolidated financial statements and internal control over financial reporting of the Company for the fiscal year in which it is appointed, and has the sole authority and responsibility to pre-approve all audit and audit-related fees and terms, as well as all significant permitted non-audit services by the Company's independent registered public accounting firm.

• Meets with the Company's independent auditors at least quarterly, both together with management and separately, to review and discuss the scope of the audit and all significant matters related to the audit.

• Meets at least annually with key members of management in separate executive sessions, including the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Corporate Counsel, the Chief Accounting Officer, the heads of investments, corporate finance, technology services, leasing and management, taxation, and compliance and internal audit to discuss the Company's internal controls over financial reporting, the completeness and accuracy of the Company's financial statements and any other matters that the Committee or any of these persons believe should be discussed privately.

•

Reviews the adequacy and effectiveness of the Company's internal control over financial reporting with management, the internal audit function, and the independent auditors.

4

Reviews the Company's financial statements, Forms 10-Q and 10-K, the earnings press releases and supplemental information and discusses them with the Company's Chief Financial Officer and Chief Accounting Officer and the independent auditors.

- Reviews and discusses with management the Company's major financial risk exposures and steps taken by management to monitor and mitigate such exposure.
- Reviews and discusses new accounting pronouncements with the Chief Financial Officer, Chief Accounting Officer and the external auditors to assess applicability to and the effect on the Company.
- Performs an annual evaluation of the independent auditors' qualifications, assessing the firm's quality of service; the firm's sufficiency of resources; the quality of the communication and interaction with the firm; and the firm's independence, objectivity, and professional skepticism. The Audit Committee also considers the advisability and considers the impact of selecting a different independent auditor.
- Discusses items of interest or concern to the Audit Committee with management, the internal audit function and/or the external auditors.

Compensation Committee Seven meetings in 2016

Reviews and implements the Compensation Committee charter and reports to the Board.

Annually reviews corporate performance relevant to the compensation of the Company's executive officers and key employees.

Establishes a general compensation policy and approves salaries paid to the Chief Executive Officer and the other executive officers named in the Summary Compensation Table that appears under the section entitled "Executive Compensation" in this Proxy Statement (collectively, the "Named Executive Officers") and fees paid to directors.

Administers the Company's incentive stock plans and employee stock purchase plan. Determines, subject to the provisions of the Company's plans, the directors, officers and employees of the Company eligible to participate in each of the plans, the extent of such participation and the terms and conditions under which benefits may be vested, received or exercised.

Gives consideration to the development and succession of the Named Executive Officers.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") that applies to all officers, directors, and employees of the Company, including its principal executive officer, principal financial officer, principal accounting officer, controller, or persons performing similar functions. The Code of Ethics is posted in the Corporate Governance section of the Company's website, www.healthcarerealty.com, under the "Investor Relations" tab and is available in print free of charge to any shareholder who requests a copy. Interested parties may address a written request for a printed copy of the Code of Ethics to Healthcare Realty Trust Incorporated, 3310 West End Avenue, Suite 700, Nashville, Tennessee 37203, Attention: Investor Relations. The Company intends to satisfy the disclosure requirement regarding any amendment to or a waiver of a provision of the Code of Ethics for the Company's principal executive officer, principal financial officer, principal accounting officer, controller, or persons performing similar functions by posting such information on its website.

Director Resignation Policy

The director resignation policy provides that, in an uncontested election, any director who receives a greater number of withheld votes than votes for election must tender his or her resignation to the Board promptly following certification of the shareholder vote. Upon such resignation, the Corporate Governance Committee will have 45 days following certification of the shareholder vote to consider the resignation and recommend to the Board whether or not to accept such resignation. Following the recommendation of the Corporate Governance Committee, the Board must decide within 90 days following certification of the shareholder vote whether or not to accept the resignation. After making its decision, the Board will promptly disclose the decision in a Form 8-K filed with the SEC. The director resignation policy is included in the Company's Corporate Governance Principles, which are posted in the Corporate Governance section of the Company's website at www.healthcarerealty.com under the "Investor Relations" tab.

Meeting Attendance

The Board of Directors held a total of seven meetings in 2016. Each director attended at least 75% of the meetings of the Board and committees of the Board on which such director served. The Company has not adopted a formal policy regarding director

5

attendance at annual meetings of shareholders, but encourages each member of the Board of Directors to attend. Two members of the Board attended the 2016 Annual Meeting of Shareholders.

Director Education

The Corporate Governance Committee has adopted a set of education guidelines and encourages all directors to pursue ongoing education and development studies on topics that they deem relevant given their individual backgrounds and committee assignments on the Board of Directors. Each director is requested to attend at least one director education program every three years. The Company pays for each director's expenses incurred to attend director education programs.

Risk Oversight

The Board of Directors is responsible for overseeing the Company's overall risk management as part of determining a business strategy designed to provide long-term value to the Company's shareholders. The Board of Directors oversees the Company's exposure to risk through various means, including specific communications with management. Board deliberations involving strategy and operational initiatives are integrated with reviews of risk exposure to the Company. In addition to reviewing significant transactions, such as capital raises or investments, for consistency with the Company's risk profile, the Board annually reviews risks affecting the Company as part of management's review of appropriate risk factor disclosures. The Board regularly communicates with members of the management team, including officers responsible for identifying potential investments and bringing those investments to fruition, either through acquisition or development. The Board also discusses with management on at least a semi-annual basis the Company's internal forecast, including discussions regarding the Company's acquisition and development pipeline. The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities by monitoring, reviewing and discussing the Company's financial risk exposures. The Audit Committee considers enterprise level risks and financial risks and discusses with management those risks and the measures taken by the management team to mitigate such risks. The Compensation Committee assesses risks related to the Company's executive compensation programs, as discussed further on page 19 of this Proxy Statement. The Company believes that these interactions between the Board and the management team regarding risk exposures and mitigation strengthen and focus the combined efforts of management and the Board on developing strategies that contain risk and enhance long-term shareholder value.

Independence of Directors

The Board of Directors has adopted a set of Corporate Governance Principles (the "Principles") addressing, among other things, standards for evaluating the independence of the Company's directors. The full text of the Principles can be found in the Corporate Governance section of the Company's website, www.healthcarerealty.com, under the "Investor Relations" tab. A copy may also be obtained upon request from the Company's Secretary.

Pursuant to the Principles, the Board undertook its annual review of director independence under the leadership of the Corporate Governance Committee in January 2017. During this review, the Corporate Governance Committee and the Board considered transactions and relationships between each director and nominee or any member of his or her immediate family and the Company and its subsidiaries, affiliates and equity investors. The Corporate Governance Committee and the Board also examined transactions and relationships between directors and nominees or their affiliates and members of senior management or their affiliates. As provided in the Principles, the purpose of this review was to determine whether any such relationship or transaction was inconsistent with a determination that a director or nominee is independent.

To aid in making its annual review of director and nominee independence, the Board has adopted categorical standards for determining independence consistent with New York Stock Exchange requirements. A director or nominee is independent unless:

- The director or nominee is or has been an employee of the Company within the past three years or has an immediate family member that is or has been an executive officer of the Company within the past three years;
- The director or nominee, or his or her immediate family member, has received more than \$120,000 within any of the past three years in direct compensation from the Company, other than director and committee fees and pension or

other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(A) The director or nominee, or his or her immediate family member, is a current partner of a firm that is the Company's internal or external auditor; (B) the director or nominee is a current employee of such firm; (C) the director or nominee has an immediate family member who is a current employee of such firm and who participates in the Company's audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or nominee, or his or her immediate family member, was within the last three years (but is no longer) a partner or employee of such firm and personally worked on the Company's audit within that time;

The director or nominee, or his or her immediate family member, has been employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee within the past three years;

The director or nominee is a current employee, or has an immediate family member that is an executive officer of a company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such company's consolidated gross revenues within the past three years; or

The director or nominee has any other material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company.

In addition to the above criteria, with respect to members of the Compensation Committee, the Board considers all factors relevant to determining whether a director has a relationship to the Company that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member. Specifically, the Board considers the source of compensation of such director, and whether the director receives compensation from any person or entity that would impair his or her ability to make independent judgments about executive compensation. The Board also considers whether the director is affiliated with the Company, any subsidiary of the Company or any affiliate of a subsidiary of the Company.

As a result of this review, the Board affirmatively determined that, except for Mr. Emery and Mr. Meredith, all of the directors and nominees are independent of the Company and its management under the standards adopted pursuant to the Principles.

Director Nominee Evaluation Process

The Corporate Governance Committee is responsible for developing and implementing policies and practices relating to corporate governance. As part of its duties, the Corporate Governance Committee develops and reviews background information on candidates for the Board and makes recommendations to the Board regarding such candidates. The Committee also prepares and supervises the Board's annual review of director independence and the Board's performance self-evaluation. A copy of the Corporate Governance Committee's charter can be found in the Corporate Governance section of the Company's website, www.healthcarerealty.com, under the "Investor Relations" tab. Once the Corporate Governance Committee has identified a prospective nominee, the Corporate Governance Committee reviews the information provided to the Corporate Governance Committee with the recommendation of the prospective candidate, as well as the Corporate Governance Committee's own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation or others. The preliminary determination is based primarily on the need for additional Board members to fill vacancies or expand the size of the Board and the likelihood that the prospective nominee can satisfy the evaluation factors described below. The Corporate Governance Committee then evaluates the prospective nominee against the following standards and qualifications:

• The ability of the prospective nominee to represent the interests of the shareholders of the Company;

• The prospective nominee's standards of integrity, commitment and independence of thought and judgment;

• Whether the prospective nominee would meet the Company's criteria for independence in accordance with the Principles and as required by the New York Stock Exchange;

The prospective nominee's ability to dedicate sufficient time, energy and attention to the diligent performance of his or her duties, including the prospective nominee's service on other public company boards, as specifically set out in the Principles; and

• The extent to which the prospective nominee contributes to the range of talent, skill and expertise appropriate for the Board.

The Corporate Governance Committee also considers other relevant factors as it deems appropriate, including the current composition of the Board, the need for Audit Committee expertise and the evaluations of other prospective nominees. The Corporate Governance Committee has no specific policy regarding director diversity. In connection with this evaluation, the Corporate Governance Committee determines whether to interview the prospective nominee

and, if warranted, one or more members of the Corporate Governance Committee, and others as appropriate, interview prospective nominees in person or by telephone. After completing this evaluation, the Corporate Governance Committee makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines whether to nominate such persons after considering the recommendation and report of the Corporate Governance Committee.

Shareholder Recommendation or Nomination of Director Candidates

The Company has not received any shareholder recommendations of director candidates with regard to the election of directors covered by this Proxy Statement or otherwise. The Corporate Governance Committee has not specifically adopted a policy regarding the consideration of shareholder nominees for directors, but its general policy is to welcome and consider any recommendations for future nominees. The Corporate Governance Committee will consider for nomination as director of the Company any director candidate recommended or nominated by shareholders in accordance with the process outlined below.

Shareholders wishing to recommend candidates for consideration by the Corporate Governance Committee may do so by providing the candidate's name, qualifications and other pertinent information in writing to the Corporate Governance Committee, c/o Secretary, Healthcare Realty Trust Incorporated, 3310 West End Avenue, Suite 700, Nashville, Tennessee 37203.

Such information should include:

- The name and address of the shareholder who intends to make the nomination(s) and of the person or persons to be nominated;

- A representation that the shareholder is a holder of record or a beneficial holder of stock of the Company entitled to vote at the meeting (including the number of shares the shareholder owns and the length of time the shares have been held) and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;

- A description of all relationships, arrangements, and understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder;

- Such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC (whether or not such rules are applicable) had each nominee been nominated, or intended to be nominated, by the Board of Directors, including the candidate's name, biographical information, and qualifications; and

- The written consent of each nominee to serve as a director of the Company if so elected, with such written consent attached thereto.

The bylaws of the Company provide that any shareholder who is entitled to vote for the election of directors at a meeting called for such purpose may nominate persons for election to the Board of Directors subject to the following notice requirements. This is the procedure to be followed for direct nominations, as opposed to recommendation of nominees for consideration by the Corporate Governance Committee. To be timely for the 2018 annual meeting, such notice must be received by the Company at its executive offices no earlier than October 22, 2017 nor later than November 21, 2017.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of January 31, 2017, the beneficial ownership of the Company's equity securities as determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, all Company securities over which the directors, nominees and executive officers directly or indirectly have or share voting or investment power are listed as beneficially owned. As of January 31, 2017, there were 116,440,289 shares of the Company's Common Stock outstanding.

