UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2023

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

For the transition period from to

Commission file number: 001-36007

PHYSICIANS REALTY TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**46-2519850**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
309 N. Water Street, Suite 500	
Milwaukee, Wisconsin	**53202**
(Address of Principal Executive Offices)	(Zip Code)

(414) 367-5600

(Registrant’s telephone number, including area code)

Securities registered under Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, $0.01 par value	DOC	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 4262(b)) by the registered accounting firm that prepared or issues its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of Physicians Realty Trust’s common shares held by non-affiliates as of June 30, 2023 was approximately $3,297,969,026 based upon the closing price reported for such date on the New York Stock Exchange.

As of February 16, 2024, there were 238,911,308 shares of Physicians Realty Trust’s common shares outstanding.

PHYSICIANS REALTY TRUST

Annual Report on Form 10-K for the Year Ended December 31, 2023

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Forward-Looking Statements

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts may be forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, property performance and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as “believe,” “expect,” “outlook,” “continue,” “project,” “may,” “will,” “should,” “seek,” “approximately,” “intend,” “plan,” “pro forma,” “estimate,” or “anticipate” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans, expectations, or intentions.

These forward-looking statements reflect the views of our management regarding current expectations and projections about future events and are based on currently available information. These forward-looking statements are not guarantees of future performance and involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data, or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- risks associated with the Company Merger and the Partnership Merger (each as defined below and collectively, the “Mergers”), including our ability to consummate the Mergers on the proposed terms or on the anticipated timeline, or at all, and unanticipated difficulties or expenditures relating to the Mergers, potential difficulties in employee retention as a result of the Mergers, the occurrence of any event, change, or other circumstances that could give rise to the termination of the Mergers and the outcome of legal proceedings instituted against us, our trustees and others related to the Mergers;

- general economic conditions, including inflation and recession;

- changes in our business or strategy;

- our ability to operate as a public company;

- adverse economic or real estate developments, either nationally or in the markets where our properties are located;

- our geographic concentration in Texas may cause us to be particularly exposed to downturns in the Texas economy or other changes in Texas market conditions;

- our concentration of investment in health care properties;

- the disruption of our business and the compromise of confidential information resulting from cybersecurity attacks, breaches, and other incidents;

- any adverse effects to the business, financial position or results of operations of CommonSpirit Health ("CommonSpirit"), or one or more of the CommonSpirit-affiliated tenants, that impact the ability of CommonSpirit-affiliated tenants to pay us rent;

- the degree and nature of our competition;

- competition for investment opportunities;

- difficulties in identifying health care properties to acquire and completing acquisitions;

- changes in health care laws or government reimbursement rates;

- decreased rental rates or increased vacancy rates;

- defaults on or non-renewal of leases by tenants;
- the potential impact of severe weather events and climate change;
- our failure to generate sufficient cash flows, subject to the restrictions in the Merger Agreement (as defined below), to service, pay down, or refinance our indebtedness or make distributions on our common shares;
- fluctuations and increases in interest rates and operating costs;
- the availability, terms, and issuance of debt and equity capital, including our unsecured revolving credit facility, in each case, subject to the restrictions in the Merger Agreement;
- general volatility of the market price of our common shares;
- our dependence upon key personnel whose continued service is not guaranteed;
- our ability to identify, hire, and retain highly qualified personnel in the future;
- risks related to our investments in joint ventures or development projects we have made and may make in the future;
- the financial condition and liquidity of, or disputes with, any joint venture and development partners with whom we may make co-investments in the future;
- changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates, taxation of real estate investment trusts ("REITs"), and similar matters;
- our failure to maintain our qualification as a REIT for U.S. federal income tax purposes;
- limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify as a REIT for U.S. federal income tax purposes;
- changes in accounting principles generally accepted in the United States ("GAAP");
- lack of or insufficient amounts of insurance;
- other factors affecting the real estate industry generally; and
- other factors that may materially adversely affect us, or the per share trading price of our common shares, including:
    - the number of our common shares available for future issuance or sale;
    - our issuance of equity securities or the perception that such issuance might occur;
    - future debt;

- failure of securities analysts to publish research or reports about us or our industry; and
- securities analysts' downgrade of our common shares or the health care-related real estate sector.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes after the date of this report, except as required by applicable law. You should not place undue reliance on any forward-looking statements that are based on information currently available to us or the third parties making the forward-looking statements.

Factors that may cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements include, without limitation, those discussed in Item 1 - "Business," Item 1A - "Risk Factors," Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report and our other filings with the United States Securities and Exchange Commission ("SEC").

As used in this report, unless the context otherwise requires, references to “we,” “us,” “our,” and the “Company” refer to Physicians Realty Trust (the “Trust”), a Maryland real estate investment trust, and Physicians Realty L.P. (the “Operating Partnership”), a Delaware limited partnership and the consolidated subsidiary of the Trust through which we conduct our business.

PART I

ITEM 1. BUSINESS

Overview

Physicians Realty Trust, a Maryland real estate investment trust, and Physicians Realty L.P., a Delaware limited partnership, were organized in April 2013 to acquire, selectively develop, own, and manage health care properties that are leased to physicians, hospitals, and health care delivery systems. References to the “Operating Partnership” mean collectively the Operating Partnership together with its consolidated subsidiaries. We completed our initial public offering (“IPO”) in July 2013. The Trust’s common shares are listed on the New York Stock Exchange (“NYSE”) and the Trust is included in the MSCI US REIT Index and the S&P MidCap 400.

We have grown our consolidated portfolio of gross real estate investments from approximately $124 million at the time of our IPO to approximately $5.9 billion as of December 31, 2023. As of December 31, 2023, our consolidated portfolio consisted of 278 health care properties (which excludes our Corporate headquarters and retail asset) located in 32 states with approximately 15,653,690 net leasable square feet, of which approximately 94% was leased with a weighted average remaining lease term of approximately 5.1 years. As of December 31, 2023, approximately 90% of the net leasable square footage of our portfolio was either on the campus of a hospital or strategically affiliated with a health system.

We receive a cash rental stream from health care providers under our leases. Approximately 93% of the annualized base rent payments from our properties as of December 31, 2023 are from absolute net or triple-net leases pursuant to which the tenants are responsible for operating expenses subject to specific lease terms relating to the property, including, but not limited to, real estate taxes, utilities, property insurance, routine maintenance and repairs, and property management. These lease structures insulate us from increases in most operating expenses, especially increases in operating expenses that are beyond our control, and provide relatively predictable cash flow. Approximately 6% of the annualized base rent payments from our properties as of December 31, 2023 are from modified gross leases that allow us to recover operating expenses that exceed certain base year operating expense thresholds in such leases, thus protecting us from increases in operating expenses.

We seek to structure our leases to generate attractive returns on a long-term basis. Our leases typically have initial terms of 5 to 15 years and include annual rent escalators of approximately 1.5% to 4.0%, with an annual weighted average rent escalator of approximately 2.4%. Certain of the Company’s leases include provisions indexing annual rent escalators to changes in the Consumer Price Index (“CPI”), often with a floor or ceiling. As of December 31, 2023, approximately 5.9% of the Company’s annual rent escalators have CPI provisions. Our operating results depend significantly on the ability of our tenants to make required rental payments. We believe that our portfolio of outpatient medical facilities and other health care facilities will enable us to generate stable cash flows over time because of the diversity of our tenants, the creditworthiness of our tenants, a staggered lease expiration schedule, long-term leases, and low historical occurrence of tenants defaulting under their leases.

As of December 31, 2023, leases representing a percentage of our consolidated portfolio on the basis of leased square feet will expire as follows:

Year	Portfolio Lease Expirations
MTM (1)	0.6%
2024	5.2%
2025	6.6%
2026	22.6%
2027	11.6%
2028	12.9%
2029	6.8%
2030	6.0%
2031	7.4%
2032	8.4%
2033	5.0%
Thereafter	6.9%
Total	100.0%

(1) "MTM" means month-to-month. This line also includes six leases which expired on December 31, 2023, representing 0.1% of leased square feet.

We invest in real estate that is integral to providing high-quality health care services. Our properties are typically located on a campus with a hospital or other health care facilities or strategically affiliated with a hospital or other health care system. We believe the impact of government programs and continuing trends in the health care industry create attractive opportunities for us to invest in health care-related real estate. Our management team has significant health care real estate experience and has long-established relationships with physicians, hospitals, and health care delivery system decision makers who we believe will provide quality investment and growth opportunities. Our principal investments include outpatient medical facilities, ambulatory surgery centers ("ASCs"), and other real estate integral to health care providers. We seek to generate attractive risk-adjusted returns for our shareholders through a combination of stable and increasing cash flow and potential long-term appreciation in the value of our properties and our common shares.

The Trust is a Maryland real estate investment trust and elected to be taxed as a REIT for U.S. federal income tax purposes. We conduct our business through an umbrella partnership REIT structure in which our properties and our ownership interest in joint ventures are owned by our Operating Partnership directly or through limited partnerships, limited liability companies, or other subsidiaries. The Trust is the sole general partner of our Operating Partnership and, as of February 16, 2024, owned approximately 96.1% of the Operating Partnership Units ("OP Units").

Our Objectives and Growth Strategy

Overview

Our principal business objective is to provide attractive risk-adjusted returns to our shareholders through a combination of (i) sustainable and increasing rental revenue and cash flow that generate reliable, increasing dividends, and (ii) potential long-term appreciation in the value of our properties and common shares.

Our primary strategy to achieve our business objective is to utilize our physician and hospital relationships nationwide to identify off-market opportunities in which to invest and own, to manage a diversified portfolio of high-quality health care properties, and to understand our tenants’ real estate strategies, which we believe will drive high retention, high occupancy, and reliable, increasing rental revenue cash flow and growth.

We intend to grow our portfolio of high-quality health care properties leased to physicians, hospitals, health care delivery systems, and other health care providers primarily through acquisitions of existing health care facilities and development of new health care facilities that provide or will provide stable revenue growth and predictable long-term cash flows. We may also selectively finance the development of new health care facilities with premier health care real estate developers. Generally, we expect to make investments in new development properties, whether self-developed or through third party developers, when approximately 80% or more of the development property has been pre-leased before construction commences. We seek to invest in properties where we can develop strategic alliances with financially sound health care providers and health care delivery systems that offer need-based health care services in sustainable health care markets. We focus our investment activity on outpatient medical facilities, ASCs, and other real estate integral to health care providers.

We may from time to time also make investments in other health care properties. We believe that trends such as shifting consumer preferences, limited space in hospitals, the desires of patients and health care providers to limit non-essential services provided in a hospital setting, and cost considerations continue to drive the industry towards performing more procedures in outpatient facilities instead of hospital settings. As these trends continue, we believe that demand for outpatient medical facilities and similar health care properties away from hospital settings and in convenient locations to patients will continue to rise. We intend to exploit this trend and favor outpatient facilities consistent with our investment philosophy and strategies.

While not our focus, we may decide to invest opportunistically in life science facilities, senior housing properties, skilled nursing facilities, specialty hospitals, and treatment centers. Consistent with the Trust's qualification as a REIT, we may also opportunistically invest in companies that provide health care services, and in joint ventures with operating partners structured to comply with the REIT Investment Diversification Act of 2007 ("RIDEA").

As of December 31, 2023, we have grown our consolidated portfolio of gross real estate investments to approximately $5.9 billion while maintaining a conservative balance sheet. For short-term funding purposes, we may borrow from our unsecured credit facility. From time to time, we replace these borrowings with long-term capital such as senior unsecured notes, equity, and alternative securities. We may selectively utilize capital market transactions in furtherance of our investment strategy.

Merger with Healthpeak

On October 29, 2023, the Trust and the Operating Partnership entered into an Agreement and Plan of Merger (the "Merger Agreement") with Healthpeak Properties, Inc. ("Healthpeak"), DOC DR Holdco, LLC (formerly known as Alpine Sub, LLC), a Maryland limited liability company and a wholly owned subsidiary of the Healthpeak ("DOC DR Holdco") and DOC DR, LLC (formerly known as Alpine OP Sub, LLC), a Maryland limited liability company ("DOC DR OP Sub") and a wholly owned subsidiary of Healthpeak OP, LLC, a Maryland limited liability company ("Healthpeak OP"), pursuant to which, among other things, and through a series of transactions, (i) each outstanding common share of the Trust (other than Trust common shares to be canceled in accordance with the Merger Agreement) will be automatically converted into the right to receive 0.674 (the "Exchange Ratio") shares of Healthpeak common stock, and (ii) each outstanding OP Unit will be automatically converted into and become common units in the successor entity to the Operating Partnership equal to the Exchange Ratio.

The Merger Agreement provides for (i) the merger of the Trust with and into DOC DR Holdco (the "Company Merger"), with DOC DR Holdco surviving as a wholly owned subsidiary of Healthpeak (the "Company Surviving Entity"); (ii) immediately following the effectiveness of the Company Merger, the contribution by Healthpeak to Healthpeak OP of all of the outstanding equity interests in the Company Surviving Entity (the "Contribution"); and (iii) immediately following the Contribution, the merger of the Operating Partnership with and into DOC DR OP Sub (the “Partnership Merger”), with DOC DR OP Sub surviving as a wholly owned subsidiary of Healthpeak OP.

In connection with the Mergers, Healthpeak filed a Registration Statement on Form S-4 with the SEC on December 15, 2023, as amended on January 9, 2024. The Trust and Healthpeak filed a definitive joint proxy statement/prospectus on January 11, 2024 in connection with our respective special meetings of shareholders and stockholders, as applicable, which were held on February 21, 2024. Consummation of the Mergers are subject to the satisfaction or waiver of customary closing conditions.

On February 21, 2024, our shareholders voted on and approved the merger with Healthpeak. The Mergers are expected to close on or about March 1, 2024. If the Mergers are not consummated by July 31, 2024 (unless extended under certain circumstances), either we or Healthpeak may terminate the Merger Agreement.

Business Strategy

We are focused on maintaining and expanding our portfolio of high-quality health care properties leased to physicians, hospitals, health care delivery systems, and other health care providers. Our strategy includes the following key attributes:

- We seek to invest in properties occupied by health care systems with dominant market shares and high credit quality, especially those who are investing capital in their facilities. In particular, we seek to acquire off-market or selectively marketed assets with attractive demographics, economic growth, and high barriers to entry. We seek to own well-occupied properties that we believe are critical to the delivery of health care by affiliated hospital providers in desirable locations.
- We emphasize ensuring an appropriate and balanced mix of tenants and practices to provide synergies within individual buildings and broader health system campuses. Our primary tenants are health care systems, academic medical centers, and leading physician groups, which typically have strong and stable financial performance. We believe this helps ensure stability in our rental income and tenant retention over time.
- We seek to maintain a core, critical portfolio of properties and to build our reputation as a leading dedicated outpatient medical facilities owner and operator.
- We seek to maintain or increase our average rental rates, actively lease our vacant space, and reduce leasing concessions.
- We also intend to grow our portfolio through the development of new health care facilities. We may also selectively finance the development of new health care facilities with premier health care real estate developers. Generally, we expect to make investments in new development properties, whether self-developed or through third party developers, when approximately 80% or more of the development property has been pre-leased before construction commences.

We seek to invest in properties where we can develop strategic alliances with financially sound health care providers and health care delivery systems that offer need-based health care services in sustainable health care markets and consider the potential for long-term relationships and repeat business when assessing acquisition potential.

We actively manage our balance sheet to maintain our investment grade credit rating, to maintain an appropriate level of leverage, and to preserve financing flexibility for funding of future acquisitions. In particular, we:

- Seek to maintain a high level of liquidity, including borrowing availability under our unsecured revolving credit facility.
- Maintain access to multiple sources of capital, including private and public debt markets, public equity markets, bank loan markets, and private equity and joint venture partners.
- Periodically review our portfolio to consider the potential dispositions of lower quality properties to reinvest the proceeds into higher quality properties.
- Closely monitor our existing debt maturities and average interest rates, and identify refinancing opportunities.

Sustainability Strategy

Since our founding in 2013, the Company has established a track record of environmental stewardship, value creation at the community level, and strong governance. We are also committed to increased transparency and accountability through public disclosure. We believe that sustainable investments are investments in a brighter future. We are committed to being a leader in Environmental, Social, and Governance (“ESG”) performance in the real estate industry. Our ESG Committee, a management and employee-led committee, formed in 2018, is overseen by our Executive Vice President of Asset Management, who reports to the Company’s President and CEO. The Nominating and Corporate Governance Committee of our Board of Trustees (“Board”) provides Board-level oversight of the ESG Committee. Company employees from every workgroup are represented on the ESG Committee.

Our ESG achievements in 2023 include the following:

- Earned a Green Star rating and a score of 78 out of 100 from the Global Real Estate Sustainability Benchmark (GRESB), representing a 4% year-over-year increase in our scoring;
- Achieved a ranking of 2 out of 6 as part of customized GRESB peer group scoring comprised of U.S.-based listed outpatient medical REITs;
- Earned a GRESB Public Disclosure Level score of 98 out of 100, ranking first in our health care comparison group for the second consecutive year;
- Recognized with a 2022-2025 Green Lease Leaders Platinum Certification by the Institute for Market Transformation (IMT) and the DOE Better Buildings Alliance, the only health care REIT attaining this designation;

- Merited ENERGY STAR Certification receiving 16 new property certifications, totaling 42 certifications since 2021;
- Earned seven new Institute of Real Estate Management (IREM®) Certified Sustainable Property designations, totaling 45 certifications since 2019;
- Recognized by Nareit as the Leader in the Light winner for the Health Care sector;
- Achieved an ISS ESG Corporate "Prime" rating, recognizing our dedication to ESG performance and disclosure;
- Honored as a Modern Healthcare Best Places to Work for the third consecutive year;
- Recognized as a Top Workplaces recipient from the Milwaukee Journal Sentinel for the sixth consecutive year; and
- Named to the Bloomberg Gender-Equality Index as a first-time submitter.

We are committed to giving back to the communities we serve. In 2023, the Company provided approximately $371,000 in philanthropic donations to community and health care provider organizations, benefiting their research and mission initiatives.

Under the Company's "volunteer time off" employee benefit program and Company volunteerism efforts, our employees contributed approximately 756 hours of community service in 2023. Employees are encouraged to spend a day - with pay - volunteering for an organization in their home community. In addition, the Company organizes volunteer service opportunities as a corporate outing, benefiting charitable causes while building teamwork, leadership skills, and fostering our Company culture. For more details on our social responsibility strategies, see the discussion under Item 1 - "Business" under "Human Capital Management."

Sustainability Accounting Standards Board ("SASB")

The Real Estate Sustainability Accounting Standards issued by the Sustainability Accounting Standards Board (SASB) in 2018 proposed metrics designed for disclosure in mandatory filings. Beginning with our 2020 ESG report, Physicians Realty Trust has aligned our disclosures with SASB standards on ESG issues important to our company and mission.

Energy and water data is collected from utility bills and submeters and assured by a third party. The recommended energy and water management activity metrics for the real estate industry include:

- energy consumption data coverage as a percentage of floor area ("Energy Use Intensity");
- total energy consumed by portfolio area ("Total Energy Consumption");
- water withdrawal as a percentage of total floor area ("Water Intensity"); and
- total water withdrawn by portfolio area ("Total Water Consumption").

The charts below detail our Energy Use Intensity, Total Energy Use, Water Use Intensity, and Total Water Use for 2018 through 2022, for which data on occupied and managed properties were available. Total energy use is presented in energy use intensity and gigajoules, and total water is presented in water use intensity and per cubic meters.(1)

Picture2.gif

(1) The 2022 calendar year is the most recent year for which complete energy and water data is available and assured by a third party. The energy chart reflects the performance of 8.1 million square feet as of December 31, 2022, which is approximately 52% of our total portfolio and approximately 56% of our actively managed portfolio. The energy scope includes energy produced from fuel, gas, district cooling, and electricity. The water chart reflects the performance of 6.99 million square feet, which is approximately 45% of our portfolio. The water scope includes irrigation and domestic water. Data coverage for water differs from the coverage for energy as water is not under operational control in every reporting group location.

Energy Reduction Strategy

Energy reduction is a significant part of our capital improvement strategy as well as our property management training and engagement. We proactively track our assets to determine where capital upgrades, HVAC, and building control systems optimizations, will maximize our efficiency impact.

Water Reduction Strategy

The Company utilizes water management policies, low-flow fixtures, and tenant education as part of our long-term mitigation strategies. We also work to optimize property irrigation systems based upon weather conditions and other environmental factors.

Climate Change Adaptation

Approximately 205,000 square feet of the 8.1 million square feet referenced in the chart above, representing five of our outpatient medical facilities, are located in 100-year flood zones designated by the U.S. Federal Emergency Management Agency (“FEMA”) as special flood hazard areas (“SFHA”). No other tracked properties are located in a SFHA.

Severe weather events and climate change are highly uncertain and could have material adverse effects on our properties, operations, and business. To the extent that severe weather events, such as hurricanes, floods, tornadoes, earthquakes, blizzards, and extreme cold, or significant changes in climate occur in the geographic locations where our 37 properties are located or cause damage to any of the properties, we may experience revenue loss, cost increase, construction delays, tenant disruption or displacement of their operations, and decreased demand for properties located in such geographic areas or affected by such changes. Climate change and severe weather may also have indirect effects on our business by increasing the cost of, or decreasing the availability of, property insurance on terms we find acceptable, by increasing the cost of energy, maintenance, repair of water and/or wind damage, and snow removal at our properties. In addition, changes in federal and state laws and regulations intended to reduce the impacts of climate change could result in, among other things, increased capital expenditures to improve energy efficiency at our properties, increased costs of property insurance or render such insurance unavailable on terms acceptable to us, and increased costs of developing properties without corresponding increases in revenue.

Climate Resilience

We are focused on climate preparedness as part of our sustainability strategy. As a long-term owner and active manager of our real estate assets, we proactively identify climate risks and implement preventive measures to combat these risks. Responsibility for these measures is distributed across several departments within the Company, including Executive Leadership, Asset Management, Construction and Project Management, Leasing, Marketing and Communications, and Property Management. In 2020, the Company implemented certain recommendations of the Task Force on Climate-Related Financial Disclosure (“TCFD”) and expanded these efforts in 2021. By utilizing data provided by an independent third party expert, the team identified properties exposed to climate risks in seven key categories: flood, earthquake, heat stress, hurricane, sea-level rise, water stress, and wildfire. In addition, we identified the properties with a “Red Flag” or “High” risk in any of the above categories and committed to creating a mitigation plan for each affected location. Our annual ESG Report is prepared in alignment with TCFD and includes details on these risks and subsequent mitigation plans.

Reporting

A notable part of our sustainability platform is transparent reporting of ESG performance indicators, as we recognize the importance of this information to investors and other key stakeholders in understanding how the Company assesses sustainability information and evaluates risks and opportunities. We publish an ESG report that is aligned with the Global Reporting Initiative (GRI) reporting standards and the United Nations Sustainable Development Goals. The Company’s ESG Report includes our strategy, key performance indicators, annual like-for-like comparisons, and achievements. The report is available on our website at http://www.docreit.com/esg. Information contained on our website is not part of, or incorporated by reference into, this Annual Report on Form 10-K.

ISOS Group, Inc. conducted an independent third-party, moderate-level assurance of environmental data, including energy, water, waste, and greenhouse gas emissions calculations for the calendar year ended December 31, 2022. This moderate assurance engagement was performed under the AccountAbility 1000 Assurance Standard (AA1000AS) and with reference to

ISO 14064-3: Specification with guidance for the validation and assurance of greenhouse gas assertions, World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, and WRI/WBCSD The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Our Industry and Market Opportunity

The nature of health care delivery continues to evolve due to the impact of government programs, regulatory changes and consumer preferences. We believe these changes have increased the need for capital among health care providers and increased pressure on these providers to integrate more efficient real estate solutions in order enhance the delivery of quality health care. In particular, we believe the following factors and trends are creating an attractive environment in which to invest in health care properties.

$4.5 Trillion Health Care Industry Projected to encompass 19.6% of U.S. GDP by 2031

According to the National Health Expenditure Projections 2022-2031 from the Center for Medicare & Medicaid Services ("CMS"), average annual growth in National Health Expenditure ("NHE") is projected to be 5.4%, which would outpace the projected average annual growth of gross domestic product ("GDP") at 4.6%. By 2031, CMS projects that 19.6% of GDP will be attributable to health spending, compared to 18.3% in 2021. The general aging of the population, driven by the Baby Boomer generation and advances in medical technology and services, which increase life expectancy, are expected to continue to be key drivers of the growth in health care expenditures. The anticipated continuing increase in demand for health care services, together with an evolving complex and costly regulatory environment, changes in medical technology and reductions in government reimbursements are expected to pressure capital-constrained health care providers to find cost effective solutions for their real estate needs.

We believe the demand by health care providers for health care real estate will increase as health care spending in the United States rebounds and continues to increase.

Aging Population

The aging of the U.S. population has a direct effect on the demand for health care as older persons generally utilize health care services at a rate well in excess of younger people. According to the U.S. Census Bureau, the U.S. population over 65 years of age is projected to more than double from 49.2 million to nearly 94.7 million, and the 85 and older population is expected to almost triple, from 6.4 million to 19.0 million, between 2016 and 2060. Also, according to the U.S. Census Bureau, the number of older Americans is growing as a percentage of the total U.S. population with the number of persons older than 65 estimated to comprise 15.2% of the total U.S. population in 2016 and projected to grow to more than 20% by 2030.

We believe health care expenditures for the population over 65 years of age will continue to rise as a disproportionate share of health care dollars is spent on older Americans. To illustrate, in 2012 the elderly (65+ years old) represented only 14% of the population while accounting for 34% of all health care-related spending. We believe the older population group increasingly will require treatment and management of chronic and acute health ailments and that this increased demand for health care services will create a substantial need for additional outpatient medical facilities and other facilities that serve the health care industry in many regions of the United States. Additionally, we believe there will likely be a focus on lowering the cost of outpatient care for the aging U.S. population, which will continue to support medical office and outpatient facility property demand in the long term. For example, beginning in 2019, CMS expanded the list of procedures that can be performed and reimbursed in outpatient surgery centers to include 12 cardiac catheterization diagnostic procedures and 5 ancillary procedures. CMS further expanded the list of services for 2023, and the current year ("CY") 2024 Outpatient Prospective Payment System and Ambulatory Surgical Center final rule created a new benefit category for intensive outpatient program services, which expands outpatient access to individuals with acute behavioral health needs. We believe these trends will result in a substantial increase in the demand for health care space in our facilities and the number of properties meeting our investment criteria.

We believe advances in medical technology will continue to enable health care providers to identify and treat once fatal illnesses and improve the survival rate of critically ill and injured patients who will require continuing medical care in outpatient medical facilities.

Affordable Care Act

The Patient Protection and Affordable Care Act of 2010 (the “Affordable Care Act”) constituted a significant overhaul of many aspects of health care regulations and health insurance and created new features in the framework for health care services over the near term. It required every American to have health insurance or be subjected to a tax. Those who cannot afford health insurance are offered insurance subsidies or Medicaid coverage. On December 14, 2018, a federal district court in Texas ruled that the Affordable Care Act’s individual mandate was unconstitutional. The United States Supreme Court dismissed the Texas case and upheld the Affordable Care Act in June 2021; however, we expect challenges to the Affordable Care Act may continue.

The U.S. Census Bureau estimated that approximately 50 million Americans did not have health care insurance in 2009, before the Affordable Care Act was enacted. The U.S. Census Bureau calculated that from 2021 to 2022, the number of Americans with health insurance increased from approximately 300.9 million (91.7%) to 304 million (92.1%), continuing a trend after passage of the Affordable Care Act to reduce the number of uninsured. The Affordable Care Act and subsequent legislation, executive orders and events, as well as their potential impact on our business, are discussed more fully under Item 1 - Business, under the caption “Certain Government Regulations.”

We believe an increase in the number of Americans with access to health insurance would result in an increase in physician office visits and an overall rise in health care utilization which in turn will drive a need for expansion of medical, outpatient, and smaller specialty hospital facilities. We also believe the increased dissemination of health research through media outlets, marketing of health care products, and availability of advanced screening techniques and medical procedures have contributed to a more engaged population of health care users and has created increased demand for customized facilities providing specialized, preventive, and integrative health care services. With the growth of electronic health care information transmission, physician offices increasingly engage with patients through telehealth. Health care payors, including Medicare, are beginning to reimburse for telehealth services when medical information is transmitted and used between patients and physicians. Telehealth services have also expanded as a result of COVID-19, a trend we expect to continue.

We further believe the provisions of the Affordable Care Act that are designed to lower certain reimbursement amounts under Medicare and tie reimbursement levels to the quality of services provided will increase the pressure on health care providers to become more efficient in their business models, invest capital in their businesses, lower costs and improve the quality of care, which in turn will drive health care systems to monetize their real estate assets and create demand for new, modern and specialized facilities.

Clinical Care Continues to Shift to Outpatient Care

According to the American Hospital Association (the “AHA”), many procedures traditionally performed in hospitals, such as certain types of surgery, are increasingly moving to outpatient facilities driven by advances in clinical science, shifting consumer preferences, limited or inefficient space in existing hospitals, and lower costs in the outpatient environment. This continuing shift toward delivering health care services in an outpatient environment rather than a traditional hospital environment increases the need for additional outpatient facilities and smaller, more specialized and efficient hospitals. Studies by the Medicare Payment Advisory Commission and others have shown that health care is delivered more cost effectively and with higher patient satisfaction when it is provided on an outpatient basis. Increasingly, hospital admissions are reserved for the critically ill, and less critical patients are treated on an outpatient basis with recuperation in their own homes. We believe health care market trends toward outpatient care will continue to push health care services out of larger, older, inefficient hospitals and into newer, more efficient, and conveniently located outpatient facilities and smaller specialized hospitals. We believe that increased specialization within the medical field is also driving demand for medical facilities designed specifically for particular specialties and that physicians want to locate their practices in medical office space that is in or adjacent to these facilities.

Impact of BBA on Hospital Outpatient Care

Section 603 of the Bipartisan Budget Act of 2015 (the “2015 BBA”) generally prohibits hospital outpatient departments (“HOPDs”) from receiving hospital outpatient department rates under the Medicare Outpatient Prospective Payment System (“OPPS”) for Medicare patients treated in “off-campus” locations that are not Emergency Departments on or after January 1, 2017, potentially impacting their profitability. These higher Medicare hospital outpatient rates are only permitted if the hospital provides HOPD services in a department within 250 yards of the hospital’s main inpatient building, or within 250 yards of a hospital’s remote location (second inpatient location off the main campus). A hospital HOPD can be grandfathered from the 2015 BBA payment changes even if the location is outside the 250 yard distance. Under the statutory authority, an off-campus HOPD facility that was furnishing outpatient services on or before November 2, 2015 can be “grandfathered” and can continue to be paid at the OPPS HOPD rates, if, among other things, the hospital was billing HOPD services in that location on a HOPD basis as of November 2, 2015 and continues to provide those services in that location. On November 21, 2018, the Secretary of the U.S. Department of Health and Human Services (the “Secretary”) issued a final rule, effective January 1, 2019, that eliminates the higher, OPPS reimbursement rate for evaluation and management (“E&M”) services provided by grandfathered HOPD locations (the “Final Rule”). The Secretary, instead, will only reimburse for E&M services at the lower, Medicare Physician Fee Schedule rate that new non-grandfathered off-campus HOPD locations receive. The AHA and a number of hospitals sued the Secretary in federal court to enforce the plain meaning of Section 603 of the 2015 BBA and restore the right to grandfathered HOPD reimbursement rates. On September 17, 2019, a federal district judge ruled in favor of the AHA. The court stated that CMS did not have the authority to lower payments for off-campus hospital-based departments that were grandfathered under the 2015 BBA. CMS challenged this ruling and requested a stay in the decision, which the court denied on October 21, 2019. In its December 15, 2020 final rule for hospital OPPS rates, CMS continued its efforts to lower payment for certain HOPD services basing reductions on the principle of “site neutrality.” These lower payment levels were effective January 1, 2021, notwithstanding the CMS’ projections that overall payments under OPPS will increase by 2.4%. For 2024, CMS updated OPPS payment rates for hospitals that meet applicable quality reporting requirements by 3.1%. Further, CMS continued the payment rate reduction for E&M services furnished in all off-campus HOPDS in 2022. CMS stated that it intends to continue this policy. Hospitals with “grandfathered” locations providing HOPD services in our portfolio are referred to as 603 assets in our SEC reports and other public disclosures.

We own a number of 603 assets. Rent derived from these 603 assets accounts for approximately 16% of our total consolidated portfolio annualized base rent as of December 31, 2023. Depending upon the implementation of the regulations and mix of procedures in an HOPD, the 2015 BBA may enhance the value of these 603 assets because existing HOPDs may lose their higher reimbursements rates should they choose to change locations, thus enhancing lease renewal probabilities and rent growth.

Portfolio Summary

Please see Item 2 - “Properties” for a table that summarizes our consolidated portfolio as of December 31, 2023.

Geographic Concentration

As of December 31, 2023, approximately 11.9% of our consolidated gross leasable area was derived from properties located in Texas.

As a result of this geographic concentration, we are particularly exposed to downturns in the Texas economy or other changes in local real estate market conditions. Any material change in the current payment programs or regulatory, economic, environmental, or competitive conditions in Texas could have a disproportionate effect on our overall business results. In the event of negative economic or other changes in the Texas market, our business, financial condition, and results of operations, our ability to make distributions to our shareholders, and the market price of our common shares may be adversely affected. See the discussion under Item 1A - “Risk Factors,” under the caption, “Economic and other conditions that negatively affect geographic areas in which we conduct business, and in particular Texas, and other areas to which a greater percentage of our revenue is attributed could materially adversely affect our business, results of operations, and financial condition."

Customer Concentration

We receive substantially all of our revenue as rent payments from tenants under leases of space in our health care properties, with our five largest tenants based upon rental revenue representing approximately $71.8 million, or 19.6%, of the annualized base rent from our consolidated properties as of December 31, 2023. No one tenant represents more than 5.1% of our total consolidated annualized base rent; however, 14.9% of our total consolidated annualized base rent as of December 31, 2023 is from tenants affiliated with CommonSpirit. We have no control over the success or failure of our tenants' businesses and, at any time, any of our tenants may experience a downturn in its business that may weaken its financial condition. Our business, financial position, or results of operations could be materially adversely affected if CommonSpirit were to experience a material adverse effect on its business, financial position, or results of operations.

Competition

We compete with many other entities engaged in real estate investment activities for acquisitions of health care properties, including national, regional and local operators, acquirers, and developers of health care-related real estate properties and other investors such as private equity firms, some of whom may have greater financial resources and lower costs of capital than we do. The competition for health care-related real estate properties may significantly increase the price that we must pay for health care properties or other assets that we seek to acquire, and our competitors may succeed in acquiring those properties or assets themselves. In addition, our potential acquisition targets may find our competitors to be more attractive because they may have greater resources, may be willing to pay more for the properties or may have a more compatible operating philosophy. In particular, larger REITs that target health care properties may enjoy significant competitive advantages that result from, among other things, a lower cost of capital, enhanced operating efficiencies, more personnel, and market penetration and familiarity with markets. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase. Increased competition would result in increased demand for the same assets and therefore increase prices paid for them. Those higher prices for health care properties or other assets may adversely affect our returns from our investments.

We also face competition in leasing available outpatient medical facilities and other facilities that serve the health care industry to prospective tenants. As a result, we may have to provide rent concessions, incur charges for tenant improvements, offer other inducements, or we may be unable to timely lease vacant space in our properties, all of which may have a material adverse impact on our results of operations.

Seasonality

Our business has not been, and we do not expect it to become, subject to material seasonal fluctuations.

Human Capital Management

Our Company is focused on human capital management, which our Board believes is vital to the health of the Company. We believe that the success of our business depends on a strong, talented, and committed workforce to ensure excellence on behalf of our clients and shareholders. Therefore, we prioritize the well-being of our employees and offer comprehensive benefits packages, opportunities for personal and group volunteer efforts, and paths for life-long learning to our employees. Our employees work with various business units across the Company to diversify their skill sets. Employees are offered challenging projects, stock ownership as a form of compensation, and a collaborative and inclusive environment with exposure to our top executives.

We are an equal opportunity employer, and we are committed to making employment decisions without regard to race, creed, color, religion, sex, age, ancestry, national origin, sexual preference, sexual orientation, marital status, disability, protected veteran status, or any other legally protected status. As of December 31, 2023, we had 104 full-time employees, none of whom were subject to a collective bargaining agreement. We believe that relations with our employees are positive.

The nominating and corporate governance committee retains oversight over human capital matters, including diversity, equity, and inclusion policies and initiatives, and oversees the Company's Diversity, Equity, and Inclusion (“DEI”) Council. Our Board receives regular reports from our CEO regarding annual employee engagement results conducted through an independent third party. In 2023, the Company had approximately 91% participation in this survey. In 2023, our voluntary employee retention rate was approximately 92%. Our Board members periodically attend employee events, participate in our annual Management Summit event, and attend all-team holiday gatherings. In January 2023, we were named to the Bloomberg Gender-Equality Index as a first-time submitter.

Employee Engagement

In 2023, the Company offered team member training, including courses on leadership, work/life balance, mental health, and cybersecurity, among other topics. Our team also routinely participates in training opportunities related to ESG and workplace best practices to pursue continued professional development. In addition, employees participate in regular Company-wide “lunch and learn” discussions on leadership, wellness, mentorship, and team-building.

In addition, our employees contribute to building a stronger and more inclusive workplace environment. Employees lead committees focusing on social, environmental, philanthropic, and health and wellness topics that shape the Company’s policies. As mentioned above, annual engagement surveys are conducted by an independent third party to provide anonymous team member feedback, the response rate to this survey was approximately 91% in 2023. We believe that continuous improvement and investment in our team are the keys to our continued success.

Diversity, Equity, and Inclusion

The Company values diversity and embraces the unique qualities of our employees. In 2019, we formed our DEI Council, which, among other things, develops educational platforms, and plans activities to promote DEI at all levels of our organization, creating a culture of fairness and respect for our employees. We believe we are a stronger organization when our workforce represents a diversity of ideas and experiences.

We take a personalized approach, driven by an 18-member DEI Council that represents all workgroups within our Company. Our DEI Council, which meets monthly, operates under the direction and full support of our Senior Vice President and Deputy Chief of Investments, who reports on activities to our President and CEO. In addition, the DEI Council is overseen by the nominating and corporate governance committee and reports to the entire Board as needed. We feel that this level of visibility leads to high engagement, accountability, and fulfillment of our DEI goals.

Compensation and Benefits

Our leadership has championed the importance of providing a robust benefits package. We offer competitive pay and compensation packages, including an annual bonus, paid medical and dental insurance, paid time off benefits, paid holidays, yearly paid volunteer time off, one paid mental health and wellness day, summer Friday hours, 401(k) match with immediate vesting, Company-sponsored short- and long-term disability benefits, voluntary life and accident insurance, paid parental leave, and pet insurance. We provide equity compensation after six months of employment. Through our employee stock purchase program and annual stock grant, our employees are also owners of the Company. The Company also offers a health plan option with a health savings account, which to date, has included an annual company contribution, an onsite gym in Milwaukee, and numerous team-building activities throughout the year.

One of the Company’s continuing education benefits, our graduate degree sponsorship program, is awarded based on a competitive submission process. This program was launched in 2019 and has two graduates.

The Company has a hybrid work approach tailored to the decisions and responsibilities of each workgroup, which we believe maximizes company-wide productivity. Additionally, the Company has a yearly four-week “work from anywhere” policy.

Community and Philanthropy

The Company provides monetary support to various nonprofit organizations. In 2023, the Company contributed approximately $371,000 in philanthropic giving. Separately, we raised $75,000 to support charitable causes nationwide. Employees are actively involved in the Company’s philanthropic decisions through a team-led committee, an annual philanthropy survey, and quarterly “Jeans Week” drives with charitable recipients chosen from team-nominated organizations nationwide. The Company does not make contributions of any kind to any political action committees or political candidates or their campaigns.

Under the Company’s all-team volunteerism efforts, our employees contributed 396 hours through Company-sponsored team volunteer opportunities in 2023. Additionally, through the Company’s Volunteer Time Off (VTO) program launched in 2019, we encourage and empower our employees to give back to the community in personally meaningful ways. In 2023, our employees spent 360 hours serving their communities individually.

Environmental Matters

As an owner of real estate, we are subject to various federal, state, and local environmental laws, regulations, and ordinances and also could be liable to third parties as a result of environmental contamination or noncompliance at our properties even if we no longer own such properties. See the discussion under Item 1A, “Risk Factors,” under the caption “Environmental compliance costs and liabilities associated with owning, leasing, developing, and operating our properties may affect our results of operations.”

Certain Government Regulations

Overview

Our tenants and operators are typically subject to extensive and complex federal, state, and local health care laws and regulations relating to fraud and abuse practices, government reimbursement, licensure, protection of patient health information, and certificate of need (“CON”) and similar laws governing the operation of health care facilities, and we expect that the health care industry, in general, will continue to face increased regulation and pressure in the areas of fraud, waste and abuse, cost control, health care management, and provision of services, among others. These regulations are wide-ranging and can subject our tenants and operators to civil, criminal and administrative sanctions. Affected tenants and operators may find it increasingly difficult to comply with this complex and evolving regulatory environment because of a relative lack of guidance in many areas as certain of our health care properties are subject to oversight from several government agencies and the laws may vary from one jurisdiction to another. Changes in laws and regulations, reimbursement enforcement activity and regulatory non-compliance by our tenants and operators can all have a significant effect on their operations and financial condition, which in turn may adversely impact us, as detailed below and set forth under Item 1A, “Risk Factors,” under the caption “The health care industry is heavily regulated, and new laws or regulations, changes to existing laws and regulations, health policies, reimbursement levels from third-party payors, loss of licensure, or failure to obtain licensure could adversely impact our company and result in the inability of our tenants to make rent payments to us.”

In 2017, Congress came within a single vote of repealing the Affordable Care Act and substantially reducing funding to the Medicaid program. New legislation may be introduced in the future, proposing changes, if not full repeal of the Affordable Care Act. Beyond this, significant changes to commercial health insurance and government-sponsored insurance (e.g., Medicare and Medicaid) remain possible. Commercial and government payors are likely to continue imposing larger discounts and tighter cost controls upon operators, through reductions in reimbursement rates and changes in payment methodologies, discounted fee structures, the assumption by health care providers of all or a portion of the financial risk or otherwise. A shift toward less comprehensive health insurance coverage and increased consumer cost-sharing on health expenditures could have a material adverse effect on certain of our operators’ liquidity, financial condition, and results of operations and, in turn, their ability to satisfy their contractual obligations, including making rental payments under and otherwise complying with the terms of our leases.

The following is a discussion of certain laws and regulations generally applicable to our operators, and in certain cases, to us.

Health Care Legislation

Health Reform Laws. On March 23, 2010, then President Obama signed into law the Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, which amends the Affordable Care Act (collectively with other subsequently enacted federal health care laws and regulations, the “Health Reform Laws”). The Health Reform Laws contain various provisions that may directly impact us or the operators and tenants of our properties. Some provisions of the Health Reform Laws may have a positive impact on our operators’ or tenants’ revenues, by, for example, increasing coverage of uninsured individuals, while others may have a negative impact on the reimbursement of our operators or tenants by, for example, altering the market basket adjustments for certain types of health care facilities. The Health Reform Laws also enhance certain fraud and abuse penalty provisions that could apply to our operators and tenants, in the event of one or more violations of the federal health care regulatory laws. In addition, there are provisions that impact the health coverage that we and our operators and tenants provide to our respective employees. The Health Reform Laws also provide additional Medicaid funding to allow states to carry out the expansion of Medicaid coverage to certain financially eligible individuals beginning in 2014, and have also permitted states to expand their Medicaid coverage to these individuals since April 1, 2010, if certain conditions are met. On June 28, 2012, the United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion allows states to decide whether or not to participate in the expansion. As a result, states that choose not to participate in the expansion-and to forego funding for the Medicaid expansion-may do so without losing their existing Medicaid funding. As of December 1, 2023, 10 states have pursued the option not to adopt the Medicaid expansion. Forty-one states and the District of Columbia have adopted the expansion. The participation by states in the Medicaid expansion could have the dual effect of increasing our tenants' revenues, through new patients, but could also further strain state budgets. While the federal government paid for approximately 100% of those additional costs from 2014 to 2016, states now are expected to pay for part of those additional costs.

Challenges to the Health Reform Laws and Potential Repeal and/or Further Reforms under Trump Administration. Since the enactment of the Health Reform Laws, there have been multiple attempts through legislative and regulatory action, as well as legal challenge to repeal or amend the Health Reform Laws, including the case that was before the U.S. Supreme Court, King v. Burwell. Although the Supreme Court in Burwell upheld the use of subsidies to individuals in federally facilitated health care exchanges on June 25, 2015, which ultimately did not disrupt significantly the implementation of the Health Reform Laws, we cannot predict whether other current or future efforts to repeal, amend or challenge the validity of all or part of the Health Reform Laws will be successful, nor can we predict the impact that such a repeal, amendment or challenge would have on our operators or tenants and their ability to meet their obligations to us.

In 2017, then President Trump and Congress unsuccessfully sought to repeal and replace the Affordable Care Act. On January 20, 2017, then President Trump issued an Executive Order stating that it was the administration's official policy to repeal the Affordable Care Act and instructing the Secretary of Health and Human Services and the heads of all other executive departments and agencies with authority and responsibility under the Affordable Care Act to, among other matters, delay implementation of or grant an exemption from any provision of the Affordable Care Act that would impose a fiscal burden on any state or a cost, fee, tax, penalty, or regulatory burden on individuals, families, health care providers, health insurers, patients, and others. On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was signed into law. The Tax Act, among other things, reduced the Affordable Care Act’s individual mandate penalty to zero beginning in 2019. The elimination of the penalties does not remove the requirement to obtain health care coverage; however, without penalties there effectively will be no enforcement. On December 14, 2018, a federal district court in Texas ruled that the Affordable Care Act’s individual mandate was unconstitutional. The court also ruled that the provisions of the individual mandate were not severable from the remainder of the Affordable Care Act, rendering the remainder of the Affordable Care Act invalid as well. President Biden formally revoked former President Trump’s Executive Order regarding the Affordable Care Act on January 28, 2021. The United States Supreme Court heard the Texas case following a series of appeals and dismissed the case for lack of standing, effectively upholding the Affordable Care Act in June 2021. Despite action by the current administration and the Supreme Court’s decision to uphold the Affordable Care Act, litigation to invalidate parts of the Affordable Care Act continues; another case in Texas is currently moving through the court system regarding the ACA’s requirement for coverage of clinical preventive services. Moreover, it is possible that Congress will continue to consider other legislation to repeal the Affordable Care Act or repeal and replace some or all elements of the Affordable Care Act.

