

HEALTHCARE REALTY TRUST INC  
Form DEF 14A  
March 29, 2019

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)

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3310 West End Avenue, Suite 700

Nashville, Tennessee 37203

March 29, 2019

TO OUR SHAREHOLDERS:

You are cordially invited to attend the 2019 annual meeting of shareholders of Healthcare Realty Trust Incorporated, to be held on May 14, 2019, at 10:00 a.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 14, 2019

TO OUR SHAREHOLDERS:

The annual meeting of shareholders of Healthcare Realty Trust Incorporated (the "Company") will be held on Tuesday, May 14, 2019, at 10:00 a.m. (local time) at 3310 West End Avenue, Suite 700, Nashville, Tennessee 37203, for the following purposes:

- (1) To elect nine nominees as directors to serve one-year terms expiring at the 2020 annual meeting of shareholders or until their successors are duly elected and qualified;
- (2) 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 2019 fiscal year;
- (3) 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; and
- (4) 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 record of the Company's common stock at the close of business on March 15, 2019 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 29, 2019

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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 37203, on Tuesday, May 14, 2019, at 10:00 a.m. (local time) for the purposes set forth in the accompanying notice, and any adjournment thereof (the "Annual Meeting"). This Proxy Statement and the Annual Report to Shareholders for the Year Ended December 31, 2018 (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 29, 2019.

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 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 15, 2019 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, \$0.01 par value per share (the "Common Stock"), outstanding on the record date will constitute a quorum, permitting the conduct of business at the meeting. 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 2), but is not permitted to use its discretion and vote your shares on non-routine matters (such as Proposals 1 and 3). 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 because you did not execute or return the proxy with instructions 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. Additionally, 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.

As of the close of business on the record date, the Company had 300,000,000 authorized shares of Common Stock, of which 125,461,961 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, and the shareholders vote on the entire Board of Directors each year. The Company's Second Amended and Restated Articles of Incorporation, as amended, 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 beginning on page 6 of this Proxy Statement.

Unless a proxy specifies otherwise or results in a broker non-vote, 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 Nominating and 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 and nominee 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 and nominee will work together well and contribute individual strengths and skills to effectively carry out the Board's duties. John V. Abbott is the only nominee that is not a current director standing for re-election. Mr. Abbott was recommended to the Nominating and Corporate Governance Committee by all of the non-management directors and the executive officers of the Company.

The nominees for election as directors are:

Name	Age	Principal Occupation, Directorships and Qualifications	Director Since
David R. Emery	74	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	44	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 since 2011, 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 joined the Company in 2001 and 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.	2017
John V. Abbott	64	Mr. Abbott retired from the General Electric Company in 2015 after over 38 years with the firm. At the time of his retirement, he was Executive Vice President of the GE Capital Aviation Services, where he served as President and Chief Executive Officer of the Asset Management Group. Prior to that, Mr. Abbott held several leadership positions in GE's aircraft engine manufacturing business, including serving as Chief Financial Officer of multiple divisions. Mr. Abbott's experience in business leadership, finance, and innovation adds valuable perspective and oversight capability to the Board.	N/A





Nancy H. Agee	66	<p>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. Ms. Agee served as the chair of the Board of Trustees of the American Hospital Association for 2018. 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. Ms. Agee also has extensive financial experience to be considered an audit committee financial expert.</p>	2016
Edward H. Braman, CPA	62	<p>Mr. Braman currently serves as a self-employed finance and accounting consultant. Mr. Braman was a partner at Ernst &amp; Young LLP from 1997 until his retirement in 2015. While at Ernst &amp; Young, Mr. Braman audited public and private companies in a broad variety of industries. Mr. Braman brings to the board extensive accounting and financial reporting experience and provides further depth as an audit committee financial expert.</p>	2018
Peter F. Lyle, Sr.	54	<p>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 and compensation adds to the Board's understanding of the business and delivery of healthcare services.</p>	2016
John Knox Singleton	70	<p>Mr. Singleton retired in 2018 as the Chief Executive Officer of Inova Health System headquartered in Falls Church, Virginia. He also serves as a director of Washington Mutual Investors Fund, a mutual fund located in Los Angeles, California. 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.</p>	1993
Bruce D. Sullivan, CPA	78	<p>Mr. Sullivan retired in October 2001 as managing partner of the Nashville office of Ernst &amp; 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.</p>	2004
Christann M. Vasquez	58	<p>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. In addition, in 2015, Ms. Vasquez was appointed President of Seton Shoal Creek Hospital and was appointed President of Seton Medical Center Austin in 2017. 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.</p>	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

### Recent Corporate Governance Changes

On February 12, 2019, the Board of Directors adopted several corporate governance changes. These changes are discussed in the following paragraphs.