Name of Beneficial Owner	Common Shares Beneficially Owned		Percent of Common Shares Beneficially Owned	
David R. Emery	1,148,520	(1)(2)	*	
Todd J. Meredith	354,271	(3)	*	
J. Christopher Douglas	101,941	(4)	*	
John M. Bryant, Jr.	169,641	(5)	*	
B. Douglas Whitman, II	154,905	(6)	*	
Robert E. Hull	59,775	(7)	*	
Nancy H. Agee	3,555	(8)	*	
Charles Raymond Fernandez, M.D.	13,583	(9)	*	
Peter F. Lyle, Sr.	2,455	(8)	*	
Edwin B. Morris III	35,837	(9)	*	
John Knox Singleton	32,829	(10)	*	
Bruce D. Sullivan	28,202	(9)(11)	*	
Christann M. Vasquez	2,455	(8)	*	
Dan S. Wilford	42,057	(9)(12)	*	
All executive officers, directors and nominees to be director as a group (14 persons)	2,150,026		1.85	%
The Vanguard Group	17,941,556	(13)	15.48	%
BlackRock, Inc.	14,329,285	(14)	12.40	%
T. Rowe Price Associates, Inc.	7,468,359	(15)	6.40	%
FMR LLC	7,348,518	(16)	6.34	%
Invesco Ltd.	7,259,559	(17)	6.30	%

*Less than 1%

(1) Includes 866,407 shares held indirectly through family trusts where Mr. Emery is a beneficiary, but has no voting or investment power with respect to the shares owned by the trusts.

(2) Includes 275,470 shares of restricted stock.

(3) Includes 349,551 shares of restricted stock.

(4) Includes 97,786 shares of restricted stock.

(5) Includes 113,467 shares of restricted stock.

(6) Includes 122,243 shares of restricted stock.

(7) Includes 57,968 shares of restricted stock.

(8) Includes 2,455 shares of restricted stock.

(9) Includes 5,490 shares of restricted stock.

(10) Includes 7,224 shares of restricted stock, 3,306 shares owned in an IRA, and 17,025 shares owned in a living trust.

(11) Includes 3,004 shares owned by Mr. Sullivan's wife.

(12) Includes 4,164 shares held in trust.

(13)

Edgar Filing: HEALTHCARE REALTY TRUST INC - Form PRE 14A

Information is based on a Schedule 13G filed on February 13, 2017 by The Vanguard Group, Inc., an investment adviser located at 100 Vanguard Blvd., Malvern, Pennsylvania 19355. The Vanguard Group, Inc. reported that it possesses the sole power to vote 285,548 shares, shared power to vote 137,177 shares, sole power to dispose of 17,673,316 shares and shared power to dispose of 268,240 shares of the Common Stock. The Vanguard Group, Inc.

reports that the reported shares held by its subsidiaries are as follows: Vanguard Fiduciary Trust Company is the beneficial owner of 131,063 shares as a result of its serving as investment manager of collective trust accounts; and Vanguard Investments Australia, Ltd. is the beneficial owner of 291,662 shares as a result of its serving as investment manager of Australian investment offerings. Vanguard Specialized Funds - Vanguard REIT Index Fund reported on a Schedule 13G filed on February 13, 2017, that it possesses the sole power to vote 8,798,057 shares of the Common Stock beneficially held by The Vanguard Group, Inc. Vanguard Specialized Funds - Vanguard REIT Index Fund is an investment firm located at 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

(14) Information is based on a Schedule 13G filed on January 12, 2017 by BlackRock, Inc., a holding company located at 55 East 52nd Street, New York, New York 10055. BlackRock, Inc. reported that, through various of its subsidiaries, it possesses the sole power to vote 14,030,228 shares and to dispose of 14,329,285 shares of the Common Stock.

(15) Information is based on a Schedule 13G filed on February 7, 2017 by T. Rowe Price Associates, Inc., an investment firm located at 100 E. Pratt Street, Baltimore, Maryland 21202. T. Rowe Price Associates, Inc. reported that it possesses sole power to vote 765,724 shares and sole power to dispose of 7,468,359 shares of the Common Stock.

(16) Information is based on a Schedule 13G filed on February 14, 2017 by FMR LLC, an investment firm located at 245 Summer Street, Boston, Massachusetts 02210. FMR LLC reported that it possesses sole power to vote 1,293,997 shares and sole power to dispose of 7,348,518 shares of the Common Stock.

(17) Information is based on a Schedule 13G filed on February 7, 2017 by Invesco Ltd., an investment adviser located at 1555 Peachtree Street NE, Suite 1800, Atlanta, Georgia 30309. Invesco Ltd. reported that, through various of its subsidiaries, it possesses the sole power to vote 3,937,549 shares and sole power to dispose of 7,259,559 shares of the Common Stock.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of the Company's Common Stock, to file with the SEC initial reports of ownership and reports of changes in ownership of the Common Stock. These officers, directors and greater than 10% shareholders of the Company are required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file. There are specific due dates for these reports and the Company is required to report in this Proxy Statement any failure to file reports as required during 2016.

During 2016, based upon a review of these filings and written representations from the Company's directors and executive officers, the Company believes that all reports required to be filed with the SEC by Section 16(a) during the most recent fiscal year were timely filed, except for the following: (i) Amanda Callaway, the Company's Chief Accounting Officer, was granted 1,842 shares of restricted stock on February 2, 2016, which were inadvertently reported late on February 9, 2016; and (ii) John Knox Singleton acquired 2,250 shares of stock on March 1, 2016 and 2,983 shares of stock on June 9, 2016 that were inadvertently reported late on June 30, 2016 and Mr. Singleton sold 8,599 shares on August 31, 2016 that were inadvertently reported late on September 9, 2016.

PROPOSAL 2 - AMENDMENT TO COMPANY'S ARTICLES OF INCORPORATION TO INCREASE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

The Board of Directors approved at its regular meeting on January 31, 2017, and now recommends to the Company's shareholders, an amendment to the Company's Articles of Incorporation to increase the number of authorized shares of Common Stock from 150,000,000 to 300,000,000.

The Company is presently authorized to issue up to 200,000,000 shares of capital stock, consisting of 150,000,000 shares of Common Stock and 50,000,000 shares of preferred stock. As of the record date, there were _____ shares of Common Stock issued and outstanding and no shares of preferred stock outstanding. This leaves approximately _____ shares of Common Stock available for issuance. Of this number, the Company has reserved for issuance 380,011 shares under its Employee Stock Purchase Plan, 2,394,877 shares under its 2015 Stock Incentive Plan, and 424,772 shares under its Dividend Reinvestment Plan.

The Board of Directors believes that the number of authorized shares currently available for issuance is insufficient to meet the long term needs of the Company for Common Stock. Therefore, the Board of Directors has determined it is advisable and in the best interests of the Company to amend the Articles of Incorporation to increase the number of authorized shares of Common Stock by an additional 150 million shares in order to "reload" the Company's authorized Common Stock as the Company approaches the limit of its authorization. If approved, this will be the first increase in authorized shares since 1993.

The increase in authorized shares will provide the Company with flexibility to execute on strategic opportunities or to raise capital for general corporate purposes. For example, shares may be issued (i) in acquisitions of other businesses or properties or portfolios of multiple properties where the Company would have the option to use its Common Stock as consideration (rather than cash), (ii) in public or private offerings the proceeds of which could be used for acquisition and development of properties or the repayment of debt, and (iii) to provide equity incentives to employees, officers and directors. In many such situations, prompt action may be required which would not permit seeking shareholder approval to authorize additional shares for a specific acquisition or financing transaction on a timely basis. The additional authorized shares will enable the Company to act quickly as opportunities arise. The Board of Directors believes that it is important to have the flexibility to act promptly when needed. Authorized but unissued shares of Common Stock may be used by the Company from time to time as appropriate and as opportunities arise.

Shareholders of the Company will not have preemptive rights with respect to the additional shares being authorized. No further approval by shareholders would be necessary prior to the issuance of any additional shares of Common Stock, except as may be required by law or applicable New York Stock Exchange rules. Subject to Maryland law and the rules of the New York Stock Exchange, the Board of Directors could authorize the issuance of these shares of Common Stock for any corporate purpose that the Board deems advisable, which may include capital raising transactions involving the sale of equity or convertible debt securities, stock splits, stock dividends, and issuance under current or future equity compensation and incentive plans, employee stock plans, and in connection with acquisitions of individual properties or portfolios of multiple properties. Under the rules of the New York Stock Exchange, shareholder approval will be required for new equity compensation plans or to increase the number of shares of Common Stock available under existing equity compensation plans. The issuance of any additional shares of Common Stock could have the effect of diluting the percentage of stock ownership of present shareholders of the Company, which dilution could be substantial.

The Company has not proposed the increase to its authorized Common Stock with the intention of using the additional shares for anti-takeover purposes, although the Company could theoretically use the additional stock in the future to make it more difficult or to discourage an attempt to acquire control of the Company. As of this date, the Company is unaware of any pending or threatened effort to acquire control of the Company.

If this proposal is approved by the shareholders, the Company's current Articles of Incorporation will be amended to provide that the Company has the authority to issue up to 350,000,000 shares of capital stock, consisting of 300,000,000 shares of common stock, \$0.01 par value per share, and 50,000,000 shares of preferred stock, \$0.01 par value per share. This proposal does not change the number of authorized shares of preferred stock.

The full text of the proposed amendment is attached hereto as Appendix A. If the shareholders approve this proposal, the Articles of Amendment will be filed with the State Department of Assessments and Taxation of Maryland (the "SDAT") and the amendment will be effective upon the acceptance for record of the Articles of Amendment by the SDAT.

Approval of this proposal requires the affirmative vote of at least two-thirds of all votes entitled to be cast by the Company's shareholders on the matter. Abstentions and broker non-votes will not be counted as votes cast and will effectively be treated as votes against the proposal.

Our Board of Directors unanimously recommends a vote "FOR" approval of the amendment to the Articles of Incorporation increasing the number of authorized shares of Common Stock.

PROPOSAL 3 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed BDO USA, LLP ("BDO") as the Company's independent registered public accounting firm for the fiscal year 2017. Representatives of this firm are expected to be present at the Annual Meeting and will have an opportunity to make a statement and will be available to respond to appropriate questions.

The affirmative vote of a majority of the votes cast at the meeting is needed to ratify the appointment of BDO as the Company's independent registered public accounting firm for the fiscal year 2017. If the appointment is not ratified, the matter will be referred to the Audit Committee for further review. Abstentions and broker non-votes will have no effect on the outcome of the vote on this proposal.

Audit and Non-Audit Fees

The following table details fees for professional services rendered by BDO to the Company for the last two fiscal years.

	2016	2015
Audit fees (1)	\$784,252	\$795,460
Audit-related fees	—	—
Tax fees	—	—
All other fees	—	—
Total	\$784,252	\$795,460

Includes fees for services related to the audit of the Company's consolidated financial statements and internal (1) control over financial reporting of \$667,838 and \$668,414, respectively, for 2016 and 2015, and fees in connection with the Company's equity and debt offerings in 2016 and 2015 of \$116,414 and \$127,046, respectively.

For the purpose of ensuring the continued independence of BDO, the Company determined that its independent registered public accounting firm will not provide consulting services to the Company. Additionally, the charter of the Audit Committee provides that the Audit Committee must pre-approve all services to be provided by the independent registered public accounting firm. Proposed services exceeding pre-approved cost levels or budgeted amounts also require specific pre-approval by the Audit Committee. All services provided by the Company's independent registered public accounting firm were pre-approved by the Audit Committee, which concluded that the provision of such services by BDO was compatible with the maintenance of such accounting firm's independence in the conduct of its auditing functions.

The Board of Directors recommends that the shareholders vote FOR ratification of the appointment of BDO USA, LLP as the Company's independent registered public accounting firm.

AUDIT COMMITTEE REPORT

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except to the extent the Company specifically incorporates this report by reference therein.

The Audit Committee of the Board of Directors of the Company consists entirely of directors who meet the independence and experience requirements of the New York Stock Exchange. Audit Committee members may serve on the audit committees of no more than three public companies.

Pursuant to the Sarbanes-Oxley Act of 2002 and rules adopted by the SEC, the Company must disclose which members, if any, of the Audit Committee are "audit committee financial experts" (as defined in the SEC's rules). The Company's Board of Directors has determined that Bruce D. Sullivan, the chairman of the Audit Committee, and Nancy H. Agee meet the criteria to be "audit committee financial experts."

The Company's management has primary responsibility for preparing the Company's Consolidated Financial Statements and implementing internal controls over financial reporting. The Company's 2016 independent registered public accounting firm, BDO, is responsible for expressing an opinion on the Company's Consolidated Financial Statements and on the effectiveness of its internal control over financial reporting.

The roles and responsibilities of the Audit Committee are set forth in its charter, which has been approved by the Board and is available on the Company's website.