The US Department of Labor (“DOL”) issued a final rule on June 21, 2018 authorizing the creation of Association Health Plans (the “AHP Rule”). This rule was one of three components of a 2017 Executive Order to increase consumer health insurance options and also created short-term limited duration health insurance and health reimbursement arrangements. On March 28, 2019, the US District Court for the District of Columbia set aside a number of the AHP Rule’s provisions. On April 26, 2019, the Department of Justice (“DOJ”) appealed that decision, but following a change in administration, on December 20, 2023, the Department of Labor proposed to rescind the AHP Rule. The proposed rule is currently in the comment period until February 20, 2024.

On June 24, 2019, then President Trump signed an Executive Order on Improving Price and Quality Transparency in American Health Care to Put Patients First. The order was intended to increase the availability of meaningful price and quality information for patients. CMS included in its final rule for Medicare hospital outpatient payment, the requirement that hospitals make public their standard charges, along with payer-specific negotiated rates, in a consumer-friendly format. This requirement was to be effective January 1, 2020. In 2019, the AHA and other hospital groups initiated litigation against the U.S. Department of Health and Human Services (“HHS”) and CMS to prevent implementation of this price transparency rule. The AHA challenge was unsuccessful and the rule became effective January 1, 2021. On November 22, 2023, CMS reiterated its commitment and refinement of price transparency in the CY 2024 Medicare OPPS and ASC Final Rule, which among other things, requires hospitals to use CMS templates for Machine-Readable Files (“MRFs”), display estimated allowed amounts in certain circumstances, and provide price transparency information on their websites. The public availability of hospital charges may give patients information to select physician office-based care rather than in the hospital.

We cannot predict the effect of Trump or Biden Executive Orders, the Tax Act’s 2019 repeal of the individual mandate penalty on the Affordable Care Act, or whether future attempts by Congress to challenge or change the law will be successful. Further, we cannot predict how the Affordable Care Act might be amended or modified, through the legislative, regulatory or judicial process, and how any such modification might impact our tenants' operations or the net effect of this law on us. If the operations, cash flows or financial condition of our operators and tenants are materially adversely impacted by any repeal or modification of the law, our revenue and operations may be materially adversely affected as well.

No Surprises Act. Effective January 1, 2022, facilities and providers must comply with several new policies required by No Surprises Act ("NSA"). Specifically, the NSA prohibits "balance billing" for: (i) emergency services provided by an out-of-network provider; and (ii) non-emergency (e.g., scheduled) services provided by an out-of-network provider at an in-network facility. For such out-of-network services, health plans are prohibited from imposing higher cost-sharing amounts (i.e., copayment, coinsurance, or deductible) than the amount that would have applied had the service been provided by an in-network provider. The NSA allows the patient to waive their balance billing and cost-sharing protections in some scenarios, but this requires the out-of-network provider to comply with the patient notice and consent requirements under the Act, and does not apply to most ancillary physician services (e.g., emergency, radiology, anesthesiology, pathology, neonatology, and services provided by hospitalists, assistant surgeons, and intensivists). For purposes of compliance with the balance billing and patient cost-sharing protections, a "facility" is defined under the NSA to include hospitals, critical access hospitals, hospital outpatient departments, and ASCs.

In addition to the balance billing prohibition, the NSA also requires providers and facilities to provide a good faith estimate ("GFE") of expected charges to uninsured and self-pay patients upon scheduling or upon request. Note, the GFE requirements are limited in applicability to uninsured and self-pay patients at this time. In August 2021, HHS announced its intention to delay enforcement of the GFE requirements for patients who are enrolled in a health plan and are seeking to submit a claim to the plan for items and services until rulemaking to fully implement this requirement.

HHS further delayed enforcement of the requirement that the GFE includes expected charges from co-providers or co-facilities indefinitely until HHS issues additional guidance through formal rulemaking. Currently there is no new enforcement deadline, and according to the FAQ, any future rulemaking will include a prospective applicability date that gives providers and facilities “a reasonable amount of time to comply with any new requirements.” Nevertheless, the FAQ cautions that certain states are the primary enforcers of the GFE requirements, rather than the federal government. Those states do not have to follow HHS’ lead to delay enforcement of the co-provider requirement, though HHS encourages states to take a similar approach. Providers in states that are enforcing the GFE rules directly may have enhanced risk of enforcement at this time. While the balance billing and patient cost-sharing requirements (described above) do not apply to freestanding physician clinics, the GFE requirements under the NSA apply to all licensed health care facilities and health care providers, including freestanding physician clinics. The NSA requires providers and facilities to provide patients with disclosures of their new rights under the law.

The enforcement provisions under the NSA permit the Secretary to apply a civil monetary penalty against a provider/facility in an amount not to exceed $10,000 per violation of the NSA, including: (i) violations of the balance billing protections under the NSA (including all mandated disclosures and notices); and (ii) in circumstances where a provider/facility fails to provide a GFE of expected charges to uninsured/self-pay patients in violation of the NSA. Notably, the balance billing, patient cost sharing protections, and GFE requirements under NSA are in addition to any requirements under applicable state law. Many of our operators and tenants are now subject to these laws, and some of them may be subject to monetary penalties if they fail to comply with applicable laws.

Information Blocking

Published on May 1, 2020, the Information Blocking Regulations (“IB Regulations”) went into effect April 5, 2021. The IB Regulations prohibit “Actors” (e.g., health care providers, health information exchanges, health information technology developers) from taking action that is likely to interfere with, prevent or materially discourage access, exchange or use of electronic health information. The scope of the IB Regulations were recently expanded to prohibit health care providers from blocking or interfering with patient access to any electronic information in a “designated record set,” as the term is defined under the Health Insurance Portability and Accountability Act, commonly referred to as HIPAA, effective October 6, 2022. Except to the extent covered by an exception, the IB Regulations obligate an Actor to provide a requestor (a patient, a patient’s representative or person seeking a connection to the Actor’s technology) with access to the electronic health information (“EHI”) within its control or possession. The exceptions to the IB Regulations permit an Actor to deny access, limit the amount of access, delay access, condition the type of access or charge a fee for access, all subject to the detailed limitations stated in the applicable exception.

On July 3, 2023, the Office of the Inspector General (“OIG”) finalized a rule that established civil monetary penalties up to $1 million per violation for health IT developers, entities offering certified health IT, health information exchanges, and health information networks. And on November 1, 2023, OIG proposed a rule to establish disincentives for providers that are determined to have committed information blocking. If finalized, the disincentives would include monetary and non-monetary penalties. In addition to the potential for monetary and non-monetary penalties, providers are likely to incur additional costs in training staff and updating medical records systems and policies to ensure appropriate access to medical records.

Fraud and Abuse Enforcement

There are various extremely complex federal and state laws and regulations governing health care providers' relationships and arrangements and prohibiting fraudulent and abusive practices by such providers. These laws include (i) federal and state false claims acts, which, among other things, prohibit providers from filing false claims or making false statements to receive payment from Medicare, Medicaid or other federal or state health care programs, (ii) federal and state anti-kickback and fee-splitting statutes, including the Medicare and Medicaid anti-kickback statute, which prohibit the payment or receipt of remuneration to induce referrals or recommendations of health care items or services and the Eliminating Kickbacks in Recovery Act of 2018 ("EKRA"), an all-payor statute enacted in 2018 prohibiting kickbacks related to remuneration for referrals to recovery homes, clinical treatment facilities and laboratories, (iii) federal and state physician self-referral laws (commonly referred to as the "Stark Law"), which generally prohibit referrals by physicians to entities with which the physician or an immediate family member has a financial relationship, (iv) the federal Civil Monetary Penalties Law, which prohibits, among other things, the knowing presentation of a false or fraudulent claim for certain health care services and (v) federal and state privacy laws, including the privacy and security rules contained in the Health Insurance Portability and

Accountability Act of 1996, which provide for the privacy and security of personal health information. Violations of health care fraud and abuse laws carry civil, criminal, and administrative sanctions, including punitive sanctions, monetary penalties, imprisonment, denial of Medicare and Medicaid reimbursement, and potential exclusion from Medicare, Medicaid, or other federal or state health care programs. These laws are enforced by a variety of federal, state, and local agencies and can also be enforced by private litigants through, among other things, federal and state false claims acts, which allow private litigants to bring qui tam or “whistleblower” actions. Many of our operators and tenants are subject to these laws, and some of them may in the future become the subject of governmental enforcement actions if they fail to comply with applicable laws.

Reimbursement

Sources of revenue for many of our tenants and operators include, among other sources, governmental health care programs, such as the federal Medicare program, state Medicaid programs, and non-governmental payors, such as insurance payors, managed care organizations (“MCOs”), health maintenance organizations (“HMOs”), and Accountable Care Organizations (“ACOs”). As federal and state governments focus on health care reform initiatives, and as the federal government and many states face significant budget deficits, efforts to reduce costs by these payors will likely continue, which may result in reduced or slower growth in reimbursement for certain services provided by some of our tenants and operators.

We cannot predict whether future Congressional action will reduce physician reimbursements. Efforts by other payors to reduce health care costs are likely to continue, which may result in reductions or slower growth in reimbursement for certain services provided by some of our tenants. Further, revenue realizable under third-party payor agreements can change after examination and retroactive adjustment by payors during the claims settlement process or as a result of post-payment audits. For example, payors may disallow requests for reimbursement based on determinations that certain costs are not reimbursable or reasonable, because additional documentation is necessary or because certain services were not covered or were not medically necessary. The Health Care Reform Laws and regulatory changes could impose further limitations on government and private payments to health care providers. In some cases, states have enacted or are considering enacting measures designed to reduce their Medicaid expenditures and to make changes to private health care insurance. In addition, the failure of any of our tenants to comply with various laws and regulations could lead to overpayments and resulting repayment obligations to, as well as jeopardize their ability to continue participating in Medicare, Medicaid, and other government sponsored payment programs. The financial impact on our tenants’ failure to comply with such laws and regulations could restrict their ability to make rent payments to us.

Health Care Licensure and CON

Certain health care facilities in our portfolio are subject to extensive federal, state, and local licensure, certification and inspection laws, and regulations. In addition, various licenses and permits are required to dispense narcotics, operate pharmacies and laboratories, handle radioactive materials, and operate equipment. Many states require certain health care providers to obtain a CON, which requires prior approval for the construction, expansion, purchase of certain capital equipment, and closure of certain health care facilities. The approval process related to state CON laws may impact some of our tenants' and operators' abilities to expand or change their businesses.

COVID-19 Pandemic

COVID-19 Relief. The Coronavirus Aid, Relief, and Economic Security ("CARES") Act (2020) and the Coronavirus Response and Consolidated Appropriations Act (2021) ("CAA") provided economic assistance for health care providers. The CAA continued many of these programs by adding new phases, new allocations, and new guidance to address issues related to the continuation of the COVID-19 pandemic. Through the CARES Act, the federal government authorized $175 billion in payments to be distributed through the Public Health and Social Services Emergency Fund ("Provider Relief Fund" or "PRF"). The CAA added another $3 billion in funding to the PRF program. The government has apportioned the PRF in several tranches, including (i) a $50 billion Phase 1 general distribution to Medicare providers, (ii) a $18 billion Phase 2 general distribution to Medicaid providers, (iii) a $24.5 billion Phase 3 general distribution based on financial losses and expenses attributable to COVID-19, and (iv) approximately $60 billion in targeted distributions to hospitals in high-impact areas and certain other specific providers.

Payments from the PRF are not loans and, therefore, they are generally not subject to repayment. However, as a condition to receiving distributions, providers agreed to certain terms and conditions, including, among other things, that the funds are used for lost revenues and certain COVID-related expenses, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider. Recipients of PRF payments must comply with reporting requirements described in the terms and conditions and specified in HHS reporting guidelines. HHS has indicated that it will be closely monitoring and, along with the OIG, auditing providers to ensure that recipients comply with the terms and conditions of the PRF program and to prevent fraud and abuse. Providers are subject to civil and criminal penalties for any deliberate omissions, misrepresentations or falsifications of any information given to HHS. Noncompliance with applicable terms and conditions is grounds for HHS to recoup some or all of the payments made from the PRF. Reporting obligations are ongoing for providers that accepted grants from the Provider Relief Fund and will continue into 2025. Notably, HHS is issuing Repayment Request Notices to recipients of PRF payments who are required to repay funds.

On December 10, 2021, Congress passed the Protecting Medicare and American Farmers from Sequester Cuts Act, extending the moratorium on the 2% Medicare sequestration until April 2022, then reducing the amount taken from payments to 1% for another three months. The law also prevents the statutory Pay-As-You-Go cuts to Medicare, which total 4% of Medicare payments, and certain rate cuts finalized in the Medicare Physician Fee Schedule final rule from November 2021. Additionally, the law delayed payment cuts for clinical laboratories and postpone the launch of the radiation oncology bundled payment model, which was slated to start in January 2022. These changes were intended to support the financial viability of physician practices and maintain access to outpatient care during the continuing public health emergency, but have begun unfolding as the COVID-19 public health emergency ended on May 11, 2023. In April of 2022, CMS resumed sequestration reductions and ramped up to a 2% sequestration beginning in July 2022. Moreover, CMS’s final CY 2024 Physician Fee Schedule included a payment rate reduction of 1.25%, compared to CY 2023, with a conversion factor decrease of 3.4%.

Based on the continued uncertainty around reporting and potential recoupment of PRF funds, we cannot provide any assurances as to whether any tenant or operator may be required to derecognize and return any portion of PRF funds it has recognized as income, or predict whether a tenant or operator may be eligible to receive any additional allocations of Provider Relief Funds in the future or whether it will be able to recognize such amounts as PRF grant income under HHS reporting requirements. And while the CY 2024 Physician Fee Schedule included payment reductions, there are no assurances regarding the future of payment rates and scheduled reductions to payments thereunder. These ongoing risks will continue to create risk of non-payment of rent from our tenants.

Vaccine Mandates. On November 4, 2021, CMS released its Interim Final Rule (“IFR”) requiring COVID-19 vaccinations for individuals working in Medicare- and Medicaid-participating facilities, as well as individuals working in certain other settings involving face-to-face interactions with patients. On the same date, the Occupational Safety and Health Administration (“OSHA”) released its new Emergency Temporary Standard (“ETS”) requiring companies with 100 or more employees to mandate vaccination of their employees.

On January 13, 2022, the Supreme Court handed down a pair of decisions on the CMS vaccine mandate rule and the OSHA vaccine-or-test rule. In short, the Court ruled in its opinion that CMS is not prohibited from implementing its IFR. In a separate opinion, the Court held that OSHA may not enforce or implement its ETS. In October 2022, the Supreme Court declined to hear a challenge from 10 states seeking to appeal a ruling affirming the CMS mandate. More recently, the Supreme Court in December 2023 vacated a series of conflicting appellate rulings regarding the vaccine mandate, and remanded them with instructions to dismiss them as moot.

These quickly evolving (and at times, conflicting) regulatory requirements and court decisions will likely create legal and operational challenges for health care providers, including our tenants that are hospitals, surgery centers, and certain physician practices, and may exacerbate existing challenges around staffing, leading to increased costs for temporary or contract labor and potential business disruptions, any of which may adversely affect our tenants' ability to pay us rent.

Available Information

Our website address is www.docreit.com. We make available, free of charge through the Investor Relations portion of the website, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (as amended, the "Exchange Act") as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Reports of beneficial ownership filed pursuant to Section 16(a) of the Exchange Act are also available on our website. These reports and other information are also available, free of charge, at www.sec.gov.

ITEM 1A. RISK FACTORS

Summary Risk Factors

An investment in our common shares involves a high degree of risk. You should carefully read and consider the risks discussed below and described more fully along with other risks in Part I, Item 1A “Risk Factors” of this report, before investing in our common shares. The following summarizes what we believe to be the most significant risks of purchasing or owning our securities based on information currently available to us. Additional unknown risks may also impair our financial performance and business operations. Our business, financial condition, and/or results of operation may be materially adversely affected by the nature and impact of these risks. In such case, the market value of our securities could be detrimentally affected, and investors may lose part or all of the value of their investment. You should carefully consider the risks and uncertainties described below.

Risks Related to the Mergers

- The pendency of the Merger Agreement could have an adverse effect on the business of the Company.
- Completion of the Mergers is subject to the satisfaction or waiver of certain conditions.
- An adverse outcome in any litigation or other legal proceedings relating to the Merger Agreement could have a material adverse impact on the business of the Company.
- The Exchange Ratio is fixed and will not be adjusted in the event of any change in the stock prices of either Healthpeak or the Trust.
- Failure to complete the Mergers could negatively affect the share prices and the future business and financial results of the Company.
- Completion of the Mergers is subject to many conditions, and if these conditions are not satisfied or waived, the Mergers will not be completed, which could result in a requirement that the Trust pay certain termination fees.
- The Merger Agreement contains provisions that could discourage a potential competing acquiror of the Company or could result in any competing proposal being at a lower price than it might otherwise be.
- Either the Company or Healthpeak may terminate the Merger Agreement, if the Mergers are not consummated by July 31, 2024.
- If the Company Merger does not qualify as a reorganization, there may be adverse tax consequences.
- Trust shareholders will be significantly diluted by the Mergers.

Risks Related to Our Business

- Recent macroeconomic trends, including inflation and rising interest rates, may adversely affect our business, financial condition, and results of operations.
- Economic and other conditions that negatively affect geographic areas in which we conduct business could materially adversely affect our business, financial condition, or results of operations.
- Our portfolio is concentrated in health care properties, making us dependent on the health care industry generally, and possibly more vulnerable economically than if our investments were diversified across different industries.

- Cybersecurity incidents, attacks, or other significant disruptions of our information technology systems or the information technology systems of our third party property managers could disrupt our business and result in the compromise of confidential information of ours and third parties, including our tenants.
- Our health care properties and tenants face competition and we may not realize the benefits that we anticipate from focusing on health care properties that are strategically aligned with a care delivery system and from the relationships established through such strategic alignments.
- We may not be successful in identifying and consummating suitable investment acquisitions or investment opportunities, which may impede our growth and negatively affect our business, financial condition, and results of operations.
- We have and may in the future make investments in development projects, which may not yield anticipated returns which could directly affect our operating results and reduce the amount of funds available for distributions.
- Environmental compliance costs and liabilities associated with owning, leasing, developing, and operating our properties may affect our results of operations.

Risks Related to the Health Care Industry

- The health care industry is heavily regulated, and new laws or regulations, changes to existing laws, regulations, health policies, or reimbursement levels from third-party payors, loss of licensure or failure to obtain licensure could adversely impact our company and result in the inability of our tenants to make rent payments to us.
- Changes to health care laws and regulations, including to government reimbursement programs such as Medicare and reimbursement rates applicable to our current and future tenants, could have a material adverse effect on the financial condition of our tenants and, consequently, their ability to meet obligations to us.
- Our tenants and our company are subject to fraud and abuse laws, the violation of which, by a tenant, may jeopardize the tenant’s ability to make rent payments to us.

Risks Related to the Real Estate Industry

- Our operating performance is subject to risks associated with the real estate industry, including vacancies or our inability to lease space on favorable terms, our inability to collect rent from tenants, changes in the demand for certain health care-related properties, and impacts from periods of economic slowdown or recession such as the recent U.S. economic downturn.
- We face risks associated with the potential impacts of severe weather events and climate change.
- Our investments in, or originations of, mezzanine and term loans will be subject to specific risks relating to the particular property or entity obligated to repay the loan, and our loans will involve greater risks of loss than senior loans secured by income-producing properties.

Risks Related to Financings

- Required payments of principal and interest on our indebtedness may leave us with insufficient cash to operate our properties or to pay the distributions currently contemplated or necessary to qualify as a REIT and may expose us to the risk of default under our debt obligations.
- We rely upon external sources of capital to fund future capital needs, and, if we encounter difficulty in obtaining such capital, we may not be able to make future acquisitions necessary to grow our business or meet maturing obligations.

Risks Related to Our Portfolio and Structure

- Our business could be harmed if key personnel terminate their employment with us or if we are unsuccessful in integrating new personnel into our operations.
- Certain provisions of Maryland law, the Trust’s declaration of trust and the partnership agreement of the Operating Partnership contain limits and restrictions on the transferability of our outstanding shares of beneficial interest, which may have the effect of delaying, discouraging or preventing a transaction or change of control of our company.

Risks Related to Our Qualification and Operation as a REIT

- If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that would substantially reduce funds available for distributions to our shareholders.
- Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments.

Risks Relating to the Mergers

The pendency of the Merger Agreement could have an adverse effect on the business of the Company.

The pendency of the Mergers could cause disruption in the business of the Company, including the potential loss or disruption of current and prospective commercial relationships due to the uncertainties about the Mergers. For example, some of the tenants, prospective tenants, or vendors of the Company may delay or defer decisions, which could negatively affect the revenues, earnings, cash flows, and expenses of the Company, regardless of whether the Mergers are completed. Similarly, current and prospective employees of the Company may experience uncertainty about their future roles with the Combined Company (as defined in the Merger Agreement) following the Mergers, which may adversely affect the ability of the Company to attract, retain, and motivate current, prospective, and key personnel during the pendency of the Mergers.

The Merger Agreement generally requires the Company to use commercially reasonable efforts to operate its business in the ordinary course of business pending consummation of the Mergers, but includes certain contractual restrictions on the conduct of its business prior to completion of the Mergers, which may adversely affect the ability of the Company to raise capital or pursue other strategic actions, even if such actions would prove beneficial.

In addition, matters relating to the Mergers (including integration planning) will require substantial commitments of time and resources by the Company's management, which could divert their time, resources, and attention that could otherwise have been devoted to other opportunities that may have been beneficial to the Company. Furthermore, there are certain inherent risks, costs, and uncertainties associated with integrating the businesses successfully, and as a result, the anticipated benefits of the Mergers may not be realized in the time frame currently anticipated or at all. The Company has also incurred, and will continue to incur, significant non-recurring costs, expenses, and fees, and could in the future be exposed to unexpected costs, liabilities, and delays, in connection with the Mergers that may be unrecoverable.

The aforementioned risks, and adverse effects, of any disruption could be exacerbated by a delay in completion of the Mergers or termination of the Merger Agreement.

Completion of the Mergers is subject to the satisfaction or waiver of certain conditions.

Completion of the Mergers is subject to the satisfaction or waiver of certain conditions, including: (i) approval for listing on the NYSE of the shares of Healthpeak common stock to be issued in the Mergers or reserved for issuance in connection therewith, (ii) no temporary restraining order, preliminary or permanent injunction or other order, decree or judgment being in effect enjoining, preventing, restraining, making illegal, or otherwise prohibiting the consummation of the Mergers, (iii) no law having been enacted, issued, entered, promulgated, or enforced by any governmental authority and being in effect that would have the effect of enjoining, preventing, restraining, making illegal, or otherwise prohibiting the consummation of the Mergers, (iv) accuracy of each party's representations, subject in most cases to materiality or "material adverse effect" (as defined in the Merger Agreement) qualifications, (v) compliance in all material respects with each party's covenants, (vi) absence of a material adverse effect on either the Company or Healthpeak, (vii) receipt by each of the Company and Healthpeak of an opinion to the effect that the Company Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), (viii) receipt by Healthpeak of an opinion that the Trust qualifies as a REIT under the Code and receipt by the Company of an opinion that Healthpeak qualifies as a REIT under the Code, and (ix) receipt by each party of customary officer's certificates certifying the satisfaction of the Company's and Healthpeak's respective closing conditions.

The Company cannot provide assurance that these conditions to completing the Mergers will be satisfied or waived, and accordingly, that the proposed Mergers will be completed on the timeline that the Company anticipates or at all. Failure to complete the Mergers could negatively affect the Trust's share price and the future business and financial results of the Company.

In addition, if the Merger Agreement is terminated under certain circumstances specified therein, the Company or Healthpeak may be required to pay the other party a termination fee and/or an expense reimbursement amount.

An adverse outcome in any litigation or other legal proceedings relating to the Merger Agreement, or the transactions contemplated thereby, could have a material adverse impact on the business of the Company and its ability to consummate the transactions contemplated by the Merger Agreement.

Transactions like the Mergers are frequently the subject of litigation or other legal proceedings, including actions alleging that either the Board of Trustees or the Healthpeak board of directors, as applicable, breached its respective duties to its stockholders or shareholders, respectively, or other equity holders by entering into the Merger Agreement, by failing to obtain a greater value in the transaction for the Trust's shareholders or Healthpeak's stockholders or other equity holders or otherwise or any other claims (contractual or otherwise) arising out of the Mergers or the transactions related thereto. Purported shareholders of the Trust have filed (and additional shareholders or stockholders, as applicable, of the Trust and/or Healthpeak may file) a complaint relating to the Mergers. As discussed in Note 15 (Commitments and Contingencies) to our accompanying consolidated financial statements, four purported shareholders of the Company have filed (and additional shareholders or stockholders, as applicable, of the Company and/or the Healthpeak may file) complaints relating to the Mergers, and we have received correspondence from multiple purported shareholders relating to the Mergers. With respect to such litigation, and if additional litigation or other legal proceedings are brought against the Company, the Board of Trustees or the Healthpeak board of directors, respectively, or subsidiaries in connection with the Merger Agreement, or the transactions contemplated thereby, the respective parties to the proceeding intend to defend against it but they might not be successful in doing so. An adverse outcome in such matters, as well as the costs and efforts of a defense even if successful, could have a material adverse effect on the Company's or Healthpeak's ability to consummate the Mergers or on their respective business, results of operation or financial position, including through the possible diversion of either company's resources or distraction of key personnel. See

Note 15 (Commitments and Contingencies) to our accompanying consolidated financial statements for additional information regarding litigation relating to the Mergers.

The Exchange Ratio is fixed and will not be adjusted in the event of any change in the stock or share prices, respectively, of either the Trust or Healthpeak.

As a result of the Mergers, and through a series of transactions, (i) each outstanding Trust common share (other than Trust common shares to be canceled in accordance with the Merger Agreement) will be converted into the right to receive 0.674 shares of Healthpeak common stock (the “Exchange Ratio”), without interest, plus cash in lieu of consideration for fractional shares, but subject to any withholding required under applicable tax laws (the “Merger Consideration”), and (ii) each OP Unit will be converted into common units in a subsidiary of Healthpeak OP equal to the Exchange Ratio. The Exchange Ratio will not be adjusted for changes in the market prices of either Trust common shares or shares of Healthpeak common stock. Changes in the market price of Trust common shares prior to the effective time of the Mergers will affect the market value of the Merger Consideration that Trust shareholders will receive upon completion of the Mergers. Share price changes may result from a variety of factors (many of which are beyond the Company’s or Healthpeak’s control), including the following factors:

- market reaction to the announcement of the Mergers and the prospects of the Combined Company;
- changes in the respective businesses, operations, assets, liabilities, and prospects of the Company and Healthpeak;
- changes in market assessments of the business, operations, financial position, and prospects of either the Company or Healthpeak or the Combined Company;
- market assessments of the likelihood that the Mergers will be completed;
- interest rates, general market and economic conditions, and other factors generally affecting the market prices of Trust common shares and Healthpeak common stock;
- federal, state and local legislation, governmental regulation, and legal developments in the businesses in which the Company and Healthpeak operate; and
- other factors beyond the control of the Company and Healthpeak, including those described or referred to in this “Risk Factors” section.

The price of Healthpeak common stock at the closing of the Mergers may vary from its price on the date the Merger Agreement was executed, on the date of the joint proxy statement/prospectus and on the date of the special meetings of the Trust and Healthpeak. As a result, the market value of the Merger Consideration represented by the Exchange Ratio will also vary.

Because the Mergers will be completed after the dates of the special meetings, Trust shareholders will not know the exact market value of the Healthpeak common stock that they will receive upon completion of the Company Merger, which may itself involve certain risks, including:

- if the price of Healthpeak common stock increases between the date the Merger Agreement was signed or the date of the Trust special meeting and the closing of the Mergers, Trust shareholders will receive shares of Healthpeak common stock that have a market value upon completion of the Company Merger that is greater than the market value of such shares calculated pursuant to the Exchange Ratio on the date the Merger Agreement was signed or on the date of the Trust special meeting, respectively; and

- if the price of Healthpeak common stock declines between the date the Merger Agreement was signed or the date of the Trust special meeting and the closing of the Mergers, including for any of the reasons described above, Trust shareholders will receive shares of Healthpeak common stock that have a market value upon completion of the Company Merger that is less than the market value of such shares calculated pursuant to the Exchange Ratio on the date the Merger Agreement was signed or on the date of the Trust special meeting, respectively.

Therefore, while the number of shares of Healthpeak common stock to be issued per Trust common share is fixed, Trust shareholders cannot be sure of the market value of the consideration they will receive upon completion of the Mergers.

Failure to complete the Mergers could negatively affect the share prices and the future business and financial results of the Company.

If the Mergers are not completed, the ongoing business of the Company may be adversely affected and the Company will be subject to numerous risks associated with the failure to complete the Mergers, including the following:

- the Company being required, under certain circumstances, to pay to Healthpeak a termination fee of $111.0 million and/or reimburse Healthpeak’s transaction expenses up to an amount equal to $20.0 million;

- the Company having to pay certain costs relating to the proposed Mergers, such as legal, accounting, financial advisor, filing, printing and mailing fees;
- the management of the Company focusing on the Mergers instead of on pursuing other opportunities that could be beneficial to the Company without realizing any of the benefits of the Mergers having been completed; and
- the failure of the Company to retain key employees during the pendency of the Mergers.

If the Mergers are not completed, the Company cannot assure the Trust's shareholders that these risks will not materialize and will not materially affect the business, financial results and share prices of the Company.

The Merger Agreement contains provisions that could discourage a potential competing acquiror of the Company or could result in any competing proposal being at a lower price than it might otherwise be.

Pursuant to the Merger Agreement, the Company has agreed not to (i) solicit proposals relating to certain alternative transactions, (ii) engage in discussions or negotiations or provide non-public information in connection with any proposal for an alternative transaction from a third party or (iii) approve or enter into any agreements providing for any such alternative transaction, in each case, subject to certain exceptions to permit members of the Board of Trustees to comply with their duties under applicable law. Notwithstanding these "no-shop" restrictions, prior to obtaining approval from the Trust's shareholders of the Company Merger, under specified circumstances the Board of Trustees may change its recommendation, but the Company cannot terminate the Merger Agreement in connection with such events, and will still be required to put the applicable proposals to a vote of the Trust's shareholders.

The Merger Agreement provides that, in connection with the termination of the Merger Agreement under specified circumstances, the Company may be required to pay to Healthpeak a termination fee of $111.0 million and/or reimburse Healthpeak's transaction expenses up to an amount equal to $20.0 million.

These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of the Company from considering or proposing such an acquisition, even if the potential competing acquirer was prepared to pay consideration with a higher per share value than the value proposed to be received or realized in the Mergers, or might result in a potential competing acquirer proposing to pay a lower per share value than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances under the Merger Agreement.

If the Merger Agreement is terminated and the Company determines to seek another business combination, the Company may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the Mergers contemplated by the Merger Agreement.

If the Mergers are not consummated by July 31, 2024 (unless extended under certain circumstances), either the Company or Healthpeak may terminate the Merger Agreement.

Either the Company or Healthpeak may terminate the Merger Agreement if the Mergers have not been consummated by July 31, 2024. However, this termination right will not be available to a party whose material breach of any provision of the Merger Agreement was the primary cause of, or resulted in, the failure of the Mergers to occur on or before July 31, 2024. Any termination of the Merger Agreement may adversely affect the Company's results of operations, financial condition and business.

If the Company Merger does not qualify as a reorganization within the meaning of Section 368(a) of the Code, there may be adverse tax consequences.

The Company Merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. It is a condition to the completion of the Mergers that the Company and Healthpeak receive written opinions from their respective counsel to the effect that the Company Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. The foregoing opinions, however, are limited to the factual representations provided by the Company and Healthpeak to counsel and the assumptions set forth therein and are not a guarantee that the Company Merger will, in fact, qualify as a reorganization. Furthermore, such opinions are not binding on the IRS. Neither the Company nor Healthpeak has requested or plans to request a ruling from the IRS that the Company Merger qualifies as a reorganization. If the Company Merger were to fail to qualify as a reorganization, then each United States holder of the Trust common shares generally would recognize gain or loss, as applicable, equal to the difference between (i) the sum of the fair market value of the shares of Healthpeak common stock and cash in lieu of any fractional share of Healthpeak common stock received by such holder in the Company Merger; and (ii) such holder's adjusted tax basis in its Trust common shares.

Trust shareholders will be significantly diluted by the Mergers.

The Mergers will result in Trust shareholders having an ownership stake in Healthpeak that is smaller than their current stake in the Trust. Upon completion of the Mergers, based on the number of Trust common shares and shares of Healthpeak common stock outstanding as of January 8, 2024, it is estimated that legacy Healthpeak common stockholders will own approximately 77% of the common stock of the Combined Company, and legacy Trust common shareholders will own approximately 23% of the common stock of the Combined Company. Additionally, because Healthpeak is issuing shares of Healthpeak common stock to certain holders of OP Units in the Partnership Merger, each outstanding share of Healthpeak common stock after the completion of the Mergers will represent a smaller percentage of the voting power of Healthpeak than if such shares of common stock had not been issued in the Partnership Merger. Healthpeak may also issue additional shares of common stock or preferred stock in the future, which would create further dilution. Consequently, Trust shareholders, as a general matter, will have less influence over the management and policies of Healthpeak after the effective time of the Mergers than they currently exercise over the management and policies of the Company.

Risks Related To Our Business

Our performance is subject to general economic conditions and risks associated with our real estate assets.

Income from and the value of our properties may be adversely affected by, among other things:

- an economic crisis in the United States or globally that results in increased budget deficits and weakened financial condition of international, national, and local governments, which may lead to reduced governmental spending, tax increases, job losses, increased interest rates, currency devaluations, defaults on debt obligations, or other adverse economic events;
- other periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur;
- tenant turnover, the attractiveness of our properties to potential tenants, and changes in supply of, or demand for, similar or competing properties in an area (including from general overbuilding or excess supply in the market);
- changes in the cost or availability of insurance;
- unanticipated changes in costs associated with adverse environmental conditions;
- periods of tight money supply;
- the occurrence of an epidemic or a pandemic such as the COVID-19 pandemic;
- future terrorist attacks, which may result in declining economic activity, which could reduce the demand for, and the value of, our properties, and may adversely affect our tenants’ business and their ability to continue to honor their existing lease; and
- disruptions in the global supply chain caused by political, regulatory, or other factors, including geopolitical developments outside the United States.

In addition, our investments could be materially adversely affected by changes in national and international political, environmental, and socioeconomic circumstances.

Rising interest rates may adversely affect our business, financial condition, and results of operations. Increases in interest rates have increased and may continue to increase our interest expense and adversely affect our cash flows, our ability to service our indebtedness, and our ability to make distributions to our shareholders, and could cause our stock price to decline. Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

During the fiscal year ended December 31, 2023, inflation in the United States decreased but may remain at an elevated level in 2024. Rising inflation increases our variable rate debt and general and administrative expenses and other costs. In 2022 and 2023, the Federal Reserve significantly raised interest rates, and it may raise interest rates again in the future.

The dividend yield on common shares (as a percentage of the price of our common shares) relative to market interest rates is one of the factors that influences the market price of our common shares. Increases in interest rates will increase interest cost on new fixed and variable debt and on existing variable rate debt. Such increases in the cost of capital have adversely impacted our ability to acquire and develop properties and may impact our ability to refinance existing debt, and could cause our earnings and funds available for distribution to decline. Additionally, increased interest rates may also result in less liquid property markets, limiting our ability to sell assets or contribute existing assets to a joint venture.

Further increases in market interest rates may lead prospective purchasers of our common shares to expect a higher dividend yield (with a resulting decline in the market price of our common shares) and higher interest rates would likely increase our borrowing costs for both our existing and future indebtedness and potentially decrease funds available for distribution. Thus, higher market interest rates have caused and could continue to cause the market price of our common shares to decrease.

Additionally, as of December 31, 2023, we had approximately $104.7 million of variable-rate indebtedness outstanding that has not been swapped for a fixed interest rate. Certain indebtedness in the future, including borrowings under our unsecured revolving credit facility since December 31, 2023, and thereafter, will be subject to variable interest rates. Increases in interest rates on any variable rate indebtedness will increase our interest expense, which could adversely affect our cash flow and our ability to pay distributions to our shareholders.

In certain cases, we may seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements. Hedging involves risks, such as the risk that the counterparty may fail to honor its obligations under an arrangement, that the arrangements may not be effective in reducing our exposure to interest rate changes, that these arrangements may result in higher interest rates than we would otherwise have, and that a court could rule that such an agreement is not legally enforceable. In addition, we may be limited in the type and amount of hedging transactions that we may use in the future by our need to satisfy the REIT income tests under the Code. Failure to hedge effectively against interest rate changes may have an adverse effect on our business, financial condition, results of operations, our ability to make distributions to our shareholders, and the market price of our common shares.

Economic and other conditions that negatively affect geographic areas in which we conduct business, and in particular Texas, and other areas to which a greater percentage of our revenue is attributed could materially adversely affect our business, results of operations, and financial condition.

Our operating results depend upon our ability to maintain and increase occupancy levels and rental rates at our properties. Adverse economic or other conditions in the geographic markets in which we operate, including periods of economic slowdown or recession, industry slowdowns, periods of deflation, relocation of businesses, changing demographics, pandemics, hurricanes, tornadoes, floods, the effects of climate change, earthquakes and other natural disasters, fires, terrorist acts, migrant crises, civil disturbances or acts of war, and other man-made disasters which may result in uninsured or underinsured losses, and changes in tax, real estate, zoning, and other laws and regulations, may lower our occupancy levels and limit our ability to increase rents or require us to offer rental concessions.

As of December 31, 2023, approximately 1.9 million square feet of our gross leasable area and $49.3 million of our total consolidated annualized base rent was derived from properties located in Texas (11.9% of our gross leasable area and 13.4% of our total consolidated annualized base rent). As a result of this geographic concentration, we are particularly exposed to downturns in the Texas economy or other changes in local real estate market conditions. Any material change in the current payment programs or regulatory, economic, environmental, or competitive conditions in Texas could have a disproportionate effect on our overall business results. In the event of negative economic or other changes in any of the markets in which we conduct business, our business, financial condition, and results of operations, our ability to make distributions to our shareholders, and the market price of our common shares may be adversely affected.

One of our strategies is to capitalize on shifting consumer preferences and other demographic and market trends by pursuing off-campus properties consistent with our investment philosophy and strategies. We may not be successful in identifying and acquiring suitable off-campus properties that meet our investment criteria or that we can acquire on satisfactory terms. Further, if such preferences and trends do not continue, such off-campus properties may not produce the expected benefits or command the same rent as our on-campus affiliated properties, and we may not be able to lease such properties on terms acceptable to us, or at all. If we are unable to successfully acquire, lease, and operate such off-campus properties, our business, financial condition, and results of operations could be adversely impacted.

Our real estate investments are concentrated in health care properties, and any downturn in the health care industry could materially affect our business.

We acquire, own, manage, operate, and selectively develop properties for lease primarily to physicians, hospitals, and health care delivery systems. We are subject to risks inherent in concentrating investments in real estate, and further from the concentration of our investments in the health care sector. Any adverse effects that result from these risks could be more pronounced than if we diversified our investments outside of health care properties. Given our concentration in this sector, our tenant base is especially concentrated and dependent upon the health care industry generally, and any industry downturn could adversely affect the ability of our tenants to make lease payments and our ability to maintain current rental and occupancy rates. Our tenant mix could become even more concentrated if a significant portion of our tenants practice in a particular medical field or are reliant upon a particular health care delivery system. Accordingly, a downturn in the health care industry generally, or in the health care-related facility specifically, could adversely affect our business, financial condition, and results of operations, our ability to make distributions to our shareholders, and the market price of our common shares.

Any failure, inability, or unwillingness by our tenants to pay rent or other amounts under leases could materially adversely affect our financial results; we may have difficulty finding suitable replacement tenants in the event of a tenant default or non-renewal of our leases, especially for our properties located in smaller markets.

Our portfolio of health care properties is leased to physicians, hospitals, health care delivery systems, and other health care providers and our revenues are subject to the financial strength of our tenants. We cannot provide assurance that our tenants will have sufficient assets, income, and access to financing to enable them to satisfy their respective obligations to us, and any failure, inability or unwillingness by our tenants to do so could adversely affect our financial results.

We cannot predict whether our tenants will renew or extend existing leases beyond their current terms. Nearly all of our properties are subject to leases which have multi-year terms. As of December 31, 2023, leases representing 5.2% and 6.6% of leased square feet at our consolidated properties will expire in 2024 and 2025, respectively, and leases representing 0.1% of leased square feet had expired as of December 31, 2023. If any of our leases are not renewed or extended, or if a tenant defaults under the terms of its lease or becomes insolvent, we would attempt to relet those spaces or properties to other tenants or new tenants. In case of non-renewal, we generally have advance notice before expiration of the lease term to arrange for reletting or repositioning of the spaces or the properties and our tenants are required to continue to perform all of their obligations (including the payment of all rental amounts) under the non-renewed leases until such expiration. However, following expiration of a lease term or if we exercise our right to replace a tenant in default, rental payments on the related properties could decline or cease altogether while we relet or reposition the spaces or the properties with suitable replacement tenants. We also might not be successful in identifying suitable replacement tenants or entering into leases with new tenants on a timely basis or on terms as favorable to us as our current leases, or at all, and we may be required to fund certain expenses and obligations (e.g., real estate taxes, debt costs, and maintenance expenses) to preserve or improve the value of, and avoid the imposition of liens on, our properties while they are being relet or repositioned. Our ability to relet or reposition our properties, or spaces within our properties, with suitable tenants could be significantly delayed or limited by state licensing, receivership, CON or other laws, as well as by the Medicare and Medicaid change-of-ownership rules. We could also incur substantial additional expenses in connection with any licensing, receivership, or change-of-ownership proceedings. In addition, our ability to locate suitable replacement tenants could be impaired by the specialized health care uses or contractual restrictions on use of the properties, and we may be required to spend substantial amounts to adapt the properties to other uses. Any such delays, limitations and expenses could adversely impact our ability to collect rent, obtain possession of leased properties, or otherwise exercise remedies for tenant default and could have a material adverse effect on us or cause us to take an impairment charge on a property.

All of these risks may be greater in smaller markets, where there may be fewer potential replacement tenants, making it more difficult to replace tenants, especially for specialized spaces, like hospital or outpatient treatment facilities located in our properties, and could have a material adverse effect on us.

If the business, financial position, or results of operations of CommonSpirit or one or more of our CommonSpirit- tenants suffer or are adversely affected, it could have a material adverse effect on our business, financial position, or results of operations.

As of December 31, 2023, tenants affiliated with CommonSpirit, represented approximately 14.9% of our total consolidated annualized base rent. Although CommonSpirit is not a party to nor a guarantor of the related lease agreements, it controls each of the subsidiaries and affiliates that are parties to a master lease agreement we have with CommonSpirit tenants. Given this control, if CommonSpirit’s business, financial position, or results of operations suffer or are adversely affected, it could adversely affect its ability to provide any financial or operational support for the subsidiaries and affiliates it controls, which could adversely affect one or more of the CommonSpirit-affiliated tenants' ability to pay rent to us. In addition, if CommonSpirit were to cause its subsidiaries or affiliates to terminate any of their leases, vacate the leased premises, or consolidate, downsize, or relocate their operations from any of our premises, or if the subsidiaries and affiliates do not comply with the health care regulations to which the leased properties and operations are subject, we may be required to find other lessees for any affected leased properties and there could be a decrease or cessation of rental payments by CommonSpirit's subsidiaries and affiliates. Additionally, if CommonSpirit's business, financial position, or results of operations were to suffer or its credit ratings were to be downgraded, it could cause investors to lose confidence in our ability to collect rent from CommonSpirit-affiliated tenants and could cause our stock price to decline. Moreover, there can be no assurance that CommonSpirit's subsidiaries and affiliates will have sufficient assets, income, and access to financing to enable them to satisfy their payment obligations under their lease agreements. The inability of any of these subsidiaries and affiliates to meet their rent obligations could materially adversely affect our business, financial position, or results of operations including our ability to pay dividends to our stockholders as required to maintain our status as a REIT. The inability of CommonSpirit's subsidiaries and affiliates to satisfy their other obligations under their lease agreements such as the payment of taxes, insurance, and utilities could have a material adverse effect on the condition of the leased properties as well as on our business, financial position, and results of operations. For these reasons, if CommonSpirit were to experience a material adverse effect on its business, financial position, or results of operations, our business, financial position, or results of operations could also be materially adversely affected.

Cybersecurity incidents could disrupt our business and result in the compromise of confidential information.

Our business is at risk from and may be impacted by cybersecurity attacks, or other significant disruptions to the Company's information technology systems involving us, our outpatient medical facilities, our tenants, or any third party property managers, including attempts to gain unauthorized access to our confidential data and to block access to our data, and other electronic security breaches, including those resulting from human error or technology failures. Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. These cybersecurity risks may be heightened as a result of our tenants increased use of telehealth services. Such cyber attacks can range from individual attempts to gain unauthorized access to our information technology systems to more sophisticated security threats. In the past, we have experienced cybersecurity breaches, which to date have not had a material impact on our operations, but there can be no assurance that any future breach or disruption will not have a material adverse effect on our business, financial condition or operations. While we employ a number of measures to prevent, detect and mitigate these threats, there is no guarantee such efforts will be successful in preventing a cyber attack. Even well-protected information technology systems remain vulnerable, as techniques used in such attempted attacks continually evolve and in some cases are designed not to be detected and may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk.