#### Opted Out of MUTA

The Board of Directors of the Company approved a resolution prohibiting the Company from electing to be subject to Section 3-803 of Subtitle 8 of Title 3 of the Maryland General Corporation Law (“MGCL”), commonly referred to as the “Maryland Unsolicited Takeover Act” or “MUTA.” MUTA contains statutory provisions that allow a board, without shareholder approval, to elect to classify into three classes with staggered three-year terms. By adopting this resolution, the Board of Directors is prohibited from electing to be subject to Section 3-803 without first obtaining shareholder approval. In accordance with Sections 3-802(c) and 3-802(d) of the MGCL, on February 12, 2019, the Company filed Articles Supplementary with the State Department of Assessments and Taxation of Maryland describing the foregoing prohibition.

#### Proxy Access Bylaw

The Board of Directors adopted an amendment to the Amended and Restated Bylaws of the Company, as amended (the “Bylaws”) to implement “proxy access.” The amendment permits a shareholder, or a group of up to 20 shareholders, owning, in the aggregate, at least 3% of the Company’s outstanding shares of capital stock for at least three continuous years to nominate and include in the Company’s proxy materials director nominees comprising up to the greater of two individuals or 20% of the number of directors up for election, provided that the shareholder(s) and the nominee(s) satisfy the procedural and eligibility requirements specified in the Bylaws. This amendment was immediately effective.

#### Anti-Hedging Policy

The Board of Directors formalized and expanded the anti-hedging policy applicable to employees, officers, and directors of the Company. The policy prohibits the purchase of financial instruments, including prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds, that are designed to or that may reasonably be expected to have the effect of hedging or offsetting a decrease in the market value of any securities of the Company.

#### Leadership Structure

The Company's Chairman of the Board and Chief Executive Officer positions are held by separate persons. David R. Emery is the Chairman of the Board and Todd J. Meredith serves as the Chief Executive Officer. 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 independent directors have appointed Edwin B. Morris III as lead director to preside over the non-management executive sessions. The independent directors expect to appoint another director to serve as the lead independent director at the expiration of Mr. Morris' term. During 2018, the independent 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 Nominating and 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](http://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. The following table sets forth the current members of the committees:

Name	Nominating and Corporate Governance	Audit	Compensation
Nancy H. Agee (1)		X	
Edward H. Braman (1)	X	X	
Peter F. Lyle, Sr.			X
Edwin B. Morris III (2)			(X)
John Knox Singleton			X
Bruce D. Sullivan (1)	X	(X)	
Christann M. Vasquez	(X)		

( ) = Chair of committee.

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

(2) Mr. Morris' term expires at the 2019 annual meeting of shareholders. The Board will appoint a new chair of the Compensation Committee at its 2019 May meeting.

#### Committee Duties

Nominating and Corporate Governance Committee Four meetings in 2018

• Reviews and implements the Nominating and 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 Four meetings in 2018

• 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 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 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, internal audit and compliance, and the independent auditors.

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

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Discusses items of interest or concern to the Audit Committee with management, internal audit and compliance, and/or the independent auditors.

Assists the Board in its risk management function regarding cybersecurity oversight by regularly discussing with management any cyber security incidents and cybersecurity measures taken by the Company.

Compensation Committee Seven meetings in 2018

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, and 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](http://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 Nominating and 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 Nominating and 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 Current Report on 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](http://www.healthcarerealty.com) under the "Investor Relations" tab.

#### Meeting Attendance

The Board of Directors held a total of four meetings in 2018. 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 attendance at annual meetings of shareholders, but encourages each member of the Board of Directors to attend. Three members of the Board attended the 2018 Annual Meeting of Shareholders.

#### Director Education

The Nominating and 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 17 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](http://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 Nominating and Corporate Governance Committee in February 2019. During this review, the Nominating and 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 Nominating and 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 Nominating and Corporate Governance Committee is responsible for developing and implementing policies and practices relating to corporate governance. As part of its duties, the Nominating and 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 Nominating and Corporate Governance Committee's charter can be found in the Corporate Governance section of the Company's website, [www.healthcarerealty.com](http://www.healthcarerealty.com), under the "Investor Relations" tab.