As more fully described in its charter, the Audit Committee reviews the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the Consolidated Financial Statements and the reporting process. BDO is responsible for performing an integrated audit of the Company's Consolidated Financial Statements in accordance with the standards of the Public Company Accounting Oversight Board (United States of America) and expressing an opinion on the conformity of the Consolidated Financial Statements to accounting principles generally accepted in the United States of America and on the effectiveness of internal control over financial reporting. The internal audit function is responsible to the Audit Committee and the Board for testing the integrity of the financial accounting and reporting control systems and such other matters as the Audit Committee and the Board determine.

To fulfill its responsibilities, the Audit Committee has met and held discussions with management, the Company's internal audit function, and BDO concerning the Consolidated Financial Statements for the fiscal year ended December 31, 2016 and the Company's internal control over financial reporting as of December 31, 2016. Management, the internal audit function, and/or BDO made presentations to the Audit Committee throughout the year on specific topics of interest, including, among other items, the Company's (i) risk assessment process; (ii) information technology systems and controls; (iii) income tax strategy and risks; (iv) 2016 integrated audit plan; (v) updates on completion of the audit plan; (vi) critical accounting policies; (vii) assessment of the impact of new accounting guidance; (viii) compliance with the internal controls required under Section 404 of the Sarbanes-Oxley Act; (ix) ethics and compliance program; (x) strategy and management of the implementation of new systems; (xi) non-GAAP measures; and (xii) cyber security. The Audit Committee also discussed all communications required by the standards of the Public Company Accounting Oversight Board, the New York Stock Exchange and the SEC with BDO.

The Audit Committee met with BDO quarterly, both together with management and separately, to review and discuss the scope of the audit and all significant matters related to the audit, including the assignment of a new audit partner as

a result of the partner rotation rules. The Audit Committee also met with key members of management in separate executive sessions, including the Executive Chairman, Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Corporate Counsel, the Chief Accounting Officer, the heads of investments, corporate finance, technology services, leasing and management, taxation, and compliance and internal audit function to discuss the Company's internal controls over financial reporting, the completeness and accuracy of the Company's Financial Statements, and other matters.

The Audit Committee, along with the Company's management and internal audit function, reviewed BDO's performance as a part of the Audit Committee's consideration whether to reappoint the firm as the Company's independent auditors. As part of this review, the Audit Committee considered (i) the continued independence of the audit firm; (ii) evaluations of the audit firm by management and the internal audit function; (iii) the audit firm's effectiveness of communications and working relationships with the Audit Committee, management and the internal audit function; (iv) the length of time the audit firm has served as the Company's independent auditors; and (v) the quality and depth of the audit firm and the audit team's expertise and experience

in the industry. The Audit Committee also considered the advisability and potential impact of selecting a different independent registered public accounting firm.

In addition, the Audit Committee has received from BDO the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding auditor communications with the Audit Committee concerning independence, and has discussed independence with BDO.

The Audit Committee discussed with the internal audit function the Company's internal controls and reporting procedures. As part of this process, the Audit Committee continued to monitor the scope and adequacy of the Company's internal auditing program, reviewing staffing levels and steps taken to implement recommended improvements in internal procedures and controls.

Based on the Audit Committee's review of the audited Consolidated Financial Statements and discussions with management and BDO as described above and in reliance thereon, the Audit Committee recommended to the Company's Board of Directors that the audited Consolidated Financial Statements for the fiscal year ended December 31, 2016 be included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Members of the Audit Committee

Bruce D. Sullivan (Chair)

Nancy H. Agee

Charles Raymond Fernandez, M.D.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Overview

2016 Performance

In 2016, management continued to execute the Company's strategy of investing in medical office and outpatient facilities. Revenue, Funds From Operations ("FFO"), and Net Operating Income ("NOI") showed positive gains from strong internal operations and accretive new investments. Management also improved the quality of the Company's portfolio through targeted dispositions and executed a number of capital strategies that improved the Company's debt metrics.

Significant results and activities in 2016 included:

- Normalized FFO for the twelve months ended December 31, 2016 increased 11.3% over 2015 to \$178.0 million and

- Normalized FFO per diluted common share grew 1.9% to \$1.63.

The Company issued \$449.2 million of common stock in 2016 to fund investment activity and reduce leverage.

Leverage decreased from 41.8% at the end of 2015 to 33.9% at year-end 2016, and net debt to adjusted EBITDA decreased from 6.2x to 5.0x.

One-year total shareholder return totaled 9.42% and three-year shareholder return totaled 58.22%.

Annual leasing activity totaled 1,875,000 square feet related to 589 leases, including:

- 1,301,000 square feet of renewals;

 - 574,000 square feet of new and expansion leases;

 - and

- 102,000 square feet of net absorption.

- Trailing twelve month same-store NOI growth averaged 4.66%, driven by cash leasing spreads of 5.4%, tenant retention of 86.6%, contractual rent increases of 2.9%, and occupancy gains of 50 basis points.

- Net investments totaled \$192.5 million for the full year, including:

 - \$241.9 million of acquisitions, comprised of 10 on or adjacent-to-campus medical office buildings;

\$45.3 million of development and redevelopment funding; and
\$94.7 million of dispositions.

15

Total dividends paid in 2016 were \$131.8 million (\$1.20 per common share), which is equal to 74.0% of normalized FFO and 95.6% of Funds Available for Distribution ("FAD").

- On July 29, 2016, the Company entered into an amendment to its unsecured credit facility to extend the maturity date from April 2017 to July 2020, reduce the spread over LIBOR that the Company pays for borrowing, and revise the financial covenants to give the Company increased flexibility.

Reconciliations of Non-GAAP financial measures are provided on pages 38 and 39 below.

Achievement of Performance Goals in 2016

Same Store Revenue and NOI

In 2016, the maximum, target, and threshold levels for Company Performance Awards (as defined below) set by the Compensation Committee, expressed as multiples of base salary, were as follows:

Company Performance	Same Store Revenue Growth	Award Multiple	Same Store NOI Growth	Award Multiple
Maximum	4.91%	1.00x	5.45%	1.00x
Target	4.16%	0.80x	4.45%	0.80x
Threshold	2.66%	0.40x	2.45%	0.40x
	<2.66%	0x	<2.45	0x

The Company attained average trailing twelve month same store revenue growth of 3.83%. This result was driven primarily by management of the Company's key predictive growth measures: contractual rent increases; cash leasing spreads; tenant retention; and releasing yields. Based on these results, the Named Executive Officers were eligible for performance-based cash awards under the Company's Executive Incentive Plan, which was amended and restated on February 16, 2016 (the "Executive Incentive Plan"), equal to 0.69 times their base salaries, which was 86% of target.

The Company achieved average trailing twelve month same store NOI growth of 4.66%. This result was driven primarily by strong revenue growth coupled with management of operating expenses. Based on these results, the Named Executive Officers were eligible for performance-based cash awards under the Executive Incentive Plan equal to 0.835 times their base salaries, which was 104% of target.

The Company Performance Awards granted to Named Executive Officers in 2016 are shown in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table found on page 24 below.

Total Shareholder Return

The maximum, target, and threshold levels for TSR Awards (as defined below) set by the Compensation Committee for 2016, expressed as multiples of base salary, were as follows:

TSR Target Level	TSR Percentile Rank	1-Year TSR	3-Year TSR
Maximum	100	1.50x	2.50x
Target	55	0.83x	1.38x
Threshold	25	0.38x	0.63x

For the three-year period ended December 15, 2016, the Company's TSR was 58.22%, placing it at the 65th percentile of the peer group. Based on this performance, the Named Executive Officers received awards of restricted stock equal to 1.63 times their base salaries. These awards were subject to a five-year cliff vesting period. For the one-year period ended December 15, 2016, the Company's TSR was 9.42%, placing it at the 20th percentile among the peer group. Because the Company placed below the 25th percentile in one-year TSR, no awards were granted in 2016 for this metric.

The TSR Awards granted to Named Executive Officers in 2016 are shown in the Stock Awards column in the Summary Compensation Table found on page 24 below.

2016 Management Changes

On December 30, 2016, Todd J. Meredith became the Company's President and Chief Executive Officer and David R. Emery became the Executive Chairman of the Board of Directors. Mr. Emery is the founder of the Company and served as its Chief Executive Officer and Chairman of the Board since its inception in 1992. On December 30, 2016, Mr. Meredith received a grant of 200,000 shares of restricted stock in connection with his appointment that is subject to a 10-year cliff vesting period. Mr. Meredith's base salary and other terms relating to his employment with the Company are set forth on pages 20 and 28 below. On December 30, 2016, Mr. Emery received a grant of 150,000 shares of restricted stock in connection with his appointment that is subject to a five-year cliff vesting period. In addition, Mr. Emery is no longer eligible to receive awards under the Executive Incentive Plan or any other incentive compensation plans or programs after 2016.

Effective March 1, 2016, J. Christopher Douglas became the Company's Executive Vice President and Chief Financial Officer. On March 1, 2016, Mr. Douglas received a grant of 50,000 shares of restricted stock in connection with his appointment that is subject to a 10-year cliff vesting period. Mr. Douglas' base salary and other terms relating to his employment with the Company are set forth on pages 20 and 28 below.

Mr. Douglas replaced Scott W. Holmes as the Company's Executive Vice President and Chief Financial Officer effective March 1, 2016 pursuant to a previously announced transition. Mr. Holmes is identified as one of the Company's 2016 Named Executive Officers for purposes of the section entitled "Executive Compensation" in this Proxy Statement.

2017 Management Changes

On January 1, 2017, Robert E. Hull became the Company's Executive Vice President - Investments. Mr. Hull's base salary and other terms relating to his employment with the Company are set forth on pages 20 and 28 below. Mr. Hull fills the position vacated by Mr. Meredith upon his appointment to the office of President and Chief Executive Officer.

Say-on-Pay

The Company received a favorable say-on-pay vote at its 2016 Annual Meeting of Shareholders, with approximately 98.8% of the votes cast supporting the Company's executive compensation. The Compensation Committee believes that the vote reflected a favorable view of the alignment between pay and performance.

Comprehensive Compensation Policy

The Compensation Committee believes that the compensation of the Company's officers, including the Named Executive Officers, should align their interests with those of the shareholders, link executive compensation to the Company's overall performance, provide a competitive level of total compensation necessary to attract and retain talented and experienced officers, and motivate the officers to contribute to the Company's success.

Executive Incentive Plan

The Executive Incentive Plan was last modified in early 2016 to adopt several "best practice" methods for executive compensation, particularly to increase the proportion of variable pay and strengthen the link between executive compensation and Company performance. Under this plan, the Named Executive Officers may earn incentive awards in the form of cash and restricted stock based on Company performance. Company performance is measured over the relevant period against targeted financial and operational metrics set in advance by the Compensation Committee. Restricted stock awards are based on the Company's relative TSR performance over one-year and three-year periods, measured against 20 peer group companies. The one and three-year periods begin and end in early December to allow the Compensation Committee sufficient time to review and consider the results before the end of the year. Cash incentive awards are based on the Company's growth in average trailing twelve month same store revenue and NOI each quarter, measured against targets set by the Compensation Committee at the beginning of each year. The 2017

same store revenue and NOI targets are set forth in the table on page 21 below. Restricted stock awards made under the Executive Incentive Plan are granted pursuant to the Company's 2015 Stock Incentive Plan (the "2015 Incentive Plan"). The various awards available under the Executive Incentive Plan are discussed below under the heading "Components of Compensation." Currently, all of the Named Executive Officers are participants in the Executive Incentive Plan, except for Mr. Emery.

Pay For Performance

The Executive Incentive Plan is designed to directly link compensation to performance. The Company believes that the combination of objective core operating metrics and shareholder return provides the best incentive structure for the growth of long-term shareholder value. Through the Executive Incentive Plan, the Named Executive Officers are rewarded for attaining targeted growth in same store revenue and NOI and relative TSR performance. In 2016, 73% of the aggregate total compensation for Named Executive Officers was paid in the form of performance-based compensation including restricted stock having cliff vesting periods of three, five, or eight years, excluding the transition grants discussed above in "2016 Management Changes." The Compensation Committee believes that this further demonstrates alignment of the interests of the Named Executive Officers with that of the Company's shareholders.