In addition, we rely on third party property managers to manage certain of our properties and real estate assets. We face risks associated with cybersecurity attacks or breaches affecting such third party property managers. A cybersecurity attack or a security breach at any such third party could be perceived as a cybersecurity attack or a breach of our information technology systems. Cybersecurity incidents or other disruptions could disrupt our business, compromise confidential information of ours and third parties, including our tenants, damage our reputation, and subject us to liability claims or regulatory penalties, all of which could have an adverse effect on our business, financial condition, and results of operations.

We have and may in the future make investments in development projects, which may not yield anticipated returns which could directly affect our operating results and reduce the amount of funds available for distributions.

A component of our growth strategy is exploring development opportunities, some of which may arise through strategic joint ventures. In deciding whether to make an investment in a particular development, we make certain assumptions regarding the expected future performance of that property. To the extent that we consummate development opportunities, our investment in these projects will be subject to the following risks:

- we may not be able to obtain financing for development projects on favorable terms or at all;
- we may not complete development projects on schedule or within budgeted amounts;
- we may encounter delays in obtaining or fail to obtain all necessary zoning, land use, building, occupancy, environmental and other governmental permits and authorizations, or underestimate the costs necessary to develop the property to market standards;
- development or construction delays may provide tenants the right to terminate preconstruction leases or cause us to incur additional costs;
- volatility in the price of construction materials or labor may increase our development costs;

- hospitals or health systems may maintain significant decision-making authority with respect to the development schedule;
- we may incorrectly forecast risks associated with development in new geographic regions;
- tenants may not lease space at the quantity or rental rate levels projected;
- demand for our development project may decrease prior to completion, including due to competition from other developments; and
- lease rates and rents at newly developed properties may fluctuate based on factors beyond our control, including market and economic conditions.

If our investments in development projects do not yield anticipated returns for any reason, including those set forth above, our business, financial condition, and results of operations, our ability to make distributions to our shareholders and the trading price of our common shares may be adversely affected.

We have and may in the future make investments in joint ventures, which could be adversely affected by our lack of decision-making authority, our reliance upon our joint venture partners' financial condition, any disputes that may arise between us and our joint venture partners and our exposure to potential losses from the actions of our joint venture partners.

We have and may in the future make co-investments with third parties through partnerships, joint ventures, or other entities, acquiring noncontrolling interests in or sharing responsibility for the management of the affairs of a property, partnership, joint venture or other entity. Joint ventures generally involve risks not present with respect to our wholly-owned properties, including the following:

- our joint venture partners may make decisions with which we disagree or that are not in our best interest;
- we may be prevented from taking actions that are opposed by our joint venture partners;
- our ability to transfer our interest in a joint venture to a third party may be restricted;
- our joint venture partners might become bankrupt or fail to fund their share of required capital contributions which may delay construction or development of a health care related facility or increase our financial commitment to the joint venture;
- our joint venture partners may have economic or business interests or goals with respect to the health care related facility or the joint venture that are or become inconsistent with our business interests and goals which could increase the likelihood of disputes regarding the ownership, management, or disposition of the health care related facility or the joint venture may compete with us for property acquisitions;
- disputes may develop with our joint venture partners over decisions affecting the health care related facility or the joint venture which may result in litigation or arbitration that would increase our expenses and distract our officers and/or trustees from focusing their time and effort on our business and possibly disrupt the daily operations of the health care related facility;
- we may suffer losses as a result of the actions of our joint venture partners with respect to our joint venture investments; and
- our joint venture partners may be structured differently than us for tax purposes, which could create conflicts of interest and risks to our REIT status.

Joint venture investments involve risks that may not be present with other methods of ownership. In addition to those risks identified above, our partners may be in a position to take action or withhold consent contrary to our instructions or requests. In the future, in certain instances, we or our partners may have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partners’ interest, at a time when we otherwise would not have initiated such a transaction. Our ability to acquire our partners’ interest may be limited if we do not have sufficient cash, available borrowing capacity, or other capital resources. In such event, we may be forced to sell our interest in the joint venture when we would otherwise prefer to retain it. Joint ventures may require us to share decision-making authority with our partners, which could limit our ability to control the properties in the joint ventures. Even when we have a controlling interest, certain major decisions may require partner approval, such as the sale, acquisition, or financing of a property.

Our health care properties and tenants face competition from nearby hospitals and other health care properties, and we may not realize the benefits that we anticipate from focusing on health care properties that are strategically aligned with a health care delivery system and from the relationships established through such strategic alignments. Further, we may not be able to maintain or expand our relationships with our existing and future hospital and health care delivery system clients.

As part of our business strategy, we focus on health care properties that are strategically aligned with a health care delivery system by (i) seeking to acquire, own, manage, and develop health care properties that are located on medical campuses where the underlying land is owned by a health care delivery system or by us, or (ii) seeking to acquire, own, manage, and develop health care properties located in close proximity to a health care delivery system or strategically aligned with a health care delivery system through leasing or other arrangements. We may not realize the benefits that we anticipate as a result of these strategic relationships, such as increased rents and reduced tenant turnover rates as compared to health care properties that are not strategically aligned. Moreover, building a portfolio of health care properties that are strategically aligned does not assure the success of any given property. The associated health care delivery system may not be successful and the strategic alignment that we seek for our health care properties could dissolve, and we may not succeed in replacing them. In addition, our health care properties, the associated health care delivery systems with which our health care properties are strategically aligned, and our tenants may be unable to compete successfully with nearby hospitals, medical practices, other health care properties that provide comparable services, pharmacies, and other retailers, like CVS, Walmart, Walgreens, and others, that may initiate or expand health care clinic operations and services to compete with our tenants. Any of our properties may be materially and adversely affected if the health care delivery system with which it is strategically aligned is unable to compete successfully. If we do not realize the benefits that we anticipate from our business strategy and our strategic alignments dissolve and we are not successful in replacing them, our reputation, business, financial results, and prospects may be adversely affected.

The success of our business depends, to a large extent, on our current and future relationships with hospital and health care delivery system clients. We invest a significant amount of time to develop, maintain, and be responsive to these relationships, and our relationships have helped us to secure acquisition and development opportunities, as well as other advisory, property management, and projects, with both new and existing clients. If our relationships with hospital or health system clients deteriorate, if a conflict of interest or non-compete arrangement prevents us from expanding these relationships, or if a hospital on or near whose campus one of our properties is located fails or becomes unable to meet its financial obligations, the business of our tenants could be adversely affected or our ability to secure new acquisition and development opportunities or other advisory, property management, and hospital project management projects could be adversely impacted and our professional reputation within the industry could be damaged.

We may not be successful in identifying and completing off-market acquisitions and other suitable acquisitions or investment opportunities, which may impede our growth and adversely affect our business, financial condition, and results of operations.

An important component of our growth strategy is to acquire “off-market” properties before they are widely marketed by the owners. Facilities that are acquired off-market are typically more attractive to us as a purchaser because of the absence of a formal marketing process, which could lead to higher prices or other unattractive terms. If we cannot obtain off-market deal flow in the future, our ability to locate and acquire facilities at attractive prices could be adversely affected. We expect to compete with many other entities engaged in real estate investment activities for acquisitions of health care properties, including national, regional, and local operators, acquirers and developers of health care-related real estate properties, and other investors such as private equity firms, some of whom may have greater financial resources and lower costs of capital than we do. The competition for health care-related real estate properties has increased the price that we must pay for health care properties or other assets that we seek to acquire, and our competitors may succeed in acquiring those properties or assets themselves. In addition, our potential acquisition targets may find our competitors to be more attractive because they may have greater resources, may be willing to pay more for the properties, or may have a more compatible operating philosophy. In particular, larger REITs that target health care properties may enjoy significant competitive advantages that result from, among other things, a lower cost of capital, enhanced operating efficiencies, more personnel and market penetration, and familiarity with markets. Further, limited construction during the COVID-19 pandemic has reduced the number of new properties that are available for acquisition. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase. Increased competition has increased demand for these assets and therefore increases prices paid for them. Those higher prices for health care properties or other assets may adversely affect our returns from our investments.

Some of our existing properties are, and properties we acquire in the future may be, subject to ground leases with fixed lease terms, use restrictions, rights reserved by ground lessors, and restrictions on doing business with competitors.

Ninety-seven of our consolidated properties, representing approximately 51.2% of our total leasable square feet and 51.0% of our annualized revenue based on rental payments as of December 31, 2023, are subject to ground leases that contain certain fixed lease terms and use restrictions and rights reserved by ground lessors. As a lessee under a ground lease, we are exposed to the possibility of losing the property upon expiration of the initial term, and any extension terms of the ground lease, or upon the earlier termination of the ground lease due to our breach of the ground lease. Our ground leases typically include restrictions on our ability to lease space to competitors and to other tenants who are not affiliated with, or on the staff of, the hospital or health system that owns the land underlying the outpatient medical facility and limits the types of medical procedures that our tenants may perform in the outpatient medical facility. Our ground leases also include rights reserved by the hospitals or health systems that own the underlying land, like purchase rights and rights of first offer and first refusal with respect to sales of the property. Our ground leases also restrict us from selling the property to competitors, usually within certain geographic limitations.

If we are required to accept lower rental rates than anticipated or if we are required to undertake significant capital expenditures to procure new tenants, then our business and results of operations may suffer.

Our growth could be impeded if we are required to lease or re-lease space in our outpatient medical facilities at lower than expected rental rates, including annual rent escalators. We may not be able to lease or re-lease space on terms that are favorable to us or at all. Further, we may be required to undertake significant capital expenditures to renovate or reconfigure space to attract new tenants. If we are unable to promptly lease or re-lease space in our outpatient medical facilities, if the rates upon such leasing or re-leasing are significantly lower than expected, or if we are required to undertake significant capital expenditures in connection with leasing or re-leasing the space in our outpatient medical facilities, our business, financial condition and results of operations, our ability to make distributions to our shareholders, and the market price of our common shares may be adversely affected.

Uninsured losses or losses in excess of our insurance coverage could adversely affect our financial condition and our cash flows.

We maintain, and we require our tenants, property managers, and vendors to maintain when appropriate, desirable, or necessary, comprehensive liability property (including fire, flood, earthquake, wind as deemed necessary or as required by our lenders), extended coverage, builders risk, pollution, and business interruption and rental loss insurance with respect to our properties. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to pandemics and other communicable diseases, riots, acts of war, or terrorism. Should an uninsured loss occur, we could lose both our investment in and anticipated profits and cash flows from a health care-related facility. If any such loss is insured, we may be required to pay a significant deductible on any claim for recovery of such a loss prior to our insurer being obligated to reimburse us for the loss, or the amount of the loss may exceed our coverage for the loss. In addition, future lenders may require such insurance, and our failure to obtain such insurance could constitute a default under loan agreements. We may determine not to insure some or all of our properties at levels considered customary in our industry, which would expose us to an increased risk of loss. As a result, our business, financial condition, and results of operations, our ability to make distributions to our shareholders, and the market price of our common shares may be adversely affected.

Environmental compliance costs and liabilities associated with owning, leasing, developing, and operating our properties may affect our results of operations.

Under various U.S. federal, state, and local laws, ordinances, and regulations, current and prior owners and tenants of real estate may be jointly and severally liable for the costs of investigating, remediating, and monitoring certain hazardous substances or other regulated materials on or in such property. In addition to these costs, the past or present owner or tenant of a property from which a release emanates could be liable for any personal injury or property damage that results from such releases, including for the unauthorized release of asbestos-containing materials and other hazardous substances into the air, as well as any damages to natural resources or the environment that arise from such releases. These environmental laws often impose such liability without regard to whether the current or prior owner or tenant knew of, or was responsible for, the presence or release of such substances or materials. Moreover, the release of hazardous substances or materials, or the failure to properly remediate such substances or materials, may adversely affect the owner’s or tenant’s ability to lease, sell, develop, or rent such property or to borrow by using such property as collateral. Persons who transport or arrange for the disposal or treatment of hazardous substances or other regulated materials may be liable for the costs of removal or remediation of such substances at a disposal or treatment facility, regardless of whether or not such facility is owned or operated by such person.

Certain environmental laws impose compliance obligations on owners and tenants of real property with respect to the management of hazardous substances and other regulated materials. For example, environmental laws govern the management and removal of asbestos-containing materials and lead-based paint. In addition, compliance with new laws or regulations or stricter interpretation of existing laws may require us to incur significant expenditures. For example, proposed legislation to address climate change could result in increased capital expenditures to improve the energy efficiency and resiliency of our existing properties. Failure to comply with these laws can result in penalties or other sanctions. If we incur substantial costs to comply with these environmental laws or we are held liable under these laws, our business, financial condition, and results of operations, our ability to make distributions to our shareholders, and the market price of our common shares may be adversely affected.

We may be unable to make distributions which could result in a decrease in the market price of our common shares.

Substantially all of our assets are held through the Operating Partnership, which holds substantially all of its properties and assets through subsidiaries. Our Operating Partnership's cash flow is dependent upon cash distributions to it by its subsidiaries, and in turn, substantially all of the Trust's cash flow is dependent upon cash distributions to it by the Operating Partnership. The creditors of each of our direct and indirect subsidiaries are entitled to payment of that subsidiary's obligation to them, as and when due and payable, before distributions may be made by that subsidiary to its equity holders. Therefore, our Operating Partnership's ability to make distributions to holders of OP Units, including the Trust, depends on its subsidiaries' ability first to satisfy their obligations to their creditors and then to make distributions to the Operating Partnership. Finally, the Trust's ability to pay dividends to holders of common shares depends upon our Operating Partnership's ability to first satisfy its obligations to its creditors and then to make distributions to the Trust.

While we expect to make regular quarterly distributions to the holders of our common shares, if sufficient cash is not available for distribution from our operations, we may have to fund distributions from working capital, borrow to provide funds for such distributions, or reduce the amount of such distributions. To the extent we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distributions from what they otherwise would have been. If cash available for distribution generated by our assets is less than expected, or if such cash available for distribution decreases in future periods from expected levels, our inability to make distributions could result in a decrease in the market price of our common shares. All distributions are made at the discretion of our Board of Trustees. Any inability to make distributions, or to make distributions at expected levels in the future, could result in a decrease in the market price of our common shares.

A failure to meet market expectations with respect to our business could negatively affect the market price of our common shares and thereby limit our ability to raise capital.

The availability of equity capital to us will depend, in part, upon the market price of our common shares which, in turn, will depend upon various market conditions and other factors that may change from time to time. Our failure to meet the market's expectation with regard to future earnings, acquisitions, and investment activity or the capitalization rates or expected return on investments, and amount of any cash distributions may adversely affect the market price of our common shares and, as a result, the cost and availability of equity capital to us.

In addition, the vesting of any restricted shares granted to trustees, executive officers, and other employees under our 2013 Equity Incentive Plan, the issuance of our common shares or OP Units in connection with future property, portfolio or business acquisitions, and other issuances of our common shares, including pursuant to our ATM programs, may cause dilution to our shareholders and could have an adverse effect on the per share market price of our common shares and may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities.

The income from certain of our properties is dependent on the ability of third party property managers to successfully manage those properties.

We depend upon the performance of third party property managers to effectively manage certain of our properties and real estate assets. Approximately 38.3% of our total portfolio gross leasable area is managed by third party property managers. We do not control third party property managers, and are accordingly subject to various risks generally associated with outsourcing of management of day-to-day activities. The income we recognize from any properties managed by third party property managers is dependent on the ability of the property manager of such property to successfully manage the property, which such property management is not within our control. Property managers generally compete with other companies in the management of properties, with respect to the quality of care provided, reputation, physical appearance of the property, and price and location, among other attributes. A property manager’s inability to successfully compete with other companies on one or more of the foregoing aspects could adversely impact our business and results of operations. Additionally, because we do not control third party property managers, any adverse events such as issues related to insufficient internal controls, cybersecurity incidents, or other adverse events may impact the income we recognize from properties managed by such third party property managers. We may be unable to anticipate such events or properly assess the magnitude of any such events because we do not control third party property managers who provide property management services to us.

Risks Related to the Health Care Industry

The health care industry is heavily regulated, and new laws or regulations, changes to existing laws and regulations, health policies, reimbursement levels from third-party payors, loss of licensure, or failure to obtain licensure could adversely impact our company and result in the inability of our tenants to make rent payments to us.

The health care industry is heavily regulated by U.S. federal, state, and local governmental authorities. Our tenants generally are subject to laws and regulations covering, among other things, licensure, certification for participation in government programs, billing for services, privacy and security of health information, and relationships with physicians and other referral sources. In addition, new laws and regulations, changes in existing laws and regulations or changes in the interpretation of such laws or regulations could negatively affect our financial condition and the financial condition of our tenants. These changes, in some cases, could apply retroactively. The enactment, timing, or effect of legislative or regulatory changes cannot be predicted.

The Affordable Care Act, along with other U.S. health care reform efforts, has resulted in significant health care reform since it was signed into law in 2010, including by changing how health care services are covered, delivered, and reimbursed through expanded coverage of uninsured individuals and reduced Medicare program spending. The complexities and ramifications of the Affordable Care Act are significant and were implemented in a phased approach which began in 2010. It remains difficult to predict the full effects of the Affordable Care Act and its impact on our business, our revenues, and financial condition and those of our tenants due to the law’s complexity, lack of implementing regulations or interpretive guidance, gradual implementation, partial repeal, and possible full repeal. Further, we are unable to foresee how individuals and businesses will respond to the choices afforded them by the Affordable Care Act, or the effect of any potential changes made to the Affordable Care Act or other health care laws and programs. The Affordable Care Act could adversely affect the reimbursement rates received by our tenants, the financial success of our tenants and strategic partners, and consequently us.

On January 20, 2017, then-President Trump issued an Executive Order stating that it was the administration’s official policy to repeal the Affordable Care Act and instructing the Secretary of HHS and the heads of all other executive departments and agencies with authority and responsibility under the Affordable Care Act to, among other matters, minimize the economic and regulatory impacts of the Affordable Care Act to the extent permitted by law. On December 22, 2017, the Tax Act was signed into law. The Tax Act, amongst other things, zeroed out the Affordable Care Act’s individual mandate penalty beginning in 2019. The elimination of the monetary penalties does not remove the requirement to obtain health care coverage; however, without penalties there effectively will be no enforcement. On

December 14, 2018, a federal district court in Texas ruled that the Affordable Care Act's individual mandate was unconstitutional. President Biden formally revoked President Trump's Executive Order regarding the Affordable Care Act on January 28, 2021. The United States Supreme Court heard the Texas case following a series of appeals, and dismissed the case and upheld the Affordable Care Act in June 2021.

Despite action by the current administration and the Supreme Court's decision to uphold the Affordable Care Act we cannot predict how the Affordable Care Act may be amended or modified, either through the legislative or judicial process, and how any such modification might impact our tenants' operations or the net effect of this law on us. Both our tenants and we may be materially adversely affected by the law or its repeal, amendment, or replacement, and if the operations, cash flows, or financial condition of our operators and tenants are materially adversely impacted by any repeal or modification of the law, our revenue and operations may be materially adversely affected as well.

Moreover, policy innovations continue to drive changes in the delivery of health care. For example, in June 2023, CMS announced the Making Care Primary Model, which will be piloted to offer certain small, independent, rural and safety-net providers an avenue through which they can enter into value-based care arrangements. Moreover, CMS has indicated a goal to have all traditional Medicare beneficiaries and the majority of Medicaid beneficiaries in accountable care relationships by 2030. While changes in health care delivery mechanisms are intended to promote quality care and align economic incentives between patients and providers, it is unclear how such changes will economically impact providers.

Additionally, certain of our operators and tenants will be subject to the requirements of the NSA, and at risk for civil monetary penalties for violations of its requirements. This could adversely affect their ability to pay us rent and accordingly, could have a material adverse effect on our financial condition and results of operations. Enforcement of the IB Regulations could create additional risk of nonpayment given increased costs and the potential for penalties associated with such requirements.

These quickly evolving (and at time conflicting) laws, regulations or other requirements and court decisions will likely create legal and operational challenges for health care providers, including our tenants that are hospitals, surgery centers, and certain physicians practices, and may exacerbate existing challenges around staffing, leading to increased costs for temporary or contract labor and potential business disruptions, any of which may adversely affect our tenant’s ability to pay us rent.

Changes to health care laws and regulations, including to government reimbursement programs such as Medicare and reimbursement rates applicable to our current and future tenants, could have a material adverse effect on the financial condition of our tenants and, consequently, their ability to meet obligations to us.

Statutory, regulatory, and reimbursement policy changes and judicial decisions may impact one or more specific providers that lease space in any of our facilities. The laws and regulations applicable to the health care industry are subject to frequent and substantial changes that may have a dramatic effect on the permissible or impermissible activities, costs of doing business, availability, and amount of reimbursement by both government and other third-party payors, and the costs of complying with such laws and regulations. Such changes could adversely affect the ability of our tenants to make rent payments to us, which may have an adverse effect on our business, operations, and financial condition. This may in turn have an adverse effect on our ability to make distributions to our shareholders and the market price of our common shares.

For example, our tenants are generally subject to laws and regulations covering, among other things, laws protecting consumers against deceptive practices, laws relating to the operation of properties and businesses, such as fire, health and safety, data security and privacy laws, laws affecting hospitals, clinics, and other health care providers that participate in Medicare and/or Medicaid that specify reimbursement rates, pricing, reimbursement procedures, payment policies, HOPD eligibility, quality of services and care, background checks, anti-kickback and physician referral laws, EKRA, the Americans with Disabilities Act of 1990 (“ADA”) and similar state and local laws, regulations established by the OSHA, requirements and regulations established by CMS, and other legislation such as the CARES Act and the CAA.

These laws, policies and regulations and any amendments or newly established laws or regulations may have an adverse financial impact on the net operating revenues and profitability of many of our tenants, including outpatient medical facilities and other physician offices. This could adversely affect their ability to pay us rent and accordingly, could have a material adverse effect on our financial condition and results of operations.

Many states also regulate the establishment and construction of health care facilities and services, and the expansion of existing health care facilities and services through CON laws, which may include regulation of certain types of beds, medical equipment, and capital expenditures. Under such laws, the applicable state regulatory body must determine a need exists for a project before the project can be undertaken. If any of our tenants seeks to undertake a CON-regulated project, but are not authorized by the applicable regulatory body to proceed with the project, or encounter delays in approvals due to a backlog or staff shortage following the COVID-19 pandemic, these tenants could be prevented or delayed from operating in their intended manner and could be materially adversely affected.

The application of lower reimbursement rates to our tenants or failure to qualify for existing rates under certain exceptions, the failure to comply with these laws and regulations, or the failure to secure CON approval to undertake a desired project could adversely affect our tenants' ability to make rent payments to us which may have an adverse effect on our business, financial condition, and results of operations, our ability to make distributions to our shareholders, and the market price of our common shares.

Adverse trends in health care provider operations may negatively affect our lease revenues and our ability to make distributions to our shareholders.

The health care industry is currently experiencing, among other things:

- changes in the demand for and methods of delivering health care services, such as telehealth services;
- changes in third party reimbursement methods and policies;
- consolidation and pressure to integrate within the health care industry through acquisitions, joint ventures, and managed service organizations;
- increased scrutiny of billing, pricing, referral, and other practices by U.S. federal and state authorities;
- competition among health care providers;
- staffing and supply chain shortages and increased costs following the COVID-19 pandemic; and

- increased scrutiny of control over release of confidential patient medical information.

These factors may adversely affect the economic performance of some or all of our tenants and, in turn, our lease revenues, which may have a material adverse effect on our business, financial condition, and results of operations, our ability to make distributions to our shareholders, and the market price of our common shares.

Reductions in reimbursement from third party payors, including Medicare and Medicaid, could adversely affect the profitability of our tenants and hinder their ability to make rent payments to us or renew their leases.

Sources of revenue for our tenants typically include private insurance payors, the U.S. federal Medicare program, state Medicaid programs, MCOs, HMOs, and ACOs. Health care providers continue to face government and private payor pressure to control or reduce health care costs and significant reductions in health care reimbursement, including changes to payment methodologies under the Affordable Care Act and other federal or state health care legislation. In some cases, private insurers rely upon all or portions of the Medicare payment systems to determine payment rates which may result in decreased reimbursement from private insurers.

The recent slowdown in the United States economy has negatively affected state budgets, thereby putting pressure on states to decrease spending on state programs including Medicaid. The need to control Medicaid expenditures may be exacerbated by the potential for increased enrollment in state Medicaid programs due to unemployment and declines in family incomes. Historically, states have often attempted to reduce Medicaid spending by limiting benefits and tightening Medicaid eligibility requirements. Many states have adopted, or are considering the adoption of, legislation designed to enroll Medicaid recipients in managed care programs and/or impose additional taxes on hospitals to help finance or expand the states' Medicaid systems. On September 15, 2020, CMS advised states on implementing value-based care ("VBC") programs, with a particular emphasis on Medicaid. VBC programs hold providers financially accountable for providing quality care, reducing health disparities, eliminating unnecessary procedures, and lowering costs. Potential reductions to Medicaid program spending in response to state budgetary pressures could negatively impact the ability of our tenants to successfully operate their businesses. In addition, if a partial or total federal government shutdown were to occur for a prolonged period of time, federal government payment obligations, including its obligations under Medicaid and Medicare, may be delayed. Similarly, if state government shutdowns were to occur, state payment obligations may be delayed. If the federal or state governments fail to make payments under these programs on a timely basis, our business could suffer, and our financial position, results of operations or cash flows may be materially affected.

Efforts by payors to reduce health care costs will likely continue, which may result in reductions or slower growth in reimbursement for certain services provided by some of our tenants. A reduction in reimbursements to our tenants from third party payors for any reason could adversely affect our tenants' ability to make rent payments to us which may have a material adverse effect on our businesses, financial condition and results of operations, our ability to make distributions to our shareholders, and the market price of our common shares.

Our tenants and our company are subject to fraud and abuse laws, the violation of which by a tenant may jeopardize the tenant's ability to make rent payments to us.

There are various federal and state laws prohibiting fraudulent and abusive business practices by health care providers who participate in, receive payments from, or are in a position to make referrals in connection with government-sponsored health care programs, including the Medicare and Medicaid programs. Our lease arrangements with certain tenants may also be subject to these fraud and abuse laws.

Violations of these laws may result in criminal and/or significant civil penalties that range from punitive sanctions, damage assessments, penalties, imprisonment, denial of Medicare and Medicaid payments, and/or exclusion from the Medicare and Medicaid programs. In addition, the Affordable Care Act clarifies that the submission of claims for items or services generated in violation of the Anti-Kickback Statute constitutes a false or fraudulent claim under the False Claims Act. Further, the government has taken the position, and some courts have held, that violations of these and other laws, such as the Stark Law, can also be a violation of the False Claims Act. We expect government enforcement of federal fraud and abuse laws to continue.

Imposition of any of these penalties upon one of our tenants or strategic partners could jeopardize that tenant's ability to operate or to make rent payments or affect the level of occupancy in our health care properties, which may have a material adverse effect on our business, financial condition, and results of operations, our ability to make distributions to our shareholders, and the market price of our common shares. Further, we enter into leases and other financial relationships with health care delivery systems that are subject to or impacted by these laws. We also have other investors who are health care providers in certain of our subsidiaries that own our health care properties. If any of our relationships, including those related to the other investors in our subsidiaries, are found not to comply with these laws, we and our health care provider investors may be subject to significant civil and/or criminal penalties.

Our health care-related tenants may be subject to significant legal actions that could subject them to increased operating costs and substantial uninsured liabilities, which may affect their ability to pay their rent payments to us, and we could be subject to health care industry violations.

As is typical in the health care industry, our tenants may become subject to claims that their services have resulted in patient injury or other adverse effects. Many of these tenants may have experienced an increasing trend in the frequency and severity of professional liability and general liability insurance claims and litigation asserted against them. The insurance coverage maintained by these tenants may not cover all claims made against them nor continue to be available at a reasonable cost, if at all. In some states, insurance coverage for the risk of punitive damages arising from professional liability and general liability claims and/or litigation may not, in certain cases, be available to these tenants due to state law prohibitions or limitations of availability. As a result, these types of tenants of our health care properties and health care-related facilities operating in these states may be liable for punitive damage awards that are either not covered or are in excess of their insurance policy limits.

We also believe that there has been, and will continue to be, an increase in governmental investigations of certain health care providers, particularly in the area of Medicare/Medicaid false claims, as well as an increase in enforcement actions resulting from these investigations. Insurance is generally not available to cover such losses. Any adverse determination in a legal proceeding or governmental investigation, any settlements of such proceedings, or investigations in excess of insurance coverage, whether currently asserted or arising in the future, could have a material adverse effect on a tenant’s financial condition. If a tenant is unable to obtain or maintain insurance coverage, if judgments are obtained or settlements reached in excess of the insurance coverage, if a tenant is required to pay uninsured punitive damages, or if a tenant is subject to an uninsurable government enforcement action or investigation, the tenant could be exposed to substantial additional liabilities, which may affect the tenant’s ability to pay rent, which in turn could have a material adverse effect on our business, financial condition, and results of operations, our ability to pay distributions to our shareholders, and the market price of our common shares. We could also be subject to costly government investigations or other enforcement actions which could have a material adverse effect on our business, financial condition, and results of operations, our ability to pay distributions to our shareholders, and the market price of our common shares.

HIPAA was established to set national standards for the confidentiality, security, and transmission of personal health information (“PHI”). Health care providers are required, under HIPAA and its implementing regulations, to protect and keep confidential any PHI. HIPAA also sets limits and conditions on use and disclosure of PHI without patient authorization. The law gives patients specific rights to their health information, including rights to obtain a copy of or request corrections to their medical records. The physician or the medical practice can be liable if there are improper disclosures of PHI, including from employee mishandling of PHI, medical records security breaches, lost or stolen electronic devices, hacking, social media breaches or failure to get patient authorizations. Violations could result in multi-million dollar penalties. Actual or potential violations of HIPAA could subject our tenants to government investigations, litigation or other enforcement actions which could adversely affect our tenants' ability to pay rent and could have a material adverse effect on our business, financial condition, and results of operations, our ability to pay distributions to our shareholders, and the market price of our common shares. In October 2023, the HHS Office of Civil Rights ("OCR") released guidance regarding sanction policies for HIPAA compliance. Following up on a 2022 threat brief, the OCR guidance emphasized the importance of sanction policies as a means to support accountability, improve cybersecurity and data protection, and create a culture of HIPAA compliance. Also in October 2023, the Biden Administration issued an executive order outlining guiding principles and directives to regulate artificial intelligence ("AI"). The executive order includes, among other things, a directive for the development of an HHS AI Task Force that will be responsible for developing a strategic plan for policies and frameworks, including potential regulatory action, on the use of AI.

Trends in the methods of delivering health care services could reduce demand for medical office space.

The health care industry is experiencing, among other things, changes in the demand for and methods of delivering health care services such as telehealth, and telehealth services expanded rapidly in response to the COVID-19 pandemic. During the COVID-19 pandemic, both government and other third-party payors incentivized physicians, providers, and patients to utilize technology for medical encounters by paying and reimbursing for such encounters as if they were in-office encounters, and CMS has made several changes in the manner in which Medicare will pay for telehealth visits. It is unclear whether these incentives and other changes will remain in place permanently, but many have been initially extended following the end of the

COVID-19 pandemic. The Company expects that the availability and popularity of patients using telehealth services will continue to increase over time. While the revenues and efficiencies of telehealth services may increase the service offerings of our tenants, a long-term increase in telehealth services could reduce demand for medical office space, which could increase non-renewal of leases by our tenants and adversely impact our ability to maintain current rental and occupancy rates and could adversely affect our revenues, financial condition, and results of operations.

Risks Related to the Real Estate Industry

Our operating performance is subject to risks associated with the real estate industry.

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Certain events may decrease cash available for distributions as well as the value of our properties. These events include, but are not limited to:

- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights, or tenant-favorable renewal options;
- inability to collect rent from tenants;
- competition from other real estate investors with significant capital, including other real estate operating companies, REITs, and institutional private equity or other investment funds;
- reductions in the level of demand for health care properties and changes in the demand for certain health care-related properties;
- increases in the supply of medical office space;
- increases in expenses associated with our real estate operations, including, but not limited to, insurance costs, third party management fees, energy prices, real estate assessments, and other taxes and costs of compliance with laws, regulations and governmental policies, and restrictions on our ability to pass such expenses on to our tenants; and
- changes in, and changes in interpretation or enforcement of, laws, regulations, and governmental policies associated with real estate, including, without limitation, health, safety, environmental, real estate and zoning and tax laws, increases in real property tax rates and taxation of REITs, governmental fiscal policies, and the ADA.

In addition, periods of economic slowdown or recession, such as the recent U.S. economic downturn, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases. If we cannot operate our properties to meet our financial expectations, our business, financial condition, results of operations, cash flow, per share market price of our common shares, and ability to satisfy our debt service obligations and to make distributions to our shareholders could be adversely affected.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of any of our properties.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more of our properties in response to changing economic, financial, and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates, and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any of our properties for the price or on the terms set by us or whether any price or other terms offered by a prospective purchaser would be acceptable to us or at all. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of any of our properties. We may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure that we will have funds available to correct those defects or to make those improvements.

In acquiring a property, we may agree to transfer restrictions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed on that property. These transfer restrictions would impede our ability to sell a property even if we deem it necessary or appropriate. These facts and any others that would impede our ability to respond to adverse changes in the performance of our properties may have an adverse effect on our business, financial condition, results of operations, or ability to make distributions to our shareholders and the market price of our common shares.

Uncertain market conditions could cause us to sell our health care properties at a loss in the future.

We intend to hold our various real estate investments until such time as we determine that a sale or other disposition appears to be advantageous to achieve our investment objectives. Our Executive Leadership and the Trust's Board of Trustees may exercise their discretion as to whether and when to sell a property, and we will have no obligation to sell our buildings at any particular time. We generally intend to hold our health care properties for an extended period of time, and we cannot predict with any certainty the various market conditions affecting real estate investments that will exist at any particular time in the future. Because of the uncertainty of market conditions that may affect the future disposition of our health care properties, we may not be able to sell our properties at a profit in the future or at all. In addition, if we are unable to access the capital markets for financing in the future, we may need to sell some of our properties to raise capital. We may incur prepayment penalties in the event that we sell a property subject to a mortgage earlier than we otherwise had planned. Additionally, we could be forced to sell health care properties at inopportune times which could result in us selling the affected property at a substantial loss. Accordingly, the extent to which we will pay cash distributions and realize potential appreciation on our real estate investments will, among other things, be dependent upon fluctuating market conditions. Any inability to sell a health care property could adversely impact our ability to make debt payments and distributions to our shareholders.

We face risks associated with the potential impacts of severe weather events and climate change.

Severe weather events and climate change are highly uncertain and could have material adverse effects on our properties, operations, and business. To the extent that severe weather events, such as hurricanes, floods, tornadoes, earthquakes, blizzards, and extreme cold, or significant changes in climate occur in the geographic locations where our properties are located or cause damage to any of the properties, we may experience revenue loss, cost increase, construction delays, tenant disruption or displacement of their operations, and decreased demand for properties located in such geographic areas or affected by such changes. Climate change and severe weather may also have indirect effects on our business by increasing the cost of, or decreasing the availability of, property insurance on terms we find acceptable, by increasing the cost of energy, maintenance, repair of water and/or wind damage, and snow removal at our properties. In addition, changes in federal and state laws and regulations intended to reduce the impacts of climate change could result in, among other things, increased capital expenditures to improve energy efficiency at our properties, increased costs of property insurance or render such insurance unavailable on terms acceptable to us, and increased costs of developing properties without corresponding increases in revenue.

Our assets may be subject to impairment charges.

We periodically evaluate our real estate investments and other assets for impairment indicators. The judgment regarding the existence of impairment indicators is based upon factors such as market conditions, tenant performance, and legal structure. For example, the termination of a lease by a major tenant may lead to an impairment charge. If we determine that an impairment has occurred, we would be required to make an adjustment to the net carrying value of the asset, which could have an adverse effect on our results of operations in the period in which the impairment charge is recorded. We have had tenant defaults that have caused us to record impairment charges in the past, and it is possible we may have tenant defaults in the future, which could lead to impairment charges.

Our investments in, or originations of, mezzanine and term loans will be subject to specific risks relating to the particular property or entity obligated to repay the loan, and our loans will involve greater risks of loss than senior loans secured by income-producing properties.

As of December 31, 2023, we have ten mezzanine loans, five term loans, and four construction loans outstanding, and in the future, we may originate further loans. These investments involve special risks relating to the particular borrower, including its financial condition, liquidity, results of operations, business, and prospects. We may also originate other real estate-related investments which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property or other properties. These types of assets involve a higher degree of risk than long-term senior mortgage lending secured by income producing real property because the loan is in a subordinated position and there may not be sufficient proceeds remaining to repay the loan after foreclosure and sale of the property by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy such loan. If a borrower defaults on a loan or debt senior to our loan, or in the event of a borrower bankruptcy, such loan will be satisfied only after the senior debt. We may be unable to enforce guaranties of payment and/or performance given as security for some loans. As a result, we may not recover some or all of our initial expenditure. Mezzanine and term loans may partially finance the construction of real estate projects and so involve additional risks inherent in the construction process, such as adherence to budgets and construction schedules. In addition, mezzanine and term loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. Significant losses related to our mezzanine and term loans would result in operating losses for us and may limit our ability to make distributions to our shareholders.

Risks Related to Financings

Required payments of principal and interest on borrowings may leave us with insufficient cash to operate our properties or to pay the distributions currently contemplated or necessary to qualify as a REIT and may expose us to the risk of default under our debt obligations.

We historically borrow on our unsecured revolving credit facility to acquire properties. Then, as market conditions dictate, we have issued equity or long-term fixed rate debt to repay borrowings under our unsecured revolving credit facility. We are subject to risks associated with debt financing, including the risk that existing indebtedness may not be refinanced or that the terms of refinancing may not be as favorable as the terms of current indebtedness. The majority of our borrowings were completed under indentures or contractual agreements that limit the amount of indebtedness we may incur. Accordingly, in the event that we are unable to raise additional equity or borrow money because of these limitations, our ability to acquire additional properties may be limited.

As of December 31, 2023, we had approximately $127.9 million of mortgage debt on individual properties and approximately $400.0 million of borrowings outstanding under our unsecured credit facility. In addition, in January 2016, August 2016, March 2017, December 2017, and October 2021 we issued and sold $150.0 million, $75.0 million, $400.0 million, $350.0 million, and $500.0 million respectively, aggregate principal amount of senior notes. During the year ended December 31, 2023, the Company paid off $15.0 million of our January 2016 senior notes. We expect to incur additional debt in the future. We do not anticipate that our internally generated cash flow will be adequate to repay our existing indebtedness upon maturity, and, therefore, we expect to repay our indebtedness through refinancings and future offerings of equity and debt securities, either of which we may be unable to secure on favorable terms or at all. Our level of debt and the limitations imposed upon us by our debt agreements could have adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, including to make acquisitions;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- because a portion of our debt bears, or is expected to bear, interest at variable rates, an increase in interest rates could materially increase our interest expense;
- we may fail to effectively hedge against interest rate volatility;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms if we are able to do so at all;
- our leverage could place us at a competitive disadvantage compared to our competitors who have less debt;

- we may experience increased vulnerability to economic and industry downturns, reducing our ability to respond to changing business and economic conditions;
- we may default on our obligations and the lenders or mortgagees may foreclose on our properties that secure their loans and receive an assignment of rents and leases;
- we may violate financial covenants contained in our various loan documents which would cause a default on our obligations, giving lenders various remedies, including increased interest rates, foreclosure, and liability for additional expenses;
- we may inadvertently violate non-financial restrictive covenants in our loan documents, such as covenants that require us to maintain the existence of entities, maintain insurance policies and provide financial statements, which would entitle the lenders to accelerate our debt obligations; and
- our default under any of our mortgage loans with cross-default or cross-collateralization provisions could result in default on other indebtedness and result in the foreclosures of other properties.

The realization of any or all of these risks may have an adverse effect on our business, financial condition, and results of operations, our ability to make distributions to our shareholders, and the market price of our common shares.

As of December 31, 2023, we had approximately $400.0 million of borrowings outstanding under our unsecured credit facility. Since 2016, we have issued an aggregate of $1.5 billion of debt. All of these items are senior to our common shares upon liquidation, and, subject to the restrictions in the Merger Agreement, we may in the future make offerings of debt or preferred equity securities which may be senior to our common shares for purposes of dividend distributions or upon liquidation, any of which may materially adversely affect the per share market price of our common shares.

As of December 31, 2023, there were approximately $400.0 million of borrowings outstanding under our unsecured credit facility. Since 2016, we have issued $1.5 billion of aggregate principal amount of senior notes. In the future, subject to the restrictions in the Merger Agreement, we may attempt to increase our capital resources by making additional offerings of debt or equity securities (or causing the Operating Partnership to issue debt securities), including medium-term notes, senior or subordinated notes, and classes or series of preferred shares. Upon liquidation, holders of our debt securities and lenders with respect to other borrowings will be entitled to receive our available assets prior to distribution to the holders of our common shares. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences, and privileges more favorable than those of our common shares and may result in dilution to owners of our common shares. Holders of our common shares are not entitled to preemptive rights or other protections against dilution. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of our future offerings. Thus, our shareholders bear the risk that our future offerings could reduce the per share market price of our common shares and dilute their interest in us.

The derivative instruments that we may use to hedge against interest rate fluctuations may not be successful in mitigating our risks associated with interest rates and could reduce the overall returns on our shareholders' investment.

We may use derivative instruments to hedge exposure to changes in interest rates on certain of our variable rate loans, but no hedging strategy can protect us completely. We cannot assure our shareholders that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging of these transactions will not result in losses. Any settlement charges incurred to terminate unused derivative instruments may result in increased interest expense, which may reduce the overall return on our investments. These instruments may also generate income that may not be treated as qualifying REIT income for purposes of the 75% or 95% REIT income tests.

We rely upon external sources of capital to fund future capital needs, and, if we encounter difficulty in obtaining such capital, we may not be able to make future acquisitions necessary to grow our business or meet maturing obligations.

In order to qualify as a REIT under the Code, we are required, among other things, to distribute each year to our shareholders at least 90% of our taxable income, without regard to the deduction for dividends paid and excluding net capital gain. Because of this distribution requirement, we may not be able to fund all of our future capital needs from cash retained from operations, including capital needed to make investments and to satisfy or refinance maturing obligations. As a result, we expect to rely upon external sources of capital, including debt and equity financing, to fund future capital needs, subject to the restrictions in the Merger Agreement. If we are unable to obtain needed capital on satisfactory terms or at all, we may not be able to make the investments needed to expand our business or to meet our obligations and commitments as they mature. Our access to capital will depend upon a number of factors over which we have little or no control, including general stock and bond market conditions and investor interest, the market's perception of our current and potential future earnings, analyst reports about us and the REIT industry, cash distributions and the market price of our common shares, and other factors such as governmental regulatory action and changes in REIT tax laws. We may not be in a position to take advantage of attractive investment opportunities for growth if we are unable to access the capital markets on a timely basis on favorable terms. Moreover, additional equity offerings may result in substantial dilution of our shareholders' interests, and additional debt financing may substantially increase our leverage, either of which could cause the per share price of our common shares to decline.

If we become highly leveraged in the future, the resulting increase in outstanding debt could adversely affect our ability to make debt service payments, to pay our anticipated distributions, to obtain additional financing, and to make the distributions required to qualify as a REIT.

As of December 31, 2023, our consolidated indebtedness represented approximately 31% of our gross assets. If we become more highly leveraged, the resulting increase in outstanding debt could adversely affect our ability to make debt service payments, to pay our anticipated distributions, to obtain additional financing, and to make the distributions required to qualify as a REIT. The occurrence of any of the foregoing risks could adversely affect our business, financial condition, and results of operations, or credit ratings, our ability to make distributions to our shareholders, and the market price of our common shares.

We are subject to covenants in our debt agreements that may restrict or limit our operations and acquisitions and our failure to comply with the covenants in our debt agreements could have a material adverse impact on our business, results of operations, and financial condition.

The terms of the instruments governing our existing indebtedness require us to comply with a number of customary financial and other covenants, such as maintaining certain leverage and coverage ratios and minimum tangible net worth requirements. Our continued ability to incur additional debt and to conduct business in general is subject to our compliance with these covenants, which limit our operational flexibility. Breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, in addition to any other indebtedness cross-defaulted against such instruments. Any such default could have a material adverse impact on our business, results of operations, and financial condition, or our ability to make distributions to our shareholders.

A downgrade in our credit ratings could materially adversely affect our business and financial condition.

Our credit rating and the credit ratings assigned to our debt securities could change based upon, among other things, our financial condition. These ratings are subject to ongoing evaluation by credit rating agencies, and any rating could be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant such action.

If any of the credit rating agencies that have rated our securities downgrades or lowers its credit rating, or if any credit rating agency indicates that it has placed any such rating on a “watch list” for a possible downgrade or lowering, or otherwise indicates that its outlook for that rating is negative, such action could have a material adverse effect on our costs and availability of funding, which could in turn have a material adverse effect on our financial condition, results of operations, cash flows, the market price of our securities, and our ability to satisfy our debt service obligations, among other obligations.

If securities analysts downgrade our common shares or the health care-related real estate sector, the market price of our common shares could decline.

The market for our common shares depends in part upon the research and reports that industry or financial analysts publish about us and our industry. We have no control over these analysts. Furthermore, if one or more of the analysts who do cover us downgrades our shares or our industry, or the stock of any of our competitors, the price of our common shares could decline. If one or more of these analysts ceases coverage of our company, we could lose attention in the market which in turn could cause the market price of our common shares to decline.

Risks Related to Our Portfolio and Structure

We have no direct operations and rely upon funds received from the Operating Partnership to meet our obligations.

The Trust conducts substantially all of its operations through the Operating Partnership. As of February 16, 2024, the Trust owned approximately 96.1% of the OP Units and apart from this ownership interest, the Trust does not have any independent operations. As a result, the Trust relies upon distributions from the Operating Partnership to pay any distributions that the Trust might declare on the Trust's common shares. We also rely upon distributions from the Operating Partnership to the Trust to meet our obligations, including tax liability on taxable income allocated to the Trust from the Operating Partnership (which might make distributions to the Trust not equal to the tax on such allocated taxable income). Consequently, shareholders' claims will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of the Operating Partnership and its subsidiaries. Therefore, in the event of bankruptcy, liquidation or reorganization of the Trust, claims of the Trust's shareholders will be satisfied only after all of the Trust's and the Operating Partnership's and its subsidiaries' liabilities and obligations have been paid in full.