Once the Nominating and Corporate Governance Committee has identified a prospective nominee, the Committee reviews the information provided to it with the recommendation of the prospective candidate, as well as the 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 Nominating and Corporate Governance Committee then evaluates the prospective nominee against the following standards and qualifications:

- Personal integrity and reputation for high ethical standards;
- The ability to devote sufficient time to the duties of a director;
- Experience relevant to the Company's business, including real estate, health care, finance, accounting, investment banking, capital markets, or senior management;
- Depth and breadth of leadership experience, and a proven record of accomplishment;
- The ability to think independently and work collaboratively;
- The ability to satisfy the NYSE requirements of the Audit Committee and the Compensation Committee; and
- The ability to meet and comply with the requirements of the Code of Business Conduct and Ethics.

The Nominating and 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 Nominating and Corporate Governance Committee has no specific policy regarding director diversity. In connection with this evaluation, the Committee determines whether to interview the prospective nominee and, if warranted, one or more members of the Committee, and others as appropriate, interview prospective nominees in person or by telephone. After completing this evaluation, the Nominating and 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 Nominating and 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 Nominating and 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 Nominating and Corporate Governance Committee may do so by providing the candidate's name, qualifications and other pertinent information in writing to the Nominating and 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;

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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.

Shareholders who wish to nominate an individual for election as a director in connection with an annual meeting of stockholders (as opposed to making a recommendation to the Nominating and Corporate Governance Committee as described above) have the right to nominate candidates for election to the Board through the "proxy access" provisions of the Bylaws. Subject to complying with the requirements contained in the Bylaws, qualifying stockholders, or a qualifying group of up to 20 stockholders, owning at least 3% of the outstanding shares of common stock of the Company throughout at least a three-year period, may nominate up to the greater of two director nominees or 20% of the number of directors up for election, for inclusion in the Company's proxy materials. To be timely for the 2020 annual meeting, notice under the proxy access provisions of the Bylaws must be received by the Company at its executive offices no earlier than October 31, 2019 nor later than November 30, 2019.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of February 8, 2019, 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 February 8, 2019, there were 125,294,458 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	1,119,684	(1)(2)	*	
Todd J. Meredith	458,386	(3)	*	
J. Christopher Douglas	151,091	(4)	*	
John M. Bryant, Jr.	166,064	(5)	*	
Robert E. Hull	110,263	(6)	*	
B. Douglas Whitman II	195,881	(7)	*	
John V. Abbott	—		—	
Nancy H. Agee	15,050	(8)	*	
Edward H. Braman	3,624	(9)	*	
Peter F. Lyle, Sr.	5,787	(9)	*	
Edwin B. Morris III	42,467	(9)	*	
John Knox Singleton	30,756	(10)	*	
Bruce D. Sullivan	29,319	(9) (11)	*	
Christann M. Vasquez	9,596	(9) (12)	*	
All executive officers, directors and nominees to be director as a group (14 persons)	2,337,968		1.87	%
The Vanguard Group		(13)	14.61	%
BlackRock, Inc.		(14)	14.70	%
Invesco Ltd.		(15)	7.50	%
T. Rowe Price Associates, Inc.		(16)	6.50	%

\*Less than 1%

(1) Includes 893,777 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 204,548 shares of restricted stock.

(3) Includes 434,679 shares of restricted stock.

(4) Includes 140,414 shares of restricted stock.

(5) Includes 148,815 shares of restricted stock.

(6) Includes 110,072 shares of restricted stock.

(7) Includes 138,393 shares of restricted stock.

(8) Includes 6,179 shares of restricted stock.

(9) Includes 3,624 shares of restricted stock

(10) Includes 6,179 shares of restricted stock and 19,083 shares owned in an IRA.

(11) Includes 3,253 shares owned by Mr. Sullivan's wife.

(12) Includes 4,135 shares of restricted stock.

(13)

Information is based on a Schedule 13G filed on February 11, 2019 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 231,370 shares, shared power to vote 140,865 shares, sole power to dispose of 18,047,112 shares and shared power to dispose of 250,996 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 110,131 shares as a result of its serving as investment manager of collective trust accounts; and Vanguard Investments Australia, Ltd. is the beneficial owner of 262,104 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 January 31, 2019, that it possesses the sole power to vote 5,950,823 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 28, 2019 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 18,074,718 shares and to dispose of 18,411,389 shares of the Common Stock.

(15) Information is based on a Schedule 13G filed on February 5, 2019 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 5,492,542 shares and sole power to dispose of 9,374,153 shares of the Common Stock.

(16) Information is based on a Schedule 13G filed on February 14, 2019 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 1,287,486 shares and sole power to dispose of 8,159,401 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 2018.

During 2018, 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 a restricted stock grant to Amanda Callaway, the Company's Chief Accounting Officer, that was awarded on December 12, 2018 and inadvertently reported late on a Form 5 filed on February 6, 2019.