Restricted Stock

Since inception, the Company has used restricted stock grants as the primary means of delivering long-term incentive compensation to its officers. These grants of restricted stock have generally been subject to cliff vesting periods ranging from three to eight years. The Compensation Committee believes that restricted stock grants with long vesting periods align the interests of officers and shareholders and provide strong incentives to the officers both to grow the value of the stock and to maintain the dividend payment. The officers personally benefit from these efforts through their restricted stock awards, which receive dividends at the same rate as unrestricted Common Stock. Prior to vesting, the restricted stock grants are subject to forfeiture in the event that the officer voluntarily leaves employment or is terminated for cause. As such, the Company's officers essentially have to earn this equity compensation twice: the first time through their efforts to meet the initial performance criteria necessary for a grant of restricted stock to be made; and the second time by continued service through the at-risk vesting period. The Company discourages the hedging of Company securities by the Named Executive Officers and directors. None of the Named Executive Officers or directors have entered into any hedging arrangements with respect to Company securities. In addition, restricted stock may not be sold, assigned, pledged or otherwise transferred. The Compensation Committee believes that restricted stock arrangements foster a focus on long-term performance by the Company's officers.

Compensation Parity

There are no material differences in the compensation policies and decisions relating to the compensation of the different Named Executive Officers.

Stock Ownership Guidelines

The Compensation Committee believes that it is in the best interests of the shareholders to encourage all employees, especially the Named Executive Officers, to increase their equity position in the Company to promote share ownership and further align employee and shareholder interests. In 2011, the Compensation Committee adopted stock ownership guidelines applicable to the Named Executive Officers and directors. Under these guidelines, the Chief Executive Officer should hold Common Stock with a fair market value equal to five times his current base salary, net of elective deferrals, as of April 1 each year. All executive vice presidents should hold Common Stock with a fair market value equal to three times their current base salary, net of elective deferrals, as of April 1 each year. Each non-employee director should hold common stock with a fair market value equal to three times such director's then current annual retainer. The guidelines provide that all owned stock, both restricted and unrestricted, counts towards the ownership guidelines for officers and directors. Officers and directors who are subject to these guidelines have five years from the date that they first become subject to the guidelines to comply with its terms. As of January 31, 2017, all of the Company's non-employee directors and the Named Executive Officers met the stock ownership guidelines, except for three board members recently elected for the first time in 2015 and 2016 who will have five years to meet the guidelines. As of January 31, 2017, the multiples of stock held to base salary for the Named Executive Officers, excluding the effect of any elective salary deferral, were as follows:

Named Executive Officer	Fair market value of stock holdings as multiple of current base salary
David R. Emery	99.1x

Todd J. Meredith	15.3x
J. Christopher Douglas	7.0x
John M. Bryant, Jr.	11.6x
Robert E. Hull	4.1x
B. Douglas Whitman, II	10.6x

Compensation "Clawbacks"

If the Company is required to restate its financial statements as a result of misconduct, Section 304 of the Sarbanes-Oxley Act requires the Chief Executive Officer and the Chief Financial Officer to reimburse the Company for: (i) any bonus or other incentive-based or equity-based compensation received during the 12 months following the public issuance of the financial statements; and (ii) any profits realized from the sale of Company securities during those 12 months. Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act directs the SEC to promulgate additional rules requiring companies listed on stock exchanges to adopt policies regarding the recovery of executive compensation from executive officers for accounting restatements resulting from material noncompliance with any financial reporting requirement under the securities laws. On July 1, 2015, the SEC proposed rules under this directive for comment by the public. The Compensation Committee is awaiting the adoption and publication of the final rules, upon which it plans to adopt policies commensurate with these new rules and appropriate for the Company.

Compensation Methodology

Compensation Committee's Governance

The Compensation Committee approves salaries and makes other compensation decisions for the Named Executive Officers and the Company's directors. The Compensation Committee also approves stock-based compensation awarded under the 2015 Incentive Plan to other officers and employees. Salaries and other compensation decisions for all other officers and employees are made by management within the parameters of the Company's compensation policies and plans.

The Compensation Committee meets at least four times a year in conjunction with the quarterly meetings of the full Board of Directors and more often if necessary. Prior to each regular meeting, members of the Company's management send materials to each of the Compensation Committee members, including minutes of the previous meeting, an agenda and recommendations for the upcoming meeting, and other materials relevant to the agenda items. Officers of the Company attend the Compensation Committee meetings as requested by the committee. These officers provide information and discuss performance measures with the Compensation Committee relating to officer compensation. After every quarterly meeting, the Compensation Committee holds an executive session consisting only of the committee members and also frequently meets with the Chief Executive Officer outside the presence of other officers.

The Compensation Committee reviews and approves, in advance, employment, severance or similar arrangements or payments to be made to any Named Executive Officer. The Compensation Committee annually reviews all of the perquisites paid to the Named Executive Officers, as well as their compliance with the Company's policies regarding perquisites.

Compensation Risk Assessment

The Compensation Committee believes its compensation policies and practices do not promote excessive risk-taking and are not likely to have a material adverse effect on the Company. In particular, the Compensation Committee believes that the following factors mitigate excessive risk-taking by the Named Executive Officers:

The use of restricted stock, with long vesting periods during which the stock cannot be sold, provides an incentive to the Named Executive Officers to make decisions that contribute to long-term growth of the Company, the stability of NOI, and the delivery of dividends to stockholders.

The maximum potential cash and stock incentive payments are capped at levels such that total compensation would remain comparable within the peer group.

The Compensation Committee retains broad discretionary authority to adjust annual awards and payments, which further mitigates risks associated with the Company's compensation plans and policies.

Peer Group

For 2016, the Compensation Committee used the companies listed below as the peer group against which to measure the Company's relative one-year and three-year TSR performance. The peer group is selected each year in accordance with the Executive Incentive Plan. The Executive Incentive Plan provides a mechanism for determining the peer

group, which the Compensation Committee believes provides for the most closely comparable companies with respect to market capitalization, revenue, and appropriate pay levels. The plan provides that all publicly-traded equity REITs are sorted by market capitalization, with externally managed REITs and REITs with less than five years of operating history excluded. The 10 companies with market capitalizations immediately larger and the 10 companies immediately smaller than the Company are selected as the peer group. The following companies comprised the peer group for 2016:

19

Acadia Realty Trust	Healthcare Trust of America	Piedmont Office Realty Trust
Brandywine Realty Trust	Highwoods Properties, Inc.	PS Business Parks Inc.
DCT Industrial Trust Inc.	Hudson Pacific Properties Inc.	Retail Properties of America
EPR Properties	LaSalle Hotel Properties	Sun Communities Inc.
Equity Commonwealth	Life Storage, Inc.	Sunstone Hotel Investors Inc.
Equity One, Inc.	Medical Properties Trust Inc.	Tanger Factory Outlet Centers
First Industrial Realty Trust	National Health Investors Inc.	

The Compensation Committee will determine the peer group for 2017 at its first regularly scheduled meeting following the end of the first quarter of 2017.

Compensation Consultant

The Compensation Committee retains Ernst & Young LLP (“Ernst & Young”) as its independent compensation consultant to advise it regarding market trends and practices in executive compensation and with respect to specific compensation decisions. The Compensation Committee’s policy is to meet annually with the compensation consultant to discuss executive compensation trends. The consultant also attends Compensation Committee meetings periodically. Ernst & Young participated by telephone in one of the Compensation Committee’s meetings in 2016, during which it provided a review of recent trends and developments in compensation practices within the Company’s industry and in general.

Ernst & Young received an aggregate of \$32,500 for its compensation consulting services provided to the Compensation Committee in 2016.

Components of Compensation

Elements of Pay

In 2016, the Company’s compensation program for its Named Executive Officers consisted of the following key elements:

- annual base salaries that are paid in cash;
- the potential for Company performance awards that are based on defined performance targets set by the Compensation Committee and which are paid in cash;
- the potential for TSR awards that are paid in the form of restricted stock and which are based on the Company’s TSR performance relative to the peer group; and
- elective salary deferral, allowing Named Executive Officers to increase their holdings of Company stock, further aligning interests with shareholders and subjecting the value of elective restricted stock to market risk and risk of forfeiture.

Annual Base Salary

The Compensation Committee monitors the base compensation for comparable executive officers in the peer group as data points, but does not benchmark to a particular percentile. The Compensation Committee believes that the current levels of base salary for the Named Executive Officers are competitive and reasonable compared to the peer group and will continue to review that periodically. The Compensation Committee expects that any growth in pay for the Named Executive Officers will come in the form of variable, performance-based pay rather than base salary. The base salary of the Company’s Named Executive Officers for 2017, before any elective deferral of cash in the form of restricted stock, is as follows:

Named Executive Officer	2017 Base Salary
David R. Emery Executive Chairman of the Board of Directors	\$350,000
Todd J. Meredith President and Chief Executive Officer	\$700,000

J. Christopher Douglas Executive Vice President and Chief Financial Officer	\$440,721
John M. Bryant, Jr. Executive Vice President and General Counsel	\$440,721
Robert E. Hull Executive Vice President - Investments	\$440,721
B. Douglas Whitman, II Executive Vice President - Corporate Finance	\$440,721

Company Performance Awards

Company Performance Awards are based on the achievement of specific Company performance targets and include growth in same store NOI and same store revenue. The specific targets are established by the Compensation Committee and are set forth in the tables below, with potential awards expressed as multiples of base salary. These two potential awards operate independently of one another and are payable in cash. For purposes of the Company Performance Awards, same store NOI and revenue growth are measured on a trailing twelve months basis each quarter. The potential awards are scaled against performance measures, offering the Named Executive Officers the opportunity to receive amounts equal to a maximum of 1.0 times their base salaries for growth in same store NOI and 1.0 times their base salaries for growth in same store revenue. The Compensation Committee believes that the potential for Company Performance Awards provides incentives for the Named Executive Officers to efficiently manage operating expenses and to sustain growth in property operating revenues.

For 2017, the Compensation Committee has established the following targets and realizable awards, expressed as multiples of base salary:

Company Performance	Same Store Revenue Growth	Award Multiple	Same Store NOI Growth	Award Multiple
Maximum	4.15%	1.00x	5.04%	1.00x
Target	3.40%	0.80x	4.04%	0.80x
Threshold	1.90%	0.40x	2.04%	0.40x
	<1.90%	0x	<2.04%	0x

The Compensation Committee may award grants on a sliding scale between the targets and multiples expressed in the table above.

Total Shareholder Return Awards

TSR Awards are based on the Company's TSR, as measured against the peer group. TSR is the sum of the appreciation in the Company's stock price plus the value of reinvested dividends over the relevant measurement period. TSR Awards can be earned each year based on one-year and three-year TSR. The Compensation Committee believes that this encourages the Named Executive Officers to create and sustain long-term shareholder value. TSR Awards are paid in the form of restricted stock subject to a five-year cliff vesting period. The number of shares awarded is based on the closing price of the Company's common stock on the last trading day of the period being measured. For administrative purposes, the periods measured end in early December to allow the Compensation Committee and the Company sufficient time to analyze and process awards before the end of the year. The vesting period guards further against short-term management decisions, as the award remains subject to the risk of forfeiture and market risk until the vesting period ends. In the event that an officer voluntarily terminates employment, retires or is terminated for cause from employment with the Company during the vesting period, the TSR Award would be forfeited. TSR Awards for one-year and three-year periods operate independently of one another, such that an officer could earn one or the other, both, or neither TSR Awards. The size of potential TSR Awards are based on multiples of base salary. The Company's TSR on a one-year and three-year basis is measured against the peer group and the Company's performance is viewed based on a percentile rank in each category.

For 2017, the one-year and three-year TSR targets and realizable awards, expressed as multiples of base salary, are as follows:

TSR Target Level	TSR Percentile Rank	1-Year TSR	3-Year TSR
Maximum	100	1.50x	2.50x
Target	55	0.83x	1.38x
Threshold	25	0.38x	0.63x

The Compensation Committee may award grants on a sliding scale between the targets and multiples expressed in the table above.

Realizable Pay

For 2017, the Executive Incentive Plan allows the Named Executive Officers to earn incentive compensation valued at approximately 6.25 times their annual base salaries (comprised of cash equal to 2.0 times and restricted stock equal to 4.25 times), assuming achievement of the maximum TSR and Company Performance Award targets and maximizing the 25% elective salary deferral option. In 2016, the Named Executive Officers earned incentive compensation of approximately 3.2 times base their salary, not including the one-time transition grants to Mr. Emery, Mr. Meredith, and Mr. Douglas.

Elective Deferral Awards

Under the elective salary deferral feature of the 2015 Incentive Plan, Named Executive Officers may elect to defer up to 25% of their base salaries in the form of shares of restricted stock subject to long-term vesting. The number of shares will be increased through a Company match depending on the length of the vesting period selected by the officer. The officer's vesting period choices are: three years for a 30% match; five years for a 50% match; and eight years for a 100% match. This program is designed to encourage share ownership and to provide officers with an incentive to remain with the Company long term. Restricted stock awarded through the salary deferral plan is subject to market risk and risk of forfeiture during the vesting period. In the event that an officer voluntarily terminates employment (including, in some cases, by retirement) or is terminated for cause from employment with the Company during the vesting period, both the shares purchased with deferred amounts and the shares received through the Company match are subject to forfeiture.