Our business could be harmed if key personnel terminate their employment with us or if we are unsuccessful in integrating new personnel into our operations.

Our success depends, to a significant extent, on the continued services of Mr. Thomas, our President and Chief Executive Officer, the rest of our executive leadership team, and other key employees. We do not maintain key person life insurance on any of our officers. Our ability to continue to acquire and develop health care properties depends upon the significant relationships that our senior management team has developed over many years.

Although the Trust has entered into employment agreements with our management team we cannot provide any assurance that any of them will remain employed by the Trust. Our ability to retain our leadership team, or to attract suitable replacements should any member of the senior management team leave, is dependent on the competitive nature of the employment market. Failure to attract, retain, and motivate highly qualified employees, or failure to develop and implement a viable succession plan, could result in inadequate depth of institutional knowledge, an ineffective culture, or lack of certain skill sets, significantly impacting our future performance and adversely affecting our business. Competition for talented employees is intense, and we cannot guarantee that we will retain our key officers and employees or that we will be able to attract and retain other highly qualified individuals in the future. In addition, we face risks related to our ability to retain key personnel in connection with the pending Mergers. See "Following the Mergers and the transactions contemplated by the Merger Agreement, the Combined Company may be unable to retain key employees" above for additional information.

Certain provisions of Maryland law, the Trust's declaration of trust and the partnership agreement of the Operating Partnership contain limits and restrictions on transferability of our outstanding shares of beneficial interest, which may have the effect of delaying, discouraging, or preventing a transaction or change of control of our company.

In order for us to qualify as a REIT, no more than 50% of the value of the Trust's outstanding shares of beneficial interest may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year. Subject to certain exceptions, the Trust's declaration of trust prohibits any shareholder from owning beneficially or constructively more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our shares of beneficial interest, though the Trust has granted, and may in the future grant, a waiver from the ownership limitations. The constructive ownership rules under the Code are complex and may cause the outstanding shares owned by a group of related individuals or entities to be deemed to be constructively owned by one individual entity. As a result, the acquisition of less than 9.8% of our outstanding shares of any class or series by an individual or entity could cause that individual or entity to own constructively in excess of 9.8% of the outstanding shares of any class or series of our shares of beneficial interest and to be subject to the Trust's declaration of trust's ownership limit. The Trust's declaration of trust also prohibits, among other prohibitions, any person from owning our shares of beneficial interest that would result in our being "closely held" under Section 856(h) of the Code, or otherwise cause us to fail to qualify as a REIT. Further, the partnership agreement of the Operating Partnership contains certain provisions such as redemption rights, restrictions on transfer of OP Units, consent and other rights of the Trust as the general partner of the Operating Partnership, and rights of the limited partners of the Operating Partnership to consent to certain transfers of the general partnership interest. The share ownership restrictions of the Code for REITs and the 9.8% share ownership limit, and other restrictions contained in the Trust's declaration of trust and the Operating Partnership's partnership agreement may inhibit market activity in our shares of beneficial interest, restrict our business combination opportunities, or otherwise delay, deter or prevent a transaction or change of control that our shareholders otherwise believe to be in their best interests.

In addition, certain provisions of the Maryland General Corporation Law, ("MGCL"), applicable to Maryland real estate investment trusts may have the effect of inhibiting, delaying, deferring, or preventing a third party from making a proposal to acquire the Trust (and, indirectly, the Operating Partnership) or of impeding or delaying a change of control under circumstances that otherwise could provide the Trust’s common shareholder with the opportunity to realize a premium over the then-prevailing market price of shares, including:

- “business combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested shareholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate or associate of ours who was the beneficial owner directly or indirectly, of 10% or more of the voting power of our shares at any time within the two-year period immediately prior to the date in question) or an affiliate thereof for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter imposes certain minimum price and/or supermajority shareholder voting requirements on these combinations; and
- “control share” provisions that provide that holders of “control shares” of our Trust (defined as shares that, when aggregated with all other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing trustees) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of issued and outstanding “control shares,” subject to certain exceptions) have no voting rights with respect to their control shares, except to the extent approved by our shareholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

The Trust’s Board of Trustees has by resolution exempted any business combination between us and any other person from the business combination provisions of the MGCL, provided that the business combination is first approved by the Board of Trustees (including a majority of trustees who are not affiliates or associates of such person). In addition, the Trust’s bylaws contain a provision exempting any and all acquisitions of our shares from the control share provisions of the MGCL. However, the Board of Trustees may at any time alter or repeal the resolution exempting certain businesses from the business combination provisions of the MGCL and we may at any time amend or eliminate the provision of our bylaws exempting acquisitions of our shares from the control share provisions of the MGCL.

Certain provisions of the MGCL permit the Board of Trustees, without shareholder approval and regardless of what is currently provided in the Trust's declaration of trust or bylaws, to implement certain corporate governance provisions with respect to the Trust, some of which (for example, a classified board) are not currently applicable to us. If implemented, these provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for us or of delaying, deferring, or preventing a change in control of us under circumstances that otherwise could provide our common shareholders with the opportunity to realize a premium over the then current market price. Pursuant to our declaration of trust, we have elected to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our Board of Trustees.

We could increase the number of authorized shares, classify and reclassify unissued shares, and issue shares without shareholder approval.

The Trust's Board of Trustees, without shareholder approval, has the power under the Trust's declaration of trust to amend our declaration of trust to increase or decrease the aggregate number of shares or the number of shares of any class or series of the Trust that we are authorized to issue, and to authorize us to issue authorized but unissued common shares or preferred shares. In addition, under the declaration of trust, the Board of Trustees has the power to classify or reclassify any unissued common or preferred shares into one or more classes or series of shares and set or change the preference, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications or terms or conditions of redemption for such newly classified or reclassified shares. As a result, we may issue series or classes of common shares or preferred shares with preferences, dividends, powers, and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common shares. Although the Board of Trustees has no such intention at the present time, it could establish a class or series of preferred shares that could, depending on the terms of such class or series, delay, defer, or prevent a transaction or a change of control that might involve a premium price for our common shares or that our shareholders otherwise believe to be in their best interests.

Risks Related to Our Qualification and Operation as a REIT

If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that would substantially reduce funds available for distributions to our shareholders.

Since our formation, the Trust has been organized and has operated in such a manner as to qualify for taxation as a REIT under the U.S. federal income tax laws, and we intend to continue to operate in such a manner, but no assurances can be given that we will operate in a manner so as to qualify or remain qualified as a REIT.

Failure to qualify as a REIT, or failure to remain qualified as a REIT, would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distribution to our shareholders. If we fail to qualify as a REIT in any taxable year, we would face serious tax consequences that would substantially reduce the funds available for distribution to our shareholders because:

- we would not be allowed a deduction for dividends paid to shareholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;
- we could possibly be subject to increased state and local taxes; and
- unless we are entitled to relief under certain U.S. federal income tax laws, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our shares of beneficial interest.

Failure to make required distributions would subject us to U.S. federal corporate income tax.

We intend to operate in a manner so as to qualify as a REIT for U.S. federal income tax purposes. In order to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, each year to our shareholders. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income at regular corporate rates. In addition, we will be subject to a 4% nondeductible excise tax to the extent that the actual amount that we pay out to our shareholders in a calendar year is less than a separate minimum amount specified under the Code.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our shareholders, and the ownership of our shares of beneficial interest. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities, and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities of taxable REIT subsidiaries ("TRSs"), and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities, securities of TRSs, and qualified real estate assets) can consist of the securities of any one issuer, and no more than 20% of the value of our total assets can be represented by the securities of one or more TRSs. Debt instruments that do not otherwise qualify as real estate assets (because they are not secured by interests in real property or in certain entities that directly or indirectly own real property or because they are not issued by other publicly offered REITs) will generally not be taken into account for purposes of the aforementioned limitation on owning more than 10% of the total value of the outstanding securities of any one issuer. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

The prohibited transactions tax may limit our ability to dispose of our properties.

A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than "foreclosure property," held primarily for sale to customers in the ordinary course of business. We may be subject to the prohibited transactions tax equal to 100% of net gain upon a disposition of real property. Although a safe harbor from the characterization of the sale of real property by a REIT as a prohibited transaction is available, we cannot assure you that we can comply with the safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary course of business. Consequently, we may choose not to engage in certain sales of our properties or may conduct such sales through any TRS that we may form, which would be subject to federal and state income taxation.

Any ownership of a TRS will be subject to limitations and our transactions with a TRS will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm's-length terms.

Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. We will monitor the value of our respective investments in any TRS for the purpose of ensuring compliance with TRS ownership limitations and will structure our transactions with any TRS on terms that we believe are arm's-length to avoid incurring a 100% excise tax on such transactions. There can be no assurance, however, that we will be able to comply with the 20% limitation or avoid application of the 100% excise tax.

If leases of our properties are not respected as true leases for federal income tax purposes, we could fail to qualify as a REIT and could be subject to higher taxes and have less cash available for distribution to our shareholders.

To qualify as a REIT, we must satisfy two gross income tests, under which specified percentages of our gross income must be derived from certain sources, such as "rents from real property." Rents paid to the Operating Partnership by third party lessees and any TRS lessee pursuant to the leases of our properties will constitute substantially all of our gross income. In order for such rents to qualify as "rents from real property" for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and not be treated as service contracts, joint ventures, or some other type of arrangement. If our leases are not respected as true leases for federal income tax purposes, we could fail to qualify as a REIT.

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

At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation, or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation, or administrative interpretation, will be adopted, promulgated, or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our shareholders could be adversely affected by any such change in the U.S. federal income tax laws, regulations, or administrative interpretations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We assess, identify and manage material risks from cybersecurity threats through the cyber risk management program supervised by our Chief Informational Security Officer (“CISO”). The cybersecurity program utilizes our cloud security backbone along with complementary tools to identify, prevent, detect, respond to, and recover from cybersecurity incidents, including:

- regular cybersecurity awareness training for employees and contractors on our policies and emerging risks from cybersecurity threats, as well as regular phishing awareness training;
- internal and third party cybersecurity testing, including penetration testing of our information systems and devices;
- protective and detective cybersecurity controls built into our systems and applications;
- cybersecurity incident monitoring and response efforts, including our security breach incident response plan (the “Incident Response Plan”), to identify, assess, escalate, investigate, contain, and remediate incidents; and
- disaster recovery and business continuity planning efforts.

Our cybersecurity team utilizes a cyber risk management and quantification system (“CRQ”). The CRQ provides intelligence and insights on potential areas of cyber risk and analyzes risk across the major stages of typical cyberattacks and covers a number of entities in our environment, including third party providers. The CISO monitors the CRQ to help ensure that cyber risk assessment and reduction is integrated into the Company’s overall risk management system.

As part of the above processes, we regularly collaborate with third-party entities to enhance and fortify our cybersecurity risk management program, including through internal and external penetration testing and cybersecurity awareness training. As needed, we require third party service providers to adhere to certain cybersecurity standards and processes and agree to be subject to cybersecurity audits.

A discussion of how our business, financial condition, and results of operations could be materially adversely affected by risks from cybersecurity threats is contained under “Cybersecurity incidents could disrupt our business and result in the compromise of confidential information” in Item 1A. Risk Factors.

Governance

Our Board has risk oversight responsibility for the Company, which it administers directly and with assistance from its committees. In connection with its assessment of the Company’s risk environment, the Board receives comprehensive updates on cybersecurity risks every quarter from the CISO.

The audit committee assists the Board in fulfilling its oversight responsibility with respect to, among other things, enterprise risk management, including information technology and cybersecurity risks. In performing these functions, the audit committee meets regularly with our management to review any significant risks or exposures.

Pursuant to the Incident Response Plan, our Incident Response Team is responsible for our incident handling capability, which includes preparation, detection, analysis, containment, eradication, recovery, and follow-up capabilities in response to cybersecurity incidents. The Incident Response Team is led by the CISO and includes management from the

Administration, Legal, Information Security and Technology, Physical Security and Facilities Management, Communications and Public Relations and Human Resources fields. When required, or if otherwise appropriate, management informs the Board and/or Board committee of any cybersecurity incidents. The CISO conducts semi-annual meetings of the Incident Response Team to review and document compliance with the Incident Response Plan. In collaboration with the Incident Response Team, the CISO reviews and updates the Incident Response Plan as necessary annually. In addition, the Chair of the Audit Committee conducts an annual review of the Incident Response Plan.

The CISO has more than thirteen years of previous professional experience across diverse roles, including managing information security, establishing robust information and cybersecurity programs, crafting business continuity and disaster recovery strategies, and managing complex IT environments as an IT Director, IT Manager, and Senior IT Systems Administrator. He attended the University of Wisconsin Milwaukee for his undergraduate in Management & Information Systems. He has worked in industries such as banking and investments, health care, real estate, private equity, and property management. He is an active member of the Midwest Cybersecurity Alliance and regularly participates in industry cybersecurity meetings and conferences to stay abreast of trends and collaborate with cybersecurity professionals.

The members of the Incident Response Team are informed about and monitor the prevention, mitigation, detection, and remediation of cybersecurity incidents through their management of, and participation in, the Incident Response Plan processes described above.

ITEM 2. PROPERTIES

Geographic Diversification/Concentration

The following table lists the states in which our consolidated properties are located and provides certain information regarding our consolidated portfolio’s geographic diversification/concentration as of December 31, 2023:

State	Number of Properties	GLA (1) (square feet)	Percent of GLA	Annualized Base Rent (2) (thousands)	Percent of Annualized Base Rent
Alabama	8	384,994	2.5 %	$ 10,325	2.7 %
Arizona	15	903,062	5.8 %	21,286	5.8 %
Arkansas	7	270,200	1.7 %	4,881	1.3 %
California	5	93,011	0.6 %	2,314	0.6 %
Colorado	5	134,331	0.9 %	3,320	0.9 %
Connecticut	4	166,196	1.1 %	4,507	1.2 %
Delaware	1	140,205	0.9 %	3,263	0.9 %
Florida (3)	24	876,364	5.6 %	24,756	6.6 %
Georgia	9	1,104,557	7.0 %	27,676	7.5 %
Illinois	4	165,903	1.1 %	3,345	0.9 %
Indiana	22	1,042,071	6.7 %	23,580	6.4 %
Kentucky	12	1,011,109	6.5 %	19,699	5.3 %
Louisiana	4	249,832	1.6 %	8,305	2.3 %
Maine	1	44,677	0.3 %	1,415	0.4 %
Maryland	3	166,594	1.1 %	4,683	1.3 %
Michigan	9	662,055	4.2 %	16,304	4.4 %
Minnesota	19	830,479	5.3 %	19,229	5.2 %
Mississippi	3	261,480	1.7 %	6,099	1.7 %
Missouri	3	159,340	1.0 %	4,641	1.3 %
Nebraska	13	987,274	6.3 %	19,668	5.3 %
New Jersey	2	115,967	0.7 %	4,481	1.2 %
New Mexico	2	53,029	0.3 %	1,553	0.4 %
New York	14	703,729	4.5 %	17,769	4.8 %
North Dakota	8	434,215	2.8 %	8,886	2.4 %
Ohio	14	802,568	5.1 %	14,967	4.1 %
Oklahoma	1	52,000	0.3 %	643	0.2 %
Pennsylvania	12	364,726	2.3 %	7,623	2.1 %
Tennessee	8	706,805	4.5 %	14,617	4.0 %
Texas	29	1,863,733	11.9 %	49,328	13.4 %
Virginia	2	153,567	1.0 %	3,924	1.1 %
Washington	9	543,732	3.5 %	10,992	3.0 %
Wisconsin (4)	6	205,885	1.2 %	4,999	1.3 %
Total	278	15,653,690	100.0 %	$ 369,078	100.0 %

(1) “GLA” means gross leasable area.
(2) Annualized base rent is calculated by multiplying (a) base rental payments for the month ended December 31, 2023, by (b) 12.
(3) Excludes the Company’s 20,840 square foot retail asset.
(4) Excludes the Company’s 108,843 square foot corporate office building.

Scheduled Lease Expirations

The following table provides a summary of lease expirations for our consolidated properties as of December 31, 2023, for the periods indicated:

Expiration (1)	Number of Leases Expiring	GLA	Percent of GLA	Annualized Base Rent (thousands)	Percent of Annualized Base Rent	Annualized Base Rent Leased per Square Foot (2)
2024	133	768,237	4.9 %	$ 18,711	5.1 %	$ 24.36
2025	171	973,808	6.2 %	25,515	6.9 %	26.20
2026	196	3,332,019	21.3 %	77,614	21.0 %	23.29
2027	151	1,711,326	10.9 %	40,682	11.0 %	23.77
2028	170	1,902,982	12.2 %	46,187	12.5 %	24.27
2029	78	1,003,163	6.4 %	31,620	8.6 %	31.52
2030	71	888,656	5.7 %	21,866	5.9 %	24.61
2031	49	1,096,973	7.0 %	26,616	7.2 %	24.26
2032	76	1,232,471	7.9 %	32,022	8.7 %	25.98
2033	36	744,131	4.8 %	18,888	5.1 %	25.38
Thereafter	38	1,012,200	6.4 %	27,259	7.4 %	26.93
Month to month (3)	46	89,281	0.6 %	2,098	0.6 %	23.50
Vacant	—	898,443	5.7 %	—	—	—
Total / Weighted average	1,215	15,653,690	100.0 %	$ 369,078	100.0 %	$ 25.01

(1) Excludes leases related to the Company’s 108,843 square foot corporate office building and one 20,840 square foot retail asset.
(2) Annualized base rent per leased square foot is calculated by dividing (a) annualized base rent as of December 31, 2023 by (b) square footage under executed leases as of December 31, 2023.
(3) Includes six leases which expired on December 31, 2023, representing 0.1% of portfolio leasable square feet.

Tenants

As of December 31, 2023, our consolidated properties were approximately 94% leased. No single tenant accounted for more than 5.1% of our total annualized base rent or 5.0% of total base revenue as of December 31, 2023; however, 14.9% of our total annualized base rent as of December 31, 2023 was from tenants affiliated with CommonSpirit.

The following table sets forth certain information about the 10 largest tenants in our consolidated portfolio based on total annualized base rent as of December 31, 2023:

Tenant	# of Properties	Leased GLA	% Leased GLA	Annualized Base Rent (thousands)	% of Portfolio Annualized Base Rent
CommonSpirit - CHI - Nebraska	13	903,777	6.1 %	$ 18,667	5.1 %
Northside Hospital	7	696,840	4.7 %	16,953	4.6 %
UofL Health - Louisville, Inc.	9	669,026	4.5 %	14,987	4.1 %
US Oncology	8	377,091	2.6 %	10,925	3.0 %
HonorHealth	8	387,744	2.6 %	10,244	2.8 %
Baylor Scott and White Health	2	268,639	1.8 %	8,510	2.3 %
Ascension - St. Vincent's - Indianapolis	4	363,221	2.5 %	8,228	2.2 %
UF Health - Jacksonville	2	223,748	1.5 %	8,172	2.2 %
CommonSpirit - CHI - St. Alexius	7	359,209	2.4 %	7,161	1.9 %
UnitedHealth Group Incorporated	8	197,303	1.3 %	6,135	1.6 %
Total	68	4,446,598	30.0 %	$ 109,982	29.8 %

Before entering into a lease and during the lease term, we seek to manage our exposure to significant tenant credit issues. In most instances, we seek to obtain tenant financial information, including credit reports, financial statements, and tax returns. Where appropriate, we seek to obtain financial commitments in the form of letters of credit, security deposits, or personal guarantees from tenants. On an ongoing basis, we monitor accounts receivable and payment history for both tenants and properties and seek to identify any credit concerns as quickly as possible. In addition, we keep in close contact with our tenants in an effort to identify and address negative changes to their businesses prior to such adverse changes affecting their ability to pay rent to us.

Ground and Air Space Leases

We lease the land upon which 97 of our consolidated properties are built and the air which one property occupies, representing approximately 51.6% of our total leasable square feet and 51.4% of our annualized base revenue as of December 31, 2023. The ground and air leases subject these properties to certain restrictions. These restrictions may limit our ability to lease space in such facilities to tenants who are not affiliated with the health care delivery system that owns the underlying land and may limit the types of medical procedures that may be performed at the facilities. On-campus ground leases typically include purchase options, rights of first offer and rights of first refusal for the underlying health system or hospital owner, and restrictions from doing business with competitors.

ITEM 3. LEGAL PROCEEDINGS

A description of any material legal proceedings to which we are a party is included in Note 15 (Commitments and Contingencies) to our accompanying consolidated financial statements, and is incorporated into this Item 3 by reference. In addition, from time to time, we are party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. We are not currently a party, as plaintiff or defendant, to any legal proceedings which, individually or in the aggregate, we expect to have a material effect on our business, financial condition, or results of operations if determined adversely to us.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Trust’s common shares are traded on the NYSE under the symbol “DOC.” As of February 16, 2024, the Trust had 425 registered shareholders of record of the Trust’s common shares.

It has been the Trust’s policy to declare quarterly dividends to its shareholders so as to comply with applicable provisions of the Code governing REITs. The declaration and payment of quarterly dividends remains subject to the review and approval of the Board of Trustees. The Merger Agreement permits the Trust to pay regular quarterly dividends to our shareholders at a rate not to exceed $0.23 per common share per quarter, in accordance with past practice. Pursuant to the Merger Agreement, the parties shall take all actions necessary to cause the holders of Physicians Realty Trust common shares and the holders of shares of Healthpeak common stock to receive dividends covering the same periods prior to the Closing Date.

Stock Performance Graph

This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Physicians Realty Trust under the Securities Act or the Exchange Act.

The graph below compares the cumulative total return of our common shares, the Standard & Poor’s MidCap 400, and the MSCI US REIT Index (RMS), from the date of our listing on the NYSE on July 19, 2013 through December 31, 2023. The comparison assumes $100 was invested on July 19, 2013 in our common shares and in each of the foregoing indexes and assumes reinvestment of dividends, as applicable. The MSCI US REIT Index consists of equity REITs that are included in the MSCI US Investable Market 2500 Index, except for specialty equity REITS that do not generate a majority of their revenue and income from real estate rental and leasing operations. We have included the MSCI US REIT Index and the Standard & Poor’s MidCap 400 because we joined these indexes in November 2014 and May 2020, respectively, and we believe that both are representative of the industry in which we compete and are relevant to an assessment of our performance.

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	Index		
Period Ending	Physicians Realty Trust	Standard & Poor’s MidCap 400	MSCI US REIT (RMS)
7/19/2013	$ 100.00	$ 100.00	$ 100.00
12/31/2013	$ 112.34	$ 109.53	$ 91.70
12/31/2014	$ 156.36	$ 120.23	$ 119.56
12/31/2015	$ 167.72	$ 117.61	$ 122.57
12/31/2016	$ 197.82	$ 142.01	$ 133.11
12/31/2017	$ 196.89	$ 165.07	$ 139.86
12/31/2018	$ 185.68	$ 146.78	$ 133.47
12/31/2019	$ 234.20	$ 185.23	$ 167.96
12/31/2020	$ 229.91	$ 210.53	$ 155.24
12/31/2021	$ 256.17	$ 262.66	$ 222.09
12/31/2022	$ 207.78	$ 228.36	$ 167.65
12/31/2023	$ 204.45	$ 265.89	$ 190.69

Recent Sales of Unregistered Securities

From time to time, the Operating Partnership issues OP Units to the Trust, as required by the Partnership Agreement, to reflect additional issuances of common shares by the Trust and to preserve equitable ownership ratios.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

There were no repurchases of our common shares of beneficial interest and OP Units during the three months ended December 31, 2023.

Equity Compensation Plan Information

The table below presents information as of December 31, 2023, for the Equity Plan and the Employee Stock Purchase Plan. The Company does not have any equity compensation plans that have not been approved by shareholders. The Company plans to terminate the Equity Plan and the Employee Stock Purchase Plan upon the closing of the Mergers.

Plan Category	Number of securities to be issued upon exercise of outstanding warrants and rights (a)		Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(c)	
Equity compensation plans approved by shareholders	5,067,707	(1)	—	4,039,171	(2)
Equity compensation plans not approved by shareholders	—		—	—	
Total	**5,067,707**		**—**	**4,039,171**	

(1) Includes (i) 2022 and 2023 performance-based restricted stock units at maximum level granted to our officers under the Equity Plan, which will vest, pursuant to the Merger Agreement, based on maximum level of achievement of the applicable performance goals over the three-year performance period as provided in the award agreements, (ii) a 2020 time-based restricted stock unit award to our CEO, which vests one-half after four years and one-half after five years from the grant date, and (iii) time-based restricted stock units granted to our non-employee trustees under the Equity Plan. Performance-based restricted stock units granted in 2021 vested at the actual performance level of 198.8% based on performance as of December 31, 2023.

(2) Represents 3,661,927 shares under the Equity Plan and 377,244 shares under the 2015 Employee Stock Purchase Plan ("ESPP") available for future issuance as of December 31, 2023. The Company plans to terminate the Equity Plan and the ESPP upon the closing of the Mergers.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements, including the notes to those statements, included in this report, and the Section entitled "Cautionary Statement Regarding Forward-Looking Statements" in this report. As discussed in more detail in the Section entitled "Cautionary Statement Regarding Forward-Looking Statements," this discussion contains forward-looking statements which involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause those differences include those discussed in Part I, Item 1. "Business" and Part I, Item 1A. "Risk Factors" and elsewhere in this report.

Company Highlights:

- Announced an all-stock merger of equals with Healthpeak Properties, Inc.
- Reported total revenue of $543.5 million for the year ended December 31, 2023, compared to total revenue of $526.6 million for the year ended December 31, 2022, an increase of 3.2%.
- Reported net income of $43.8 million and generated income per share of $0.17, on a fully diluted basis, for the year ended December 31, 2023.
- Generated Normalized FFO of $0.99 per share for the year ended December 31, 2023, on a fully diluted basis.
- Completed $128.4 million of investments, including the funding of previous loan commitments, during the year ended December 31, 2023.
- Issued and sold 4,400,000 common shares at a weighted average price of $15.10 per share, resulting in net proceeds of approximately $65.8 million pursuant to the 2023 ATM Program (as defined herein) during the year ended December 31, 2023.
- Achieved ENERGY STAR Certification receiving 16 new property certifications, totaling 42 certifications since 2021.
- Earned seven new Institute of Real Estate Management (IREM®) Certified Sustainable Property designations, totaling 45 certifications since 2019.

Subsequent Event Highlights:

- On February 21, 2024, our shareholders voted on and approved the merger with Healthpeak. Consummation of the merger is subject to the satisfaction or waiver of customary closing conditions. The merger is expected to close on or about March 1, 2024.

Overview

We are a self-managed health care real estate company organized in April 2013 to acquire, selectively develop, own, and manage health care properties that are leased to physicians, hospitals, and health care delivery systems. We invest in real estate that is integral to providing high quality health care services. Our properties are typically located on a campus with a hospital or other health care facilities or strategically affiliated with a hospital or other health care facilities. We believe the impact of government programs and continuing trends in the health care industry create attractive opportunities for us to invest in health care-related real estate. In particular, we believe the demand for health care will continue to increase as a result of the aging population as older persons generally utilize health care services at a rate well in excess of younger people. Our management team has significant health care real estate experience and has long-established relationships with physicians, hospitals, and health care delivery system decision makers that we believe will provide quality investment and growth opportunities. Our principal investments include outpatient medical facilities, outpatient treatment facilities, as well as other real estate integral to health care providers. In recent years, we have seen increased competition for health care properties and we expect this trend to continue. We seek to generate attractive risk-adjusted returns for our shareholders through a combination of stable and increasing dividends and potential long-term appreciation in the value of our properties and our common shares.

As of December 31, 2023, leases representing a percentage of our consolidated portfolio on the basis of leased square feet will expire as follows:

Year	Portfolio Lease Expirations
MTM (1)	0.6%
2024	5.2%
2025	6.6%
2026	22.6%
2027	11.6%
2028	12.9%
2029	6.8%
2030	6.0%
2031	7.4%
2032	8.4%
2033	5.0%
Thereafter	6.9%
Total	100.0%

(1) Includes six leases which expired on December 31, 2023, representing 0.1% of portfolio occupied leasable square feet.

We receive a cash rental stream from these health care providers under our leases. Approximately 93% of the annualized base rent payments from our properties as of December 31, 2023 are from absolute net and triple net leases, pursuant to which the tenants are responsible for operating expenses subject to specific lease terms relating to the property, including but not limited to real estate taxes, utilities, property insurance, routine maintenance and repairs, and property management. This structure helps insulate us from increases in certain operating expenses and provides more predictable cash flow.

Approximately 6% of the annualized base rent payments from our properties as of December 31, 2023 are from modified gross leases which allow us to pass through certain increases in operating expenses (e.g., property tax and insurance) to tenants for reimbursement, thus protecting us from increases in such operating expenses. We seek to structure our triple-net leases to generate attractive returns on a long-term basis. Our leases typically have initial terms of 5 to 15 years and include annual rent escalators of approximately 1.5% to 4.0%, with an annual weighted average rent escalator of approximately 2.4%. However, certain of the Company’s leases contain annual rent escalators indexed to changes in the CPI, oftentimes subject to a floor or ceiling and a cap. As of December 31, 2023, approximately 5.9% of the Company’s annual rent escalators have CPI provisions. Our operating results depend significantly upon the ability of our tenants to make required rental payments. We believe that our portfolio of outpatient medical facilities and other health care facilities will enable us to generate stable cash flows over time because of the diversity of our tenants, staggered lease expiration schedule, long-term leases, and low historical occurrence of tenants defaulting under their leases.

Subject to the restrictions in the Merger Agreement, we intend to grow our portfolio of high-quality health care properties leased to physicians, hospitals, health care delivery systems, and other health care providers primarily through acquisitions of existing health care facilities that provide stable revenue growth and predictable long-term cash flows. We may also selectively finance, subject to the restrictions in the Merger Agreement, the development of new health care facilities through joint venture or fee arrangements with health care real estate developers or health system development professionals. Generally, we expect to make investments in new development properties when approximately 80% or more of the development property has been pre-leased before construction commences. We seek to invest in properties where we can develop strategic alliances with financially sound health care providers and health care delivery systems that offer need-based health care services in sustainable health care markets. We focus our investment activity on outpatient medical facilities and ambulatory surgery centers.

We believe that trends such as shifting consumer preferences, limited space in hospitals, the desire of patients and health care providers to limit non-essential services provided in a hospital setting, and cost considerations, continue to drive the industry towards performing more procedures in outpatient facilities versus the hospital setting. As these trends continue, we believe that demand for outpatient medical facilities and similar health care properties away from hospital settings and in convenient locations to patients will continue to rise. We intend to exploit this trend and seek outpatient properties consistent with our investment philosophy and strategies.

While not our focus, we may choose to invest opportunistically in life science facilities, senior housing properties, skilled nursing facilities, specialty hospitals, and treatment centers. Consistent with our qualification as a REIT, we may also opportunistically invest in companies that provide health care services, and in joint venture entities with operating partners, structured to comply with the REIT Investment Diversification Act of 2007.

The Trust is a Maryland real estate investment trust and elected to be taxed as a REIT for U.S. federal income tax purposes. We conduct our business through an UPREIT structure in which our properties are owned by our Operating Partnership directly or through limited partnerships, limited liability companies, or other subsidiaries. The Trust is the sole general partner of our Operating Partnership and, as of December 31, 2023, owned approximately 96.1% of the OP Units. As of February 16, 2024, we have 238,911,308 common shares outstanding.

2023 Investment Activity

During 2023, the Company executed contractual commitments related to a $40.5 million development project, with $21.6 million spent on construction in progress thus far, completed the acquisition of three outpatient medical facilities and three medical condominium units for an investment of $38.5 million, completed the acquisition of two parcels of land adjacent to existing outpatient medical facilities for $1.7 million, and paid $2.2 million of additional purchase consideration under six earn-out agreements for prior acquisitions. The Company also closed four construction loans for an aggregate of $126.4 million, and has funded $31.9 million in the aggregate for those loans to date. Additionally, the Company funded an aggregate of $21.2 million related to the closing of three new term loans, previously announced loan commitments, and other investments, including a $1.3 million investment in IJRI Properties, LLC, which is an entity constructing and operating an outpatient medical facility in Indiana. The Company contributed $11.3 million to the Davis Joint Venture to fund acquisitions and additional purchase consideration under an earn-out agreement. Investment activity totaled approximately $128.4 million during the twelve months ended December 31, 2023.

During 2023, the Company sold one outpatient medical facility containing 30,000 square feet for approximately $2.6 million, realizing an insignificant gain.

Recent Developments

On October 29, 2023, the Trust and the Operating Partnership entered into the Merger Agreement with Healthpeak and certain subsidiaries of Healthpeak, pursuant to which, among other things, and through the Mergers, (i) each outstanding common share of the Trust (other than Trust common shares to be canceled in accordance with the Merger Agreement) will be automatically converted into the right to receive 0.674 shares of Healthpeak common stock, and (ii) each outstanding OP Unit will be automatically converted into and become common units in the successor entity to the Operating Partnership equal to the Exchange Ratio. In connection with the Mergers, Healthpeak filed a Registration Statement on Form S-4 with the SEC on December 15, 2023, as amended on January 9, 2024. The Trust and Healthpeak filed a definitive joint proxy statement/prospectus on January 11, 2024 in connection with our respective special meetings of shareholders and stockholders, as applicable, which were held on February 21, 2024. On February 21, 2024, our shareholders voted on and approved the merger with Healthpeak. The Mergers are expected to close on or about March 1, 2024. Consummation of the Mergers are subject to the satisfaction or waiver of customary closing conditions.

On December 21, 2023, the Trust’s Board of Trustees authorized and declared a cash distribution of $0.23 per common share and OP Unit for the quarterly period ended December 31, 2023. The distribution was paid on January 18, 2024, to common shareholders and OP Unit holders of record as of the close of business on January 3, 2024.

2024 Activity

On February 21, 2024, our shareholders voted on and approved the merger with Healthpeak. The Mergers are expected to close on or about March 1, 2024.

Results of Operations

Year Ended December 31, 2023 compared to the Year Ended December 31, 2022.

The following table summarizes our results of operations for the years ended December 31, 2023 and 2022 (in thousands):

	2023	2022	Change	%
Revenues:				
Rental and related revenues	$ 528,093	$ 515,373	$ 12,720	2.5 %
Interest income on real estate loans and other	15,370	11,262	4,108	36.5 %
Total revenues	543,463	526,635	16,828	3.2 %
Expenses:				
Interest expense	81,351	72,234	9,117	12.6 %
General and administrative	38,756	40,209	(1,453)	(3.6)%
Operating expenses	182,661	171,100	11,561	6.8 %
Depreciation and amortization	191,091	189,641	1,450	0.8 %
Merger and transaction-related expense	6,934	—	6,934	NM
Total expenses	500,793	473,184	27,609	5.8 %
Income before equity in income (loss) of unconsolidated entities and gain on sale of investment properties, net:	42,670	53,451	(10,781)	(20.2)%
Equity in income (loss) of unconsolidated entities	1,084	(790)	1,874	237.2 %
Gain on sale of investment properties, net	13	57,375	(57,362)	NM
Net income	$ 43,767	$ 110,036	$ (66,269)	(60.2)%

NM = Not Meaningful

Revenues

Total revenues increased $16.8 million, or 3.2%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022. An analysis of selected revenues follows.

Rental and related revenues. Rental and related revenues increased $12.7 million, or 2.5%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. Rental and related revenues was comprised of the following based upon contractual billing terms (in thousands):

	2023	2022	Change	%
Rental revenues	$ 376,762	$ 371,727	$ 5,035	1.4 %
Expense recoveries	151,331	143,646	7,685	5.3 %
Rental and related revenues	$ 528,093	$ 515,373	$ 12,720	2.5 %

Rental revenues increased $5.0 million, or 1.4%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. Rental revenues increased $6.0 million from our properties acquired in 2023 and 2022 and $2.5 million from our existing portfolio. These increases were partially offset by a decrease in rental revenue of $3.4 million associated with properties sold during 2023 and 2022.

Expense recoveries increased $7.7 million, or 5.3%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. Expense recoveries increased $2.9 million from our properties acquired and sold in 2023 and 2022 and $4.7 million due to an increase in operating expenses from our existing portfolio, explained below.

Interest income on real estate loans and other. Interest income on real estate loans and other increased $4.1 million, or 36.5%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022. Interest income on real estate loan and other increased by $5.7 million due to interest earned on $214.0 million of proceeds remaining from our new $400.0 million term loan executed on May 24, 2023. This was offset by a decrease of $1.3 million due to lower average real estate loan balances in 2023 compared to 2022 and a decrease in other income of $0.2 million.

Expenses

Total expenses increased by $27.6 million, or 5.8%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022. An analysis of selected expenses follows.

Interest expense. Interest expense increased $9.1 million, or 12.6%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. Interest expense increased $15.6 million from the $400.0 million term loan executed on May 24, 2023, and $2.5 million from increasing interest rates on our mortgage debt. These increases were partially offset by favorable effects of our interest rate swaps of $6.4 million, including $1.8 million due to the de-designation of an interest rate swap, and a decrease in interest expense of $2.5 million related to the pay down of the unsecured revolving credit facility under our Credit Agreement in 2023.

General and administrative. General and administrative expenses decreased $1.5 million, or 3.6%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease is mainly attributable to a decrease in payroll and benefits of $1.8 million and travel expenses of $0.6 million. This is offset by an increase in legal and professional fees of $0.9 million.

Operating expenses. Operating expenses increased $11.6 million, or 6.8%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The net operating expenses from properties purchased and sold in 2023 and 2022 increased $3.2 million and a net increase of $0.7 million in our current expected credit loss reserves ("CECL"). Operating expenses on our remaining portfolio increased by $7.5 million, or 4.4% year over year, due to increased insurance costs of $0.3 million, utility costs of $0.4 million, maintenance costs of $5.6 million, and property management costs of $2.0 million, offset by a decrease of $0.8 million in real estate taxes year over year.

Depreciation and amortization. Depreciation and amortization increased $1.5 million, or 0.8%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. Depreciation and amortization increased $2.5 million for the properties purchased and sold in 2023 and 2022. This was offset by a decrease in our existing portfolio of $0.9 million due to fully amortized lease intangibles.

Merger and transaction-related expense. During the year ended December 31, 2023, the Company recorded merger and transaction-related expense of $6.9 million related to the proposed merger with Healthpeak, which are primarily comprised of legal, accounting, tax, and other costs incurred prior to year-end.

Equity in loss of unconsolidated entities. The change in equity in loss of unconsolidated entities for the year ended December 31, 2023 compared to the year ended December 31, 2022 is primarily due to a $1.8 million gain on our share of the sale of two assets held within our unconsolidated joint venture portfolio.

Gain on sale of investment properties, net. In 2023 we sold one property in Pennsylvania containing 30,000 square feet for approximately $2.6 million, realizing an insignificant gain. In 2022 we sold five medical facilities, which included four outpatient medical facilities and one hospital, for approximately $124.7 million, realizing an aggregate net gain of approximately $57.4 million.

Year Ended December 31, 2022 compared to the Year Ended December 31, 2021.

A discussion of the results of operations for the year ended December 31, 2022 is found in Item 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 24, 2023, which is available free of charge on the SEC's website at www.sec.gov and in the Investor Relations portion of our website (www.docreit.com). Information contained on our website is not part of, or incorporated by reference into, this Annual Report on Form 10-K.

Cash Flows

Year Ended December 31, 2023 compared to the Year Ended December 31, 2022 (in thousands).

	2023	2022
Cash provided by operating activities	$ 273,430	$ 258,400
Cash used in investing activities	(114,021)	(38,472)
Cash used in financing activities	(10,360)	(222,074)
Increase (decrease) in cash and cash equivalents	$ 149,049	$ (2,146)

Cash flows from operating activities. Cash flows provided by operating activities were $273.4 million during the year ended December 31, 2023 compared to $258.4 million during the year ended December 31, 2022, representing an increase of $15.0 million. The increase in cash provided by operating activities is primarily due to the timing of payment on our tenant receivables and accrued expenses and other liabilities.

Cash flows from investing activities. Cash flows used in investing activities was $114.0 million during the year ended December 31, 2023 compared to cash flows used in investing activities of $38.5 million during the year ended December 31, 2022, representing a change of $75.5 million. The change in cash used in investing activities was primarily due to a decrease in proceeds received from the sale of investment properties of $120.6 million, an increase of net cash spent on the development of real estate and capital expenditures of $23.6 million, an increase in net real estate loan issuances of $8.3 million, and an increase in leasing commissions of $0.5 million. This was partially offset by less cash spent on the acquisition of investments of $73.6 million and additional returns on our investment in unconsolidated entities of $3.7 million.

Cash flows from financing activities. Cash flows used in financing activities was $10.4 million during the year ended December 31, 2023 compared to $222.1 million during the year ended December 31, 2022, representing a change of $211.7 million. The change in cash used in financing activities was primarily due to an increase in proceeds from credit facility borrowings of $219.0 million, a decrease in paydowns under the credit facility of $69.0 million, an increase in contributions from noncontrolling interests of $7.6 million, a decrease of distributions to noncontrolling interests of $1.5 million, and a decrease in the purchase of OP Units of $6.7 million. These sources of cash were partially offset by a decrease in the sale of common shares pursuant to the ATM Program of $39.8 million, the repayment of senior unsecured notes and mortgage debt of $36.0 million, an increase of dividends paid to shareholders of $11.0 million, an increase in debt issuance costs of $3.8 million, and an increase of $1.6 million for payments of employee taxes withheld for stock-based compensation.

Year Ended December 31, 2022 compared to Year Ended December 31, 2021 (in thousands).

A discussion of cash flows for the year ended December 31, 2022 is found in Item 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 24, 2023, which is available free of charge on the SEC’s website at www.sec.gov and in the Investor Relations portion of our website (www.docreit.com). Information contained on our website is not part of, or incorporated by reference into, this Annual Report on Form 10-K.

Non-GAAP Financial Measures

This report includes Funds From Operations (“FFO”), Normalized FFO, Normalized Funds Available For Distribution (“FAD”), Net Operating Income (“NOI”), and Cash NOI, which are non-GAAP financial measures. For purposes of Item 10(e) of Regulation S-K promulgated under the Securities Act, a non-GAAP financial measure is a numerical measure of a company’s historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable financial measure calculated and presented in accordance with GAAP in the statement of operations, balance sheet, or statement of cash flows (or equivalent statements) of the company, or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable financial measure so calculated and presented. As used in this report, GAAP refers to generally accepted accounting principles in the United States of America. Pursuant to the requirements of Item 10(e) of Regulation S-K promulgated under the Securities Act, we have provided reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

FFO and Normalized FFO

We believe that information regarding FFO is helpful to shareholders and potential investors because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which assumes that the value of real estate assets diminishes ratably over time. We calculate FFO in accordance with standards established by the National Association of Real Estate Investment Trusts (“Nareit”). Nareit defines FFO as net income or loss (computed in accordance with GAAP) before noncontrolling interests of holders of OP units, excluding preferred distributions, gains (or losses) on sales of depreciable operating property, impairment write-downs on depreciable assets, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs). Our FFO computation includes our share of required adjustments from our unconsolidated joint ventures and may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the Nareit definition or that interpret the Nareit definition differently than we do. The GAAP measure that we believe to be most directly comparable to FFO, net income, includes depreciation and amortization expenses, gains or losses on property sales, impairments, and noncontrolling interests. In computing FFO, we eliminate these items because, in our view, they are not indicative of the results from the operations of our properties. To facilitate a clear understanding of our historical operating results, FFO should be examined in conjunction with net income (determined in accordance with GAAP) as presented in our financial statements. FFO does not represent cash generated from operating activities in accordance with GAAP, should not be considered to be an alternative to net income or loss (determined in accordance with GAAP) as a measure of our liquidity and is not indicative of funds available for our cash needs, including our ability to make cash distributions to shareholders.

We use Normalized FFO, which excludes from FFO net change in fair value of derivative financial instruments, acceleration of deferred financing costs, net change in fair value of contingent consideration, gain on extinguishment of debt, merger and transaction related expenses, and other normalizing items. Our Normalized FFO computation includes our share of required adjustments from our unconsolidated joint ventures and our use of the term Normalized FFO may not be comparable to that of other real estate companies as they may have different methodologies for computing this amount. Normalized FFO should not be considered as an alternative to net income or loss (computed in accordance with GAAP), as an indicator of our financial performance or of cash flow from operating activities (computed in accordance with GAAP), or as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions. Normalized FFO should be reviewed in connection with other GAAP measurements.

The following is a reconciliation from net income, the most direct financial measure calculated and presented in accordance with GAAP, to FFO and Normalized FFO (in thousands, except per share data):

	Year Ended December 31,		
	2023	2022	2021
Net income	$ 43,767	$ 110,036	$ 86,783
Earnings per share - diluted	$ 0.17	$ 0.46	$ 0.39
Net income	$ 43,767	$ 110,036	$ 86,783
Net income attributable to noncontrolling interests - partially owned properties	(169)	(430)	(607)
Preferred distributions	—	—	(13)
Depreciation and amortization expense	190,706	189,221	157,437
Depreciation and amortization expense - partially owned properties	(536)	(379)	(280)
Gain on sale of investment properties, net	(13)	(57,375)	(24,165)
Impairment loss	—	—	340
Proportionate share of unconsolidated joint venture adjustments	7,280	9,289	8,860
FFO applicable to common shares	$ 241,035	$ 250,362	$ 228,355
Net change in fair value of derivative	660	—	—
Merger and transaction-related expense (1)	6,934	—	—
(Gain) loss on extinguishment of debt	(1,763)	—	4,025
Proportionate share of unconsolidated joint venture adjustments	—	(340)	—
Normalized FFO applicable to common shares	$ 246,866	$ 250,022	$ 232,380
FFO per common share - diluted	$ 0.97	$ 1.04	$ 1.02
Normalized FFO per common share - diluted	$ 0.99	$ 1.04	$ 1.04
Weighted average common shares outstanding - diluted	249,344,713	239,610,285	223,060,556

(1) During the year ended December 31, 2023, the Company recorded merger and transaction-related expense of $6.9 million related to the proposed merger with Healthpeak, which are primarily comprised of legal, accounting, tax, and other costs incurred prior to year-end.