PROPOSAL 2 - 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 2019. 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 2019. 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 and expenses for professional services rendered by BDO to the Company for the last two fiscal years.

	2018	2017
Audit fees (1)	\$820,437	\$979,759
Audit-related fees (2)	—	95,874
Tax fees	—	—
All other fees	—	—
Total	\$820,437	\$1,075,633

(1) Includes fees for services related to the audit and quarterly reviews of the Company's consolidated financial statements and internal control over financial reporting of \$776,482 and \$838,426, respectively, for 2018 and 2017, and fees in connection with the Company's equity and debt offerings of \$43,955 and \$141,333, respectively, for 2018 and 2017.

(2) Includes fees for Rule 3-14 financial statement audits and discussions related to transactions and potential transactions in 2017.

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, Nancy H. Agee, and Edward H. Braman 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 2018 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 ("Internal Audit") 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, Internal Audit, and BDO concerning the Consolidated Financial Statements for the fiscal year ended December 31, 2018 and the Company's internal control over financial reporting as of December 31, 2018. Management, Internal Audit, and 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 risk and compliance; (iv) 2018 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 key performance indicators; and (xii) cybersecurity. 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. The Audit Committee also met with key members of management in separate executive sessions, including the Company's Executive Chairman, Chief Executive Officer, Chief Financial Officer, General Counsel, Corporate Counsel, Chief Accounting Officer, 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 Consolidated Financial Statements, and other matters.

The Audit Committee, along with the Company's management and Internal Audit, 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 Internal Audit; (iii) the audit firm's effectiveness of communications and working relationships with the Audit Committee, management and Internal Audit; (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. As a part of the appointment process, the Audit Committee approves the selection of the independent auditor's lead engagement partner at the mandatory five-year rotation period. 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 management and Internal Audit the Company's financial risk exposures, 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, 2018 be included in the Company's Annual Report on Form 10-K filed with the SEC.

Members of the Audit Committee

Bruce D. Sullivan (Chair)

Nancy H. Agee

Edward H. Braman

## COMPENSATION DISCUSSION AND ANALYSIS

### 2018 Highlights

In 2018, management continued to execute the Company's strategy of investing in high quality medical office buildings. Revenue 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 while maintaining low leverage.

Significant results and activities in 2018 included:

In the Company's same store portfolio, quarterly trailing twelve month revenue and NOI growth averaged 2.81% and 3.15%, respectively:

multi-tenant properties, comprising approximately 82.5% of the same store portfolio, generated average revenue and NOI growth of 2.88% and 3.23%, respectively; and

single-tenant net lease properties generated average NOI growth of 2.86%.

Annual leasing activity totaled 2,080,000 square feet related to 556 leases, comprised of 1,565,000 square feet of renewals and 515,000 square feet of new and expansion leases.

For the year ended December 31, 2018, in the Company's same store, multi-tenant properties:

• Tenant retention averaged 83.9%;

• Weighted average cash leasing spreads on lease renewals were 3.4%, in line with long term expectations; and

• In-place contractual increases were 2.91%, up from 2.80% a year ago.

• Net investments in 2018 totaled \$48.4 million, comprised of the following:

• The acquisition of five medical office buildings, an additional 15,000 square foot suite in a previously acquired medical office building, and two office buildings for \$111.5 million;

• The disposition of 16 properties, including five skilled nursing facilities and one inpatient rehab facility, for \$98.7 million; and

• \$35.6 million in development and redevelopment funding.

• Leverage (total debt to total assets) remained low at 32.9% at the end of 2018, and net debt to adjusted EBITDA was 5.1x, both well within the Company's guidance range.

• Total dividends per common share paid in 2018 were \$1.20, which is equal to 76.9% of normalized Funds From Operations ("FFO") and 99.7% of normalized Funds Available for Distribution ("FAD").

Reconciliations of Non-GAAP financial measures are provided beginning on page 34 of this Proxy Statement.

### 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 Amended and Restated Executive Incentive Plan, as amended (the "Executive Incentive Plan") was last modified in early 2016 to adopt several best practices 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, which are granted pursuant to the Company's 2015 Stock Incentive Plan, as amended (the "2015 Plan"), 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 results and confirm awards 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 various awards available under the Executive Incentive Plan are discussed below under the heading "Components of Compensation." Currently, all of the Named Executive Officers, except for the Executive Chairman, are participants in the Executive Incentive Plan. The Company's Executive Chairman of the Board has an employment relationship with the Company but does not participate in the Executive Incentive Plan.

#### 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. For 2018, 65% 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 five or eight years. 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 necessa