Employee Stock Purchase Plan

All employees meeting minimum service requirements, including the Named Executive Officers, are eligible to purchase shares pursuant to the Company's 2000 Employee Stock Purchase Plan (the "Purchase Plan"). As further discussed under the heading "Grants of Plan-Based Awards" in the section entitled "Executive Compensation" beginning on page 24 of this Proxy Statement, each participant is granted an option on January 1 of each year to purchase up to \$25,000 of the Company's Common Stock under the Purchase Plan.

Termination and Change-in-Control Arrangements

Under the terms of the Company's compensation plans and its employment agreements with the Named Executive Officers, the Named Executive Officers are entitled to payments and benefits upon the occurrence of specified events including termination of employment and upon a termination in connection with a change-in-control of the Company. The Company's employment agreements with its Named Executive Officers have not included single trigger change in control payments or excise tax gross up payments since 2012. The specific terms of these arrangements are discussed under the heading "Termination and Change in Control Arrangements with Named Executive Officers" under the section entitled "Post-Employment Compensation" in this Proxy Statement beginning on page 27. In the case of the employment agreements, the terms of these arrangements were agreed to after arms-length negotiations with each Named Executive Officer. The Compensation Committee believes that these arrangements are appropriate under the Company's current circumstances.

Perquisites

The Company provides its executive officers with perquisites that it believes are reasonable, competitive and consistent with the Company's overall executive compensation program. The Company believes that such perquisites help the Company to retain its executive personnel and allows them to operate more effectively. These perquisites generally include: supplemental term life insurance, supplemental disability insurance, and limited use of Company aircraft for personal travel. The Compensation Committee believes that allowing the Company's Named Executive Officers to use the Company's aircraft for personal travel provides the officers with significant convenience, safety, and security at a relatively low incremental cost to the Company.

Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation over \$1 million paid to a corporation's chief executive officer and the three other most highly compensated executive officers (excluding the chief financial officer). Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. Restricted stock issued under the Company's 2007 Employees Stock Incentive Plan (the "2007 Incentive Plan"), and its predecessor plans, and associated dividends do not qualify as performance-based compensation under Section 162(m) and therefore this compensation is subject to the deduction limit. Consequently, compensation expense in the amount of \$18,419,160 in 2016 was not deductible.

As a qualifying REIT, the Company does not pay federal income tax; therefore, the unavailability of the Section 162(m) compensation deduction to these amounts did not result in any increase in the Company's federal income tax obligations. The Company's 2015 Stock Incentive Plan, which was approved by the Company's shareholders in 2015, is expected to be compliant with Section 162(m) and will permit deduction for performance-based compensation awarded under that plan.

Retirement Benefits

All Named Executive Officers are eligible to participate in the Company's 401(k) plan, pursuant to which each participant may contribute up to the annual maximum allowed under IRS regulations (\$18,000 for 2016). All eligible participants over the age

of 50 may also contribute an additional \$6,000 per year to the plan. The Company provides a matching contribution for the first three percent of base salary contributed to the plan, up to an annual maximum of \$2,800 per employee.

COMPENSATION COMMITTEE REPORT

The following Compensation Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates this Report by reference therein.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management of the Company and, based on such review and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Members of the Compensation Committee:

Edwin B. Morris III (Chair)

Peter F. Lyle, Sr.

John Knox Singleton

EXECUTIVE COMPENSATION

Summary Compensation Table

The following Summary Compensation Table reflects the total compensation of the Company's Named Executive Officers for the three years ended December 31, 2016.

Name and Principal Position	Year	Salary(4)	Bonus	Stock Awards (5)	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings(6)	All Other Compensation (7)	Total
David R. Emery Executive Chairman of the Board (1)	2016	\$972,386	\$—	\$6,163,166	\$—	\$1,487,655	n/a	\$165,235	\$8,788,442
	2015	\$975,513	\$418,077	\$975,483	\$—	\$682,859	n/a	\$139,696	\$3,191,628
	2014	\$975,513	\$418,077	\$975,488	\$—	\$—	\$2,474,495	\$122,320	\$4,965,893
Todd J. Meredith President and Chief Executive Officer (2)	2016	\$331,837	\$—	\$7,014,053	\$—	\$672,619	n/a	\$75,453	\$8,093,962
	2015	\$330,541	\$188,880	\$1,586,528	\$—	\$—	n/a	\$47,661	\$2,153,610
	2014	\$352,577	\$188,880	\$616,436	\$—	\$—	n/a	\$17,486	\$1,175,379
J. Christopher Douglas Executive Vice President and Chief Financial Officer (3)	2016	\$418,848	\$—	\$2,205,709	\$—	\$593,931	n/a	\$38,392	\$3,256,880
John M. Bryant, Jr. Executive Vice President and General Counsel	2016	\$374,613	\$—	\$861,882	\$—	\$672,100	n/a	\$14,972	\$1,923,567
	2015	\$374,613	\$188,880	\$1,035,629	\$—	\$154,252	n/a	\$16,022	\$1,769,396
	2014	\$374,613	\$188,880	\$572,495	\$—	\$—	n/a	\$21,990	\$1,157,978
B. Douglas Whitman, II Executive Vice President - Corporate Finance	2016	\$396,649	\$—	\$817,824	\$—	\$672,100	n/a	\$34,532	\$1,921,105
	2015	\$396,649	\$188,880	\$1,454,294	\$—	\$—	n/a	\$63,634	\$2,103,457
	2014	\$396,649	\$188,880	\$528,554	\$—	\$—	n/a	\$47,977	\$1,162,060
Scott W. Holmes Former Chief Financial Officer (3)	2016	\$162,407	\$50,318	\$225,845	\$—	\$—	n/a	\$—	\$438,570
	2015	\$234,818	\$201,273	\$1,925,492	\$—	\$—	n/a	\$19,587	\$2,381,170
	2014	\$234,818	\$201,273	\$937,912	\$—	\$—	n/a	\$35,649	\$1,409,652

Mr. Emery was appointed to the office of Executive Chairman of the Board on December 30, 2016. His 2016 Stock (1) Awards column includes a transition grant of 150,000 shares of restricted stock that is subject to continued employment through a 5-year vesting period.

(2)

Mr. Meredith was appointed to the office of President and Chief Executive Officer on December 30, 2016. His 2016 Stock Awards column includes a transition grant of 200,000 shares of restricted stock that are subject to continued employment through a 10-year vesting period.

(3) Mr. Douglas was appointed to the office of Executive Vice President and Chief Financial Officer on March 1, 2016. Prior to that, he was not a Named Executive Officer. Mr. Holmes served as Chief Financial Officer in the periods presented in this table through February 29, 2016. Mr. Holmes remains employed by the Company and his compensation in 2016 reflects all amounts paid to Mr. Holmes for the full year. Mr. Douglas' 2016 Stock Awards column includes a transition grant of 50,000 shares of restricted stock that is subject to continued employment through a 10-year vesting period.

(4) Salary is net of employee elective deferrals shown in Note 5 below.

Amounts in this column represent the grant date fair value in accordance with ASC 718. The awards are described in more detail in the Grants of Plan-Based Awards section below. See Note 13 to the Consolidated Financial

(5) Statements contained in the Company's 2016 Annual Report on Form 10-K for assumptions relevant to the valuation of stock awards. The table below lists amounts included under the Stock Awards column that have been granted to the Named Executive Officers pursuant to the 2015 Incentive Plan and predecessor plans:

Name	Year	Salary Deferral Plan		Executive Incentive Plan	Management Transition Grants	Total Stock Awards
		Employee Elective Deferral Amount	Company Matching Amount(a)			
David R. Emery	2016	\$—	\$—	\$1,615,166	\$4,548,000	\$6,163,166
	2015	\$—	\$—	\$975,483		\$975,483
	2014	\$—	\$—	\$975,488		\$975,488
Todd J. Meredith	2016	\$110,172	\$110,172	\$729,709	\$6,064,000	\$7,014,053
	2015	\$110,168	\$110,167	\$1,366,193		\$1,586,528
	2014	\$87,882	\$87,882	\$440,672		\$616,436
J. Christopher Douglas	2016	\$—	\$—	\$729,709	\$1,476,000	\$2,205,709
John M. Bryant, Jr.	2016	\$66,087	\$66,086	\$729,709		\$861,882
	2015	\$66,090	\$66,089	\$903,450		\$1,035,629
	2014	\$65,912	\$65,911	\$440,672		\$572,495
B. Douglas Whitman, II	2016	\$44,058	\$44,057	\$729,709		\$817,824
	2015	\$44,051	\$44,050	\$1,366,193		\$1,454,294
	2014	\$43,941	\$43,941	\$440,672		\$528,554
Scott W. Holmes	2016	\$173,746	\$52,099	\$—		\$225,845
	2015	\$234,816	\$234,816	\$1,455,860		\$1,925,492
	2014	\$234,154	\$234,154	\$469,604		\$937,912

(a) Determined based on the restriction multiples described on page 26 of this Proxy Statement.

(6) Amount based on actuarial projections. The Executive Retirement Plan was terminated effective May 5, 2015. See page 27 for more information.

(7) Includes other compensation, benefits and perquisites which in the aggregate exceed \$10,000. The chart below details amounts included in "All Other Compensation."

Name	Year	Personal Use of Company Airplane(a)	Additional Life/Disability Insurance(b)	De Minimis Items(c)	Total All Other Compensation
David R. Emery	2016	\$129,285	\$14,740	\$21,210	\$165,235
	2015	\$121,049	\$14,740	\$3,907	\$139,696
	2014	\$91,326	\$14,740	\$16,254	\$122,320
Todd J. Meredith	2016	\$58,874	\$15,786	\$793	\$75,453
	2015	\$41,390	\$5,597	\$674	\$47,661
	2014	\$11,123	\$—	\$6,363	\$17,486
J. Christopher Douglas	2016	\$25,405	\$12,318	\$669	\$38,392
John M. Bryant, Jr.	2016	\$5,092	\$7,812	\$2,068	\$14,972
	2015	\$8,216	\$7,132	\$674	\$16,022
	2014	\$7,961	\$7,080	\$6,949	\$21,990
B. Douglas Whitman, II	2016	\$24,589	\$8,594	\$1,349	\$34,532
	2015	\$62,960	\$—	\$674	\$63,634
	2014	\$32,737	\$8,709	\$6,531	\$47,977
Scott W. Holmes	2016	\$—	\$—	\$—	\$—
	2015	\$—	\$18,913	\$674	\$19,587
	2014	\$9,433	\$18,913	\$7,303	\$35,649

Represents the total flight hours attributed to the Named Executive Officer's personal use of the Company's airplane (a) multiplied by the Company's incremental cost rates for 2016, 2015 and 2014 of \$2,712/hour, \$2,814/hour and \$2,476/hour, respectively.

- (b) Represents the Company's incremental cost for supplemental life and disability insurance policies paid on behalf of the Named Executive Officer.
- (c) Represents other benefit payments, such as amounts paid for group life and disability insurance and tax preparation services.

Grants of Plan-Based Awards

All of the Company's officers, including the Named Executive Officers, are eligible to receive performance-based compensation under the 2015 Incentive Plan, pursuant to which shares of Common Stock may be granted. The two distinct programs applicable to Named Executive Officers under the 2015 Incentive Plan are the elective deferral program and the Executive Incentive Plan, which are discussed on pages 17, 18, and 22 of this Proxy Statement. In 2016, the Company also made transition grants of restricted stock in connection with the management changes described above.

The following table supplements the Summary Compensation Table by providing more detailed disclosure of equity compensation received by the Named Executive Officers during 2016.

Name	Grant Date	Number of Full Grant	
		Shares of Stock or Units (1)	Date Fair Value of Award
David R. Emery	12/15/2016	54,548	\$1,615,166
	12/30/2016	150,000	\$4,548,000
Todd J. Meredith	1/1/2016	7,892	\$220,344
	12/15/2016	24,644	\$729,709
	12/30/2016	200,000	\$6,064,000
J. Christopher Douglas	3/1/2016	50,000	\$1,476,000
	12/15/2016	24,644	\$729,709
John M. Bryant, Jr.	1/1/2016	4,734	\$132,173
	12/15/2016	24,644	\$729,709
B. Douglas Whitman, II	1/1/2016	3,156	\$88,115
	12/15/2016	24,644	\$729,709
Scott W. Holmes	1/1/2016	8,089	\$225,845

(1) The table below shows the number of restricted shares of Common Stock issued to the Named Executive Officers in 2016 pursuant to the 2015 Incentive Plan.