Normalized FAD

We define Normalized FAD, a non-GAAP measure, which excludes from Normalized FFO non-cash share compensation expense, straight-line rent adjustments, amortization of acquired above-market or below-market leases and assumed debt, amortization of lease inducements, amortization of deferred financing costs, and loan reserve adjustments, including our share of all required adjustments from unconsolidated joint ventures. We also adjust for recurring capital expenditures related to building, site, and tenant improvements, leasing commissions, cash payments from seller master leases, and rent abatement payments, including our share of all required adjustments for unconsolidated joint ventures. Other REITs or real estate companies may use different methodologies for calculating Normalized FAD, and accordingly, our computation may not be comparable to those reported by other REITs. Although our computation of Normalized FAD may not be comparable to that of other REITs, we believe Normalized FAD provides a meaningful supplemental measure of our performance due to its frequency of use by analysts, investors, and other interested parties in the evaluation of our performance as a REIT. Normalized FAD should not be considered as an alternative to net income or loss attributable to controlling interest (computed in accordance with GAAP) or as an indicator of our financial performance. Normalized FAD should be reviewed in connection with other GAAP measurements.

The following is a reconciliation from net income, the most direct financial measure calculated and presented in accordance with GAAP, to Normalized FAD (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Net income	$ 43,767	$ 110,036	$ 86,783
Normalized FFO applicable to common shares	$ 246,866	$ 250,022	$ 232,380
Normalized FFO applicable to common shares	$ 246,866	$ 250,022	$ 232,380
Non-cash share compensation expense	15,676	15,672	15,032
Straight-line rent adjustments	(3,232)	(6,847)	(8,671)
Amortization of acquired above/below-market leases/assumed debt	4,392	4,924	3,459
Amortization of lease inducements	962	900	1,157
Amortization of deferred financing costs	2,791	2,314	2,325
Recurring capital expenditures and lease commissions	(23,415)	(23,853)	(25,532)
Loan reserve adjustments	786	75	(133)
Proportionate share of unconsolidated joint venture adjustments	(2,314)	(1,018)	(998)
Normalized FAD applicable to common shares	$ 242,512	$ 242,189	$ 219,019

NOI and Cash NOI

NOI is a non-GAAP financial measure that is defined as net income or loss, computed in accordance with GAAP, generated from our total portfolio of properties and other investments before general and administrative expenses, depreciation and amortization expense, merger and transaction related expenses, interest expense, corporate high yield interest income, swap income, net change in the fair value of derivative financial instruments, gain or loss on the sale of investment properties, and impairment losses, including our share of all required adjustments from our unconsolidated joint ventures. We believe that NOI provides an accurate measure of operating performance of our operating assets because NOI excludes certain items that are not associated with management of the properties. Our use of the term NOI may not be comparable to that of other real estate companies as they may have different methodologies for computing this amount.

Cash NOI is a non-GAAP financial measure which excludes from NOI straight-line rent adjustments, amortization of acquired above and below market leases, and other non-cash and normalizing items, including our share of all required adjustments from unconsolidated joint ventures. Other non-cash and normalizing items include items such as the amortization of lease inducements, loan reserve adjustments, payments received from seller master leases and rent abatements, and changes in fair value of contingent consideration. We believe that Cash NOI provides an accurate measure of the operating performance of our operating assets because it excludes certain items that are not associated with management of the properties. Additionally, we believe that Cash NOI is a widely accepted measure of comparative operating performance in the real estate community. Our use of the term Cash NOI may not be comparable to that of other real estate companies as such other companies may have different methodologies for computing this amount.

The following is a reconciliation from the Trust's net income, the most direct financial measure calculated and presented in accordance with GAAP, to NOI, and Cash NOI (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Net income	$ 43,767	$ 110,036	$ 86,783
General and administrative	38,756	40,209	37,757
Merger and transaction-related expense (1)	6,934	—	—
Depreciation and amortization	191,091	189,641	157,870
Interest expense	81,351	72,234	60,136
Corporate high yield interest income	(5,654)	—	—
Swap income	(604)	—	—
Net change in the fair value of derivative	660	—	—
Gain on sale of investment properties, net	(13)	(57,375)	(24,165)
Impairment loss	—	—	340
Proportionate share of unconsolidated joint venture adjustments	12,677	13,925	14,358
NOI	$ 368,965	$ 368,670	$ 333,079
NOI	$ 368,965	$ 368,670	$ 333,079
Straight-line rent adjustments	(3,232)	(6,847)	(8,671)
Amortization of acquired above/below-market leases	4,392	4,935	3,521
Amortization of lease inducements	962	900	1,157
Loan reserve adjustments	786	75	(133)
Proportionate share of unconsolidated joint venture adjustments	(367)	(485)	(690)
Cash NOI	$ 371,506	$ 367,248	$ 328,263

(1) During the year ended December 31, 2023, the Company recorded merger and transaction-related expense of $6.9 million related to the proposed merger with Healthpeak, which are primarily comprised of legal, accounting, tax, and other costs incurred prior to year-end.

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of operating and interest expenses and other expenditures directly associated with our properties, including:

- property expenses;
- interest expense and scheduled principal payments on outstanding indebtedness;
- general and administrative expenses; and
- capital expenditures for tenant improvements and leasing commissions.

In addition, we will require funds for future distributions expected to be paid to our common shareholders and OP Unit holders in our Operating Partnership.

As of December 31, 2023, we had a total of $156.8 million of cash and cash equivalents and $1.0 billion of near-term availability on our unsecured revolving credit facility. Our primary sources of cash include rent we collect from our tenants, borrowings under our unsecured credit facility, and financings of debt and equity securities. We believe that our existing cash and cash equivalents, cash flow from operating activities, and borrowings available under our unsecured revolving credit facility will be adequate to fund any existing contractual obligations to purchase properties and other obligations through the next year. However, because of the 90% distribution requirement under the REIT tax rules under the Internal Revenue Code, we may not be able to fund all of our future capital needs from cash retained from operations, including capital needed to make investments and to satisfy or refinance maturing obligations. As a result, we expect to rely upon external sources of capital, including debt and equity financing, to fund future capital needs. If we are unable to obtain needed capital on satisfactory terms or at all, we may not be able to make the investments needed to expand our business or to meet our obligations and commitments as they mature. We will rely upon external sources of capital to fund future capital needs, and, if we encounter difficulty in obtaining such capital, we may not be able to make future acquisitions necessary to grow our business or meet maturing obligations.

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, recurring and non-recurring capital expenditures, and scheduled debt maturities. We expect to satisfy our long-term liquidity needs through cash flow from operations, unsecured borrowings, issuances of equity and debt securities, proceeds from select property dispositions and joint venture transactions, and, in connection with acquisitions of additional properties, the issuance of OP Units of our Operating Partnership.

Our ability to access capital in a timely and cost-effective manner is essential to the success of our business strategy as it affects our ability to satisfy existing obligations, including repayment of maturing indebtedness, and to make future investments and acquisitions. Factors such as general market conditions, interest rates, credit ratings on our debt and equity securities, expectations of our potential future earnings and cash distributions, and the market price of our common shares, each of which are beyond our control and vary or fluctuate over time, all impact our access to and cost of capital. In particular, to the extent interest rates continue to rise, we may continue to experience a decline in the trading price of our common shares, which may impact our decision to conduct equity offerings for capital raising purposes. We have experienced and will likely continue to experience higher borrowing costs as interest rates rise, which may also impact our decisions to incur additional indebtedness, or to engage in transactions that we may need to fund through borrowing. We expect to continue to utilize equity and debt financings to support our future growth and investment activity.

We also continuously evaluate opportunities to finance future investments. New investments are generally funded from temporary borrowings under our primary unsecured credit facility and the proceeds from financing transactions such as those discussed above. Our investments generate cash from net operating income and principal payments on loans receivable. Permanent financing for future investments, which generally replaces funds drawn under our primary unsecured credit facility, has historically been provided through a combination of the issuance of debt and equity securities and the incurrence or assumption of secured debt.

We intend to invest in additional properties as suitable opportunities arise and adequate sources of financing are available. We are currently evaluating additional potential investments consistent with the normal course of our business. There can be no assurance as to whether or when any portion of these investments will be completed. Our ability to complete investments is subject to a number of risks and variables, including our ability to negotiate mutually agreeable terms with sellers and our ability to finance the investment. We may not be successful in identifying and consummating suitable acquisitions or investment opportunities, which may impede our growth and negatively affect our results of operations and may result in the use of a significant amount of management's resources. We expect that future investments in properties will depend on and will be financed by, in whole or in part, our existing cash, borrowings, including under our unsecured revolving credit facility, or the proceeds from additional issuances of equity or debt securities.

We currently do not expect to sell any of our properties to meet our liquidity needs, although we may do so in the future.

We currently are in compliance with all debt covenants on our outstanding indebtedness.

The foregoing discussion regarding the Company’s liquidity and capital resources is subject to applicable restrictions in the Merger Agreement.

Credit Facility

On September 24, 2021, the Operating Partnership, as borrower, and the Trust, as guarantor, executed the Credit Agreement which extended the maturity date of the revolving credit facility under the Credit Agreement to September 24, 2025 and reduced the interest rate margin applicable to borrowings. The Credit Agreement includes an unsecured revolving credit facility of $1.0 billion and contains a term loan feature of $250.0 million, which the Company borrowed on, bringing total borrowing capacity to $1.25 billion. The Credit Agreement also includes a swingline loan commitment for up to 10% of the maximum principal amount and provides an accordion feature allowing the Trust to increase borrowing capacity by up to an additional $500 million, subject to customary terms and conditions, resulting in a maximum borrowing capacity of $1.75 billion. On October 13, 2021, the Company paid off the $250.0 million term loan feature of the Credit Agreement and the term loan feature is no longer available to the Company. The revolving credit facility under the Credit Agreement also includes two six-month extension options.

On March 31, 2023, the Operating Partnership, as borrower, and the Trust, as guarantor, executed a First Amendment to the Credit Agreement which expanded the accordion feature allowing the Operating Partnership to increase borrowing capacity by up to an additional $500.0 million, resulting in a maximum borrowing capacity of $2.25 billion, and replaced the LIBOR-based benchmark rates applicable to borrowings under the Amended Credit Agreement with SOFR based benchmark rates.

On May 24, 2023, the Operating Partnership, as borrower, and the Trust, as guarantor, executed a Second Amendment to the Credit Agreement, which added a new $400.0 million unsecured term loan with a scheduled maturity date of May 24, 2028, expanded the accordion feature, and allows the Operating Partnership to increase borrowing capacity under the Credit Agreement by up to an additional $500.0 million, subject to customary terms and conditions, for a maximum aggregate principal amount of all revolving commitments and term loans under the Credit Agreement of $1.9 billion. On the same day, the Operating Partnership borrowed $400.0 million under the five-year term loan feature of the Credit Agreement. Borrowings under the term loan feature of the Credit Agreement bear interest on the outstanding principal amount at a rate which is determined by the Trust's credit rating, currently equal to 1.10%, inclusive of a 0.10% SOFR index adjustment, plus Daily Simple SOFR. The Company simultaneously entered into fixed-for-floating interest rate swaps for the full borrowing amount under the term loan, fixing the Daily Simple SOFR (as defined in the Credit Agreement) component of the borrowing rate to 3.593%, for an all-in fixed rate of 4.693%. Both the borrowing and the fixed-for-floating rate swaps have a maturity date of May 24, 2028. A portion of the proceeds from the term loan were used to repay all amounts outstanding on the unsecured revolving credit facility.

As of December 31, 2023, the Company did not have any borrowings outstanding under its $1.0 billion unsecured revolving credit facility or the $500.0 million accordion feature, as defined by the Credit Agreement. Of the aggregate $1.9 billion available under the Credit Agreement, the Company had $400.0 million of borrowings outstanding under the term loan feature as of December 31, 2023. See Note 6 (Debt) to our accompanying consolidated financial statements for a further discussion of our credit facility.

Senior Notes

As of December 31, 2023, we had $1.5 billion aggregate principal amount of senior notes issued and outstanding by the Operating Partnership, comprised of $25.0 million maturing in 2025, $70.0 million maturing in 2026, $425.0 million maturing in 2027, $395.0 million maturing in 2028, and $545.0 million maturing in 2031. See Note 6 (Debt) to our accompanying consolidated financial statements for a further discussion of our senior notes.

ATM Program

During the fiscal year-ended December 31, 2023, we issued and sold pursuant to the 2023 ATM Program (as defined herein) 4,400,000 common shares at a weighted average price of $15.10 per share, resulting in net proceeds to us of approximately $65.8 million. See Note 1 (Organization and Business) to our accompanying consolidated financial statements for further detail. In connection with the Merger Agreement, the Trust suspended the 2023 ATM Program. The Trust plans to terminate the 2023 ATM Program upon the closing of the Mergers.

Dividend Reinvestment and Share Purchase Plan

On December 2, 2014, we adopted a Dividend Reinvestment and Share Purchase Plan (the “DRIP”). Under the DRIP:

- existing shareholders may purchase additional common shares by reinvesting all or a portion of the dividends paid on their common shares and by making optional cash payments of not less than $50 and up to a maximum of $10,000 per month;
- new investors may join the DRIP by making an initial investment of not less than $1,000 and up to a maximum of $10,000; and
- once enrolled in the DRIP, participants may authorize electronic deductions from their bank account for optional cash payments to purchase additional shares.

The DRIP is administered by our transfer agent, Computershare Trust Company, N.A. Our common shares sold under the DRIP will be newly issued or purchased in the open market, as further described in the DRIP. As of December 31, 2023, the Company had issued 240,746 common shares under the DRIP since its inception. The Company plans to terminate the DRIP upon the closing of the Mergers.

Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with GAAP, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Set forth below is a summary of our accounting policies that we believe are critical to the preparation of our consolidated financial statements.

Lease Accounting

We, as lessor, make a determination with respect to each of our leases whether they should be accounted for as operating leases or direct financing leases. The classification criteria are based on estimates regarding the fair value of the leased facilities, minimum lease payments, effective cost of funds, the economic life of the facilities, the existence of a bargain purchase option, and certain other terms in the lease agreements. We believe all of our tenant leases should be accounted for as operating leases. Payments received under operating leases are accounted for in our consolidated statements of income as rental revenue for actual rent collected plus or minus a straight-line adjustment for estimated minimum lease escalators, adjustments relating to amortization of lease inducements and above/below-market leases, and rent abatements. Assets subject to operating leases are reported as real estate investments in the consolidated balance sheets.

Substantially all of our leases contain fixed or formula-based rent escalators. To the extent that escalator increases are tied to an index with a floor or a fixed rate, lease payments are accounted for on a straight-line basis over the life of the lease.

Purchase of Investment Properties

We expect to record the majority of our future investments as asset acquisitions and as a result will capitalize acquisition costs. The purchase price, inclusive of acquisition costs, will be allocated to tangible and intangible assets and liabilities based on their relative fair values. Tangible assets primarily consist of land, buildings, and improvements. Intangible assets primarily consist of above-market or below-market leases, in-place leases, above-market or below-market debt assumed, right-of-use assets, and lease liabilities. Any future contingent consideration will be recorded when the contingency is resolved. The determination of the fair value requires the Company to make certain estimates and assumptions. See Note 2 (Summary of Significant Accounting Policies) to our accompanying consolidated financial statements for details on our policies for recording purchases of investment properties.

Real Estate Investment Properties and Identified Intangible Assets

We are required to make subjective assessments of the useful lives of our properties for purposes of determining the amount of depreciation to record on an annual basis with respect to our investments in real estate. These assessments have a direct impact on our net income because if we were to shorten the expected useful lives of our investments in real estate, we would depreciate such investments over fewer years, resulting in more depreciation expense and lower net income on an annual basis. Real estate investment properties and identified intangible assets are carried at cost, net of accumulated depreciation and amortization. Outpatient medical facilities are depreciated over their estimated useful lives, typically ranging up to 40 years, using the straight-line method. Tenant improvements and in-place leases are amortized over the lease life of the in-place leases or the tenant's respective lease term. Cost of maintenance and repairs are charged to expense when incurred.

We periodically assess the carrying value of real estate properties and related intangible assets in accordance with ASC Topic 360, Property, Plant & Equipment ("ASC 360"), to determine if facts and circumstances exist that would suggest that the recorded amount of an asset might be impaired or that the estimated useful life should be modified. In the event impairment in value occurs and a portion of the carrying amount of the real estate property will not be recovered in part or in whole, a provision will be recorded to reduce the carrying basis of the real estate property and related intangibles to their estimated fair value. The estimated fair value of our real estate properties is determined by use of a number of customary industry standard methods that include discounted cash flow modeling using appropriate discount and capitalization rates and/or estimated cash proceeds received upon the anticipated disposition of the asset from market comparables. Estimates of future cash flows are based on a number of factors including historical operating results, leases in place, known trends, and other market or economic factors affecting the real estate investment. The evaluation of anticipated cash flows is subjective and is based on assumptions regarding future occupancy, occupancy rates, lease rates, and capitalization rates that could differ materially from actual results. If our anticipated holding periods change or estimated cash flows decline based on market conditions or other unforeseen factors, impairment may be recorded. Long-lived assets classified as held-for-sale are recorded at the lower of carrying value or fair value less estimated costs to sell.

Revenues

We recognize rental revenues in accordance with ASC 842, Leases. ASC 842 requires that rental revenue and adjustments relating to lease inducements and above-market and below-market leases be recognized on a straight-line basis over the term of the lease when collectability is probable. Recognizing rental revenue on a straight-line basis for leases may result in recognizing revenue for amounts more or less than amounts currently due from tenants. Amounts recognized in excess of amounts currently due are included in other assets on the consolidated balance sheets. If the Company determines that collectability of straight-line rents is not probable, rental revenue is limited to the lease payments collected from the lessee, including any variable lease payments.

Rental and related revenues also include expense recoveries, which relate to tenant reimbursement of real estate taxes, insurance, and other operating expenses that are recognized in the period the applicable expenses are incurred. The reimbursements are recorded gross, as these costs are incurred by the Company and reimbursed by the tenants. We have certain tenants with absolute net leases. Under these lease agreements, the tenant is responsible for operating and building expenses and we do not recognize expense recoveries.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are made for the valuation of real estate and related intangibles, valuation of financial instruments, impairment assessments, and fair value assessments with respect to purchase price allocations. Actual results could differ from those estimates.

REIT Qualification Requirements

We are subject to a number of operational and organizational requirements necessary to qualify and maintain our qualification as a REIT. If we fail to qualify as a REIT or fail to remain qualified as a REIT in any taxable year, our income would be subject to federal income tax at regular corporate rates and potentially increased state and local taxes and we could incur substantial tax liabilities which could have an adverse impact upon our results of operations, liquidity, and distributions to our shareholders.

Off-Balance Sheet Arrangements

As of December 31, 2023, we have investments in two unconsolidated joint ventures with ownership interests of 49.0% and 12.3%. The aggregate carrying amount of debt, including both our and our partners' share, incurred by these ventures was approximately $791.3 million (of which our proportionate share is approximately $156.7 million). See Note 2 (Summary of Significant Accounting Policies) to our accompanying consolidated financial statements for additional information. We have no other off-balance sheet arrangements that we expect would materially affect our liquidity and capital resources.

Inflation

Some of our lease agreements contain provisions designed to mitigate the adverse impact of inflation. These provisions include clauses that enable us to receive increased rent pursuant to escalation clauses which generally increase rental rates during the terms of the leases. These escalation clauses often provide for fixed rent increases or indexed escalations (based upon changes in the consumer price index or other measures). However, some of these contractual rent increases may be less than the actual rate of inflation. As of December 31, 2023, 5.9% of the Company’s annual rent escalators are determined by changes in CPI or other measures. Most of our lease agreements also require the tenant to pay an allocable share of operating expenses, including common area maintenance costs, real estate taxes, and insurance. This requirement reduces our exposure to increases in these costs and operating expenses resulting from inflation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows, and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We use certain derivative financial instruments to manage, or hedge, interest rate risks related to our borrowings. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based upon their credit rating and other factors. Our derivative instruments consist of four interest rate swaps of which three are designated as cash flow hedges of interest rate risk. See Note 2 (Summary of Significant Accounting Policies) and Note 7 (Derivatives) to our consolidated financial statements included in Item 7 to this report for further detail on our interest rate swap.

Interest rate risk amounts are our management's estimates and were determined by considering the effect of hypothetical interest rates on our consolidated financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

Fixed Interest Rate Debt

As of December 31, 2023, our consolidated fixed interest rate debt totaled $1.5 billion, which represented 74.6% of our total consolidated debt, excluding the impact of interest rate swaps. We entered into fixed-for-floating interest rate swaps for the full borrowing amount of our $400.0 million term loan, fixing the Daily Simple SOFR (as defined in the Credit Agreement) component of the borrowing rate to 3.593%, for an all-in fixed rate as of December 31, 2023 of 4.693%. Both the borrowing and the fixed-for-floating rate swaps have a maturity date of May 24, 2028.

Assuming the effects of the interest rate swap agreement, our fixed interest rate debt would represent 94.7% of our total consolidated debt. Interest rate fluctuations on our fixed interest rate debt will generally not affect our future earnings or cash flows unless such instruments mature or are otherwise terminated. However, interest rate changes could affect the fair value of our fixed interest rate debt.

As of December 31, 2023, the fair value and the carrying value of our consolidated fixed interest rate debt were approximately $1.4 billion and $1.5 billion, respectively. The fair value estimate of our fixed interest rate debt was estimated using a discounted cash flow analysis utilizing rates we would expect to pay for debt of a similar type and remaining maturity if the loans were originated on December 31, 2023. We do not expect that market fluctuations in interest rates, and the resulting change in fair value of our fixed interest rate debt instruments, would have a significant impact on our operating cash flows.

Variable Interest Rate Debt

As of December 31, 2023, our consolidated variable interest rate debt totaled $504.7 million, which represented 25.4% of our total consolidated debt. Assuming the effects of the interest rate swap agreement, our variable interest rate debt would represent 5.3% of our total consolidated debt. Interest rate changes on our variable rate debt could impact our future earnings and cash flows but would not significantly affect the fair value of such debt. As of December 31, 2023, we were exposed to market risks related to fluctuations in interest rates on $104.7 million of consolidated borrowings. Assuming no increase in the amount of our variable rate debt, if PRIME and SOFR were to change by 100 basis points, total interest expense on our variable rate debt as of December 31, 2023 would change by approximately $1.0 million annually.

Derivative Instruments

As of December 31, 2023, we had four outstanding interest rate swaps of which three are designated as cash flow hedges of interest rate risk, with a total notional amount of $436.1 million. See Note 7 (Derivatives) within our consolidated financial statements for further detail on our interest rate swap. We are exposed to credit risk of the counterparty to our interest rate swap agreements in the event of non-performance under the terms of the agreements. If we were not able to replace this swap in the event of non-performance by the counterparty, we would be subject to variability of the interest rate on the amount outstanding under our debt that is fixed through the use of the swap.

Indebtedness

As of December 31, 2023, we had total consolidated indebtedness of approximately $2.0 billion. The weighted average interest rate on our consolidated indebtedness was 4.07% (based on the 30-day SOFR rate of 5.38% and a PRIME rate of 8.50% as of December 31, 2023). As of December 31, 2023, we had approximately $104.7 million, or approximately 5.3%, of our outstanding long-term debt exposed to fluctuations in short-term interest rates.

The following table sets forth certain information with respect to our consolidated indebtedness outstanding as of December 31, 2023 (in thousands):

	Principal	Fixed/ Floating Rate	Rate	Maturity
Senior Unsecured Revolving Credit Facility	$ —	Floating	SOFR + 0.95%	9/24/2025
Term Debt (1)	400,000	Fixed	4.69 %	5/24/2028
Senior Unsecured Notes				
January 2016 - Series B	45,000	Fixed	4.43 %	1/7/2026
January 2016 - Series C	45,000	Fixed	4.57 %	1/7/2028
January 2016 - Series D	45,000	Fixed	4.74 %	1/7/2031
August 2016 - Series A	25,000	Fixed	4.09 %	8/11/2025
August 2016 - Series B	25,000	Fixed	4.18 %	8/11/2026
August 2016 - Series C	25,000	Fixed	4.24 %	8/11/2027
March 2017 Notes	400,000	Fixed	4.30 %	3/15/2027
December 2017 Notes	350,000	Fixed	3.95 %	1/15/2028
October 2021 Notes	500,000	Fixed	2.625 %	11/1/2031
Mid Coast Hospital Outpatient Medical Facility (2)	4,678	Floating	PRIME	11/13/2028
CareMount Medical - Lake Katrine	23,194	Fixed	4.63 %	11/6/2024
University of Florida Health North	60,000	Floating	SOFR + 1.85%	12/20/2026
Jackson Baptist Medical Center - Belhaven	20,000	Floating	SOFR + 1.85%	12/16/2026
Old Bridge Outpatient Medical Facility	20,000	Floating	SOFR + 1.85%	12/20/2026
Total principal	1,987,872			
Unamortized deferred financing costs	(8,580)			
Unamortized discounts	(6,255)			
Total	$1,973,037			

(1) Our borrowings under the term loan feature of the Credit Agreement (as defined herein) bear interest at a rate equal to 1.10%, inclusive of a 0.10% SOFR index adjustment, plus Daily Simple SOFR as of December 31, 2023 based on the Company’s current credit rating. We entered into fixed-for-floating interest rate swaps

for the full borrowing amount, fixing the SOFR component of this rate at 3.59%, and a current all-in fixed rate of 4.69%.

(2) We own a 66.3% interest in the joint venture that owns this property. Debt shown in this schedule is the full amount of the mortgage indebtedness on this property.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

The report of Physicians Realty Trust’s independent registered public accounting firm (PCAOB ID:42) with respect to the above-referenced financial statements and their report on internal control over financial reporting are included in Item 8 of this Form 10-K at the page number referenced above. Their consent appears as Exhibit 23 of this Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Trustees of Physicians Realty Trust

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Physicians Realty Trust (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and financial statement schedules included in the Index at Item 15 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 22, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) related to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

	Evaluation of net real estate property for impairment
Description of the Matter	As of December 31, 2023, the Company’s consolidated balance sheet included net real estate property of $4.4 billion. As described in Note 2 to the consolidated financial statements, the Company periodically evaluates its long-lived assets, primarily consisting of investments in real estate, for impairment whenever events or changes in circumstances indicate that the recorded amount of an asset may not be fully recoverable. If indicators of impairment are present, the Company evaluates the carrying value of the related long-lived assets in relation to its expected undiscounted future cash flows. The Company adjusts the net book value of long-lived assets to fair value if the sum of the expected future undiscounted cash flows is less than book value. Auditing management’s long-lived assets impairment analysis was complex and involved a high degree of subjectivity due to the significant estimation required to determine the estimated undiscounted future cash flows of long-lived assets. In particular, the future cash flow estimates were sensitive to significant assumptions such as future rental revenues, occupancy, and capitalization rates which are affected by expectations about future market or economic conditions, as well as management’s intent to hold and operate the property over the term and in the manner assumed in the analysis.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company’s long-lived assets impairment review process, including controls over management’s review of the significant assumptions described above. To test the Company’s evaluation of long-lived assets for impairment, we performed audit procedures that included, among others, assessing the methodologies used, evaluating the significant assumptions discussed above, and testing the completeness and accuracy of the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to current market data and performed sensitivity analyses of the significant assumptions discussed above. The evaluation of the Company’s methodology and significant assumptions was performed with the assistance of our valuation specialists.

/s/ Ernst & Young LLP
We have served as the Company’s auditor since 2014.
Milwaukee, Wisconsin
February 22, 2024

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Trustees of Physicians Realty Trust

Opinion on Internal Control over Financial Reporting

We have audited Physicians Realty Trust’s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Physicians Realty Trust (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Physicians Realty Trust at December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and financial statement schedules included in the Index at Item 15 and our report dated February 22, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

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

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Milwaukee, Wisconsin
February 22, 2024

Physicians Realty Trust
Consolidated Balance Sheets
(In thousands, except share and per share data)

ASSETS	December 31, 2023	December 31, 2022
Investment properties:		
Land and improvements	$ 249,470	$ 241,559
Building and improvements	4,705,870	4,659,780
Construction in progress	53,319	18,497
Tenant improvements	100,834	88,640
Acquired lease intangibles	509,468	505,335
	5,618,961	5,513,811
Accumulated depreciation	(1,187,952)	(996,888)
Net real estate property	4,431,009	4,516,923
Right-of-use lease assets, net	226,824	231,225
Real estate loans receivable, net	98,277	104,973
Investments in unconsolidated entities	78,218	77,716
Net real estate investments	4,834,328	4,930,837
Cash and cash equivalents	156,779	7,730
Tenant receivables, net	11,955	11,503
Other assets	152,559	146,807
Total assets	$ 5,155,621	$ 5,096,877
LIABILITIES AND EQUITY		
Liabilities:		
Credit facility	$ 393,718	$ 188,328
Notes payable	1,451,905	1,465,437
Mortgage debt	127,413	164,352
Accounts payable	8,364	4,391
Dividends and distributions payable	61,186	60,148
Accrued expenses and other liabilities	96,087	87,720
Lease liabilities	104,844	105,011
Acquired lease intangibles, net	22,578	24,381
Total liabilities	2,266,095	2,099,768
Redeemable noncontrolling interests - partially owned properties	3,008	3,258
Equity:		
Common shares, $0.01 par value, 500,000,000 common shares authorized, 238,519,554 and 233,292,030 common shares issued and outstanding as of December 31, 2023 and December 31, 2022, respectively	2,385	2,333
Additional paid-in capital	3,821,718	3,743,876
Accumulated deficit	(1,061,293)	(881,672)
Accumulated other comprehensive income	717	5,183
Total shareholders’ equity	2,763,527	2,869,720
Noncontrolling interests:		
Operating Partnership	113,662	123,015
Partially owned properties	9,329	1,116
Total noncontrolling interests	122,991	124,131

The accompanying notes are an integral part of these consolidated financial statements.

Physicians Realty Trust
Consolidated Statements of Income
(In thousands, except share and per share data)

	December 31,		
	2023	**2022**	**2021**
Revenues:			
Rental and related revenues	$ 528,093	$ 515,373	$ 440,198
Interest income on real estate loans and other	15,370	11,262	17,501
Total revenues	543,463	526,635	457,699
Expenses:			
Interest expense	81,351	72,234	60,136
General and administrative	38,756	40,209	37,757
Operating expenses	182,661	171,100	137,408
Depreciation and amortization	191,091	189,641	157,870
Merger and transaction-related expense (1)	6,934	—	—
Impairment loss	—	—	340
Total expenses	500,793	473,184	393,511
Income before equity in income (loss) of unconsolidated entities and gain on sale of investment properties, net:	42,670	53,451	64,188
Equity in income (loss) of unconsolidated entities	1,084	(790)	(1,570)
Gain on sale of investment properties, net	13	57,375	24,165
Net income	43,767	110,036	86,783
Net income attributable to noncontrolling interests:			
Operating Partnership	(1,722)	(5,240)	(2,211)
Partially owned properties (2)	(169)	(430)	(607)
Net income attributable to controlling interest	41,876	104,366	83,965
Preferred distributions	—	—	(13)
Net income attributable to common shareholders	$ 41,876	$ 104,366	$ 83,952
Net income per share:			
Basic	$ 0.18	$ 0.46	$ 0.39
Diluted	$ 0.17	$ 0.46	$ 0.39
Weighted average common shares:			
Basic	238,216,847	226,598,474	216,135,385
Diluted	249,344,713	239,610,285	223,060,556
Dividends and distributions declared per common share	$ 0.92	$ 0.92	$ 0.92

(1) During the year ended December 31, 2023, the Company recorded merger and transaction-related expense of $6.9 million related to the proposed merger with Healthpeak, which are primarily comprised of legal, accounting, tax, and other costs incurred prior to year-end.
(2) Includes amounts attributable to redeemable noncontrolling interests.

The accompanying notes are an integral part of these consolidated financial statements.

Physicians Realty Trust
Consolidated Statements of Comprehensive Income
(In thousands)

	December 31,		
	2023	2022	2021
Net income	$ 43,767	$ 110,036	$ 86,783
Other comprehensive (loss) income:			
Change in fair value of interest rate swap agreements, net	(2,703)	6,075	1,672
Reclassification of accumulated losses on interest rate swap to earnings	(1,763)	—	3,295
Total other comprehensive (loss) income	(4,466)	6,075	4,967
Comprehensive income	39,301	116,111	91,750
Comprehensive income attributable to noncontrolling interests - Operating Partnership	(1,546)	(5,490)	(2,461)
Comprehensive income attributable to noncontrolling interests - partially owned properties	(169)	(430)	(607)
Comprehensive income attributable to common shareholders	$ 37,586	$ 110,191	$ 88,682

The accompanying notes are an integral part of these consolidated financial statements.

Physicians Realty Trust
Consolidated Statements of Equity
(In thousands)

	Par Value	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity	Operating Partnership Noncontrolling interest	Partially Owned Properties Noncontrolling Interest	Total Noncontrolling Interests	Total Equity
Balance at January 1, 2021	$2,096	$3,303,231	$ (658,171)	$ (5,859)	$ 2,641,297	$ 73,302	$ 403	$ 73,705	$2,715,002
Net proceeds from sale of common shares	147	267,979	—	—	268,126	—	—	—	268,126
Restricted share award grants, net	4	10,722	(1,312)	—	9,414	—	—	—	9,414
Purchase of OP Units	—	—	—	—	—	(6,237)	—	(6,237)	(6,237)
Dividends/ distributions declared	—	—	(200,926)	—	(200,926)	(6,457)	—	(6,457)	(207,383)
Preferred distributions	—	—	(13)	—	(13)	—	—	—	(13)
Issuance of OP Units in connection with acquisitions	—	—	—	—	—	116,467	—	116,467	116,467
Distributions	—	—	—	—	—	—	(224)	(224)	(224)
Change in market value of Redeemable Noncontrolling Interests	—	(23)	456	—	433	—	—	—	433
Derecognition of cash flow hedge	—	—	—	3,295	3,295	—	—	—	3,295
Change in fair value of interest rate swap agreements	—	—	—	1,672	1,672	—	—	—	1,672
Adjustment for Noncontrolling Interests ownership in Operating Partnership	—	29,045	—	—	29,045	(29,045)	—	(29,045)	—
Net income	—	—	83,965	—	83,965	2,211	305	2,516	86,481
Balance as of December 31, 2021	2,247	3,610,954	(776,001)	(892)	2,836,308	150,241	484	150,725	2,987,033
Net proceeds from sale of									

The accompanying notes are an integral part of these consolidated financial statements.

Physicians Realty Trust
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2023	2022	2021
Cash Flows from Operating Activities:			
Net income	$ 43,767	$ 110,036	$ 86,783
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	191,091	189,641	157,870
Amortization of deferred financing costs	2,791	2,314	2,325
Amortization of lease inducements and above/below-market lease intangibles	5,354	5,834	4,678
Straight-line rental (revenue) expense, net	(3,232)	(6,847)	(8,671)
Amortization of discount on unsecured senior notes	1,104	1,064	737
Amortization of above market assumed debt	—	(10)	(62)
(Gain) loss on extinguishment of debt	(1,763)	—	3,295
Loss on extinguishment of deferred financing costs	—	—	730
Gain on sale of investment properties, net	(13)	(57,375)	(24,165)
Equity in (income) loss of unconsolidated entities	(1,084)	790	1,570
Distributions from unconsolidated entities	7,657	7,874	6,928
Change in fair value of derivatives	660	—	—
Provision for bad debts	1,270	180	(90)
Non-cash share compensation	15,676	15,672	15,032
Impairment on investment properties	—	—	340
Change in operating assets and liabilities:			
Tenant receivables	(540)	(7,652)	(2,863)
Other assets	(850)	(2,317)	3,404
Accounts payable	3,973	(2,260)	(356)
Accrued expenses and other liabilities	7,569	1,456	(711)
Net cash provided by operating activities	273,430	258,400	246,774
Cash Flows from Investing Activities:			
Proceeds on sale of investment properties	2,553	123,179	92,711
Acquisition of investment properties, net	(39,346)	(112,455)	(718,179)
Investment in unconsolidated entities	(13,053)	(13,587)	(9,069)
Returns of investment in unconsolidated entities	3,737	—	—
Development of real estate	(21,604)	—	—
Capital expenditures on investment properties	(41,905)	(39,869)	(32,566)
Issuances of mezzanine and real estate loans receivable	(51,400)	(30,611)	(16,213)
Repayments of mezzanine and real estate loans receivable	51,528	38,994	84,874
Leasing commissions	(4,132)	(3,623)	(3,997)
Lease inducements	(399)	(500)	—
Net cash used in investing activities	(114,021)	(38,472)	(602,439)
Cash Flows from Financing Activities:			
Net proceeds from sale of common shares	66,255	106,019	268,126
Proceeds from credit facility borrowings	513,000	294,000	710,541
Repayments on credit facility borrowings	(306,000)	(375,000)	(852,541)
Repayment of senior unsecured notes	(15,000)	—	—
Proceeds from issuance of mortgage debt	—	—	136,050
Proceeds from issuance of senior unsecured notes	—	—	495,695
Principal payments on mortgage debt	(37,058)	(16,094)	(13,027)

The accompanying notes are an integral part of these consolidated financial statements.

Physicians Realty Trust
Notes to Consolidated Financial Statements

Unless otherwise indicated or unless the context requires otherwise the use of the words "we," "us," "our," and the "Company," refer to Physicians Realty Trust, together with its consolidated subsidiaries, including Physicians Realty L.P.

Note 1. Organization and Business

The Trust was organized in the state of Maryland on April 9, 2013. As of December 31, 2023, the Trust was authorized to issue up to 500,000,000 common shares of beneficial interest, par value $0.01 per share. The Trust filed a Registration Statement on Form S-11 with the Securities and Exchange Commission (the "Commission") with respect to a proposed underwritten initial public offering (the "IPO") and completed the IPO of its common shares and commenced operations on July 24, 2013.

The Trust contributed the net proceeds from the IPO to the Operating Partnership. The Trust and the Operating Partnership are managed and operated as one entity, and the Trust has no significant assets other than its investment in the Operating Partnership. The Trust's operations are conducted through the Operating Partnership and wholly-owned and majority-owned subsidiaries of the Operating Partnership. The Trust, as the general partner of the Operating Partnership, controls the Operating Partnership and consolidates the assets, liabilities, and results of operations of the Operating Partnership. Therefore, the assets and liabilities of the Trust and the Operating Partnership are the same.

The Trust is a self-managed REIT formed primarily to acquire, selectively develop, own, and manage health care properties that are leased to physicians, hospitals, and health care delivery systems.

Merger Agreement

On October 29, 2023, the Trust and the Operating Partnership entered into the Merger Agreement with Healthpeak and certain subsidiaries of Healthpeak, pursuant to which, among other things, and through the Mergers, (i) each outstanding common share of the Trust (other than Trust common shares to be canceled in accordance with the Merger Agreement) will be automatically converted into the right to receive 0.674 shares of Healthpeak common stock, and (ii) each outstanding OP Unit will be automatically converted into and become common units in the successor entity to the Operating Partnership equal to the Exchange Ratio. In connection with the Mergers, Healthpeak filed a Registration Statement on Form S-4 with the SEC on December 15, 2023, as amended on January 9, 2024. The Trust and Healthpeak filed a definitive joint proxy statement/prospectus on January 11, 2024 in connection with our respective special meetings of shareholders and stockholders, as applicable, which were held on February 21, 2024. On February 21, 2024, our shareholders voted on and approved the merger with Healthpeak. The Mergers are expected to close on or about March 1, 2024. Consummation of the Mergers are subject to the satisfaction or waiver of customary closing conditions.

ATM Programs

In May 2021, the Trust and the Operating Partnership entered into an At Market Issuance Sales Agreement (the “2021 Sales Agreement”) with KeyBanc Capital Markets Inc., Credit Agricole Securities (USA) Inc., BMO Capital Markets Corp., and Raymond James & Associates, Inc. in their capacity as agents for the Company and/or forward sellers and Stifel, Nicolaus & Company, Incorporated in its capacity as sales agent for the Company (collectively, the “2021 Agents”) and Bank of Montreal, Credit Agricole Corporate and Investments Bank, KeyBanc Capital Markets Inc., and Raymond James & Associates, Inc. as forward purchasers for the Company (the “2021 Forward Purchasers”), pursuant to which the Trust may issue and sell, from time to time, its common shares having an aggregate offering price of up to $500 million through the 2021 Agents (the “2021 ATM Program”). The 2021 Sales Agreement contemplates that, in addition to the issuance and sale of the Trust’s common shares through the 2021 Agents, the Trust may also enter into one or more forward sales agreements from time to time in the future with each of the 2021 Forward Purchasers.

In August 2023, the Trust and the Operating Partnership entered into an At Market Issuance Sales Agreement (the “2023 Sales Agreement”) with BMO Capital Markets Corp., Credit Agricole Securities (USA) Inc., KeyBanc Capital Markets Inc., Raymond James & Associates, Inc., Regions Securities LLC and Stifel, Nicolaus & Company, Incorporated as sales agents for the Company and/or forward sellers (collectively, “2023 Agents”), and Bank of Montreal, Crédit Agricole Corporate and Investment Bank, KeyBanc Capital Markets Inc., Raymond James & Associates, Inc., Regions Securities LLC and Stifel, Nicolaus & Company, Incorporated (collectively, “2023 Forward Purchasers”), pursuant to which the Trust may issue and sell, from time to time, its common shares having an aggregate offering price of up to $600 million through the 2023 Agents (the “2023 ATM Program”). The 2023 Sales Agreement contemplates that, in addition to the issuance and sale of the Trust’s common shares through the 2023 Agents, the Trust may also enter into one or more forward sales agreements from time to time in the future with each of the 2023 Forward Purchasers. Upon entry into the 2023 Sales Agreement, we terminated the 2021 ATM Program. As of February 16, 2024, the Trust had $600.0 million remaining available under the 2023 ATM Program which was suspended in connection with the Merger Agreement. The Trust plans to terminate the 2023 ATM Program upon the closing of the Mergers.

During 2023 and 2022, the Trust’s issuance and sale of common shares pursuant to the ATM Programs was as follows (in thousands, except common shares and price):

	2023			**2022**		
	Common shares sold	**Weighted average price**	**Net proceeds**	**Common shares sold**	**Weighted average price**	**Net proceeds**
Quarterly period ended March 31	4,400,000	$ 15.10	$65,776	259,977	$ 18.93	$ 4,871
Quarterly period ended June 30	—	—	—	977,800	18.61	18,020
Quarterly period ended September 30	—	—	—	440,400	18.15	7,913
Quarterly period ended December 31	—	—	—	5,000,000	15.00	74,250
Year ended December 31	4,400,000	$ 15.10	$65,776	6,678,177	$ 15.89	$105,054

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

GAAP requires identification of entities for which control is achieved through means other than voting rights and to determine which business enterprise is the primary beneficiary of variable interest entities (“VIEs”). ASC 810 broadly defines a VIE as an entity in which either (i) the equity investors as a group, if any, lack the power through voting or similar rights to direct the activities of such entity that most significantly impact such entity’s economic performance or (ii) the equity investment at risk is insufficient to finance that entity’s activities without additional subordinated financial support. The Company identifies the primary beneficiary of a VIE as the enterprise that has both of the following characteristics: (i) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance; and (ii) the obligation to absorb losses or receive benefits of the VIE that could potentially be significant to the entity. The Company consolidates its investment in a VIE when it determines that it is the VIE’s primary beneficiary. The Company may change its original assessment of a VIE upon subsequent events such as the modification of contractual arrangements that affect the characteristics or adequacy of the entity’s equity investments at risk and the disposition of all or a portion of an interest held by the primary beneficiary. The Company performs this analysis on an ongoing basis.

For property holding entities not determined to be VIEs, the Company consolidates such entities in which the Operating Partnership owns 100% of the equity or has a controlling financial interest evidenced by ownership of a majority voting interest. All intercompany balances and transactions are eliminated in consolidation.

Noncontrolling Interests

The Company presents the portion of any equity it does not own in entities that it controls (and thus consolidates) as noncontrolling interests and classifies such interests as a component of consolidated equity, separate from the Company’s total shareholders’ equity, on the consolidated balance sheets.

Operating Partnership: Noncontrolling interests in the Company include OP Units held by other investors. Net income or loss is allocated to noncontrolling interests (limited partners) based on their respective ownership percentage of the Operating Partnership. The ownership percentage is calculated by dividing the number of OP Units held by the noncontrolling interests by the total OP Units held by the noncontrolling interests and the Trust. Issuance of additional common shares and OP Units changes the ownership interests of both the noncontrolling interests and the Trust. Such transactions and the related proceeds are treated as capital transactions.

As of December 31, 2023 and 2022, the Trust held a 96.1% and 95.9% interest in the Operating Partnership, respectively. As the sole general partner and the majority interest holder, the Trust consolidates the financial position and results of operations of the Operating Partnership.

Holders of OP Units may not transfer their units without the Trust’s prior written consent, as general partner of the Operating Partnership. Beginning on the first anniversary of the issuance of OP Units to the respective holders, OP Unit holders may tender their units for redemption by the Operating Partnership in exchange for cash equal to the market price of the Trust’s common shares at the time of redemption or for unregistered common shares on a one-for-one basis. Such selection to pay cash or issue common shares to satisfy an OP Unit holder’s redemption request is solely within the control of the Trust. Accordingly, the Trust presents the OP Units of the Operating Partnership held by investors other than the Trust as noncontrolling interests within equity in the consolidated balance sheets.

Partially Owned Properties: The Trust reflects noncontrolling interests in partially owned properties on the consolidated balance sheets for the portion of consolidated properties that are not wholly owned by the Company. The earnings or losses from those properties attributable to the noncontrolling interests are reflected as noncontrolling interests in partially owned properties in the consolidated statements of income.

Redeemable Noncontrolling Interests - Partially Owned Properties

In connection with the Company’s acquisitions of the outpatient medical facility, ambulatory surgery center, and hospital located on the Great Falls Hospital campus in Great Falls, Montana, physicians affiliated with the sellers retained non-controlling interests which were, at the holders’ option, able to be redeemed at any time after May 1, 2023. Due to the redemption provision, which was outside of the control of the Trust, the Trust classified the investment in the mezzanine section of its consolidated balance sheets. On July 14, 2022, the Company disposed of these three properties and removed the related redeemable noncontrolling interest from its consolidated balance sheets.

Through a consolidated joint venture with MedProperties Realty Advisors, LLC (“MedProperties”), the Company acquired Calko Medical Center in Brooklyn, New York. As part of the joint venture, MedProperties can redeem its interest, at their option, at any time after September 9, 2025. Due to the redemption provision, which is outside of the control of the Company, the Company classifies the noncontrolling interests in the mezzanine section of its consolidated balance sheets. The Company records the carrying amount of the redeemable noncontrolling interests at the greater of the carrying value or redemption value.

Dividends and Distributions

Dividends and distributions for the years ended December 31, 2023, 2022, and 2021 are as follows:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share/Unit	
December 21, 2023	January 3, 2024	January 18, 2024	$	0.23
September 21, 2023	October 3, 2023	October 17, 2023	$	0.23
June 16, 2023	July 5, 2023	July 18, 2023	$	0.23
March 17, 2023	April 4, 2023	April 18, 2023	$	0.23
December 22, 2022	January 4, 2023	January 18, 2023	$	0.23
September 23, 2022	October 4, 2022	October 14, 2022	$	0.23
June 17, 2022	July 5, 2022	July 19, 2022	$	0.23
March 18, 2022	March 31, 2022	April 14, 2022	$	0.23
December 22, 2021	January 4, 2022	January 18, 2022	$	0.23
September 22, 2021	October 4, 2021	October 15, 2021	$	0.23
June 18, 2021	July 2, 2021	July 16, 2021	$	0.23
March 19, 2021	April 2, 2021	April 16, 2021	$	0.23

The Company's shareholders are entitled to reinvest all or a portion of any cash distribution on their shares of the Company's common stock by participating in the DRIP, subject to the terms of the plan. The Company plans to terminate the DRIP upon the closing of the Mergers.

Tax Status of Dividends and Distributions

The Company's distributions of current and accumulated earnings and profits for U.S. federal income tax purposes generally are taxable to shareholders as ordinary income. Distributions in excess of these earnings and profits generally are treated as a non-taxable reduction of the shareholders' basis in the shares to the extent thereof (non-dividend distributions) and thereafter as taxable gain.

Any cash distributions received by an OP Unit holder in respect of its OP Units generally will not be taxable to such OP Unit holder for U.S. federal income tax purposes, to the extent that such distribution does not exceed the OP Unit holder's basis in its OP Units. Any such distribution will instead reduce the OP Unit holder's basis in its OP Units (and OP Unit holders will be subject to tax on the taxable income allocated to them by the Operating Partnership in respect of their OP Units when such income is earned by the Operating Partnership, with such income allocation increasing the OP Unit holders' basis in their OP Units).

The following table sets forth the federal income tax status of distributions per common share and OP Unit for the periods presented:

		Year Ended December 31,		
		2023	**2022**	**2021**
Per common share and OP Unit:				
Ordinary dividends		$ —	$ —	$ —
Section 199A Qualified REIT Dividend		0.4726	0.4724	0.4856
Qualified dividends		—	—	—
Long-term capital gain	(1)	—	0.1999	—
Unrecaptured Section 1250 gain		—	0.0544	—
Non-dividend distributions		0.4474	0.1933	0.4344
Total		$ 0.9200	$ 0.9200	$ 0.9200

(1) For distributions classified as Long-Term Capital Gain, the One Year Amounts Disclosure is $0, the Three Year Amounts Disclosure is $0, and $0.1999 is Section 1231 gain for purposes of Internal Revenue Code Section 1061.

Purchases of Investment Properties

With the adoption of ASU 2017-01 in January 2018, the Company's acquisitions of investment properties and the majority of its future investments will be accounted for as asset acquisitions. This is because substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset or group of similar identifiable assets, and will result in the capitalization of acquisition costs. The purchase price, inclusive of acquisition costs, will be allocated to tangible and intangible assets and liabilities based on their relative fair values. Tangible assets primarily consist of land, buildings, and improvements. Intangible assets primarily consist of above-market or below-market leases, in-place leases, above-market or below-market debt assumed, right-of-use assets, and lease liabilities. Any future contingent consideration will be recorded when the contingency is resolved. The determination of the fair value requires the Company to make certain estimates and assumptions.

The determination of fair value involves the use of significant judgment and estimation. The Company makes estimates of the fair value of the tangible and intangible acquired assets and assumed liabilities using information obtained from multiple sources as a result of pre-acquisition due diligence and generally includes the assistance of a third party appraiser. The Company estimates the fair value of an acquired asset on an “as-if-vacant” basis and its value is depreciated in equal amounts over the course of its estimated remaining useful life. The Company determines the allocated value of other fixed assets, such as site improvements, based upon the replacement cost and depreciates such value over the assets’ estimated remaining useful lives as determined at the applicable acquisition date. The fair value of land is determined either by considering the sales prices of similar properties in recent transactions or based on an internal analysis of recently acquired and existing comparable properties within the Company’s portfolio.

The value of above-market or below-market leases is estimated based on the present value (using a discount rate which reflected the risks associated with the leases acquired) of the difference between contractual amounts to be received pursuant to the leases and management's estimate of market lease rates measured over a period equal to the estimated remaining term of the lease. The capitalized above-market or below-market lease intangibles are amortized as a reduction or addition to rental income over the estimated remaining term of the respective leases plus the term of any renewal options that the lessee would be economically compelled to exercise.

In determining the value of in-place leases, management considers current market conditions and costs to execute similar leases in arriving at an estimate of the carrying costs during the expected lease-up period from vacant to existing occupancy. In estimating carrying costs, management includes real estate taxes, insurance, other operating expenses, estimates of lost rental revenue during the expected lease-up periods, and costs to execute similar leases, including leasing commissions, tenant improvements, legal, and other related costs based on current market demand. The values assigned to in-place leases are amortized to amortization expense over the estimated remaining term of the lease. If a lease terminates prior to its scheduled expiration, all unamortized costs related to that lease are written off, net of any required lease termination payments.

The Company calculates the fair value of any long-term debt assumed by discounting the remaining contractual cash flows on each instrument at the current market rate for those borrowings, which the Company approximates based on the rate it would expect to incur on a replacement instrument on the date of acquisition, and recognizes any fair value adjustments related to long-term debt as effective yield adjustments over the remaining term of the instrument.

Based on these estimates, the Company recognizes the acquired assets and assumed liabilities based on their estimated fair values, which are generally determined using Level 3 inputs, such as market rental rates, capitalization rates, discount rates, or other available market data.

Impairment of Intangible and Long-Lived Assets

The Company periodically evaluates its long-lived assets, primarily consisting of investments in real estate, for impairment indicators or whenever events or changes in circumstances indicate that the recorded amount of an asset may not be fully recoverable. If indicators of impairment are present, the Company evaluates the carrying value of the related real estate properties in relation to the undiscounted expected future cash flows of the underlying operations. In performing this evaluation, management considers market conditions and current intentions with respect to holding or disposing of the real estate property. The evaluation of anticipated cash flows is subjective and is based on assumptions regarding future occupancy, lease rates, and cap rates that could differ materially from actual results. The Company adjusts the net book value of real estate properties to fair value if the sum of the expected future undiscounted cash flows, including sales proceeds, is less than book value. The Company recognizes an impairment loss at the time it makes any such determination. If the Company determines that an asset is impaired, the impairment to be recognized is measured as the amount by which the recorded amount of the asset exceeds its fair value. Fair value is typically determined using a discounted future cash flow analysis or other acceptable valuation techniques which are based, in turn, upon Level 3 inputs, such as revenue and expense growth rates, capitalization rates, discount rates, or other available market data. With the adoption of ASC 842, on January 1, 2019, the Company periodically evaluates the right-of-use assets for impairment as detailed above.

The Company record an impairment charge of $0.3 million on one outpatient medical facility in Traverse City, Michigan during the year ended December 31, 2021. The Company did not record any impairment for the years ended December 31, 2023 and 2022.

Assets Held for Sale and Discontinued Operations

The Company may sell properties from time to time for various reasons, including favorable market conditions. The Company classifies certain long-lived assets as held for sale once the criteria, as defined by GAAP, has been met. The Company classifies a real estate property, or portfolio, as held for sale when: (i) management has approved the disposal, (ii) the property is available for sale in its present condition, (iii) an active program to locate a buyer has been initiated, (iv) it is probable that the property will be disposed of within one year, (v) the property is being marketed at a reasonable price relative to its fair value, and (vi) it is unlikely that the disposal plan will significantly change or be withdrawn. Following the classification of a property as "held for sale," no further depreciation or amortization is recorded on the assets and the assets are written down to the lower of carrying value or fair market value, less cost to sell. There were no properties classified as held for sale as of December 31, 2023 and 2022. Dispositions during the years ended December 31, 2023, 2022, and 2021 did not qualify as discontinued operations.

Investments in Unconsolidated Entities

The Company reports investments in unconsolidated entities over whose operating and financial policies it has the ability to exercise significant influence under the equity method of accounting. Under this method of accounting, the Company’s share of the investee’s earnings or losses is included in its consolidated statements of income. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the equity interest.

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

On November 22, 2019, the Company contributed two properties valued at $39.0 million and paid additional consideration of $17.0 million for a 12.3% equity interest in the PMAK MOB JV REOC, LLC (“PMAK Joint Venture”). As of December 31, 2023 this joint venture owned 58 medical office facilities located in 18 states.

Since December 11, 2020, the Company contributed $46.6 million, to acquire a membership interest in Davis Medical Investors, LLC (“Davis Joint Venture”). As of December 31, 2023, the Company holds a 49.0% membership interest in the Davis Joint Venture, which owns 15 medical office facilities located in seven states.

Real Estate Loans Receivable, Net

Real estate loans receivable consists of ten mezzanine loans, four construction loans, and five term loans as of December 31, 2023. Typically, each mezzanine loan is collateralized by an ownership interest in the respective borrower, each term loan is secured by a mortgage on a related outpatient medical facility, and each construction loans is secured by a mortgage on the land and improvements as constructed, generally with guarantees from the borrowers. Interest income on loans is recognized as earned based on the terms of the loans subject to evaluation of collectability risks and is included in the Company’s consolidated statements of income. On a quarterly basis, the Company evaluates the collectability of its loan portfolio, including related interest income receivable, and establishes a reserve for loan losses, if necessary. For the years ended December 31, 2023 and December 31, 2022, the Company’s loan loss reserves were $1.0 million and $0.2 million, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short-term investments with maturities of three months or fewer from the date of purchase. The Company is subject to concentrations of credit risk as a result of its temporary cash investments. The Company places its temporary cash investments with high credit quality financial institutions in order to mitigate that risk.

Rental and Related Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases when collectability is probable. Recognizing rental revenue on a straight-line basis for leases may result in recognizing revenue for amounts more or less than amounts currently due from tenants. Amounts recognized in excess of amounts currently due from tenants are included in other assets and were approximately $105.8 million and $101.3 million as of December 31, 2023 and December 31, 2022, respectively. If the Company determines that collectability of straight-line rents is not probable, income recognition is limited to the lesser of cash collected, or lease income reflected on a straight-line basis, plus variable rent when it becomes accruable.

In accordance with ASC 842, Leases, Topic 842, if the collectability of a lease changes after the commencement date, any difference between lease income that would have been recognized and the lease payments shall be recognized as an adjustment to lease income. Bad debt recognized as an adjustment to rental revenues was $1.1 million, $0.2 million, and $0.4 million for the years ended December 31, 2023, December 31, 2022, and December 31, 2021, respectively.

Rental revenue is adjusted by the amortization of lease inducements and above-market or below-market rents on certain leases. Lease inducements and above-market or below-market rents are amortized on a straight-line basis over the remaining lease term. Rental and related revenues also include expense recoveries, which relate to tenant reimbursement of real estate taxes, insurance, and other operating expenses that are recognized in the period the applicable expenses are incurred. The reimbursements are recorded gross, as these costs are incurred by the Company and reimbursed by the tenants. The Company has certain tenants with absolute net leases. Under these lease agreements, the tenant is responsible for operating and building expenses and the Company does not recognize expense recoveries.

Tenant Receivables, Net

Tenant receivables primarily represent amounts accrued and unpaid from tenants in accordance with the terms of the respective leases, subject to the Company's revenue recognition policy. The Company reviews receivables monthly and writes-off the remaining balance when, in the opinion of management, collection of substantially all remaining payments is not probable. When the Company determines substantially all remaining lease payments are not probable of collection, it recognizes a reduction of rental revenues and expense recoveries for all outstanding balances, including accrued straight-line rent receivables. Any subsequent receipts are recognized as rental revenues and expense recoveries in the period received.

Derivative Instruments

When the Company has derivative instruments, it records them either as an asset or a liability measured at their fair value unless they qualify for a normal purchase or normal sale exception. When specific hedge accounting criteria are not met or if the Company does not elect to apply for hedge accounting, changes in the Company's derivative instruments' fair value are recognized currently in earnings. If hedge accounting is applied to a derivative instrument, the entire change in the fair value of its derivatives designated and qualified as cash flow hedges are recorded in accumulated other comprehensive income ("AOCI") on the consolidated balance sheets and are subsequently reclassified into earnings in the period in which the hedged forecasted transaction affects earnings.

To manage interest rate risk for certain of its variable-rate debt, the Company uses interest rate swaps as part of its risk management strategy. These derivatives are designed to mitigate the risk of future interest rate increases by providing a fixed interest rate for a limited, pre-determined period of time. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. As of December 31, 2023, the Company had three outstanding interest rate swaps designated as cash flow hedges of interest rate risk, and one interest rate swap that was de-designated as a hedging instrument during the year ended December 31, 2023 but remains outstanding. Further detail is provided in Note 7 (Derivatives).

Income Taxes

The Trust elected to be taxed as a REIT for federal tax purposes commencing with the filing of its tax return for the short taxable year ending December 31, 2013. The Trust had no taxable income prior to electing REIT status. To qualify as a REIT, the Trust must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its annual REIT taxable income to its shareholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, the Trust generally will not be subject to federal income tax to the extent it distributes qualifying dividends to its shareholders. If the Trust fails to qualify as a REIT in any taxable year, it will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost, unless the Internal Revenue Service grants the Trust relief under certain statutory provisions. Such an event could materially adversely affect the Trust’s net income and net cash available for distribution to shareholders. However, the Trust intends to continue to operate in such a manner as to continue qualifying for treatment as a REIT. Although the Trust continues to qualify for taxation as a REIT, in various instances, the Trust is subject to state and local taxes on its income and property, and federal income and excise taxes on its undistributed income.

As discussed in Note 1 (Organization and Business), the Trust conducts substantially all of its operations through the Operating Partnership. As a partnership, the Operating Partnership generally is not liable for federal income taxes. The income and loss from the operations of the Operating Partnership is included in the tax returns of its partners, including the Trust, who are responsible for reporting their allocable share of the partnership income and loss. Accordingly, no provision for income taxes has been made on the accompanying consolidated financial statements.

Management Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the amounts of revenue and expenses reported in the period. Significant estimates are made for the fair value assessments with respect to purchase price allocations, impairment assessments, and the valuation of financial instruments. Actual results could differ from these estimates.

Commitments

Certain of the Company’s acquisitions provide for additional consideration to the seller in the form of an earn-out associated with lease-up contingencies. The Company recognizes the earn-out related to asset acquisitions only if certain parameters or other substantive contingencies are met, at which time the consideration becomes payable.

Certain of the Company’s leases also provide for consideration available to tenants as a tenant improvement allowance. Based on existing leases as of December 31, 2023, committed but unspent tenant related obligations were $65.0 million.

Related Parties

The Company recognized rental revenues totaling $8.7 million in 2023, $8.3 million in 2022, and $7.9 million in 2021 from Baylor Scott and White Health, a health care system affiliated with a member of the Trust’s Board of Trustees.

Segment Reporting

Under the provision of Codification Topic 280, Segment Reporting, the Company has determined that it has one reportable segment with activities related to leasing and managing health care properties.

New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-04, Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional relief to applying reference rate reform to changing reference rates, contracts, hedging relationships, and other transactions that reference the London Inter-Bank Offered Rate (“LIBOR”). The amendments in this update may be applied through December 31, 2024.

On March 31, 2023, the Operating Partnership, as borrower, and the Trust, as guarantor, executed a First Amendment to the Third Amended and Restated Credit Agreement to update the benchmark provisions to replace LIBOR with the Secured Overnight Financing Rate (“SOFR”), as the reference rate for the purpose of calculating interest under the agreement. The Company also amended its fixed interest rate swap agreement on its mortgage debt to update the reference rate from LIBOR to SOFR. As a result, the Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients maintains the presentation of derivatives consistent with past presentation. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

Note 3. Investment and Disposition Activity

During 2023, the Company executed contractual commitments related to a $40.5 million development project, with $21.6 million spent on construction in progress thus far, completed the acquisition of three outpatient medical facilities and three medical condominium units for an investment of $38.5 million, completed the acquisition of two parcels of land adjacent to existing outpatient medical facilities for $1.7 million, and paid $2.2 million of additional purchase consideration under six earn-out agreements for prior acquisitions. The Company also closed four construction loans for an aggregate of $126.4 million, and has funded $31.9 million in the aggregate for those loans to date. Additionally, the Company funded an aggregate of $21.2 million related to the closing of three new term loans, previously announced loan commitments, and other investments, including a $1.3 million investment in IJRI Properties, LLC, which is an entity constructing and operating an outpatient medical facility in Indiana. The Company contributed $11.3 million to the Davis Joint Venture to fund acquisitions and additional purchase consideration and under an earn-out agreement. Investment activity totaled approximately $128.4 million during the twelve months ended December 31, 2023. As part of these investments, the Company incurred approximately $2.0 million of capitalized acquisition costs.

Investment activity for the year ending December 31, 2023 is summarized below:

Investment		**Location**	**Acquisition Date**	**Investment Amount (in thousands)**
Emory Dunwoody ASC		Dunwoody, GA	May 16, 2023	$ 5,250
CVA Building		Birmingham, AL	May 31, 2023	28,000
Palos Heights Surgery Center		Palos Heights, IL	July 20, 2023	2,600
IJRI Properties Investment	(1)	Indianapolis, IN	September 30, 2023	1,250
Atlanta Medical Condominium Investments		Atlanta, GA	Various	2,620
Davis Joint Venture Investments		Woodbury, MN	Various	11,314
Adjacent Land		Various	Various	1,717
Development Costs		Buford, GA	Various	21,604
Earnouts		Various	Various	2,201
Private Equity Fund Investment	(2)	N/A	Various	434
Loan Investments		Various	Various	51,400
				$ 128,390

(1) The Company invested 15.9% in a joint venture that is developing a single outpatient medical facility located in Indiana.
(2) The Company invested additional funds managed by a venture capital firm specializing in real estate technology.

During 2023, the Company recorded revenues and net income of $2.7 million and $0.5 million, respectively, from its 2023 acquisitions.

During 2022, the Company completed the acquisition of two outpatient medical facilities and one medical condominium unit for an investment of $109.6 million and acquired indirect ownership interests in additional assets through acquisitions by Davis Joint Venture for an aggregate purchase price of $8.0 million. The Company also paid $6.4 million of additional purchase consideration under five earn-out agreements and funded one mezzanine loan for $5.8 million, three term loans for $22.7 million, and $2.1 million of previous construction loan commitments. Additionally, the Company invested $5.0 million in funds managed by a venture capital firm specializing in real estate technology, resulting in total investment activity of approximately $159.7 million as of December 31, 2022 As part of these investments, the Company incurred approximately $2.3 million of capitalized transaction costs.

Investment activity for the year ending December 31, 2022 is summarized below:

Investment		Location	Acquisition Date	Investment Amount (in thousands)
City Place Portfolio - Davis Joint Venture	(1)	Woodbury, MN	January 12, 2022	$ 8,032
New Albany Medical Center II		New Albany, OH	April 26, 2022	27,688
Calko Medical Center		Brooklyn, NY	September 9, 2022	81,500
Atlanta Medical Condominium Investment		Atlanta, GA	December 5, 2022	400
Earnouts		Various	Various	6,401
Private Equity Fund Investment	(2)	N/A	Various	5,049
Loan Investments		Various	Various	30,609
				$ 159,679

(1) The Company acquired a 49% membership interest in three properties through the Davis Joint Venture representing 107,886 square feet at an aggregate valuation of $43.9 million, including an $8.0 million equity contribution and a $14.0 million pro rata share of joint venture debt. On November 21, 2022, the Davis Joint Venture acquired a property representing 42,467 square feet at an aggregate valuation of $16.4 million. The Company did not make an equity contribution towards this property but did acquire a $4.6 million pro rata share of joint venture debt.

(2) The Company invested in funds managed by a venture capital firm specializing in real estate technology.

For 2022, the Company recorded revenues and net loss of $3.6 million and $0.2 million, respectively, from its 2022 acquisitions.

The following table summarizes the preliminary purchase price allocations of the assets acquired and the liabilities assumed, which the Company determined using Level 2 and Level 3 inputs (in thousands):

	December 31, 2023	December 31, 2022
Land	$ 8,719	$ 9,260
Building and improvements	32,167	98,433
In-place lease intangibles	4,410	12,845
Above market in-place lease intangibles	—	2,768
Below market in-place lease intangibles	(553)	(4,923)
Right-of-use asset	—	79
Net assets acquired	$ 44,743	$ 118,462
NCI-redeemable	—	(3,307)
Satisfaction of real estate loans receivable	(5,397)	(2,700)
Cash used in acquisition of investment property	$ 39,346	$ 112,455

Dispositions

For the year ended December 31, 2023, the Company sold one outpatient medical facility for approximately $2.6 million, realizing an insignificant net gain.

For the year ended December 31, 2022, the Company sold five medical facilities, which included four outpatient medical facilities and one hospital, representing 212,295 square feet for approximately $124.7 million, realizing an aggregate net gain of approximately $57.4 million.

Note 4. Intangibles

The following is a summary of the carrying amount of intangible assets and liabilities as of December 31, 2023 and 2022 (in thousands):

	December 31, 2023			December 31, 2022		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Assets						
In-place leases	$ 449,716	$ (282,285)	$ 167,431	$ 445,583	$ (241,643)	$ 203,940
Above-market leases	59,752	(35,622)	24,130	59,752	(30,096)	29,656
Liabilities						
Below-market leases	$ 36,962	$ (14,384)	$ 22,578	$ 37,002	$ (12,621)	$ 24,381

The following is a summary of the Company's acquired lease intangible amortization for the years ended December 31, 2023, 2022, and 2021 (in thousands):

	December 31,		
	2023	2022	2021
Amortization expense related to in-place leases	$ 40,920	$ 43,526	$ 34,570
Decrease of rental income related to above-market leases	5,526	5,824	3,808
Increase of rental income related to below-market leases	2,356	2,111	1,398

Future aggregate net amortization of the Company's acquired lease intangibles as of December 31, 2023, is as follows (in thousands):

	Net Decrease (Increase) in Revenue	Net Increase in Expenses
2024	$ 2,887	$ 35,184
2025	2,316	29,663
2026	1,161	23,548
2027	994	20,625
2028	922	16,941
Thereafter	(6,728)	41,470
Total	$ 1,552	$ 167,431

For the year ended December 31, 2023, the weighted average amortization periods for asset lease intangibles and liability lease intangibles are 7 years and 15 years, respectively. Further detail is provided in Note 2 (Summary of Significant Accounting Policies).

Note 5. Other Assets

Other assets consisted of the following as of December 31, 2023 and 2022 (in thousands):

	December 31,	
	2023	2022
Straight-line rent receivable, net	$ 105,773	$ 101,306
Leasing commissions, net	14,962	13,231
Prepaid expenses	10,416	11,009
Lease inducements, net	7,332	7,894
Escrows	1,715	1,565
Interest rate swap	1,103	2,045
Notes receivable, net	324	370
Other	10,934	9,387
Total	$ 152,559	$ 146,807

Note 6. Debt

The following is a summary of debt as of December 31, 2023 and 2022 (in thousands):

	December 31,	
	2023	2022
Fixed interest mortgage notes (1)	$ 23,194	$ 59,776
Variable interest mortgage notes (2)	104,678	105,153
Total mortgage debt	127,872	164,929
$1.0 billion unsecured revolving credit facility due September 2025 (3)	—	193,000
$400 million unsecured term borrowing bearing fixed interest of 4.693%, due May 2028 (4)	400,000	—
$400 million senior unsecured notes bearing fixed interest of 4.30%, due March 2027	400,000	400,000
$350 million senior unsecured notes bearing fixed interest of 3.95%, due January 2028	350,000	350,000
$500 million senior unsecured notes bearing fixed interest of 2.625%, due November 2031	500,000	500,000
Senior unsecured notes (5)	135,000	150,000
$75 million senior unsecured notes bearing fixed interest of 4.09% to 4.24%, due August 2025 to 2027	75,000	75,000
Total principal	1,987,872	1,832,929
Unamortized deferred financing costs	(8,580)	(7,453)
Unamortized discounts	(6,255)	(7,359)
Total debt	$1,973,037	$1,818,117

(1) As of December 31, 2023, one fixed interest mortgage note bears interest of 4.63%, due in 2024, and is collateralized by one property with a net book value of $37.1 million. As of December 31, 2022, fixed interest mortgage notes bear interest from 3.33% to 4.63%, due in 2024, with a weighted average interest rate of 3.85% and the notes are collateralized by two properties with a net book value of $94.9 million. One mortgage bears interest at LIBOR + 1.90% and the Trust entered into a pay-fixed receive-variable interest rate swap, fixing the variable component at 1.43% as of December 31, 2022.

(2) Variable interest mortgage notes bear variable interest of SOFR plus 1.85% and PRIME for a weighted average interest rate of 7.29% as of December 31, 2023. Variable interest mortgage notes bear variable interest of SOFR plus 1.85% and LIBOR plus 2.75% for a weighted average interest rate of 6.20% as of December 31, 2022. The notes are due in 2026 and 2028 and collateralized by four properties with a net book value of $282.0 million as of December 31, 2023 and $295.5 million as of December 31, 2022.

(3) The unsecured revolving credit facility bears variable interest of SOFR plus 0.95%, inclusive of a 0.10% SOFR index adjustment, as of December 31, 2023 and LIBOR plus 0.85% as of December 31, 2022.

(4) The Company’s borrowings under the term loan feature of the Credit Agreement (as defined herein) bear interest at a rate equal to 1.10%, inclusive of a 0.10% SOFR index adjustment, plus Daily Simple SOFR as of December 31, 2023 based on the Company’s current credit rating. The Company entered into fixed-for-floating interest rate swaps for the full borrowing amount, fixing the SOFR component of this rate at 3.59%, and a current all-in fixed rate of 4.69%.
(5) As of December 31, 2023, $135.0 million senior unsecured notes bearing fixed interest of 4.43% to 4.74%, due January 2026 to 2031. As of December 31, 2022, $150.0 million senior unsecured notes bearing fixed interest of 4.03% to 4.74%, due January 2023 to 2031.

On September 24, 2021, the Operating Partnership, as borrower, and the Trust, as guarantor, executed a Third Amended and Restated Credit Agreement (as amended, the “Credit Agreement”) which extended the maturity date of the revolving credit facility under the Credit Agreement to September 24, 2025 and reduced the interest rate margin applicable to borrowings. The Credit Agreement includes an unsecured revolving credit facility of $1.0 billion and contains a term loan feature of $250.0 million, bringing total borrowing capacity to $1.3 billion. The Credit Agreement also includes a swingline loan commitment for up to 10% of the maximum principal amount and provides an accordion feature allowing the Operating Partnership to increase borrowing capacity by up to an additional $500.0 million, subject to customary terms and conditions, resulting in a maximum borrowing capacity of $1.75 billion. The revolving credit facility under the Credit Agreement also includes two, six-month extension options.

On March 31, 2023, the Operating Partnership, as borrower, and the Trust, as guarantor, executed a First Amendment to the Credit Agreement which expanded the accordion feature allowing the Operating Partnership to increase borrowing capacity by up to an additional $500.0 million, and replaced the LIBOR-based benchmark rates applicable to borrowings under the Credit Agreement with SOFR based benchmark rates plus a SOFR index adjustment of 0.10%.

On May 24, 2023, the Operating Partnership, as borrower, and the Trust, as guarantor, executed a Second Amendment to the Credit Agreement, which added a new $400.0 million unsecured term loan with a scheduled maturity date of May 24, 2028 and expanded the accordion feature, which allows the Operating Partnership to increase borrowing capacity under the Credit Agreement by up to an additional $500.0 million, subject to customary terms and conditions, for a maximum aggregate principal amount of all revolving commitments and term loans under the Credit Agreement of $1.9 billion. On the same day, the Operating Partnership borrowed $400.0 million under the term loan feature of the Credit Agreement. Borrowings under the term loan feature of the Credit Agreement bear interest on the outstanding principal amount at a rate equal to 1.10%, inclusive of a 0.10% SOFR index adjustment, plus Daily Simple SOFR as defined in the Credit Agreement. The Company simultaneously entered into fixed-for-floating interest rate swaps for the full borrowing amount under the term loan, fixing the Daily Simple SOFR component of the borrowing rate at 3.593%, for a current all-in fixed rate of 4.693%. Both the borrowing and the fixed-for-floating interest rate swaps have a maturity date of May 24, 2028.

As of December 31, 2023, the borrower had investment grade ratings of BBB from S&P and Baa2 from Moody’s. As such, borrowings under the revolving credit facility of the Credit Agreement accrue interest on the outstanding principal at a rate of SOFR plus 0.95%, inclusive of a 0.10% SOFR index adjustment. The Credit Agreement includes a facility fee equal to 0.20% per annum, which is also determined by the borrower’s investment grade rating.

Base Rate Loans, Adjusted LIBOR Rate Loans, and Letters of Credit (each, as defined in the Credit Agreement) will be subject to interest rates, based upon the Trust’s investment grade rating as follows:

Credit Rating	Applicable Margin for Revolving Loans: LIBOR Rate Loans and Letter of Credit Fee	Applicable Margin for Revolving Loans: Base Rate Loans	Applicable Margin for Term Loans: LIBOR Rate Loans and Letter of Credit Fee	Applicable Margin for Term Loans: Base Rate Loans
At Least A- or A3	LIBOR + 0.725%	— %	LIBOR + 0.85%	— %
At Least BBB+ or Baa1	LIBOR + 0.775%	— %	LIBOR + 0.90%	— %
At Least BBB or Baa2	LIBOR + 0.85%	— %	LIBOR + 1.00%	— %
At Least BBB- or Baa3	LIBOR + 1.05%	0.05 %	LIBOR + 1.25%	0.25 %
Below BBB- or Baa3	LIBOR + 1.40%	0.40 %	LIBOR + 1.65%	0.65 %

The Credit Agreement contains financial covenants that, among other things, require compliance with leverage and coverage ratios and maintenance of minimum tangible net worth, as well as covenants that may limit the Trust's and the Operating Partnership's ability to incur additional debt, grant liens, or make distributions. Subject to the restrictions in the Merger Agreement, the Company may voluntarily prepay any revolving or term loan under the Credit Agreement in whole or in part without premium or penalty. As of December 31, 2023, the Company was in compliance with all financial covenants related to the Credit Agreement.

The Credit Agreement includes customary representations and warranties by the Trust and the Operating Partnership and imposes customary covenants on the Operating Partnership and the Trust. The Credit Agreement also contains customary events of default, and if an event of default occurs and continues, the Operating Partnership is subject to certain actions by the administrative agent, including without limitation, the acceleration of repayment of all amounts outstanding under the Credit Agreement.

As of December 31, 2023, the Company did not have any borrowings outstanding under its $1.0 billion unsecured revolving credit facility feature or the $500.0 million accordion feature of the Credit Agreement and had $400.0 million of borrowings outstanding under the term loan feature of the Credit Agreement.

Notes Payable

On January 7, 2016, the Operating Partnership issued and sold $150.0 million aggregate principal amount of senior notes (the "January 2016 Notes"), comprised of (i) $45.0 million aggregate principal amount of 4.43% Senior Notes, Series B, due January 7, 2026, (ii) $45.0 million aggregate principal amount of 4.57% Senior Notes, Series C, due January 7, 2028, (iii) $45.0 million aggregate principal amount of 4.74% Senior Notes, Series D, due January 7, 2031, and (iv) $15.0 million of 4.03% Senior Notes, Series A, which was paid off during the year ended December 31, 2023. On August 11, 2016, the note agreement for these notes was amended to make certain changes to its terms, including certain changes to affirmative covenants, negative covenants, and definitions contained therein. Interest on each respective series of the January 2016 Senior Notes is payable semi-annually.

On August 11, 2016, the Operating Partnership issued and sold $75.0 million aggregate principal amount of senior notes (the “August 2016 Notes”), comprised of (i) $25.0 million aggregate principal amount of 4.09% Senior Notes, Series A, due August 11, 2025, (ii) $25.0 million aggregate principal amount of 4.18% Senior Notes, Series B, due August 11, 2026, and (iii) $25.0 million aggregate principal amount of 4.24% Senior Notes, Series C, due August 11, 2027. Interest on each respective series of the August 2016 Senior Notes is payable semi-annually.

On March 7, 2017, the Operating Partnership issued and sold $400.0 million aggregate principal amount of 4.30% Senior Notes which will mature on March 15, 2027. The Senior Notes were sold at an issue price of 99.68% of their face value, before the underwriters’ discount. The Company’s net proceeds from the offering, after deducting underwriting discounts and expenses, were approximately $396.1 million.

On December 1, 2017, the Operating Partnership issued and sold $350.0 million aggregate principal amount of 3.95% Senior Notes which will mature on January 15, 2028. The Senior Notes were sold at an issue price of 99.78% of their face value, before the underwriters’ discount. The Company’s net proceeds from the offering, after deducting underwriting discounts and expenses, were approximately $347.0 million.

On October 13, 2021, the Operating Partnership issued and sold $500.0 million aggregate principal amount of 2.625% Senior Notes which will mature on November 1, 2031. The Senior Notes were sold at an issue price of 99.79% of their face value, before the underwriters’ discount. The Company’s net proceeds from the offering, after deducting underwriting discounts and expenses, were approximately $495.1 million.

Certain properties have mortgage debt that contains financial covenants. As of December 31, 2023, the Trust was in compliance with all senior notes and mortgage debt financial covenants.

Scheduled principal payments due on debt as of December 31, 2023, are as follows (in thousands):

2024	$	23,669
2025		25,476
2026		170,476
2027		425,476
2028		797,775
Thereafter		545,000
Total Payments	$	1,987,872

As of December 31, 2023 and 2022, the Company had total consolidated indebtedness of approximately $2.0 billion and $1.8 billion, respectively. The weighted average interest rate on consolidated indebtedness was 4.07% as of December 31, 2023 (based on the 30-day SOFR rate of 5.38% and a PRIME rate of 8.50% as of December 31, 2023). As of December 31, 2023, we had approximately 5.0% and 0.2% of our outstanding long-term debt exposed to fluctuations in SOFR and PRIME, respectively. The weighted average interest rate on consolidated indebtedness was 3.98% as of December 31, 2022 (based on the 30-day LIBOR rate of 4.33% and a SOFR rate of 4.30% as of December 31, 2022).

Note 7. Derivatives

In the normal course of business, a variety of financial instruments are used to manage or hedge interest rate risk. When specific hedge accounting criteria are not met, changes in a derivative’s fair value are recognized currently in earnings. Changes in the fair market values of the Company’s derivative instruments are recorded in the consolidated statements of income if such derivatives do not qualify for, or the Company does not elect to apply for, hedge accounting. As a result of the Company’s adoption of ASU 2017-12 as of January 1, 2019, the change in the fair value of our derivatives designated and qualified as cash flow hedges are recorded in accumulated other comprehensive income on the consolidated balance sheets and are subsequently reclassified into earnings in the period in which the hedged forecasted transaction affects earnings. During the twelve months ended December 31, 2023, the Company de-designated an interest rate swap upon the repayment of the related debt instrument and reclassified the $1.8 million accumulated gain from other comprehensive income to earnings. This derivative instrument has a fair value of $1.1 million as of December 31, 2023, and is classified in other assets. Future changes in value on this derivative instrument, which matures on October 31, 2024, will be recorded directly in earnings.

As of December 31, 2023, the Company had three outstanding interest rate swaps designated as cash flow hedges of interest rate risk. See Note 2 (Summary of Significant Accounting Policies) for further discussion of our derivatives. In addition, the Company recognizes its share of other comprehensive income related to derivative instruments held by unconsolidated entities.

The following table summarizes the location and aggregate fair value of the interest rate swap on the Company's consolidated balance sheets as of December 31, 2023 and 2022 (in thousands):

Derivative Instruments as of December 31, 2023	Maturity Date	Number of Instruments	Total Notional Amount	Interest Rate	Balance Sheet Location	Fair Value
Cash flow hedge interest rate swaps	5/24/2028	3	$ 400,000	3.59 %	Accrued expenses and other liabilities	$ (260)
Interest rate swap	10/31/2024	1	36,050	1.37 %	Other assets	1,103

Derivative Instruments as of December 31, 2022	Maturity Date	Number of Instruments	Total Notional Amount	Interest Rate	Balance Sheet Location	Fair Value
Cash flow hedge interest rate swap	10/31/2024	1	$ 36,050	3.33 %	Other assets	$ 2,045

The following tables provide a summary of the effect of interest rate swaps on the Company's accompanying consolidated statements of income and comprehensive income for the twelve months ended December 31, 2023 and 2022, respectively (amounts in thousands):

Derivative Instruments as of December 31, 2023	Maturity Date	Amount of Gain/(Loss) Recognized in OCI on Derivative	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income
Cash flow hedge interest rate swaps	5/24/2028	$ (260)	Interest expense	$ —
Interest rate swap	10/31/2024	—	Interest expense	1,763
Total		$ (260)		$ 1,763

Derivative Instruments as of December 31, 2022	Maturity Date	Amount of Gain/ (Loss) Recognized in OCI on Derivative	Location of Gain/ (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain/ (Loss) Reclassified from Accumulated OCI into Income
Interest rate swap	10/31/2024	$ 2,498	Interest expense	$ —

Note 8. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following as of December 31, 2023 and 2022 (in thousands):

	December 31,	
	2023	2022
Prepaid rent	$ 25,303	$ 21,062
Real estate taxes payable	23,993	23,303
Accrued interest	18,196	18,196
Accrued expenses	9,935	7,920
Security deposits	4,660	4,338
Accrued incentive compensation	1,713	2,700
Tenant improvement allowances	1,688	1,831
Interest rate swap	260	—
Other	10,339	8,370
Total	$ 96,087	$ 87,720

Note 9. Stock-based Compensation

The Company follows ASC 718, Compensation - Stock Compensation (“ASC 718”), in accounting for its share-based payments. This guidance requires measurement of the cost of employee services received in exchange for stock compensation based on the grant-date fair value of the employee stock awards. This cost is recognized as compensation expense ratably over the employee’s requisite service period. Incremental compensation costs arising from subsequent modifications of awards after the grant date must be recognized when incurred. Share-based payments classified as liability awards are marked to fair value at each reporting period. Any common shares issued pursuant to the Company's incentive equity compensation and employee stock purchase plans will result in the Operating Partnership issuing OP Units to the Trust on a one-for-one basis, with the Operating Partnership receiving the net cash proceeds of such issuances.

Certain of the Company’s employee stock awards vest only upon the achievement of performance targets. ASC 718 requires recognition of compensation cost only when achievement of performance conditions is considered probable. Consequently, the Company’s determination of the amount of stock compensation expense requires judgment in estimating the probability of achievement of these performance targets. Subsequent changes in actual experience are monitored and estimates are updated as information is available.

In connection with the IPO, the Trust adopted the Physicians Realty Trust 2013 Equity Incentive Plan, which made shares available for awards for participants (the “2013 Plan”). At the Company’s Annual Meeting of Shareholders held on May 3, 2023, shareholders approved the Amended and Restated Physicians Realty Trust 2013 Equity Incentive Plan (the “Amended and Restated 2013 Plan”). The Amended and Restated 2013 Plan increased the number of common shares authorized for issuance to a total of 11,000,000. The Amended and Restated 2013 Plan also extended the term of the plan from 2029 to 2033, among other changes.

Restricted Common Shares

Restricted common shares granted under the 2013 Plan are eligible for dividends as well as the right to vote. During 2021, the Trust granted a total of 224,163 restricted common shares with a total value of $3.9 million to the Company’s officers and certain of its employees, which have a one-year vesting period for senior management award-recipients and a three-year vesting period for employee award-recipients. During 2022, the Trust granted a total of 247,579 restricted common shares with a total value of $4.1 million to the Company’s officers and certain of its employees, which have a one-year vesting period for senior management award-recipients and a three-year vesting period for employee award-recipients. During 2023, the Trust granted a total of 342,939 restricted common shares with a total value of $5.0 million to the Company’s officers and certain of its employees, which have a one-year vesting period for senior management award-recipients and a three-year vesting period for employee award-recipients. In January 2023, under the 2013 Plan, the Company granted restricted common shares to certain of its officers under a salary deferral program, part of which vests after one year, with the remainder vesting after two years.

The following is summary of the status of the Trust’s non-vested restricted common shares during 2023, 2022, and 2021:

	Common Shares		Weighted Average Grant Date Fair Value
Non-vested at December 31, 2020	215,822	$	18.73
Granted	224,163		17.42
Vested	(185,968)		18.94
Forfeited	(6,570)		18.05
Non-vested at December 31, 2021	247,447		17.41
Granted	247,579		16.53
Vested	(213,572)		17.29
Forfeited	(8,556)		17.98
Non-vested at December 31, 2022	272,898		16.69
Granted	342,939		14.57
Vested	(239,602)		16.54
Forfeited	(2,277)		14.75
Non-vested at December 31, 2023	373,958	$	14.85

For all service awards, the Company records compensation expense for the entire award on a straight-line basis over the requisite service period. For the years ended December 31, 2023, 2022, and 2021 the Company recognized non-cash share compensation of $4.7 million, $3.9 million, and $3.7 million, respectively. Unrecognized compensation expense at December 31, 2023, 2022, and 2021 was $1.6 million, $1.4 million, and $1.4 million, respectively.

Restricted Share Units

Under the 2013 Plan, the Company granted 11,274, 7,800, and 13,343 restricted share units in January 2023, 2022 and 2021, respectively, to certain of its trustees in lieu of all or a portion of such trustee’s annual cash retainer. These units are subject to certain timing conditions and a one-year service period. Each restricted share unit contains one dividend equivalent. Each recipient will accrue dividend equivalents on awarded share units equal to the cash dividend that would have been paid on the awarded share unit had the awarded share unit been an issued and outstanding common share on the record date for the dividend. With respect to the performance and timing conditions of the January 2023, 2022 and 2021 grants, the grant date fair value of $14.47, $18.83, and $17.80 per unit, respectively, was based on the share price at the date of grant.

In March 2023, March 2022, and March 2021 under the Trust’s 2013 Plan, the Trust granted (i) restricted share units at a target level of 355,388, 299,019, and 265,275 respectively, to the Trust’s management, which are subject to certain performance and market conditions and three-year service periods and (ii) 62,586, 56,204, and 43,582 restricted share units, respectively, to the members of the Board of Trustees, which are subject to certain timing conditions and a two-year vesting period. Each restricted share unit contains one dividend equivalent. The recipient will accrue dividend equivalents on awarded share units equal to the cash dividend that would have been paid on the awarded share unit had the awarded share unit been an issued and outstanding common share on the record date for the dividend.

Approximately 30%, 30%, and 40% of the restricted share units issued to the Trust’s management in 2023, 2022, and 2021, respectively, vest based on certain market conditions. The market conditions were valued with the assistance of independent valuation specialists. The Company utilized a Monte Carlo simulation to calculate the weighted average grant date fair values of $18.71 in 2023, $30.17 in 2022, and $29.18 in 2021 per unit, respectively, using the following assumptions:

	2023	2022	2021
Volatility	23.4 %	33.9 %	33.3 %
Dividend assumption	reinvested	reinvested	reinvested
Expected term in years	2.8 years	2.8 years	2.8 years
Risk-free rate	4.70 %	1.44 %	0.25 %
Stock price (per share)	$ 14.70	$ 16.37	$ 17.21

The remaining 70%, 70%, and 60% of the restricted share units issued to the Trust's management in 2023, 2022, and 2021, respectively, vest based upon certain performance or timing conditions. With respect to the performance and timing conditions of the March 2023 grant issued to the Trust's management, the grant date fair value of $14.70 per unit is based on the share price at the date of grant. The combined weighted average grant date fair value of the March 2023 restricted share units issued to management is $15.90 per unit. With respect to the performance conditions of the March 2022 grant, the grant date fair value of $16.37 per unit is based on the share price at the date of grant. The combined weighted average grant date fair value of the March 2022 restricted share units issued to management is $20.51 per unit. With respect to the performance conditions of the March 2021 grant, the grant date fair value of $17.21 per unit is based on the share price at the date of grant. The combined weighted average grant date fair value of the March 2021 restricted share units issued to management is $22.00 per unit.

The following is a summary of the activity in the Trust’s restricted share units during 2023, 2022, and 2021:

	Executive Awards		Trustee Awards	
	Restricted Share Units	Weighted Average Grant Date Fair Value	Restricted Share Units	Weighted Average Grant Date Fair Value
December 31, 2020	964,139	$ 21.17	59,820	$ 18.81
Granted	265,275	22.00	56,925	17.35
Vested	(252,844) (1)	16.58	(53,737)	18.38
Non-vested at December 31, 2021	976,570	22.59	63,008	17.85
Granted	299,019	20.51	64,004	16.67
Vested	(228,649) (2)	25.27	(49,020)	18.30
Non-vested at December 31, 2022	1,046,940	21.41	77,992	16.60
Granted	355,388	15.90	73,860	14.66
Vested	(223,579) (3)	24.36	(61,164)	16.32
Non-vested at December 31, 2023	1,178,749	$ 19.19	90,688	$ 15.22

(1) Restricted units vested by Company management in 2021 resulted in the issuance of 399,165 common shares, less 162,173 common shares withheld to cover minimum withholding tax obligations, for multiple employees.
(2) Restricted units vested by Company management in 2022 resulted in the issuance of 361,679 common shares, less 160,573 common shares withheld to cover minimum withholding tax obligations, for multiple employees.
(3) Restricted units vested by Company executives in 2023 resulted in the issuance of 652,851 common shares, less 290,380 common shares withheld to cover minimum withholding tax obligations, for multiple employees.