Name	Elective Salary Deferral Plan		Employee Election and Incentive Transition Awards	Total Stock Awards
	Employee Deferral Shares	Company Matching Shares(a)		
David R. Emery	—	—	204,548	204,548
Todd J. Meredith	3,946	3,946	224,644	232,536
J. Christopher Douglas	—	—	74,644	74,644
John M. Bryant, Jr.	2,367	2,367	24,644	29,378
B. Douglas Whitman II	1,578	1,578	24,644	27,800
Scott W. Holmes	6,223	1,866	—	8,089

(a) Determined based on the duration of the restricted period selected by the officer and in accordance with the restriction multiples described below.

Pursuant to the elective salary deferral plan, Named Executive Officers may elect to defer up to 25% of their base salaries in 2016 in the form of shares of restricted stock. The officer must elect his or her participation level and vesting period for the coming year by December 31 of the current year. The number of restricted shares granted in January of each year is determined based on the average closing market price of the Company's Common Stock on the last ten trading days of the calendar year preceding the year in which the shares are issued. The number of shares granted will be increased by a multiple of the amount of cash deferred depending on the length of the vesting period selected by the officer. Each officer who makes this election will be awarded additional shares at no additional cost to the officer according to the following multiple-based formula:

Duration of Restriction Period	Restriction Multiple
3 years	1.3x
5 years	1.5x
8 years	2.0x

By way of example, if an officer elected to defer salary that was equivalent in value to 1,000 shares of stock and the officer elected an 8-year vesting period, the officer would receive the original 1,000 shares plus an additional 1,000 shares for electing the 8-year vesting period, resulting in a total award of 2,000 shares. This program is designed to provide the Company's officers with an incentive to remain with the Company long-term and to align their interests with that of the shareholders. The

vesting period subjects the shares obtained by the cash deferral and the restriction multiple to the risk of forfeiture in the event an officer voluntarily terminates employment or is terminated for cause from employment with the Company. Accordingly, if an officer voluntarily leaves or is terminated for cause, that officer would lose all such shares that had not yet vested.

Outstanding Equity Awards at Fiscal Year-End

The following table discloses the number of securities and market-based value of restricted shares outstanding that have not vested as of December 31, 2016.

Name	Number of Shares or Units of Stock That Have Not Vested(1)	Market Value of Shares or Units of Stock That Have Not Vested(2)
David R. Emery	275,470	\$8,352,250
Todd J. Meredith	339,118	\$10,282,058
J. Christopher Douglas	98,566	\$2,988,521
John M. Bryant, Jr.	116,944	\$3,545,742
B. Douglas Whitman, II	122,948	\$3,727,783
Scott W. Holmes	247,472	\$7,503,351

(1) Vesting dates generally range from 2017 to 2026.

(2) Based on the closing price per share of the Common Stock on the New York Stock Exchange on December 30, 2016 of \$30.32.

Stock Vested in 2016

The following table reflects the shares of restricted stock held by the Named Executive Officers that vested in 2016 and the market value of such shares on the vesting date.

Name	Number of Shares that Vested in 2016	Market Value of Shares that Vested in 2016
David R. Emery	11,444	\$346,982
Todd J. Meredith	5,170	\$156,754
J. Christopher Douglas	8,230	\$246,225
John M. Bryant, Jr.	31,060	\$930,782
B. Douglas Whitman, II	20,311	\$616,263
Scott W. Holmes	22,973	\$661,613

POST-EMPLOYMENT COMPENSATION

Retirement Plan Potential Annual Payments and Benefits

Between 1993 and 2015, the Company had in place the Executive Retirement Plan in which Mr. Emery was a participant. Effective May 5, 2015, the Company terminated the Executive Retirement Plan. The plan was subject to non-cash valuation fluctuations each year based on changes in mortality assumptions and changing discount rates. Given these fluctuations and the applicability of the plan to only a small number of Company employees, the Company decided to terminate the plan to eliminate a level of volatility and uncertainty to financial results. Mr.

Emery is the only current Named Executive Officer that was a participant under the plan. As a result of the termination, Mr. Emery received a lump sum amount in May 2016 equal to his accrued benefit under the plan of approximately \$14.4 million.

The following table discloses the material terms and estimated benefits payable to Mr. Emery in 2016 following the termination of the Company's Executive Retirement Plan, which is discussed in more detail in Note 12 to the Consolidated Financial Statements contained in the Company's 2016 Annual Report on Form 10-K:

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
David R. Emery	Executive Retirement Plan	23	\$	— \$ 14,375,215

401(k) Plan

All eligible employees may participate in the Company's 401(k) plan, pursuant to which each employee may contribute a portion of his or her salary, to an annual maximum allowed under IRS regulations (\$18,000 for 2016). Additionally, participants in the 401(k) plan receive matching contributions from the Company of up to 3% of their salary, to an annual maximum of \$2,800.

Termination and Change in Control Arrangements with Named Executive Officers

Executive Chairman of the Board

On February 16, 2016, the Company entered into a Third Amended and Restated Employment Agreement with Mr. Emery that became effective on December 30, 2016, in connection with his transition into the role of Executive Chairman of the Board. The term of this agreement ends on December 31, 2021. Mr. Emery's base salary is \$350,000. In the event of a termination not for cause, Mr. Emery would receive the remaining base salary for the term of his employment agreement and acceleration of vesting of his restricted stock awards. In the event of a termination upon a change in control, Mr. Emery would receive his remaining base salary, but not less than three times his annual base salary, and accelerated vesting of his restricted stock awards.

Chief Executive Officer

The Company has entered into a Third Amended and Restated Employment Agreement with Mr. Meredith which provides that he will serve as President and Chief Executive Officer beginning December 30, 2016. The term of Mr. Meredith's agreement renews automatically for successive one-year terms. Mr. Meredith's agreement may be terminated for a variety of reasons, including: for cause, voluntarily, death, disability, constructively, or following a change-in-control. In each case, Mr. Meredith would receive all accrued salary, bonus compensation that has been awarded but not yet paid, benefits under plans of the Company, including defined contribution or health and welfare plans, accrued vacation pay and reimbursement of appropriate business expenses.

In the case of termination other than for cause, including constructive termination, Mr. Meredith would also receive full vesting of any restricted stock awards and severance compensation equal to his base salary for a period of 24 months and two times (i) his average annual bonus compensation, if any, that he earned in the two years immediately preceding the date of termination, or (ii) \$560,000, whichever is greater. He would also be paid a pro-rated portion of the bonus and/or equity compensation that he would have earned for a given period in which the termination occurs. In the event that Mr. Meredith's agreement is terminated in connection with a change-in-control, Mr. Meredith would receive severance compensation equal to: (a) three times his annual base salary, plus (b) the greater of three times: (i) the average annual bonus compensation, if any, that he earned in the two years immediately preceding the date of termination; and (ii) \$1,120,000, plus (c) a pro-rated portion of the bonus and/or equity compensation that he would have earned for a given period in which the termination occurs.

The Company has agreed to indemnify Mr. Meredith for certain liabilities arising from actions taken within the scope of his employment. Mr. Meredith's agreement contains restrictive covenants pursuant to which he has agreed not to compete with the Company during the period of employment and any period following termination of his employment during which he is receiving severance payments, except that in the event of a change-in-control of the Company, the restrictive period shall be for one year.

Other Executive Officers

The Company has entered into employment agreements with J. Christopher Douglas, Executive Vice President and Chief Financial Officer; John M. Bryant, Jr., Executive Vice President and General Counsel; Robert E. Hull, Executive Vice President - Investments; and B. Douglas Whitman, II, Executive Vice President - Corporate Finance. Each agreement provides for an annual base salary of \$440,721 and other benefits generally available to officers of the

Company. The officers are eligible to participate in the Company's incentive programs that provide for cash and equity incentives.

28

Each employment agreement may be terminated for a variety of reasons, including: for cause, not for cause, voluntarily by the officer, death, disability, constructively, or following a change in control. In all cases, the officer would receive all accrued salary, bonus compensation that has been awarded but not yet paid, benefits under plans of the Company, including defined contribution or health and welfare plans, accrued vacation pay and reimbursement of appropriate business expenses.

In the case of a termination other than for cause, including a constructive termination, the officer would also receive full vesting of any restricted stock awards and severance compensation equal to his base salary for a period of 18 months (24 months in the case of Mr. Douglas) and two times (i) his average annual bonus compensation, if any, that he earned in the two years immediately preceding the date of termination or (ii) \$352,577, whichever is greater. He would also be paid a pro-rated portion of the bonus and/or equity compensation that he would have earned for a given period in which the termination occurs.

In the event that the Employment Agreement is terminated in connection with a “change-in-control”, the officer would receive severance compensation equal to: (a) three times his annual base salary, plus (b) the greater of two times: (i) the average annual bonus compensation, if any, that he earned in the two years immediately preceding the date of termination; and (ii) \$705,154, plus (c) a pro-rated portion of the bonus and/or equity compensation that he would have earned for a given period in which the termination occurs.

The Company has agreed to indemnify each of these officers for certain liabilities arising from actions taken within the scope of his employment. The Employment Agreement contains restrictive covenants pursuant to which the officer has agreed not to compete with the Company during the period of employment and any period following termination of his employment during which he is receiving severance payments, except that in the event of a change-in-control of the Company, the restrictive period shall be for one year.

The tables below illustrate the compensation that would have been received by each of the Named Executive Officers assuming the officer had been terminated or had been eligible to retire and had elected to retire on December 31, 2016, and that any additional conditions to vesting of restricted stock awards under restricted stock award agreements had been met.

David R. Emery Executive Chairman of Board	Voluntary Termination	Not for Cause Termination	Change-in- Control	Death or Disability	Retirement
Cash Severance Benefit(1)	\$	—\$1,750,000	\$1,750,000	\$—	\$ —
Short-Term Incentive Awards	\$	—\$—	\$—	\$—	\$ —
Accelerated Vesting of Restricted Stock(2)	\$	—\$8,352,250	\$8,352,250	\$8,352,250	\$ —
Total Value of Payments	\$	—\$10,102,250	\$10,102,250	\$8,352,250	\$ —

Todd J. Meredith President and Chief Executive Officer	Voluntary Termination	Not for Cause Termination	Change-in- Control	Death or Disability	Retirement
Cash Severance Benefit(1)	\$	—\$1,400,000	\$2,100,000	\$—	\$ —
Short-Term Incentive Awards	\$	—\$1,120,000	\$3,360,000	\$—	\$ —
Accelerated Vesting of Restricted Stock(2)	\$	—\$10,282,058	\$10,282,058	\$10,282,058	\$ —
Total Value of Payments	\$	—\$12,802,058	\$15,742,058	\$10,282,058	\$ —

J. Christopher Douglas, Executive Vice President and Chief Financial Officer	Voluntary Termination	Not for Cause Termination	Change-in- Control	Death or Disability	Retirement
Cash Severance Benefit(1)	\$	—\$881,442	\$1,322,163	\$—	\$ —
Short-Term Incentive Awards	\$	—\$705,154	\$1,410,308	\$—	\$ —
Accelerated Vesting of Restricted Stock(2)	\$	—\$2,988,521	\$2,988,521	\$2,988,521	\$ —
Total Value of Payments	\$	—\$4,575,117	\$5,720,992	\$2,988,521	\$ —

John M. Bryant, Jr. Executive Vice President and General Counsel	Voluntary Termination	Not for Cause Termination	Change-in- Control	Death or Disability	Retirement
Cash Severance Benefit(1)	\$	—\$661,082	\$1,322,163	\$—	\$ —
Short-Term Incentive Awards	\$	—\$1,015,233	\$1,410,308	\$—	\$ —
Accelerated Vesting of Restricted Stock(2)	\$	—\$3,545,742	\$3,545,742	\$3,545,742	\$ —
Total Value of Payments	\$	—\$5,222,057	\$6,278,213	\$3,545,742	\$ —

B. Douglas Whitman, II Executive Vice President – Corporate Finance	Voluntary Termination	Not for Cause Termination	Change-in- Control	Death or Disability	Retirement
Cash Severance Benefit(1)	\$	—\$661,082	\$1,322,163	\$—	\$ —
Short-Term Incentive Awards	\$	—\$860,980	\$1,410,308	\$—	\$ —
Accelerated Vesting of Restricted Stock(2)	\$	—\$3,727,783	\$3,727,783	\$3,727,783	\$ —
Total Value of Payments	\$	—\$5,249,845	\$6,460,254	\$3,727,783	\$ —

Represents the base annual salary at December 31, 2016, payable in equal semi-monthly installments over a period (1) of not less than eighteen months and not longer than sixty months, as outlined in the sections above. In certain events, the officer would have the option of taking the payments in the form of a present valued lump sum.