The Company recognized $10.8 million, $11.7 million, and $11.2 million of non-cash share unit compensation expense for the years ended December 31, 2023, 2022, and 2021, respectively. Unrecognized compensation expense at December 31, 2023, 2022, and 2021 was $8.8 million, $10.0 million, and $12.0 million, respectively.

Note 10. Fair Value Measurements

ASC Topic 820, Fair Value Measurement (“ASC 820”), requires certain assets and liabilities be reported and/or disclosed at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. As part of the Company’s acquisition process, Level 3 inputs are used to measure the fair value of the assets acquired and liabilities assumed.

The Company’s derivative instruments as of December 31, 2023 consist of four interest rate swaps, of which three are designated as cash flow hedges of interest rate risk, as detailed in the Derivative Instruments section of Note 7 (Derivatives) and Note 2 (Summary of Significant Accounting Policies) of this report.

The interest rate swap is not traded on an exchange. The Company’s derivative assets and liabilities are recorded at fair value based on a variety of observable inputs including contractual terms, interest rate curves, yield curves, measure of volatility, and correlations of such inputs. The Company measures its derivatives at fair value on a recurring basis. The fair values are based on Level 2 inputs described above. The Company considers its own credit risk, as well as the credit risk of its counterparties, when evaluating the fair value of its derivatives.

The Company also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. This generally includes assets subject to impairment. There were no assets measured at fair value as of December 31, 2023 and 2022.

The carrying amounts of cash and cash equivalents, tenant receivables, payables, and accrued interest are reasonable estimates of fair value because of the short-term maturities of these instruments. At December 31, 2023, cash equivalents includes a US Treasury Bill with an original maturity to the Company of approximately one week with a fair value based upon Level 1 inputs. Fair values for real estate loans receivable and mortgage debt are estimated based on rates currently prevailing for similar instruments of similar maturities and are based primarily on Level 2 inputs.

The following table presents the fair value of the Company’s financial instruments (in thousands):

	December 31,			
	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash equivalents - US Treasuries	$ 149,060	$ 149,060	$ —	$ —
Real estate loans receivable, net	$ 98,277	$ 96,702	$ 104,973	$ 102,162
Derivative asset	$ 1,103	$ 1,103	$ 2,045	$ 2,045
Notes receivable, net	$ 324	$ 324	$ 370	$ 370
Liabilities:				
Credit facility	$ (400,000)	$ (400,000)	$ (193,000)	$ (193,000)
Notes payable	$ (1,460,000)	$ (1,334,631)	$ (1,475,000)	$ (1,302,767)
Mortgage debt	$ (127,872)	$ (127,664)	$ (164,929)	$ (163,129)
Derivative liabilities	$ (260)	$ (260)	$ —	$ —

Note 11. Tenant Operating Leases

The Company is a lessor of outpatient medical facilities and other health care facilities. Leases have expirations from 2024 through 2042. As of December 31, 2023, the future minimum rental payments on non-cancelable leases, exclusive of expense recoveries, were as follows (in thousands):

2024	$	367,377
2025		352,182
2026		296,359
2027		244,764
2028		208,242
Thereafter		657,911
Total	$	2,126,835

The following presents rental and related revenues for the years ended 2023, 2022, and 2021, of which expense recoveries represent our variable lease payments (in thousands):

	2023	**2022**	**2021**
Rental revenues	$ 376,762	$ 371,727	$ 328,144
Expense recoveries	151,331	143,646	112,054
Rental and related revenues	$ 528,093	$ 515,373	$ 440,198

Note 12. Rent Expense

The Company leases the rights to parking structures at two of its properties, the air in which one property occupies, and the land upon which 97 of its properties are located from third party landowners pursuant to separate leases. In addition, the Company has eleven corporate leases, primarily for office space.

The Company’s leases include both fixed and variable rental payments and may also include escalation clauses and renewal options. These leases have terms of up to 91 years remaining, excluding extension options, with a weighted average remaining term of 43 years.

Effective January 1, 2019, the Company adopted ASC 842, Leases which requires the operating leases mentioned above to be included in right-of-use lease assets, net on the Company’s December 31, 2023 and 2022 consolidated balance sheets, which represents the Company’s right to use the underlying asset for the lease term. The Company’s obligation to make the lease payments are included in lease liabilities on the Company’s December 31, 2023 and 2022 consolidated balance sheets. As of December 31, 2023, total right-of-use assets and operating lease liabilities, net of accumulated amortization, were approximately $226.8 million and $104.8 million, respectively. The Company has entered into various short-term operating leases, primarily for office spaces, with an initial term of twelve months or less. These leases are not recorded on the Company's consolidated balance sheets.

At the inception of a new lease, the Company establishes an operating lease asset and operating lease liability calculated as the present value of future minimum lease payments. As the Company’s leases do not provide an implicit rate, the Company calculates a discount rate that approximates the Company’s incremental borrowing rate available at lease commencement to determine the present value of future minimum lease payments. The approximated weighted average discount rate was 4.4% as of December 31, 2023. There are no operating leases that have not yet commenced that would have a significant impact on the Company’s consolidated balance sheets.

As of December 31, 2023, the future minimum lease obligations under non-cancelable parking, air, ground, and corporate leases were as follows (in thousands):

2024	$ 5,166
2025	5,179
2026	5,168
2027	5,182
2028	5,209
Thereafter	243,320
Total undiscounted lease payments	$ 269,224
Less: Interest	(164,380)
Present value of lease liabilities	$ 104,844

During the years ended December 31, 2023 and 2022, operating lease expense totaled $4.7 million and $4.6 million, respectively, substantially all of which represented fixed lease payments.

Note 13. Credit Concentration

The Company uses annualized base rent ("ABR") as its credit concentration metric. ABR is calculated by multiplying contractual base rent for the month ended December 31, 2023 by 12, excluding the impact of concessions and straight-line rent. The following table summarizes certain information about the Company's top five tenant credit concentrations as of December 31, 2023 (in thousands):

Tenant	Total ABR	Percent of ABR
CommonSpirit - CHI - Nebraska	$ 18,667	5.1 %
Northside Hospital	16,953	4.6 %
UofL Health - Louisville, Inc.	14,987	4.1 %
US Oncology	10,925	3.0 %
HonorHealth	10,244	2.8 %
Remaining portfolio	297,302	80.4 %
Total	$ 369,078	100.0 %

ABR collected from the Company's top five tenant relationships comprises 19.6% of its total ABR as of December 31, 2023. Total ABR from CommonSpirit Health affiliated tenants totals 14.9%, including the affiliates disclosed above.

The following table summarizes certain information about the Company's top five geographic concentrations as of December 31, 2023 (in thousands):

State	Total ABR	Percent of ABR
Texas	$ 49,329	13.4 %
Georgia	27,676	7.5 %
Florida	24,756	6.7 %
Indiana	23,580	6.4 %
Arizona	21,286	5.8 %
Other	222,451	60.2 %
Total	$ 369,078	100.0 %

Note 14. Earnings Per Share

The following table shows the amounts used in computing the Trust's basic and diluted earnings per share (in thousands, except share and per share data):

	Year Ended December 31,		
	2023	2022	2021
Numerator for earnings per share - basic:			
Net income	$ 43,767	$ 110,036	$ 86,783
Net income attributable to noncontrolling interests:			
Operating Partnership	(1,722)	(5,240)	(2,211)
Partially owned properties	(169)	(430)	(607)
Preferred distributions	—	—	(13)
Numerator for earnings per share - basic:	$ 41,876	$ 104,366	$ 83,952
Numerator for earnings per share - diluted:			
Numerator for earnings per share - basic:	41,876	104,366	83,952
Operating Partnership net income	1,722	5,240	2,211
Numerator for earnings per share - diluted	$ 43,598	$ 109,606	$ 86,163
Denominator for earnings per share - basic and diluted:			
Weighted average number of shares outstanding - basic	238,216,847	226,598,474	216,135,385
Effect of dilutive securities:			
Noncontrolling interest - Operating Partnership units	9,827,483	11,402,684	5,693,333
Restricted common shares	146,239	116,825	113,438
Restricted share units	1,154,144	1,492,302	1,118,400
Denominator for earnings per share - diluted	249,344,713	239,610,285	223,060,556
Earnings per share - basic	$ 0.18	$ 0.46	$ 0.39
Earnings per share - diluted	$ 0.17	$ 0.46	$ 0.39

Note 15. Commitments and Contingencies

Litigation Relating to the Mergers

As of February 21, 2024, four purported holders of the Trust’s common shares have filed complaints against the Company and/or the members of the Company’s Board of Trustees, captioned: Mark Frascarelli, et al. v. Physicians Realty Trust, et al. (United States District Court for the Southern District of New York - Case No. 1:24-cv-00047); Gerhard Kramer v. Physicians Realty Trust, et al. (Circuit Court for the City of Baltimore, Maryland – Case No. 24C24000330); Nassim Abd v. Physicians Realty Trust, et al. (United States District Court for the Southern District of New York – Case No. 1:24-cv-00343); and Jose Faustino v. Physicians Realty Trust, et al. (United States District Court for the Southern District of New York - Case No. 1:24-cv-00538). In addition, the Company was named as a defendant in a complaint filed by a purported shareholder of Healthpeak, captioned Dean Drulias v. Brinker, et al. (Colo. Dist. Ct. Denver County – Case No. 2024CV30251) (collectively,

the “Actions”). In general, the plaintiffs in the Actions who purport to be holders of the Trust’s common shares alleged in their complaints that the Company and its Trustees named as defendants violated the U.S. federal securities laws or their duties under Maryland law as trustees by allegedly omitting or misstating material information in the proxy statement filed with the SEC on January 11, 2024, with respect to the special meeting of the Trust’s shareholders held on February 21, 2024, which was called to approve, among other things, the Company Merger (the “Proxy Statement”). The plaintiffs assert that these misstatements or omissions rendered the Proxy Statement materially deficient. Further, the plaintiff who purports to be a Healthpeak shareholder alleged that the Company aided and abetted fiduciary breaches by Healthpeak's board of directors. The plaintiffs in the Actions have sought various forms of relief, including among other things to enjoin the Company from proceeding with or consummating the Mergers unless and until the defendants disclose the allegedly omitted or misstated material information.

In addition to the Actions, certain purported Trust shareholders have delivered demand letters (the “Demand Letters,” and together with the Actions, the “Matters”) alleging similar claims based on purported misstatements and/or omissions regarding the disclosures made in the Proxy Statement.

The Company believes that the Matters are without merit. The Company denies that any further disclosure beyond that already contained in the Proxy Statement is required under applicable law. Nonetheless, to avoid the risk that the Matters may delay or otherwise adversely affect the consummation of the Mergers and to minimize the expense of defending the Matters, and without admitting any liability or wrongdoing, the Company has voluntarily made certain supplemental disclosures in its Current Report on Form 8-K filed with the SEC on February 8, 2024 (the “Supplemental Disclosures”). In connection with the Supplemental Disclosure and the Current Report on Form 8-K filed by Healthpeak pursuant to Rule 425 under the Securities Act on February 8, 2024, the Drulias Action was resolved and voluntarily dismissed. It is possible that additional complaints may be filed in connection with the Mergers, the complaints in the Actions may be amended, or additional demand letters may be delivered. The Company cannot predict the outcome of any of these proceedings or reasonably estimate any potential loss at this time.

Note 16. Subsequent Events

On February 9, 2024, the Trust and the Operating Partnership entered into amendments to the note agreements governing the January 2016 Notes and the August 2016 Notes. The amendments to each of the note agreements shortened the time period for delivering the notice required to redeem the January 2016 Notes and the August 2016 Notes in connection with the Mergers. On February 21, 2024, the Company delivered a notice of redemption to the respective noteholders with its intent to redeem the January 2016 Notes and the August 2016 Notes, respectively, in connection with the closing of the Mergers.

On February 12, 2024, Healthpeak announced that, in connection with the Mergers, Healthpeak and Healthpeak OP had commenced a consent solicitation of the holders of the 4.30% Senior Notes which will mature on March 15, 2027, 3.95% Senior Notes which will mature on January 15, 2028 and 2.625% Senior Notes which will mature on November 1, 2031 (collectively, the “DOC Notes”) issued by the Operating Partnership to certain proposed amendments to the supplemental indentures to the senior indenture (each an “Indenture”) under which the DOC Notes were issued and to offer a guarantee from each of Healthpeak and Healthpeak OP of the DOC Notes and a cash payment in respect of consents delivered in the consent solicitation.

Healthpeak and Healthpeak OP are soliciting the consent of the holders of each series of DOC Notes as of the record date of 5:00 p.m., New York City time, on February 9, 2024. In order to adopt the proposed amendments to an Indenture with respect to a series of DOC Notes, consents must be received from holders as of the record date of the DOC Notes in respect of at least a majority in aggregate principal amount of such series of DOC Notes outstanding under such Indenture (the “Required Consents”). If the Required Consents are obtained with respect to an Indenture and the Mergers are completed, (i) each of the Healthpeak and Healthpeak OP will issue an unconditional and irrevocable guarantee of the prompt payment, when due, of any amount owed to the holders of the DOC Notes under such DOC Notes and such Indenture and any other amounts due pursuant to such Indenture and (ii) Healthpeak will make a payment equal to $1.00 for each $1,000 principal amount of DOC Notes to the holders of DOC Notes under such Indenture who provide valid and unrevoked consents prior to the Expiration Time (as defined below). The expiration time of the consent solicitation and offers to guarantee is 5:00 p.m., New York City time, on February 26, 2024, unless extended by the Company in its sole discretion (such time and date, as it may be extended, the “Expiration Time”). Consents delivered may be validly revoked at any time at or prior to the earlier of (i) the Expiration Time and (ii) the time at which the Required Consents have been received.

The proposed amendments would amend the following sections contained in the Indentures: (i) the limitation on incurrence of total debt, limitation on incurrence of secured debt, debt service coverage test for incurrence, maintenance of unencumbered assets and insurance covenants would be conformed to the corresponding covenants in Healthpeak’s and Healthpeak OP’s existing indentures, (ii) the maintenance of properties covenant, which is not contained in Healthpeak’s and Healthpeak OP’s existing indentures, would be eliminated from the Indentures, (iii) the financial reporting covenant would be amended to replace the Operating Partnership’s reporting obligations with Healthpeak’s reporting obligations and (iv) the events of default section would be conformed to the corresponding events of default section in Healthpeak's and Healthpeak OP's existing indentures.

On February 21, 2024, our shareholders voted on and approved the merger with Healthpeak. The Mergers are expected to close on or about March 1, 2024.

Physicians Realty Trust
Schedule III – Real Estate and Accumulated Depreciation
December 31, 2023
(dollars in thousands)

			Initial Cost to Company			Gross Amount at Which Carried as of Close of Period						
Description	Location	Encumbrances	Land	Buildings and Improvements	Cost Capitalized Subsequent to Acquisitions	Land	Buildings and Improvements	Total (1)	Accumulated Depreciation	Year Built	Date Acquired	Life on Which Building Depreciation in Income Statement is Computed
Del Sol Medical Center Outpatient Medical Facility	El Paso, TX	$ —	$ 860	$ 2,866	$ 1,036	$ 860	$ 3,902	$ 4,762	$ (2,788)	1987	8/24/2006	21
MeadowView Professional	Kingsport, TN	—	2,270	11,344	3,248	2,270	14,592	16,862	(6,630)	2005	5/10/2007	30
Firehouse Square	Milwaukee, WI	—	1,120	2,768	10	1,120	2,778	3,898	(1,518)	2002	8/15/2007	30
Valley West Hospital Outpatient Medical Facility	Chicago, IL	—	—	6,275	815	—	7,090	7,090	(3,776)	2007	11/1/2007	30
Mid Coast Hospital Outpatient Medical Facility	Portland, ME	4,678	—	11,247	503	—	11,750	11,750	(6,033)	2008	5/1/2008	42
Arrowhead Commons	Phoenix, AZ	—	740	2,551	764	740	3,315	4,055	(1,346)	2004	5/31/2008	46
Remington Medical Commons	Chicago, IL	—	895	6,499	1,555	895	8,054	8,949	(4,056)	2008	6/1/2008	30
Aurora Outpatient Medical Facility - Shawano	Green Bay, WI	—	500	1,566	—	500	1,566	2,066	(431)	2010	4/15/2010	50
East El Paso Physicians Medical Center	El Paso, TX	—	710	4,500	1,313	710	5,813	6,523	(1,452)	2004	8/30/2013	35
Crescent City Surgical Centre	New Orleans, LA	—	—	34,208	—	—	34,208	34,208	(7,305)	2010	9/30/2013	48
Foundation Surgical Affiliates Medical Building	Oklahoma City, OK	—	1,300	12,724	259	1,300	12,983	14,283	(3,118)	2004	9/30/2013	43
Eastwind Surgical Center	Columbus, OH	—	981	7,620	142	981	7,762	8,743	(1,773)	2007	11/27/2013	44
Foundation Surgical	San Antonio, TX	—	2,230	23,346	112	2,230	23,458	25,688	(7,491)	2007	2/19/2014	35

Physicians Realty Trust
Schedule III – Real Estate and Accumulated Depreciation
December 31, 2023
(dollars in thousands)

			Initial Cost to Company			Gross Amount at Which Carried as of Close of Period						
Description	Location	Encumbrances	Land	Buildings and Improvements	Cost Capitalized Subsequent to Acquisitions	Land	Buildings and Improvements	Total (1)	Accumulated Depreciation	Year Built	Date Acquired	Life on Which Building Depreciation in Income Statement is Computed
Southdale Place	Edina MN	—	504	10,006	3,596	504	13,602	14,106	(4,808)	1979	1/22/2015	24
Crystal Outpatient Medical Facility	Crystal, MN	—	945	11,862	268	945	12,130	13,075	(2,540)	2012	1/22/2015	47
Savage Outpatient Medical Facility	Savage, MN	—	1,281	10,021	503	1,281	10,524	11,805	(2,340)	2011	1/22/2015	48
Dell Outpatient Medical Facility	Chanhassen, MN	—	800	4,520	400	800	4,920	5,720	(1,177)	2008	1/22/2015	43
Methodist Sports	Greenwood, IN	—	1,050	8,556	—	1,050	8,556	9,606	(2,429)	2008	1/28/2015	33
Vadnais Heights Outpatient Medical Facility	Vadnais Heights, MN	—	2,751	12,233	2,965	2,751	15,198	17,949	(2,928)	2013	1/29/2015	43
Minnetonka Outpatient Medical Facility	Minnetonka, MN	—	1,770	19,797	174	1,770	19,971	21,741	(4,478)	2014	2/5/2015	49
Jamestown	Jamestown, ND	—	656	9,440	477	656	9,917	10,573	(2,567)	2013	2/5/2015	43
Indiana American 3	Greenwood, IN	—	862	6,901	2,746	862	9,647	10,509	(2,724)	2008	2/13/2015	38
Indiana American 2	Greenwood, IN	—	741	1,846	943	741	2,789	3,530	(1,052)	2001	2/13/2015	31
Indiana American 4	Greenwood, IN	—	771	1,928	364	771	2,292	3,063	(873)	2001	2/13/2015	31
8920 Southpointe	Indianapolis, IN	—	563	1,741	941	563	2,682	3,245	(1,271)	1993	2/13/2015	27
Minnesota Eye Outpatient Medical Facility	Minnetonka, MN	—	1,143	7,470	—	1,143	7,470	8,613	(1,748)	2014	2/17/2015	44
Baylor Cancer Center-Carrollton	Dallas, TX	—	855	6,007	104	855	6,111	6,966	(1,357)	2001	2/27/2015	43
Bridgeport Medical	Lakewood, WA	—	1,397	10,435	1,006	1,397	11,441	12,838	(3,180)	2004	2/27/2015	35

Physicians Realty Trust
Schedule III – Real Estate and Accumulated Depreciation
December 31, 2023
(dollars in thousands)

Description	Location	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Buildings and Improvements	Cost Capitalized Subsequent to Acquisitions	Gross Amount at Which Carried as of Close of Period: Land	Gross Amount at Which Carried as of Close of Period: Buildings and Improvements	Total (1)	Accumulated Depreciation	Year Built	Date Acquired	Life on Which Building Depreciation in Income Statement is Computed
Pensacola Outpatient Medical Facility	Pensacola, FL	—	220	1,685	78	220	1,763	1,983	(395)	2001	10/13/2015	39
Arete Surgical Center	Johnstown, CO	—	399	6,667	—	399	6,667	7,066	(1,270)	2013	10/19/2015	45
Cambridge Professional Center	Waldorf, MD	—	590	8,520	1,042	590	9,562	10,152	(2,451)	1999	10/30/2015	35
HonorHealth - 44th Street Outpatient Medical Facility	Phoenix, AZ	—	515	3,884	1,354	515	5,238	5,753	(1,862)	1988	11/13/2015	28
Mercy Medical Center	Fenton, MO	—	1,201	6,778	754	1,201	7,532	8,733	(1,591)	1999	12/1/2015	40
8 C1TY Blvd	Nashville, TN	—	1,555	39,713	676	1,555	40,389	41,944	(7,255)	2015	12/17/2015	45
Treasure Coast Center for Surgery	Stuart, FL	—	380	5,064	70	380	5,134	5,514	(995)	2013	2/1/2016	42
Park Nicollet Clinic	Chanhassen, MN	—	1,941	14,555	182	1,941	14,737	16,678	(3,151)	2005	2/8/2016	40
HEB Cancer Center	Bedford, TX	—	—	11,839	11	—	11,850	11,850	(2,264)	2014	2/12/2016	44
Riverview Medical Center	Lancaster, OH	—	1,313	10,243	1,512	1,313	11,755	13,068	(3,036)	1997	2/26/2016	33
St. Luke's Cornwall Outpatient Medical Facility	Cornwall, NY	—	—	13,017	193	—	13,210	13,210	(3,176)	2006	2/26/2016	35
HonorHealth - Glendale	Glendale, AZ	—	1,770	8,089	—	1,770	8,089	9,859	(1,505)	2015	3/15/2016	45
Columbia Outpatient Medical Facility	Hudson, NY	—	—	16,550	47	—	16,597	16,597	(3,718)	2006	3/21/2016	35
St Vincent POB 1	Birmingham, AL	—	—	10,172	837	—	11,009	11,009	(5,836)	1975	3/23/2016	15
Emerson Medical Building	Creve Coeur, MO	—	1,590	9,853	341	1,590	10,194	11,784	(2,443)	1989	3/24/2016	35
Eye Associates of	Santa Fe, NM	—	900	6,604	40	900	6,644	7,544	(1,564)	2002	3/31/2016	35

Physicians Realty Trust
Schedule III – Real Estate and Accumulated Depreciation
December 31, 2023
(dollars in thousands)

Description	Location	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Buildings and Improvements	Cost Capitalized Subsequent to Acquisitions	Gross Amount at Which Carried as of Close of Period: Land	Gross Amount at Which Carried as of Close of Period: Buildings and Improvements	Total (1)	Accumulated Depreciation	Year Built	Date Acquired	Life on Which Building Depreciation in Income Statement is Computed
St. Alexius - Orthopaedic Center	Bismarck, ND	—	—	13,881	1,240	—	15,121	15,121	(3,078)	1997	6/29/2016	39
St. Alexius - Rehab Center	Bismarck, ND	—	—	5,920	641	—	6,561	6,561	(2,027)	1997	6/29/2016	25
St. Alexius - Tech & Ed	Bismarck, ND	—	—	16,688	715	—	17,403	17,403	(3,479)	2011	6/29/2016	38
Good Samaritan Medical Building	Kearney, NE	—	—	24,154	3,141	—	27,295	27,295	(4,630)	1999	6/29/2016	45
Lakeside Two Professional Center	Omaha, NE	—	—	13,358	2,935	—	16,293	16,293	(3,102)	2000	6/29/2016	38
Lakeside Wellness Center	Omaha, NE	—	—	10,177	438	—	10,615	10,615	(2,137)	2000	6/29/2016	39
McAuley Center	Omaha, NE	—	1,427	17,020	1,280	1,427	18,300	19,727	(4,819)	1988	6/29/2016	30
Memorial Health Center	Grand Island, NE	—	—	33,967	3,492	—	37,459	37,459	(8,165)	1955	6/29/2016	35
Missionary Ridge Outpatient Medical Facility	Chattanooga, TN	—	—	7,223	3,936	—	11,159	11,159	(6,612)	1976	6/29/2016	10
Pilot Medical Center	Birmingham, AL	—	1,419	14,528	99	1,419	14,627	16,046	(3,336)	2005	6/29/2016	35
St. Joseph Medical Clinic	Tacoma, WA	—	—	16,427	981	—	17,408	17,408	(4,190)	1991	6/30/2016	30
Woodlands Medical Arts Center	The Woodlands, TX	—	—	19,168	3,363	—	22,531	22,531	(5,578)	2001	6/30/2016	35
FESC Outpatient Medical Facility	Tacoma, WA	—	—	12,702	324	—	13,026	13,026	(4,800)	1980	6/30/2016	22
PrairieCare Outpatient Medical Facility	Maplewood, MN	—	525	3,099	—	525	3,099	3,624	(567)	2016	7/6/2016	45
Springwoods Outpatient	Spring, TX	—	3,821	14,830	5,127	3,821	19,957	23,778	(5,818)	2015	7/21/2016	44

Physicians Realty Trust
Schedule III – Real Estate and Accumulated Depreciation
December 31, 2023
(dollars in thousands)

Description	Location	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Buildings and Improvements	Cost Capitalized Subsequent to Acquisitions	Gross Amount at Which Carried as of Close of Period: Land	Gross Amount at Which Carried as of Close of Period: Buildings and Improvements	Gross Amount at Which Carried as of Close of Period: Total (1)	Accumulated Depreciation	Year Built	Date Acquired	Life on Which Building Depreciation in Income Statement is Computed
Baylor Charles A. Sammons Cancer Center	Dallas, TX	—	—	256,886	2,936	—	259,822	259,822	(39,924)	2011	6/30/2017	43
Orthopedic & Sports Institute of the Fox Valley	Appleton, WI	—	2,003	26,394	100	2,003	26,494	28,497	(4,585)	2005	6/30/2017	40
Clearview Cancer Institute	Huntsville, AL	—	2,736	43,220	339	2,736	43,559	46,295	(8,557)	2006	8/4/2017	34
Northside Cherokee-Town Lake	Atlanta, GA	—	—	30,627	1,667	—	32,294	32,294	(5,651)	2013	8/15/2017	46
HonorHealth - Mesa	Mesa, AZ	—	362	3,059	8	362	3,067	3,429	(500)	2013	8/15/2017	43
Little Falls Orthopedics	Little Falls, MN	—	246	1,977	146	246	2,123	2,369	(774)	1999	8/24/2017	28
Unity Specialty Center	Little Falls, MN	—	—	2,885	998	—	3,883	3,883	(1,715)	1959	8/24/2017	15
Immanuel One Professional Center	Omaha, NE	—	—	16,598	1,377	—	17,975	17,975	(3,544)	1993	8/24/2017	35
SJRHC Cancer Center	Bryan, TX	—	—	5,065	977	—	6,042	6,042	(1,120)	1997	8/24/2017	40
St. Vincent Women's Center	Hot Springs, AR	—	—	4,789	225	—	5,014	5,014	(888)	2001	8/31/2017	40
Legends Park Medical Building & ASC	Midland, TX	—	1,658	24,178	—	1,658	24,178	25,836	(3,691)	2003	9/27/2017	44
Franklin Medical Building & ASC	Franklin, TN	—	1,001	7,902	319	1,001	8,221	9,222	(1,235)	2014	10/12/2017	42
Eagle Point Outpatient Medical Facility	Lake Elmo, MN	—	1,011	9,009	26	1,011	9,035	10,046	(1,332)	2015	10/31/2017	48
Edina East Outpatient Medical	Edina, MN	—	2,360	4,135	772	2,360	4,907	7,267	(1,210)	1962	10/31/2017	30

Physicians Realty Trust
Schedule III – Real Estate and Accumulated Depreciation
December 31, 2023
(dollars in thousands)

			Initial Cost to Company			Gross Amount at Which Carried as of Close of Period						
Description	Location	Encumbrances	Land	Buildings and Improvements	Cost Capitalized Subsequent to Acquisitions	Land	Buildings and Improvements	Total (1)	Accumulated Depreciation	Year Built	Date Acquired	Life on Which Building Depreciation in Income Statement is Computed
Eden Hill Medical Center	Dover, DE	—	—	48,686	486	—	49,172	49,172	(4,683)	2008	10/15/2021	25
HonorHealth - Neuroscience Institute	Scottsdale, AZ	—	—	53,452	1,640	—	55,092	55,092	(3,156)	2021	10/27/2021	40
University of Florida Health North	Jacksonville, FL	60,000	—	148,419	233	—	148,652	148,652	(8,463)	2015	12/20/2021	38
TGH Brandon Healthplex	Tampa, FL	—	—	66,864	697	—	67,561	67,561	(3,813)	2017	12/20/2021	38
Yulee Outpatient Medical Facility	Yulee, FL	—	—	17,286	28	—	17,314	17,314	(960)	2020	12/20/2021	39
James Devin Moncus Medical Building	Lafayette, LA	—	—	28,739	44	—	28,783	28,783	(1,812)	2010	12/20/2021	36
Bay City Outpatient Medical Facility	Bay City, MI	—	—	31,649	498	—	32,147	32,147	(1,951)	2016	12/20/2021	36
Beaumont Grosse Pointe Outpatient Medical Facility	Grosse Pointe, MI	—	—	21,883	316	—	22,199	22,199	(1,337)	2016	12/20/2021	38
Burns POB	Petoskey, MI	—	—	44,152	1,832	—	45,984	45,984	(3,073)	1993	12/20/2021	32
Beaumont Health & Wellness Center	Rochester Hills, MI	—	—	40,849	457	—	41,306	41,306	(2,558)	2011	12/20/2021	36
Beaumont POB	Sterling Heights, MI	—	—	39,501	593	—	40,094	40,094	(2,685)	2009	12/20/2021	36
Hospital Hill Medical Building I	Kansas City, MO	—	—	—	—	—	—	—	—	2015	12/20/2021	0
Jackson Baptist Medical Center - Belhaven	Jackson, MS	20,000	—	56,424	397	—	56,821	56,821	(3,509)	2013	12/20/2021	37
Old Bridge Outpatient Medical Facility	Old Bridge, NJ	20,000	—	65,290	101	—	65,391	65,391	(3,931)	2014	12/20/2021	36
Saint Vincent	Erie, PA	—	—	39,833	58	—	39,891	39,891	(2,327)	2007	12/20/2021	36

(1) Excludes acquired lease intangibles.

Physicians Realty Trust
Schedule III – Real Estate and Accumulated Depreciation
December 31, 2023

The aggregate cost for federal income tax purposes of the real estate as of December 31, 2023 is $5.2 billion, with accumulated tax depreciation of $1.0 billion. The cost, net of accumulated depreciation, is approximately $4.2 billion (unaudited).

The cost capitalized subsequent to acquisition is net of dispositions.

The changes in total real estate for the years ended December 31, 2023, 2022, and 2021 are as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Balance as of the beginning of the year	$ 5,008,476	$ 4,934,032	$ 4,129,562
Acquisitions and developments	62,498	107,693	856,088
Additions	41,767	41,951	31,731
Impairment	—	—	(340)
Real estate held for sale	—	—	(2,282)
Dispositions	(3,248)	(75,200)	(80,727)
Balance as of the end of the year	$ 5,109,493	$ 5,008,476	$ 4,934,032

The changes in accumulated depreciation for the years ended December 31, 2023, 2022, and 2021 are as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Balance as of the beginning of the year	$ 725,149	$ 594,714	$ 492,660
Depreciation	145,609	142,225	119,901
Real estate held for sale	—	—	318
Dispositions	(713)	(11,790)	(18,165)
Balance as of the end of the year	$ 870,045	$ 725,149	$ 594,714

Physicians Realty Trust
Schedule IV – Mortgage Loans on Real Estate
December 31, 2023

					(in thousands)			
Description	Interest Rate	Fixed / Variable	Final Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages	Principal Amount of Loans Subject to Delinquent Principal or Interest
First mortgages relating to 1 property located in:								
Davie, FL	7.0 %	Fixed	2024	(1)	$ —	$ 11,625	$ 11,621	$ —
Cudahy, WI	8.0 %	Fixed	2024	(1)	—	100	101	—
Nashville, TN	9.1 %	Fixed	2024	(2)	—	10,000	10,630	—
Roswell, GA	8.0 %	Fixed	2025	(3)	—	4,075	4,137	—
Buckeye, AZ	10.0 %	Fixed	2026	(4)	—	4,450	4,520	—
Construction loans relating to 1 property located in:								
Dunwoody, GA	6.8 %	Fixed	2024	(1)	—	14,149	13,540	—
Dallas, TX	7.8 %	Fixed	2026	(1)	—	5,752	5,710	—
Buckeye, AZ	7.6 %	Fixed	2026	(1)	—	—	—	—
Scottsdale, AZ	7.5 %	Fixed	2027	(1)	—	12,031	12,079	—
					$ —	$ 62,182	$ 62,338	$ —

(1) Interest is due monthly and outstanding principal and accrued interest are due at maturity.
(2) Interest is due semi-annually and outstanding principal and accrued interest are due at maturity.
(3) A portion of interest is due monthly with remaining interest added to the outstanding principal balance.
(4) Principal balance and accrued interest are due in one lump sum at maturity.

	Year Ended December 31,		
(in thousands)	2023	2022	2021
Reconciliation of mortgage loans:			
Balance at beginning of year	$ 74,629	$ 49,409	$ 66,586
Additions:			
New mortgage loans	41,881	22,732	7,323
Draws on existing mortgage loans	3,979	2,129	—
Interest added	113	376	980
Total additions	45,973	25,237	8,303
Deductions:			
Collection of principal	(51,528)	—	(10,000)
Collection of additional fees due at payoff	(552)	—	—
Conversion of loan receivable in connection to the acquisition of investment property	(5,397)	—	(15,500)
Change in reserve for loan losses	(787)	(17)	20
Total deductions	(58,264)	(17)	(25,480)
Balance at end of year	$ 62,338	$ 74,629	$ 49,409

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Physicians Realty Trust

Evaluation of Disclosure Controls and Procedures.

The Trust’s management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Trust’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this report. Based on such evaluation, the Trust’s Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2023, the Trust’s disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information it is required to disclose in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to the Trust’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting.

There have been no changes in the Trust’s system of internal control over financial reporting during the quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Trust’s internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting.

The Trust’s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of the Trust’s internal control over financial reporting based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are made only in accordance with authorizations from our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on our financial statements. Based on the assessment, management has concluded that the Trust’s internal control over financial reporting was effective as of December 31, 2023 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

The effectiveness of the Trust's internal control over financial reporting as of December 31, 2023 has been audited by Ernst & Young LLP ("EY"), an independent registered public accounting firm, as stated in their report included in Part II, Item 8 of this Annual Report on Form 10-K.

Limitations on Effectiveness of Controls and Procedures.

In designing and evaluating the disclosure controls and procedures and the Trust's internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and the Trust's internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2023, none of our trustees or officers adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” as such terms are defined under Item 408 of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board Composition

Biographies of Trustees

John T. Thomas
Age: 57, Trustee Since: 2013, Committees: Finance and Investment, Independent: No

Background:

- President, Chief Executive Officer, and Trustee, Physicians Realty Trust, 2013-Present
- EVP - Medical Facilities Group, Welltower Inc. (NYSE: WELL, formerly Health Care REIT Inc. (NYSE: HCN)), 2009-2012
- President, Chief Development Officer and Business Counsel, Cirrus Health, 2005-2008
- SVP and General Counsel, Baylor Health Care System, 2000-2005
- General Counsel and Secretary, Unity Health System, 1997-2000
- Tax Attorney, Sonnenschein, Nath & Rosenthal (now Dentons), 1995-1997
- Tax Attorney, Shook, Hardy & Bacon, 1992-1995
- Tax Attorney, Milbank, Tweed, Hadley & McCoy, 1990-1992
- Graduate of Vanderbilt University Law School, with a J.D.
- Graduate of Jacksonville State University, finishing with Distinction and Special Honors with a B.S. in Economics

Mr. Thomas is our President and Chief Executive Officer and serves on our Board and is a member of the finance and investment committee. Mr. Thomas has been the chief executive officer and trustee since our organization in April 2013. Mr. Thomas was the Executive Vice President-Medical Facilities Group for Welltower Inc. (NYSE: WELL, formerly known as Health Care REIT Inc.) from January 2009 to July 2012. Prior to Welltower, Mr. Thomas served as President, Chief Development Officer and Business Counsel of Cirrus Health from August 2005 to December 2008, where he led efforts to acquire and manage four hospitals and an endoscopy center, as well as efforts to develop other outpatient care facilities. From October 2000 to July 2005, he served as Senior Vice President and General Counsel for Baylor Health Care System in Dallas, Texas. As General Counsel for Baylor Health Care System, he was responsible for legal and government affairs. Mr. Thomas has been recognized for his team's advocacy work on Texas H.B. 3 and Proposition 12, the 2003 Texas legislative and constitutional amendment efforts to increase patient access to physicians and care through reforms to Texas' medical malpractice laws. He was also co-founder and chairman of the Coalition for Affordable and Reliable Health Care, a national coalition to reform medical malpractice laws through federal legislation. Mr. Thomas has testified before the Ways and Means Committee and Energy and Commerce Committee of the U.S. House of Representatives and a sub-committee of the U.S. Senate's Homeland Security Committee, all related to health care policy. From April 1997 to October 2000, he served as General Counsel and Secretary for Unity Health System, a five hospital division of the Sisters of Mercy Health System in St. Louis, MO, where he oversaw legal affairs for the health care delivery system and its operating subsidiaries. Mr. Thomas was a member of the Board of Directors of Education Realty Trust, Inc. (NYSE: EDR) from 2016 to 2018 at which time EDR was sold to a private company. He also serves on the Board of Trustees for the Jacksonville State University Foundation and the Auburn University Real Estate Foundation.

Mr. Thomas began his career as a tax lawyer at Milbank, Tweed, Hadley & McCoy in New York, NY in 1990, and was elected a partner at Sonnenschein, Nath & Rosenthal (now Dentons) in April 1997. Mr. Thomas received his J.D. from Vanderbilt University Law School and his B.S. in Economics from Jacksonville State University, where he was a scholarship letterman on the football team and was a member of the Academic All-Conference Team. Mr. Thomas graduated with Distinction and Special Honors in Economics.

Qualifications

We have determined that Mr. Thomas should serve on our Board given his background, skills, and extensive experience in the health care industry. As President and Chief Executive Officer of the Company, he is knowledgeable on all aspects of the Company’s business and operations and has considerable executive experience in the real estate industry.

Governor Tommy G. Thompson
Age: 82, Trustee Since: 2013, Committees: Compensation, Nominating and Corporate Governance, Finance and Investment, Independent: Yes

Background:

- Non-Executive Chairman of the Board, Physicians Realty Trust, 2013-Present
- President, University of Wisconsin System, 2020-2022
- United States Secretary of Health and Human Services, 2001-2005
- Governor of State of Wisconsin, 1987-2001
- Senior Advisor, Deloitte & Touche USA LLP, 2005-2009
- Senior Partner, Akin Gump Strauss Hauer & Feld LLP, 2005-2012
- President, Logistics Health, Inc., 2005-2011
- Graduate of the University of Wisconsin-Madison, with a B.S. and J.D.

Governor Thompson was appointed to our Board in connection with our initial public offering ("IPO") in July 2013 and is the non-executive chairman of our Board and a member of the compensation committee, nominating and corporate governance committee, and the finance and investment committee. Governor Thompson served the University of Wisconsin System as President from July 2020 to March 2022. Governor Thompson is the former United States Health and Human Services (HHS) Secretary, serving from 2001 to 2005, and a four-term Governor of Wisconsin. Following his terms in public office, Governor Thompson built, and continues to build, on his efforts as HHS Secretary and Governor to develop innovative solutions to the health care challenges facing American families, businesses, communities, states and the nation. These efforts focus on improving the use of information technology in hospitals, clinics, and doctors' offices; promoting healthier lifestyles; strengthening and modernizing Medicare and Medicaid; and expanding the use of medical diplomacy around the world. From 2005 until 2009, Governor Thompson served as a senior advisor at the consulting firm Deloitte & Touche USA LLP and was the founding independent chairman of the Deloitte Center for Health Solutions, which researches and develops solutions to some of our nation's most pressing health care and public health related challenges. From 2005 to early 2012, Governor Thompson served as a senior partner at the law firm of Akin Gump Strauss Hauer & Feld LLP. Governor Thompson served as Chairman of the Board of Trustees of Logistics Health, Inc. from January 2007 to May 2011, and served as President from February 2005 to January 2011. Governor Thompson served on the Board of Directors of Centene Corporation from 2005 to 2022. Governor Thompson currently serves on the Board of Directors of United Therapeutics Corporation (since 2010) and TherapeuticsMD, Inc. (since 2012). Governor Thompson was formerly a director of C.R. Bard, Inc., Cytori Therapeutics, Inc., Cancer Genetics, Inc., CareView Communications, Inc., and Tyme Technologies, Inc. Governor Thompson received his B.S. and J.D. from the University of Wisconsin-Madison.

Qualifications

We have determined that Governor Thompson should serve on our Board because of his public company board experience, extensive knowledge of the evolving health care industry, and unique experience with physicians, health care decision makers, and business executives nationwide regarding health care policy and improvements within the industry.

Stanton D. Anderson
Age: 83, Trustee Since: 2013, Committees: Audit, Compensation (Chair), Independent: Yes

Background:

- Trustee, Physicians Realty Trust, 2013-Present
- Partner, McDermott Will & Emery, 1995-2008
- Senior Counsel to the President and CEO, U.S. Chamber of Commerce, 1997-2016
- Executive Vice President and Chief Legal Officer, U.S. Chamber of Commerce, 2003-2007
- Counsel, Reagan-Bush Presidential Campaign, 1980
- Graduate of Willamette University, with a J.D. and served as a member of the Law Review
- Graduate of Westmont College, with a B.A.

Mr. Anderson was appointed to our Board in connection with our IPO in July 2013 and is the Chairman of the compensation committee and is a member of the audit committee. Mr. Anderson resigned as a partner from the law firm McDermott Will & Emery in February 2008. He served as Senior Counsel to the President and CEO of the U.S. Chamber of Commerce (the “Chamber”) from 1997 until 2016. While a partner at McDermott Will & Emery, Mr. Anderson served as

Executive Vice President and Chief Legal Officer of the Chamber. Mr. Anderson also oversaw the National Chamber Litigation Center, the public policy legal arm of the Chamber; the Institute for Legal Reform, a Chamber affiliate dedicated to restoring fairness, efficiency, and consistency to the U.S. civil justice system; and the Chamber's Office of General Counsel. Mr. Anderson was involved in national political affairs, including managing a number of Republican conventions and serving as Counsel to the Reagan-Bush Campaign in 1980. Mr. Anderson received a number of Presidential appointments, including the President's Advisory Committee on Trade Negotiations, the Presidential Commission on Personnel Interchange, and he chaired the U.S. delegation to the United Nations Conference on New and Renewable Energy Resources in 1981. Mr. Anderson previously served on the Board of Directors of two public companies, CB Richard Ellis (now CBRE), where he chaired the audit committee for a number of years, and Aegis Communications Group, where he chaired a number of board committees, including the audit committee. Mr. Anderson graduated from Westmont College, where he was a Small College All-American basketball player, and he graduated from Willamette University with a J.D. degree and served as a member of the Law Review.

Qualifications

We have determined that Mr. Anderson should serve on our Board because of his significant financial and legal experience, prior service as a member of the Board of Directors of other public companies, and his familiarity with business policy.

Mark A. Baumgartner
Age: 68, Trustee Since: 2013, Committees: Audit (Chair), Independent: Yes

Background:

- Trustee, Physicians Realty Trust, 2013-Present
- Chief Investment & Risk Officer and Senior Managing Director, The Ziegler Companies, Inc., 2009-2020
- Investment Banker, The Ziegler Companies, Inc., 1984-2009
- Graduate of the University of Notre Dame, with a B.B.A. in Finance

Mr. Baumgartner was appointed to our Board in connection with our IPO in July 2013 and is the Chairman of the audit committee. From 2009 to 2020, Mr. Baumgartner served as the Chief Investment & Risk Officer and a Senior Managing Director of The Ziegler Companies, Inc. ("Ziegler"). During his tenure he was responsible for review of certain transactions underwritten by the firm for hospitals, senior living entities, and charter schools, totaling approximately $3 billion annually. In addition, Mr. Baumgartner oversaw Ziegler's proprietary investments, private equity funds, and general business risks. Prior to assuming his position in 2009, Mr. Baumgartner worked as an investment banker at Ziegler beginning in 1984. Over the next 25 years, he completed more than 150 public debt offerings in excess of $5 billion for hospital systems, clinics, and senior living facilities across the country. During that time, Mr. Baumgartner's investment banking activities included mergers, acquisitions, and financial advisory work as well as tax-exempt and taxable financings on a fixed variable or blended interest rate basis. Mr. Baumgartner also worked on numerous strategic advisory transactions for health care providers involved in merging, acquiring, or partnering with other health care entities. Mr. Baumgartner was a registered representative and registered principal of Ziegler. He earned a B.B.A. in finance from the University of Notre Dame.

Qualifications

We have determined that Mr. Baumgartner should serve on our Board because of his health care industry expertise, financial expertise, and capital markets experience.