(2) Based upon the closing price of a share of Company's Common Stock on the New York Stock Exchange on December 30, 2016 of \$30.32.

PROPOSAL 4 - NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables the Company's shareholders to vote to approve, on a non-binding advisory basis, the compensation of the Company's Named Executive Officers as disclosed in this Proxy Statement in accordance with the SEC's rules.

As discussed in the Compensation Discussion and Analysis section of this Proxy Statement beginning on page 15, the Company's executive compensation policies are designed to align the interests of the Named Executive Officers with the interests of our shareholders, link executive compensation to the Company's overall performance, and attract, retain and motivate our Named Executive Officers. The Board believes that its executive compensation programs have been effective at appropriately aligning pay and Company performance, promoting the achievement of the long-term positive results in its performance criteria, and enabling the Company to attract and retain talented executives within its industry.

The Board is asking shareholders to indicate their support for the Named Executive Officer compensation described in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives shareholders the opportunity to express views on the Company's executive compensation for its Named Executive Officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of the Company's Named Executive Officers and the policies and procedures described in this Proxy Statement. Accordingly, the Board asks shareholders to vote "FOR" the following resolution:

RESOLVED, that the shareholders of Healthcare Realty Trust Incorporated approve, on a non-binding advisory basis, the compensation of the Named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K in the Company's proxy statement for the 2017 Annual Meeting of Shareholders.

Although this is an advisory vote that will not be binding on the Compensation Committee or the Board, the Board will carefully review the results of the vote. The Compensation Committee will also carefully consider shareholders' concerns when designing future executive compensation programs.

The Board of Directors recommends that the shareholders vote FOR the resolution approving the compensation of the Company's Named Executive Officers.

PROPOSAL 5 - NON-BINDING ADVISORY VOTE ON THE FREQUENCY OF THE VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Act requires the Company to include, at least once every six years, an advisory vote regarding the frequency of the non-binding advisory vote on executive compensation. In casting their advisory vote, shareholders may choose among four options: (1) an annual vote, (2) a vote every two years (biennial), (3) a vote every three years (triennial) or (4) to abstain from voting. The Board believes that an annual vote is most appropriate for the Company because it believes that it has become standard within its industry and that an annual vote affords the shareholders greater opportunity to provide feedback to the management team of the Company and the Board. Like the advisory vote on executive compensation, the advisory vote on the frequency of such vote is non-binding on the Compensation Committee and the Board. Although the vote is non-binding, the Company's Board and the Compensation Committee will review the voting results and will respect the expressed desire of the Company's shareholders by implementing the option, if any, that receives a majority of votes cast. Abstentions and broker non-votes will have no effect on the outcome of this advisory vote. A majority requires that one option receive more votes than the other two options taken together. If no option receives the majority of votes cast, the Board will select the annual option to be in effect until the next vote on the frequency of the vote on executive compensation.

The Board recommends that shareholders vote for an ANNUAL vote on executive compensation.

DIRECTOR COMPENSATION

Directors who are employees of the Company receive no additional compensation for their services as directors. Mr. Emery is the only current employee director on the Company's Board. For 2017, each non-employee director will receive the following compensation from the Company:

An annual retainer of \$65,000 (the chairpersons of the Audit Committee, the Compensation Committee and the Corporate Governance Committee receive additional annual retainers of \$20,000, \$15,000 and \$15,000, respectively, and the lead independent director receives an additional annual retainer of \$30,000);

• A meeting fee of \$1,500 for each Board or committee meeting attended, including any telephonic meeting that lasts more than one hour; and

• An annual grant of restricted shares of Common Stock with a market value of \$100,000 on the grant date, which is the date of the annual meeting of shareholders.

In December 2013, the Compensation Committee adopted an amendment to the way director compensation is implemented to allow each non-employee director to elect to take all or a portion of their retainer in the form of restricted stock with a one-year vesting period. For any amount that is taken in the form of restricted stock, a multiple of 1.1x is applied. One director elected to defer his retainer to receive restricted stock in 2016 and the shares that were issued in lieu of the cash retainer had a market value on the date of grant of \$54,517.

Stock Awards

Each non-employee director receives an automatic grant of restricted shares of Common Stock at the conclusion of each annual meeting, which shares are generally restricted for three years from the date of grant. During the restricted period, such shares are subject to forfeiture upon the occurrence of certain events. Restricted shares may not be sold, assigned, pledged or otherwise transferred. Subject to the risk of forfeiture and transfer restrictions, directors have all rights as shareholders with respect to restricted shares, including the right to vote and receive dividends or other distributions on such shares.

Director Compensation Table

The following table sets forth the 2016 compensation for non-employee directors:

Name	Fees Earned or Paid in Cash	Stock Awards (2)	Total
Nancy H. Agee	\$51,044	\$77,185	\$128,229
Errol L. Biggs, Ph.D. (1)	\$31,000	\$—	\$31,000
Charles Raymond Fernandez, M.D.	\$62,000	\$77,185	\$139,185
Peter F. Lyle, Sr.	\$52,544	\$77,185	\$129,729
Edwin B. Morris III (2)	\$92,000	\$77,185	\$169,185
John Knox Singleton	\$12,000	\$131,702	\$143,702
Bruce D. Sullivan (2)	\$83,000	\$77,185	\$160,185
Christann M. Vasquez	\$62,000	\$77,185	\$139,185
Roger O. West (1)	\$31,000	\$—	\$31,000
Dan S. Wilford (2)	\$71,000	\$77,185	\$148,185

(1) Mr. Biggs' and Mr. West's term expired in May 2016 and they were not nominated by the Board of Directors to stand for reelection.

(2) Includes fees associated with chairing a Committee and, in the case of Mr. Morris, serving as lead independent director.

(3) See Security Ownership of Certain Beneficial Owners and Management on page 9 for additional information about restricted stock awards. See Note 13 to the Consolidated Financial Statements contained in the Company's 2016 Annual Report on Form 10-K for assumptions relevant to the valuation of stock awards.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Board of Directors recognizes that related party transactions present a heightened risk of conflicts of interest and/or improper valuation (or the perception thereof) and therefore has adopted the following policy in connection with all related party transactions involving the Company.

Under this policy, no transaction between the Company and an officer, director or five percent or greater shareholder (including any immediate family member or controlled entity) shall be allowed unless:

the Corporate Governance Committee has approved the transaction in accordance with the guidelines set forth in the policy and the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party;

the transaction is approved by the disinterested members of the Board of Directors; or

the transaction involves compensation approved by the Compensation Committee.

No such approval is necessary for:

transactions available to all employees generally; or

transactions involving less than \$5,000 when aggregated with all similar transactions.

The Board of Directors has determined that the Corporate Governance Committee is best suited to review and approve related party transactions. Accordingly, management shall report any related party transaction to be entered into by the Company to the Corporate Governance Committee, including the proposed aggregate value of such transactions if applicable. After review, the Corporate Governance Committee shall approve or disapprove such transactions and, at each subsequently scheduled meeting, management shall update the Corporate Governance Committee as to any material change to those proposed transactions or any new transactions.

The Board of Directors recognizes that situations exist where a significant opportunity may be presented to management or a member of the Board of Directors that may equally be available to the Company, either directly or via referral. Before such opportunity may be consummated by a related party, such opportunity shall be presented to

the Corporate Governance Committee for consideration.

All related party transactions shall be disclosed to the full Board of Directors. Related party transactions will be disclosed in the Company's public filings in accordance with applicable federal securities law filings. The Company is not aware of any related party transactions that occurred in 2016.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2016, Edwin B. Morris III (chair), Charles Raymond Fernandez, M.D., Peter F. Lyle, Sr., and John Knox Singleton served on the Compensation Committee. There are no interlocks among the members of the Compensation Committee.

GENERAL INFORMATION

Electronic Access to Proxy Statement and Annual Report

The Company has elected to provide its Proxy Statement and Annual Report to Shareholders over the Internet through a “notice and access” model. The Notice of Internet Availability provides instructions on how you may access this Proxy Statement and the Annual Report to Shareholders on the Internet at <http://www.viewproxy.com/healthcarerealty/2017> or request a printed copy at no charge. In addition, the Notice of Internet Availability provides instructions on how you may request to receive, at no charge, all future proxy materials in printed form by mail or electronically by email. Your selection to receive proxy materials by mail or email will remain in effect until you revoke it.

Shareholder Proposals for 2018 Annual Meeting

Shareholder proposals, including a shareholder's direct nomination of a director, intended to be presented at the 2018 annual meeting of shareholders must comply with the SEC's proxy rules, be stated in writing and be received by the Company at its executive offices at 3310 West End Avenue, Suite 700, Nashville, Tennessee 37203 not earlier than October 22, 2017 nor later than November 21, 2017, and comply with requirements set forth in the Company's bylaws. Additionally, the proxy for next year's annual meeting will confer discretionary authority to vote on any shareholder proposal which the Company receives notice of later than the close of business on November 21, 2017.

Counting of Votes

All matters specified in this Proxy Statement will be voted on at the Annual Meeting by written ballot. Inspectors of election will be appointed, among other things, to determine the number of shares of Common Stock outstanding, the shares of Common Stock represented at the Annual Meeting, the existence of a quorum and the authenticity, validity and effect of proxies, to receive votes of ballots, to hear and determine all challenges and questions in any way arising in connection with the right to vote, to count and tabulate all votes and to determine the results.

The inspectors of election will treat shares represented by proxies that reflect abstentions or broker non-votes as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Abstentions and broker non-votes, however, do not constitute a vote “for” or “against” any matter, and thus will be disregarded in the calculation of a plurality (Proposal 1) or of “votes cast” (Proposals 3, 4, and 5).

A shareholder's broker or nominee is permitted to vote on Proposal 3, which is considered to be a routine matter, without shareholder instructions. Abstentions and broker non-votes will have the same effect as a vote against Proposal 2.

Miscellaneous

The Company will bear the cost of printing, mailing and other expenses in connection with the Annual Meeting, including costs for mailing the Notice of Internet Availability, mailing printed proxy materials upon request, and the solicitation of proxies. The Company has retained Alliance Advisors to aid in the solicitation. For its services, the Company expects to pay Alliance Advisors a fee of \$16,650 and reimburse it for certain out-of-pocket disbursements and expenses. The Company also expects to reimburse, through Alliance Advisors, certain other persons holding shares in their names for others, or holding shares for others who have the right to give voting instructions, such as brokers, banks, fiduciaries and nominees, for such persons' reasonable expenses in forwarding the Notice of Internet Availability and, if requested, printed proxy materials to their principals. Certain of the directors, officers and employees of the Company may, without any additional compensation, solicit proxies in person or by telephone.

Management of the Company is not aware of any matter other than those described in this Proxy Statement which may be presented for action at the meeting. If any other matters properly come before the meeting, it is intended that the proxies will be voted with respect thereto in accordance with the judgment of the person or persons voting such proxies subject to the direction of the Board of Directors.

HEALTHCARE REALTY TRUST INCORPORATED

Andrew E. Loope
Senior Vice President, Corporate Counsel and Secretary

March 21, 2017

Use of Non-GAAP Financial Measures

Management considers funds from operations ("FFO"), FFO per share, normalized FFO, normalized FFO per share, and funds available for distribution ("FAD") to be useful non-GAAP 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 measure determined in accordance with GAAP. Set forth below are descriptions of the non-GAAP financial measures management considers relevant to the Company's business and useful to investors.

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.

FFO and FFO per share are operating performance measures adopted by the National Association of Real Estate Investment Trusts, Inc. ("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 (including amortization of leasing commissions), and after adjustments for unconsolidated partnerships and joint ventures." The Company defines Normalized FFO as FFO excluding acquisition-related expenses and other normalizing items that are unusual and infrequent in nature. FAD is presented by adding to Normalized FFO non-real estate depreciation and amortization, deferred financing fees amortization, share-based compensation expense and provision for bad debts, net; and subtracting maintenance capital expenditures, including second generation tenant improvements and leasing commissions paid and straight-line rent income, net of expense. The Company's definition of these terms may not be comparable to that of other real estate companies as they may have different methodologies for computing these amounts. FFO, Normalized FFO and FAD do not represent cash generated from operating activities determined in accordance with accounting principles generally accepted in the United States of America and is not necessarily indicative of cash available to fund cash needs. FFO, Normalized FFO and FAD should not be considered an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity. FFO, Normalized FFO and FAD should be reviewed in connection with GAAP financial measures.

Management believes FFO, FFO per share, Normalized FFO, Normalized FFO per share, and FAD provide an understanding of the operating performance of the Company's properties without giving effect to certain significant non-cash items, including 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, gains or losses from sales of real estate, and other normalizing items that are unusual and infrequent, FFO, FFO per share, Normalized FFO, Normalized FFO per share and FAD can facilitate comparisons of operating performance between periods. The Company reports these measures because they have been observed by management to be the predominant measures used by the REIT industry and by industry analysts to evaluate REITs and because these measures are consistently reported, discussed, and compared by research analysts in their notes and publications about REITs.

Reconciliations

Reconciliation of FFO, Normalized FFO and FAD

(amounts in thousands, except per share data)

(Unaudited)

	Three Months		Year Ended	
	Ended December 31,		December 31,	
	2016	2015	2016	2015
Net Income Attributable to Common Stockholders	\$52,437	\$18,658	\$85,571	\$69,436
Gain on sales of real estate properties	(41,037)	(9,138)	(41,044)	(67,172)
Impairments of real estate assets	121	687	121	4,325
Real estate depreciation and amortization	34,699	29,907	129,772	117,982
Total adjustments	(6,217)	21,456	88,849	55,135
Funds From Operations Attributable to Common Stockholders	\$46,220	\$40,114	\$174,420	\$124,571
Acquisition costs	915	1,068	3,414	1,394
Write-off of deferred financing costs upon amendment of line of credit facility	—	—	81	—
Severance expense	—	—	—	141
Loss on extinguishment of debt	—	—	—	27,998
Pension termination	—	—	4	5,260
Impairment of internally-developed software	—	—	—	654
Reversal of restricted stock amortization upon officer resignation	—	(40)	—	(40)
Revaluation of awards upon retirement	—	—	89	—
Normalized Funds From Operations	\$47,135	\$41,142	\$178,008	\$159,978
Non-real estate depreciation and amortization	1,339	1,341	5,475	5,830
Provision for bad debt, net	(13)	9	(21)	(194)
Straight-line rent receivable, net	(1,595)	(1,741)	(7,134)	(8,829)
Stock-based compensation	1,949	1,511	7,509	6,069
Provision for deferred post-retirement benefits	—	—	—	385
Non-cash items included in cash flows from operating activities	1,680	1,120	5,829	3,261
2nd generation TI	(7,918)	(3,081)	(23,692)	(12,068)
Leasing commissions paid	(1,030)	(1,856)	(5,210)	(7,504)
Capital additions	(4,283)	(3,918)	(17,122)	(16,242)
Funds Available for Distribution	\$35,584	\$33,407	\$137,813	\$127,425
Funds from Operations per Common Share - Diluted	\$0.40	\$0.40	\$1.59	\$1.25
Normalized Funds From Operations Per Common Share—Diluted	\$0.41	\$0.41	\$1.63	\$1.60
Weighted Average Common Shares Outstanding - Diluted	115,408	100,474	109,387	99,880

Reconciliation of NOI & EBITDA

(amounts in thousands)

(Unaudited)

QUARTERLY NOI

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Rental income ^(a)	\$104,736	\$102,534	\$101,472	\$98,740	\$97,466	\$95,383	\$95,450	\$95,034
Property lease guaranty revenue (b)	354	817	885	1,002	851	999	937	1,102
Exclude straight-line rent revenue	(1,754)	(1,223)	(2,091)	(2,132)	(1,929)	(2,309)	(2,475)	(2,832)
Revenue	103,336	102,128	100,266	97,610	96,388	94,073	93,912	93,304
Property operating expense NOI	(37,285)	(37,504)	(36,263)	(35,406)	(36,758)	(35,247)	(33,927)	(34,263)
	\$66,051	\$64,624	\$64,003	\$62,204	\$59,630	\$58,826	\$59,985	\$59,041
Less:								
Acquisitions / Development completions	(6,210)	(3,948)	(3,542)	(2,374)	(1,991)	(994)	(554)	(550)
Reposition	(484)	(201)	(144)	(150)	(328)	(202)	(160)	(187)
Dispositions / other	(1,540)	(1,935)	(1,970)	(1,897)	(1,916)	(2,123)	(3,460)	(3,540)
Same store NOI	\$57,817	\$58,540	\$58,347	\$57,783	\$55,395	\$55,507	\$55,811	\$54,764

(a) Rental income reconciliation:

Property operating	\$87,362	\$85,264	\$83,283	\$80,501	\$79,466	\$76,960	\$75,470	\$74,654
Single-tenant net lease	15,620	16,047	16,098	16,107	16,071	16,114	17,505	17,548
Straight-line rent	1,754	1,223	2,091	2,132	1,929	2,309	2,475	2,832
Total consolidated rental income	\$104,736	\$102,534	\$101,472	\$98,740	\$97,466	\$95,383	\$95,450	\$95,034

(b) Other operating income
reconciliation:

Property lease guaranty revenue	\$354	\$817	\$885	\$1,002	\$851	\$999	\$937	\$1,102
Interest income	107	129	115	123	123	144	156	157
Other	112	179	170	156	142	170	134	132
Total consolidated other operating income	\$573	\$1,125	\$1,170	\$1,281	\$1,116	\$1,313	\$1,227	\$1,391

TRAILING TWELVE MONTHS NOI

	Year Ended December 31,			
	2016	2015	% Change	
Same store NOI	\$232,487	\$221,477	5.0	%
Reposition	979	877	11.6	%
Subtotal	\$233,466	\$222,354	5.0	%
Acquisitions / Development completions	16,074	4,089	293.1	%
Dispositions / other	7,342	11,039	(33.5	%)
NOI	\$256,882	\$237,482	8.2	%

EBITDA

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Trailing Twelve Months
Net income	\$52,437	\$11,834	\$12,145	\$9,156	\$85,572

Edgar Filing: HEALTHCARE REALTY TRUST INC - Form PRE 14A

Interest expense	13,839	13,759	14,815	14,938	57,351
Depreciation and amortization	34,022	31,984	31,290	30,393	127,689
Acquisition costs	915	649	232	1,618	3,414
Gain on sales of real estate properties	(41,037)	—	(8)	—	(41,045)
Impairments on real estate assets	121	—	—	—	121
EBITDA	\$60,297	\$58,226	\$58,474	\$56,105	\$233,102
Timing impact of acquisitions and dispositions ⁽¹⁾	(901)	1,284	190	547	1,120
Stock based compensation	1,949	1,851	1,850	1,859	7,509
Adjusted EBITDA	\$61,345	\$61,361	\$60,514	\$58,511	\$241,731

(1) Adjusted to reflect quarterly EBITDA from properties acquired or disposed in the quarter.

Appendix A

HEALTHCARE REALTY TRUST INCORPORATED

Articles of Amendment

Healthcare Realty Trust Incorporated, a Maryland corporation, (the "Corporation"), hereby certifies to the Maryland State Department of Assessments and Taxation as follows:

FIRST: The Second Articles of Amendment and Restatement of the Corporation (the "Articles"), are hereby amended by deleting Section 1 of existing Article V in its entirety and replacing it with the following:

"Section 1. The total number of shares of capital stock which the Corporation shall have authority to issue is Three Hundred and Fifty Million (350,000,000), of which Three Hundred Million (300,000,000) shall be shares of Common Stock having a par value of \$0.01 per share and Fifty Million (50,000,000) shall be shares of Preferred Stock having a par value of \$0.01 per share. The aggregate par value of all said shares shall be Three Million Five Hundred Thousand Dollars (\$3,500,000)."

SECOND: The amendment to the Articles as set forth above has been duly advised by the Board of Directors of the Corporation and approved by the stockholders of the Corporation as required by law.

THIRD:

(a) Immediately before the filing of these Articles of Amendment, the total number of shares of stock of all classes which the Corporation had the authority to issue was Two Hundred Million (200,000,000), \$0.01 par value per share, of which One Hundred Fifty Million (150,000,000) shares were common stock, \$0.01 par value per share, and Fifty Million (50,000,000) shares were preferred stock, \$0.01 par value per share, having an aggregate par value of Two Million Dollars (\$2,000,000).

(b) Immediately after the filing of these Articles of Amendment, the total number of shares of stock which the Corporation has authority to issue is Three Hundred Fifty Million (350,000,000), \$0.01 par value per share, of which Three Hundred Million (300,000,000) shares are common stock, \$0.01 par value per share, and Fifty Million (50,000,000) shares are preferred stock, \$0.01 par value per share, having an aggregate par value of Three Million Five Hundred Thousand Dollars (\$3,500,000).

(c) The information required by subsection (b)(2)(i) of Section 2-607 of the Maryland General Corporation Law was not changed by the amendment.

FOURTH: Except as otherwise expressly stated in these Articles of Amendment, all of the terms and provisions of the Articles shall remain in full force and effect, without amendment or modification.

FIFTH: The undersigned acknowledges these Articles of Amendment to be the corporate act of the Corporation and as to all matters or facts required to be verified under oath, the undersigned acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be signed in its name and on its behalf by its _____ and attested to by its _____ on this ___ day of May, 2017.

HEALTHCARE REALTY TRUST INCORPORATED
 COMMON STOCK PROXY
 HEALTHCARE REALTY TRUST INCORPORATED
 PROXY FOR ANNUAL MEETING OF SHAREHOLDERS

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 2, 2017: The Proxy Statement and the Company's Annual Report to Shareholders for the year ended December 31, 2016 are available at <http://www.viewproxy.com/healthcarerealty/2017>.

The undersigned hereby appoints B. Douglas Whitman II and John M. Bryant, Jr., and either of them, as proxies, with full power of substitution and resubstitution, to vote all of the shares of Common Stock which the undersigned is entitled to vote at the annual meeting of shareholders of Healthcare Realty Trust Incorporated, to be held at 3310 West End Avenue, Suite 700, Nashville, Tennessee, on Tuesday, May 2, 2017, at 2:00 p.m. (local time), and at any adjournment thereof.

This proxy is being solicited by the Board of Directors and will be voted as specified. If not otherwise specified, the above named proxies will vote (1) FOR the election of the nine nominees listed below to serve as directors until the 2018 Annual Meeting or until their successors are duly elected and qualified; (2) FOR the approval of an amendment to the Company's articles of incorporation to increase the number of authorized shares of common stock; (3) FOR the ratification of the appointment of BDO USA, LLP as the independent registered public accounting firm for the Company and its subsidiaries for the Company's 2016 fiscal year; (4) FOR the resolution approving the compensation of the Company's Named Executive Officers on a non-binding advisory basis; (5) FOR an annual vote on the frequency of the non-binding advisory vote on executive compensation; and (6) in accordance with the recommendations of the Board of Directors on any other matters that may properly come before the meeting. Pursuant to the rules of the New York Stock Exchange, if a shareholder holds shares through an account with a bank, broker or other nominee and does not provide voting instructions in accordance with this Proxy Statement, such shares may not be voted by the nominee for the above items (1), (2), (4), and (5), in each case resulting in a broker non-vote.

1. Election of Directors:

	For	Withhold		For	Withhold		For	Withhold
01- David R. Emery	<input type="radio"/>	<input type="radio"/>	02- Todd J. Meredith	<input type="radio"/>	<input type="radio"/>	03- Nancy H. Agee	<input type="radio"/>	<input type="radio"/>
	For	Withhold		For	Withhold		For	Withhold
04 - Charles Raymond Fernandez	<input type="radio"/>	<input type="radio"/>	05 - Peter F. Lyle, Sr.	<input type="radio"/>	<input type="radio"/>	06- Edwin B. Morris III	<input type="radio"/>	<input type="radio"/>
	For	Withhold		For	Withhold		For	Withhold
07- John Knox Singleton	<input type="radio"/>	<input type="radio"/>	08- Bruce D. Sullivan	<input type="radio"/>	<input type="radio"/>	09- Christann M. Vasquez	<input type="radio"/>	<input type="radio"/>

2. To approve the amendment to the Company's articles of incorporation to increase the number of authorized shares of common stock.

FOR AGAINST ABSTAIN

3. Ratify the appointment of BDO USA, LLP as the Company's independent registered public accounting firm.

FOR AGAINST ABSTAIN

4. To approve the following resolution:

RESOLVED, that the shareholders of Healthcare Realty Trust Incorporated approve, on a non-binding advisory basis, the compensation of the Named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K in the Company's proxy statement for the 2017 Annual Meeting of Shareholders.

FOR AGAINST ABSTAIN

5. To recommend, by non-binding advisory vote, the frequency of executive compensation votes on an annual (1 year), biennial (2 years), or triennial (3 years) basis.

1 YEAR 2 YEAR 3 YEAR ABSTAIN

6. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment thereof.

MARK HERE

FOR

ADDRESS

CHANGE

AND NOTE

AT LEFT

MARK HERE

IF YOU PLAN

TO ATTEND

THE

MEETING

Date:

Signature:

IMPORTANT

Please sign exactly as your name or names appear on this proxy and mail promptly in the enclosed envelope. If you sign as agent or in any other capacity, please state the capacity in which you sign.