Albert C. Black, Jr.
Age: 64, Trustee Since: 2013, Committees: Nominating and Corporate Governance (Chair), Finance and Investment, Independent: Yes

Background:

- Trustee, Physicians Realty Trust, 2013-Present
- Founder and Chairman, On-Target Supplies & Logistics, Ltd., 1982-Present
- Graduate of Southern Methodist University's Cox School of Business, with a M.B.A.
- Graduate of the University of Texas at Dallas

Mr. Black was appointed to our Board in connection with our IPO in July 2013 and is the Chairman of the nominating and corporate governance committee, and a member of the finance and investment committee. Mr. Black founded On-Target Supplies & Logistics, Ltd. (“On-Target”), a regional logistics management firm that provides outsourced services to a diverse set of companies, in 1982. On-Target's services include a broad range of supply chain functions. As Executive Chairman of the company, Mr. Black’s responsibilities include developing its executive management, corporate strategy, and leadership, including diversity, equity, and inclusion efforts to build and grow diverse teams. On-Target's affiliate companies are TreCo Investments and READYTOWORK®, a workforce training and development company. Mr. Black’s professional and community experience over the years has included serving in leadership positions with several civic and educational institutions, including Baylor Scott and White Health, one of the leading health care delivery systems in the country, where he has served as a trustee for over 25 years. Mr. Black is a past Chairman of the Board of Trustees for Baylor Health Care System. Mr. Black also serves as the inaugural chairman of the Charles A. Sammons Cancer Center Board. He is also a sponsoring trustee of the BSWH Diabetes Health and Wellness Institute. Mr. Black also has served as Chairman of the boards of Dallas Regional Chamber BSWH, PrimeSource, and the Dallas Housing Authority. In February 2023, Mr. Black was honored by having a new elementary school named after him in Dallas, Texas. The ceremony for Albert C. Black Elementary School was attended by community members, educators, and school officials who recognized Mr. Black's legacy as a dedicated educator and civil rights leader. Mr. Black’s college and university board experience includes St. Louis University Board of Trustees, Baylor University Regent, Texas Southern University Regent, and Paul Quinn College Regent. Mr. Black received a bachelor's degree from the University of Texas at Dallas and earned an MBA from the Cox School of Business at Southern Methodist University.

Qualifications

We have determined that Mr. Black should serve on our Board because of his entrepreneurial start-up business experience, his experience as President and CEO of a company, and his insightful perspective serving as a long-standing member of the board of trustees of a major health care delivery system, as well as other civic and educational institutions. We also have determined that Mr. Black’s leadership in diversity, equity, and inclusion matters is an asset as Chairman of our nominating and corporate governance committee.

William A. Ebinger, M.D.
Age: 69, Trustee Since: 2013, Committees: Compensation, Finance and Investment, Independent: Yes

Background:

- Trustee, Physicians Realty Trust, 2013-Present
- Internist, Advocate Aurora Health Care, 2008-2021
- President of the Medical Staff, Aurora Medical Center, Grafton, Wisconsin, 2010-2013
- Medical Director, Ozaukee Region, Aurora Advanced Healthcare Division, 2012-2014
- Physician Shareholder, Advanced Healthcare, 1992-2008
- Physician Shareholder, Milwaukee Medical Clinic, 1984-2002

- Postgraduate Training, Internal Medicine, University of Michigan
- Graduate of Cornell College and the Pritzker School of Medicine at the University of Chicago
- Certification, American Board of Internal Medicine since 1983
- Member, American College of Physicians

Dr. Ebinger was appointed to our Board in connection with our IPO in July 2013 and is a member of the compensation committee and the finance and investment committee. Dr. Ebinger was a practicing internist with Advocate Aurora Health Care, now one of the 10 largest not-for-profit integrated health systems in the nation with 28 hospitals, 8,300 physicians, and approximately $9.4 billion annual revenue, from 2008 through 2021. Dr. Ebinger served as the inaugural President of the Medical Staff at the Aurora Medical Center in Grafton, Wisconsin from 2010 through 2013. Dr. Ebinger served as a Medical Director for the Ozaukee Region of the Aurora Advanced Healthcare Division from 2012 through 2014. Dr. Ebinger was also a member of the Board of Directors for the Aurora Medical Group upon its formation in 2008 and served as the inaugural President of the Aurora Greater Milwaukee North Market Management Committee from 2014 through 2017. Prior to joining Aurora Health Care in 2008, Dr. Ebinger was a shareholder of Advanced Healthcare, the largest independent physician practice group in Southeastern Wisconsin with 250 physicians, and served on its Board of Directors for 12 years. In 2008, Dr. Ebinger helped Advance Healthcare arrange a strategic hospital affiliation with Aurora Health Care to create Aurora Advanced Health Care. Dr. Ebinger graduated from Cornell College and the Pritzker School of Medicine at the University of Chicago. Dr. Ebinger completed his postgraduate training in Internal Medical at the University of Michigan, is certified by the American Board of Internal Medicine, and is a member of the American College of Physicians.

Qualifications

We have determined that Dr. Ebinger should serve on our Board because of his unique perspective as a practicing physician and experience with the integration and affiliation of an independent physician practice group with a leading health care delivery system.

Pamela J. Shelley-Kessler
Age: 58, Trustee Since: 2018, Committees: Audit, Independent: Yes

Background:

- Trustee, Physicians Realty Trust, 2018-Present
- Co-President, LTC Properties, Inc. (NYSE: LTC), May 2020-Present
- EVP, LTC Properties, Inc., 2007-May 2020
- Chief Financial Officer and Corporate Secretary, LTC Properties, Inc., 2007-Present
- VP - Controller, LTC Properties, Inc., 2000-2007
- Corporate Controller, The Ezralow Company, 1997-2000
- Director of Financial Reporting, Irvine Apartment Communities, 1994-1997
- Assistant Controller, Inland Empire Division of KB Home, 1992-1994
- Senior Accountant, Real Estate Group, Ernst & Young LLP., 1989-1992
- Graduate of the University of California-Irvine, with Honors earning a B.A. in Economics
- Licensed Certified Public Accountant (CPA-Inactive)

Ms. Shelley-Kessler was appointed to our Board on January 1, 2018, and is a member of the audit committee. Ms. Shelley-Kessler is the Chief Financial Officer and Secretary of LTC Properties, Inc. (NYSE: LTC), positions she has held since 2007 and was promoted to Co-President in May 2020. Ms. Shelley-Kessler previously served as EVP of LTC from 2007 - May 2020. She has been with LTC as a member of the senior management team since 2000, when she joined as Vice President, Controller. Ms. Shelley-Kessler oversees all aspects of finance, accounting, corporate reporting, tax, and risk management, and is also responsible for LTC's capital markets and key stakeholder engagement activities. She has over 25 years of real estate experience and has demonstrated expertise in developing, leading, and executing capital markets and financial planning and analysis activities. LTC is a real estate investment trust that invests in senior housing and post-acute/skilled nursing properties primarily through sale-leaseback transactions, mortgage financing, and structured finance solutions, including mezzanine lending. Prior to joining LTC, Ms. Shelley-Kessler served as the Corporate Controller for a privately held commercial and multifamily real estate developer. She was also the Director of Financial Reporting for Irvine Apartment Communities, a publicly traded multifamily REIT, and Assistant Controller of the Inland Empire division of KB Home, one of the nation's largest publicly traded homebuilders. She began her career as a certified public accountant in the real estate group at Ernst & Young LLP. Ms. Shelley-Kessler also serves on the board of the Providence Tarzana Foundation. Providence Cedars-Sinai Tarzana Medical Center is a 249-bed hospital serving the San Fernando Valley, a joint venture between Providence St. Joseph Health, a national not-for-profit health system comprised of 50 hospitals and 829 clinics throughout the western part of the United States, and Cedars-Sinai Health System. Ms. Shelley-Kessler graduated with honors earning her bachelor's degree in economics from the University of California, Irvine where she was the Vice President of Student Services. Ms. Shelley-Kessler is a founding member of the Women of the Dean's

Leadership Society at the UC Irvine School of Social Sciences. Her current efforts within this organization include the development of a mentorship program with a focus on female leadership to provide undergraduate women with professional advice, guidance, and networking opportunities. Ms. Shelley-Kessler is also a member of California Lutheran University’s School of Management Dean’s Executive Council.

Qualifications:

We have determined that Ms. Shelley-Kessler should serve on our Board because of her experience as CFO and Secretary of a publicly traded company, her REIT experience, and her financial knowledge and expertise.

Ava E. Lias-Booker
Age: 63, Trustee Since: 2022, Committees: Compensation, Nominating and Corporate Governance, Independent: Yes

Background:

- Trustee, Physicians Realty Trust, 2022-Present
- Partner, McGuireWoods LLP, 2004-Present

- Partner, Saul Ewing LLP, 2001-2004
- Partner, Gordon, Feinblatt, Rothman, Hoffberger & Hollander LLP, 1995-2001
- Partner, Saul Ewing LLP (formerly Weinberg & Green LLC), 1994-1995
- Associate, Saul Ewing LLP (formerly Weinberg & Green LLC), 1986-1994
- Graduate of Maryland Francis King Carey School of Law, with a J.D.
- Graduate of Duke University, B.A. Political Science

Ms. Lias-Booker was appointed to our Board on March 1, 2022. A seasoned trial and appellate lawyer, Ms. Lias-Booker serves in a number of leadership roles at McGuireWoods LLP, a leading international law firm, where she has been a partner since 2004. She is a member and past chair of the firm's Diversity & Inclusion Committee and a former member of its Diversity Action Committee, and Associates Committee. Ms. Lias-Booker is also a former Baltimore office managing partner. Ms. Lias-Booker leads the Baltimore litigation practice with three decades of first chair trial and appellate experience representing businesses from a broad range of industries in complex commercial and civil litigation. She served as co-lead counsel to a multinational oil and gas corporation that successfully argued for the reversal of jury verdicts awarding plaintiffs more than $1.5 billion damages before Maryland’s highest appellate court. She has successfully defended financial institutions in cases at the trial and appellate levels, including multimillion-dollar lender liability claims and claims arising under the Equal Credit Opportunity Act, Fair Lending Laws, Fair Credit Reporting Act and the Computer Fraud and Abuse Act. Ms. Lias-Booker’s dedication to providing excellent client service is matched by her passion for mentoring young lawyers and serving the legal and civic communities of Baltimore, the state, and the nation.

Ms. Lias-Booker also serves in a number of leadership roles in the legal and business communities, including as the Vice Chair of the board of trustees of University of Maryland Saint Joseph’s Medical Center and sits on the University of Maryland Francis King Carey School of Law Board of Visitors (emeritus) and is a former member of the Duke University School of Law Board of Visitors. She is a founding member of the Cole-Davidson American Inns of Court and a Litigation Counsel of America senior fellow. She is a former member of the boards of directors for the Baltimore Symphony Orchestra and the Baltimore Open Society Institute. Ms. Lias-Booker also serves as chair of the Magistrate Judges’ Merit Selection Panel of the U.S. District Court for the District of Maryland and was a gubernatorial appointee to the Maryland Appellate Judicial Nominating Committee. The Best Lawyers in America named Ms. Lias-Booker “Lawyer of the Year” for Baltimore litigation-banking and finance, and she is recognized for commercial litigation and litigation-securities. She was included in Chambers’ “America's Leading Lawyers for Business” in the general commercial litigation category, and she was a “Lawyer of the Year" finalist in Chambers’ Diversity & Inclusion Awards: North America. Savoy magazine named her to its list of “Most Influential Black Lawyers” and she received a Women, Influence & Power in Law Award from Corporate Counsel magazine. She frequently speaks on litigation, leadership, and diversity issues.

Qualifications

We have determined that Ms. Lias-Booker should serve on our Board because of her legal experience, her experience in matters of compliance with legal and regulatory requirements, and her leadership on DEI issues.

Richard A. Weiss

Age: 77, Trustee Since: 2013, Committees: Nominating and Corporate Governance, Finance and Investment (Chair), Independent: Yes

Background:

- Trustee, Physicians Realty Trust, 2013-Present
- Management Committee Member, Foley & Lardner LLP, 1999-2008
- Graduate of the University of Wisconsin Law School, finishing Magna Cum Laude earning a J.D., Order of the Coif, and served on the editorial board of the Wisconsin Law Review
- Graduate of Northwestern University, finishing with distinction honors earning a B.S.B.A.

Mr. Weiss was appointed to our Board in connection with our IPO in July 2013 and is Chairman of the finance and investment committee and a member of the nominating and corporate governance committee. Mr. Weiss retired as a partner from the law firm Foley & Lardner LLP in June 2008, where he served in a number of leadership roles over the years, including as managing partner of the firm’s Washington D.C. office, as firm-wide managing partner, and as a member of the firm’s management committee. Mr. Weiss concentrated his law practice in health care finance, representing hospital systems, medical practice groups, and investment banks. Mr. Weiss is a former member of the board of trustees and former board chair of Washington Hospital Center, the largest private hospital in Washington, D.C. Mr. Weiss served for over 30 years on the boards of directors of Advocate Aurora Health and predecessor health care institutions, including multi-year terms as finance committee chair and board chair of Aurora Health Care and Milwaukee Psychiatric Hospital. Mr. Weiss has also been a trustee of the Medical College of Wisconsin.

In addition to his work in health care, Mr. Weiss worked in the sports industry, where he represented the Washington Nationals in connection with its baseball stadium in Washington, D.C., the Green Bay Packers in the renovation of Lambeau Field, the Milwaukee Brewers in the development and financing of Miller Park, and Major League Baseball in the financing of ballparks in San Diego and Miami. Mr. Weiss graduated from the University of Wisconsin Law School (magna cum laude, 1971), where he was Order of the Coif and on the editorial board of the Wisconsin Law Review, and has a business degree from Northwestern University (B.S.B.A., with distinction, 1968). He was elected to the American College of Bond Counsel and served two years as its President. Mr. Weiss is a board member and audit committee chair of Ascendium Education Group, a retired member of The Economic Club of Washington D.C., a former board member and the general campaign chair for the United Way of the National Capital Area, and a former member of the board of trustees and executive committee of the Greater Washington Board of Trade.

Qualifications:

We have determined that Mr. Weiss should serve on our Board because of his health care industry, legal and financial experience, and his experience in matters of compliance with legal and regulatory requirements.

Trustee Nomination Procedure

On August 1, 2023, the Board approved amendments to the Company’s bylaws (as so amended and restated, the “Bylaws”), effective as of such date, to implement proxy access and to add or revise various provisions related to shareholder nominations of trustees, among other changes.

Implementation of Proxy Access

Article II, Section 12 has been added to the Bylaws to permit a nominating shareholder, or a group of up to 20 shareholders, owning at least 3% of the Company’s common shares of beneficial interest, $0.01 par value per share, for at least three continuous years, to nominate and include in the Company’s proxy materials up to the greater of two individuals or 20% of the Board as trustee nominees, provided that the nominating shareholder(s) and the trustee nominee(s) satisfy the procedural, eligibility and disclosure requirements specified in the Bylaws.

The procedural and eligibility requirements set forth in Article II, Section 12 of the Bylaws include a requirement that, subject to certain exceptions, a notice of proxy access nomination must be received by the Secretary of the Company at the principal executive office of the Company no earlier than the 150th day and no later than the 120th day prior to the first anniversary of the date of the Company’s proxy statement for the previous year’s annual meeting of shareholders. Article 11, Section 12 of the Bylaws also includes requirements that the nominating shareholder(s) and the trustee nominee(s) provide certain information, representations and agreements to the Company in order to be eligible for proxy access.

Advance Notice Bylaws Amendments

The Bylaws were also amended to reflect certain procedural requirements for proposals of business for consideration at meetings of shareholders and shareholder nominations of trustees, including with respect to Rule 14a-19 under the Exchange Act. In particular, the advance notice provisions of the Bylaws were amended to, among other things, (i) require a shareholder and proposed trustee nominee(s) to comply with Rule 14a-19 under the Exchange Act, including that any such shareholder solicit holders of at least 67% of shares entitled to vote on the election of trustees, (ii) require a shareholder to provide additional information regarding the shareholder, trustee nominee(s) or other business that the shareholder proposes to bring before the meeting, and make certain representations and undertakings, (iii) prohibit a shareholder from nominating more trustee nominees than the number of trustees to be elected at the annual meeting of shareholders or substituting or replacing a nominee (unless the substitute or replacement fulfills the obligations set forth in the Bylaws, including compliance with any applicable deadlines) and (iv) require a shareholder to appear in person or by proxy at a meeting of shareholders to present the trustee nominee(s) or bring such business before such meeting and to use a proxy card color other than white.

Our Board and Committees

Board Leadership Structure

Mr. Thomas currently serves as our President and Chief Executive Officer and Governor Thompson currently serves as the Non-Executive Chairman of the Board. Pursuant to the Company’s bylaws, the Board may, but is not required to, designate a Chief Executive Officer. In the absence of such designation, the Chairman of the Board shall be the Chief Executive Officer of the Company. The Board has no policy with respect to the separation of the offices of Chairman of the Board and the Chief Executive Officer as the Board believes that it is in the best interests of the Company and its shareholders to make that determination from time to time based on the needs of the Company and the Board. The Board has determined that separating the roles of Chief Executive Officer and Chairman is currently in the Company’s and shareholders' best interests. The roles of Chief Executive Officer and Chairman have been separated since the Company's initial public offering in 2013.

Committee Membership and Structure

Our Board has established four standing committees: an audit committee, a compensation committee, a nominating and corporate governance committee, and a finance and investment committee. The principal functions of each committee are described below. We comply with the listing requirements and other rules and regulations of the NYSE, as amended or modified from time to time, and each of the audit committee, compensation committee, and nominating and corporate governance committee is comprised exclusively of independent trustees. Additionally, our Board may from time to time establish certain other committees to facilitate the management of our Company.

The audit committee, compensation committee, and nominating and corporate governance committee each operate under charters approved by our Board, which charters are available in the “Investors” section of our website (www.docreit.com) under “Governance Documents.” Information contained on our website is not part of, or incorporated by reference into, this Annual Report on Form 10-K.

Audit Committee

Members: Mark A Baumgartner (Chair), Stanton D. Anderson, Pamela J. Shelley-Kessler
Meetings in 2023: 4

We have adopted an audit committee charter, which details the principal functions of the audit committee, including oversight related to:

- our accounting and financial reporting processes;
- the integrity of our financial statements and financial reporting process;
- our systems of disclosure controls and procedures and internal control over financial reporting;
- our compliance with financial, legal and regulatory requirements;
- the annual evaluation of the qualifications, independence, and performance of our independent registered public accounting firm;

- the performance of our internal audit function;
- our cybersecurity and information technology system risk management; and
- our overall risk profile.

The Board has determined that each member of the audit committee is “independent” based on the NYSE’s listing rules and that each member of the audit committee also satisfies the additional independence requirements of the SEC for members of audit committees. In addition, the Board has determined that each member of the audit committee is “financially literate” within the meaning of the listing standards of the NYSE and that each of Mr. Baumgartner, Mr. Anderson, and Ms. Shelley-Kessler is an “audit committee financial expert” as that term is defined by the applicable SEC regulations and the listing standards of the NYSE.

The audit committee is responsible for engaging an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, including all audit and non-audit services, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees, and reviewing the adequacy of our internal accounting controls. The audit committee considers whether the independent registered public accounting firm is qualified and able to provide effective and efficient service, based on factors such as the independent registered public accounting firm’s familiarity with the Company’s industry, business, personnel, culture, accounting systems, or risk profile; the appropriateness of fees charged; and whether the retention of the independent registered public accounting firm would enhance the Company’s ability to manage or control risk or improve the quality of the audit. The audit committee meets with the independent registered public accounting firm at least quarterly, both together with management and separately, to review and discuss significant matters related to the audit and/ or the quarterly reviews of financial statements. The audit committee also approves the audit committee report required by SEC regulations to be included in our annual proxy statement. The audit committee also reviews any related party transaction identified and presented to the committee under the Company’s Related Person Transaction Policy, and oversees the investigation and handling of any concerns or complaints that arise under the Company's whistleblower policy.

Finance and Investment Committee
Members: Richard A. Weiss (Chair), John T. Thomas, Governor Tommy G. Thompson, Albert C. Black Jr., William A. Ebinger M.D.
Meetings in 2023: 3

The function of the finance and investment committee is to review and approve the Company’s capital structure and financing activities and investments in health care properties.

Our finance and investment committee operates pursuant to a written charter. Unless otherwise determined by the Board, the committee shares in the responsibility for consulting with management on, and recommending for Board approval, all strategies, plans, policies and actions relating to: (i) capital structure; (ii) equity and debt financings, including public and private securities offerings; (iii) credit facilities and loans, hedging and other financing transactions subject to investment parameters established by the Board for the Company; (iv) dividends; and (v) cash management. From time to time, the committee will also review and approve or recommend to the full Board specific investments in health care properties by the Company.

Our Board has determined that, other than Mr. Thomas, each member of the finance and investment committee is “independent” under NYSE rules.

Compensation Committee
Members: Stanton D. Anderson (Chair), Governor Tommy G. Thompson, William A. Ebinger M.D., Ava E. Lias-Booker
Meetings in 2023: 2

Our compensation committee charter details the principal compensation-related functions of the compensation committee, including:

- at least annually, review and approve the corporate goals and objectives relevant to our Chief Executive Officer’s compensation, evaluate our Chief Executive Officer’s performance in light of such goals and objectives and, determine and approve the Chief Executive Officer's compensation level based on this evaluation;
- at least annually, review and approve all compensation for all other officers, and all other employees of the Company or its subsidiaries who are senior vice president and above;

- periodically review and recommend to the Board the amount and composition of compensation for trustees;
- at least annually, review the compensation philosophy of the Company;
- at least annually, conduct a risk assessment of the Company's compensation policies and practices;
- develop, periodically review, and recommend to the Board a succession plan for the Chief Executive Officer and other executive officers;
- implement and administer our incentive compensation equity-based remuneration plans;
- review and discuss with management the Compensation Discussion and Analysis ("CD&A") and determine whether to recommend to the Board that the CD&A be included in the annual proxy statement;
- prepare a report of the compensation committee for inclusion in our annual proxy statement; and
- oversee any clawback policy relating to executive compensation.

The Board has determined that each member of the compensation committee is "independent" based on the NYSE's listing rules and also meets the NYSE's additional requirements for membership on the compensation committee.

Nominating and Corporate Governance Committee

Members: Albert C. Black Jr. (Chair), Governor Tommy G. Thompson, Ava E. Lias-Booker, Richard A. Weiss

Meetings in 2023: 3

Our nominating and corporate governance committee charter details the principal governance-related functions of the nominating and corporate governance committee, including:

- identify and recommend to the full Board qualified candidates for election as trustees and recommend nominees for election as trustees at the annual meeting of shareholders;
- recommend candidates to fill any vacancies on the Board;
- in connection with the recommendation of candidates for election as trustees or to fill a vacancy on the Board, consider diversity in terms of perspective, background, experience, gender, race and ethnic or national origin;
- develop and recommend to the Board policies and procedures regarding the consideration of trustee candidates recommended by the Company's shareholders;
- recommend to the Board nominees for each committee of the Board;
- oversees the Company's ESG and receives regular updates regarding strategy, practices, and performance;
- oversee the Company's human capital and DEI policies and initiatives, and oversee the DEI Council;
- develop and recommend to the Board corporate governance guidelines and implement and monitor such guidelines and annually review such guidelines;
- review and make recommendations on matters involving the general operation of the Board, including board size and composition, and committee composition and structure;
- annually review and assess the independence of trustees;
- annually facilitate the assessment of the Board’s performance and effectiveness;
- oversee the evaluation of the Board and management;
- make recommendations to the Board regarding governance matters, including the Company’s organizational documents and committee charters;
- oversight of employee health, safety, and wellness; and
- at least annually, consider and discuss with management the Company’s code of business conduct and ethics and the procedures in place to enforce the code of business conduct and ethics.

The Board has determined that each member of the nominating and corporate governance committee is “independent” based on the NYSE’s listing rules.

Corporate Governance Guidelines

Our Board has established corporate governance guidelines that address the role and composition of, and policies applicable to, the Board and management. At least annually, the nominating and corporate governance committee reviews and reassesses the corporate governance guidelines and submits any recommended changes to the Board for its consideration. A copy of the Company’s corporate governance guidelines is available in the “Investors” section of our website (www.docreit.com) under “Governance Documents.” Information contained on our website is not part of, or incorporated by reference into, this Annual Report on Form 10-K.

Board Responsibilities

Strategic Oversight

Oversight of the Company’s business strategy and strategic planning is a key responsibility of the Board. The Board believes that overseeing and monitoring strategy is a continuous process, and the Board takes a multilayered approach in exercising its duties.

The Board is committed to oversight of the Company’s business strategy and strategic planning, including work embedded in the Board committees, regular Board meetings, and dedicated meetings each year to focus on strategy.

This ongoing effort enables the Board to focus on Company performance over the short, intermediate, and long term, as well as the quality of operations. In addition to financial and operational performance, non-financial measures, including sustainability metrics, are discussed regularly by the Board and Board committees.

While the Board and its committees oversee strategic planning, Company management is charged with executing the business strategy. To monitor performance against the Company’s strategic goals, the Board receives regular updates and actively engages in dialogue with our Company’s senior leaders. These boardroom discussions are enhanced with in-depth investment discussions, which provide Board members an opportunity to monitor the Company's execution against strategic goals.

The Board’s oversight and management's execution of business strategy are viewed with a long-term mindset and a focus on assessing both opportunities for and potential risks to the Company.

Risk Oversight

One of the key functions of our Board is informed oversight of our risk management process. Our Board administers this oversight function directly, with support from its four standing committees — the audit committee, the compensation committee, the nominating and corporate governance committee, and the finance and investment committee — each of which addresses key risks to the Company that are specific to its respective area of oversight.

- Our audit committee is responsible for considering and discussing our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The audit committee also oversees our information and technology risks, including cybersecurity, monitors compliance with legal and regulatory requirements, and oversees the performance of our internal audit function. The audit committee receives regular reports from the Company's general counsel on regulatory and legal risks affecting the Company.
- Our compensation committee assesses and monitors whether any of our compensation policies and programs have the potential to encourage excessive risk-taking.
- Our nominating and corporate governance committee monitors the effectiveness of our corporate governance guidelines and our code of business conduct and ethics, including whether they successfully prevent illegal or improper liability-creating conduct. The nominating and corporate governance committee also oversees our ESG initiatives and risks.
- Our finance and investment committee at least quarterly reviews the performance, significant risks, and the credit status of tenants in the Company's portfolio monitors our investments and financing activities, approves or recommends to the Board certain financial transactions, including equity and debt financings, material amendments to our credit facilities and other indebtedness, and, from time to time, approves specific investments in health care properties by the Company.

Generally, at each Board meeting, the chairs of each committee provide a report to the Board on any key items and risks discussed at the respective committee meetings. In addition, the Board regularly discusses the Company's short-, medium-, and long-term strategy and risks. Shorter term risks and related matters are generally discussed at meetings of the Board and applicable committee on a regular and recurring basis, whereas longer term risks are discussed at least annually and as appropriate throughout the course of the year.

Our Board or applicable committee receives information from external advisors and others, including the Company's independent auditors, legal counsel, compensation consultant, and financial advisors, to advise on key risks and other issues relevant to the Company. Additionally, the Board occasionally brings in outside speakers to discuss with the Board developments and risks related to, among other things, the health care industry, real estate market, and capital markets.

On an ongoing basis, the Board assesses and discusses with management the Company's current and future risk environment.

Cybersecurity Oversight

- We deploy a cybersecurity defense strategy with multiple layers of controls, including embedding security into our technology investments.
- We invest in threat intelligence and are active participants in industry and government forums to improve sector cybersecurity defense.
- We collaborate with our peers in threat intelligence, vulnerability management, response, and drills.
- We perform simulations and drills at both technical and management level, including annual cybersecurity training for all employees.
- We utilize the expertise of top information security providers to conduct external and internal audits of our cybersecurity defense program and implement their recommendations for improved security.
- We adopted and review annually our Security Breach Incident Response Plan, which incorporates our annual cybersecurity training program.
- We maintain a cybersecurity risk insurance policy.
- Management briefs our audit committee on a quarterly basis on controls, protocols, and activities, including but not limited to employee training, risk mitigation, and assessment measures.

Delinquent Section 16(a) Reports

Our executive officers, trustees, and persons owning more than 10% of our common shares are required to file reports under section 16(a) of the Exchange Act regarding their ownership of and transactions in the company's common shares and other securities related to our common shares. Based solely on our review of the reports filed during 2023 and representations from our executive officers and trustees, we believe that all Section 16(a) filing requirements applicable to our executive officers and trustees were timely met during 2023, except one Form 4 filed by each of Mr. Thomas, Mr. Taylor, Mr. Theine, Mr. Lucey, Ms. Becker, Ms. Kessler and Ms. Lias-Booker and two Form 4s filed by Mr. Black that were filed late inadvertently.

Code of Business Conduct and Ethics

Our Board has established a code of business conduct and ethics that applies to our officers, trustees, and employees, including our Chief Executive Officer, Chief Financial Officer, and other senior officers. Among other matters, our code of business conduct and ethics is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in our SEC reports and other public communications;
- compliance with laws, rules, and regulations;
- prompt internal reporting of violations of the code to appropriate persons identified in the code; and
- accountability for adherence to the code of business conduct and ethics.

Waivers or amendments of the code of business conduct and ethics for our executive officers or trustees must be approved by the Board or the nominating and corporate governance committee, and any such waiver or amendment will be disclosed on our website.

A copy of the Company's corporate governance guidelines is available in the "Investors" section of our website (www.docreit.com) under "Governance Documents." Information contained on our website is not part of, or incorporated by reference into, this Annual Report on Form 10-K.

Non-Employee Trustee Compensation

Trustees who are also employees of the Company receive no additional compensation for serving on the Board of Trustees. For fiscal 2023, each of our non-employee trustees received an annual cash retainer of $65,000. Our Chairman of the Board received an additional annual cash retainer of $60,000. The Chair of the audit committee received an additional annual cash retainer of $40,000, and the Chairs of the compensation committee, nominating and corporate governance committee, and finance and investment committee, respectively, received an additional annual cash retainer of $20,000.

For fiscal 2023, each of our non-employee trustees, other than the Chairman of the Board, received equity-based compensation with a value of $110,000. The Chairman of the Board received equity-based compensation with a value of $150,000. The equity-based compensation paid to our non-employee trustees in 2023 consisted of time-based restricted stock units granted pursuant to our 2013 Equity Plan, as amended and restated and approved by our shareholders (the "Equity Plan"). Restricted stock units granted to our non-employee trustees generally vest in two equal annual installments, beginning on the first anniversary of the grant date. On average, 68% of the compensation paid to our non-employee trustees is equity-based compensation.

Beginning with fiscal year 2021, trustees had the option to elect to receive all or a portion of the trustee's cash retainer in the form of a restricted stock unit award equal to 1.25 times the amount of the foregone cash amount. The restricted stock unit award vests one year from the grant date.

The following table sets forth the compensation earned by each non-employee trustee for service during our fiscal year ended December 31, 2023.

Name[(1)]	Fees Earned or Paid in Cash[(2)]	Stock Awards [(3)(4)]		Dividend Equivalents[(5)]	Total
Tommy G. Thompson	$ 125,000	$ 150,000		$ 12,234	$ 287,234
Albert C. Black, Jr.	85,000	131,250	(6)	15,192	231,442
Richard A. Weiss	85,000	110,000		8,436	203,436
Mark A. Baumgartner	105,000	110,000		8,436	223,436
Stanton D. Anderson	85,000	110,000		8,436	203,436
Pamela J. Shelley-Kessler	65,000	118,125	(6)	11,020	194,145
Ava E. Lias-Booker	65,000	113,250	(6)	4,124	182,374
William A. Ebinger, M.D.	65,000	110,000		8,436	183,436

(1) Each of our non-employee trustees had time-based restricted stock units outstanding as of December 31, 2023. Such amounts were 10,843 for Messrs. Black, Weiss, Anderson, Baumgartner, Dr. Ebinger, Mss. Shelley-Kessler and Lias-Booker, and 14,787 for Governor Thompson.

(2) Represents the cash portion of the annual board fees and chair fees. Retainers were paid in cash, except for Mr. Black who received his entire cash retainer, and Ms. Shelley-Kessler and Ms. Lias-Booker who received a portion of their cash retainers, in the form of restricted stock units equaling 1.25 times the amount of the foregone cash amount (7,343, 2,808, and 1,123 restricted stock units, respectively) under our Equity Plan. These restricted stock units vested one year from the grant date.

(3) Represents the aggregate grant date fair value of time-based restricted stock units computed in accordance with FASB ASC Topic 718. These amounts reflect the Company’s accounting expense for these awards, and do not correspond to the actual value, if any, that will be recognized by the non-employee trustees upon vesting.

(4) Each of our non-employee trustees, other than Governor Thompson, received a grant of 7,483 time-based restricted stock units and Governor Thompson received a grant of 10,205 time-based restricted stock units (collectively, the “Trustee Awards”). The Trustee Awards were granted pursuant to our Equity Plan. The Trustee Awards vest in two equal installments on the first and second anniversary of the date of grant.

(5) Represents the dollar value of dividends accrued on restricted stock units for the quarterly periods ended March 31, 2023, through December 31, 2023, each of which is payable subject to the terms of the award.

(6) Also includes an amount equal to 25% of the amount of the foregone cash retainer pursuant to the election made by each of Mr. Black, Ms. Shelley-Kessler, and Ms. Lias-Booker.

Executive Officers

The following are biographical summaries of the experience of our executive officers as of December 31, 2023, other than John T. Thomas, the Company’s President and Chief Executive Officer, whose biographical information is found under the heading “Biographies of Trustees”.

Jeffrey N. Theiler
Executive Vice President - Chief Financial Officer
Age: 50

- Executive Vice President - Chief Financial Officer of the Company since July 2014
- Equity Research Analyst of Green Street Advisors specializing in Health Care REITS from 2010 to 2014
- Vice President and Associate in the real estate investment banking divisions of Bank of America Securities and Lehman Brothers from 2003 to 2008
- Graduate of University of North Carolina at Chapel Hill’s Kenan-Flagler Business School, with an M.B.A. in Corporate Finance
- Graduate of Tulane University, with an M.S.P.H. in Environmental Science
- Graduate of Vanderbilt University, with a B.S. in Biology

D. Deeni Taylor
Executive Vice President - Chief Investment Officer
Age: 67

- Executive Vice President - Chief Investment Officer of the Company since January 2017
- Executive Vice President - Investments of the Company from October 2015 to December 2016
- Executive Vice President of Indianapolis based Duke Realty, Inc. (NYSE:DRE) from 2006 to 2015, helping to lead Duke’s health care team
- 25-year hospital career prior to a career in health care real estate
- Executive Vice President and Chief Strategy Officer of St. Vincent Health, an Ascension Health ministry including 16 hospitals serving central Indiana, from 2000 until 2006
- President of UNITY Health Management Services in Birmingham, Alabama from 1997 to 2000
- Vice President of Planning and Marketing of Ascension’s St. Vincent’s Hospital in Birmingham, Alabama from 1992 to 1997
- Vice President Ancillary Services of St. Joseph Hospital in Augusta, Georgia from 1982 to 1992
- Graduate of Purdue University, with a B.S. in Pharmacy
- Graduate of Central Michigan University, with a Masters in Science Administration
- Member of ULI and serves on their Health Care and Life Science Council in a leadership position
- A past Diplomat in American College of Healthcare Executives
- Served on Peyton Manning’s PeyBack Foundation from 2001 to 2017

Mark D. Theine
Executive Vice President - Asset Management
Age: 40

- Executive Vice President - Asset Management of the Company since February 2019
- Senior Vice President - Asset and Investment Management of the Company from July 2013 to February 2019
- Oversees the asset management, operations, sustainability, marketing, and leasing teams providing hospital and physician clients with high-quality management services and creating strategies to maximize property and portfolio value
- Employed by B.C. Ziegler and Company as an officer of the Ziegler Healthcare Real Estate Funds from September 2005 to July 2013 and was responsible for evaluating investment opportunities, assisting in the daily asset management of all investments, overseeing third party property management and leasing, and monitoring actual property performance
- Additional responsibilities for the Ziegler Healthcare Real Estate Funds included identifying new investment opportunities as well as assisting with due diligence and financing arrangements for each investment
- Graduate of Northwestern University - Kellogg School of Management, with an Executive M.B.A.
- Graduate of the University of Wisconsin - Milwaukee, finishing summa cum laude with a B.B.A. in Finance and Accounting
- Board Member of the Children's Wisconsin Foundation

- Honored as a 2021 GlobeSt Real Estate Forum CRE’s Best Bosses awardee as well as a Fifty Under 40 Professional
- Recognized as one of the “16 People to Know in Commercial Real Estate” and 40 Under 40 by the Milwaukee Business Journal

John W. Lucey
Chief Accounting and Administrative Officer
Age: 62

- Chief Accounting and Administrative Officer of the Company since February 2019
- Senior Vice President - Chief Accounting and Administrative Officer of the Company from May 2016 to February 2019
- Senior Vice President - Principal Accounting and Reporting Officer of the Company from July 2013 to April 2016
- More than thirty years of public company financial experience, of which more than twenty have been in the real estate and health care industries
- Director of Financial Reporting for Assisted Living Concepts, Inc. (now known as Enlivant), a senior housing operator with over 200 locations in 20 states and annual revenues of approximately $230 million, from 2005 to July 2013
- Manager of Financial Reporting for Case New Holland from 2003 to 2005
- Division Controller at Monster Worldwide from 2001 to 2003
- Director of Financial Reporting for Alterra Healthcare Corporation (now Brookdale Living Communities, NYSE: BKD) from 1996 to 2001
- Graduate of St. Louis University, with an M.B.A. in Finance
- Graduate of the University of Wisconsin - Madison, with a B.S. in Accounting
- A Certified Public Accountant (CPA) licensed in the State of Wisconsin

Laurie P. Becker
Senior Vice President - Controller
Age: 45

- Senior Vice President - Controller of the Company since February 2019
- Vice President, Controller of the Company from January 2016 to February 2019
- Controller of the Company from June 2015 to December 2015
- Oversees the Company's Corporate Accounting and Property Accounting Departments, including managing SEC reporting, SOX compliance, and monthly and quarterly consolidation
- Controller of Koss Corporation (NASDAQ: KOSS) from February 2010 to June 2015, brought on to help lead the company through a significant restatement
- More than 15 years of corporate controllership experience
- Over 20 years of accounting experience, starting in Big 4 public accounting
- Graduate of Marquette University, finishing Beta Gamma Sigma with an Executive M.B.A.
- Graduate of the University of Wisconsin – Madison, with a B.B.A. in Accounting and Risk Management
- A Certified Public Accountant (CPA) licensed in the State of Wisconsin

W. Mark Dukes
Senior Vice President - Asset Management

Age: 61

- Senior Vice President - Asset Management of the Company since March 2022
- Vice President, Asset Management of the Company from February 2016 to February 2022
- Served as Chair and Chief Elected Officer of the Building Owners and Managers Association (BOMA) International for the 2021 - 2022 association year
- Oversees operations of the Company's 36-state health care portfolio, including asset management, property management, client relations, and customer satisfaction
- Vice President, Regional Asset Management for Duke Realty from May 2006 to February 2016 where he was responsible for overseeing Duke Realty’s health care portfolio totaling over 6.5 million square feet in 16 states
- Vice President, Property Management for Carter & Associates from March 1991 to May 2006
- Former President of BOMA Georgia and served two terms on the Southern Region Board of Directors
- Graduate of the Moore School of Business at the University of South Carolina, with a B.B.A. in Marketing
- A Certified Commercial Investment Member (CCIM) licensed since 2013
- A Real Property Administrator (RPA) certification from BOMA

Amy M. Hall
Senior Vice President - Leasing & Physician Strategy
Age: 42

- Senior Vice President - Leasing & Physician Strategy of the Company since January 2021
- Vice President, Leasing of the Company from July 2016 to January 2021
- Vice President, Office Properties of CBRE (NYSE: CBRE) from July 2012 to July 2016
- Vice President of Business Development, 4UMD from July 2011 to July 2012
- Senior Associate at CBRE (formerly CB Richard Ellis | Louisville) from February 2007 to July 2011
- Associate at Cushman Wakefield Commercial Kentucky from 2005 to 2007
- Over 15 years of diversified strategic leasing and management experience in real estate
- Graduate of Miami University Richard T. Farmer School of Business, with a B.A. in Marketing and Organizational Management
- A Certified Commercial Investment Member (CCIM) Designee since 2007
- Recognized as a GlobeSt Real Estate Forum 2022 Woman of Influence winner in the Mentor category
- Recognized as a winner of Connect Commercial Real Estate’s 2022 Women in Real Estate Awards for the Atlanta & Southeast region
- Member of the March of Dimes Commercial Reach Board
- Hall of Fame Distance Swimmer at Sacred Heart Academy and Miami University, and named a Kentucky Woman of the Year

Daniel M. Klein
Senior Vice President - Deputy Chief Investment Officer
Age: 59

- Senior Vice President - Deputy Chief Investment Officer of the Company since January 2017
- Executive Vice President of Healthcare Trust of America, Inc. from January 2016 to March 2016
- Employed by Welltower Inc. (formerly Health Care REIT, Inc.) from January 2010 to December 2015, most recently as a Senior Vice President, and was responsible for the leadership, management, and execution of business development, origination, and investment efforts for the company’s Outpatient Medical Group
- Co-founder and President of The Reichle Klein Group, from January 1994 to January 2010, which subsequently evolved into the Toledo affiliate office of CB Richard Ellis
- Managing Director of Asset Services of The Reichle Klein Group, responsible for the Asset Services business line, including all aspects of business development, client relationships, execution, and administration of the company’s asset services, property management, project management, and maintenance operations
- General Counsel of Romanoff Electric Corp. from 1992 to 1993
- Associate specializing in real estate law at Shumaker, Loop & Kendrick, LLP from 1990 through 1992
- Graduate of the University of Toledo College of Law
- Graduate of the University of Virginia, with a B.S.
- Member of the Healthcare Real Estate Insights Advisory Board

- Member of the Advisory Board of Revista
- Member of the Advisory Board of the Medical University of South Carolina Storm Eye Institute

Bradley D. Page
Senior Vice President - General Counsel
Age: 63

- Senior Vice President - General Counsel of the Company since February 2015
- President of Davis & Kuelthau, s.c., from 2014 to 2015, managing the law firm operations for over 150 attorneys, other professionals, and staff in 5 offices located throughout the state of Wisconsin.
- Attorney and shareholder of Milwaukee-based law firm Davis & Kuelthau, s.c. from 1995 to January 2015, representing businesses, including the Company, in all areas of commercial real estate, commercial lending, and development transactions, as well as general corporate matters.
- Private practice included acquisition, development, leasing and sales of health care, retail, office, multifamily and industrial properties
- Extensive experience drafting and negotiating contracts, leases, organizational documents, real estate documents, financing documents and other agreements with national retail tenants, health care providers, financial institutions, municipalities, and owners of real property
- Graduate of the University of Wisconsin Law School

- Graduate of the University of Michigan, with a B.B.A.
- Retired from the United States Army Reserve in 2004 as a lieutenant colonel in the Judge Advocate General’s Corps

See “Executive Compensation” for additional information regarding the named executive officers (“NEOs”) of the Company.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes the compensation paid to our NEOs, provides information about the goals and key elements of our executive compensation program, and discusses the objectives behind the compensation decisions for our NEOs made by the compensation committee of the Board. This section focuses on the 2023 compensation program applicable to our NEOs, who are listed below and appear in the Summary Compensation Table:

John T. Thomas	Jeffrey N. Theiler	D. Deeni Taylor	Mark D. Theine	John W. Lucey
President and Chief Executive Officer	Executive Vice President - Chief Financial Officer	Executive Vice President - Chief Investment Officer	Executive Vice President - Asset Management	Chief Accounting and Administrative Officer

Executive Summary

Executive Compensation Principles

Our executive compensation program is designed to attract, motivate, and retain our executives, including our NEOs, each of whom is critical to our long-term success. Our executive compensation program is based upon and reflects three core principles:

Compensation is significantly performance-based	We provide a competitive total compensation package with payouts dependent upon the degree to which performance measures are met or exceeded. We regularly review our performance measures to ensure that they provide a balanced assessment of overall Company performance.
Compensation is designed to attract and retain effective leadership	We regularly benchmark our compensation programs against the competitive market and compare both fixed and variable compensation that is tied to short- and long-term performance goals to similar compensation of our competitors. We use the results of this analysis as context when making compensation adjustments.
Executive officer compensation goals are aligned with shareholder interests	Long-term equity awards, including awards that vest based on performance over multiple years, align management's interests with those of our shareholders. In order to emphasize long-term shareholder returns, we require significant stock ownership among executives through the use of stock ownership guidelines.

Our compensation committee, which is comprised solely of independent trustees, is responsible for oversight of our executive compensation program and determines the compensation paid to our executive officers, including the type and amounts of total compensation paid or awarded to our NEOs. The compensation committee reaches decisions on executive compensation using input from a variety of sources, including an independent compensation consultant. A significant portion of our executives' compensation is performance-based, which we believe ensures that a substantial portion of the compensation of our NEOs is directly aligned with our shareholders' interests and the three core principles outlined above.

2023 Financial and Operational Highlights

We have grown our consolidated portfolio of gross real estate investments from approximately $124 million at the time of our initial public offering in July 2013 to approximately $5.9 billion as of December 31, 2023. As of December 31, 2023, our consolidated portfolio consisted of 278 health care properties with approximately 15,653,690 net leasable square feet, which were approximately 94% leased with a weighted average remaining lease term of approximately 5.1 years. As of December 31, 2023, approximately 90% of the net leasable square footage of our portfolio was either on campus with a hospital or other health care facility or strategically affiliated with a health system.

During the year ended December 31, 2023, the Company announced an all-stock merger of equals with Healthpeak, which is expected to close on or about March 1, 2024.

2023 Executive Compensation Decisions and Actions

Pay Mix

Our executive compensation program is designed to retain and motivate our executive officers, each of whom is critical to the Company’s continued success and growth. Our 2023 executive compensation awards reflect our commitment to aligning pay with performance. The primary elements of our executive compensation program are base salary, performance-based annual incentive compensation, restricted stock, and performance-based long-term incentive compensation. These elements were selected by the compensation committee because each element is important in meeting one or more of our executive compensation principles. Additionally, the majority of our executive officer pay is performance-based. The following snapshot details the CEO pay mix, as well as the average NEO (excluding the CEO) pay mix for 2023.

	Fiscal 2023 Elements	CEO Pay Mix	Average other NEO Pay Mix	Description and Metrics
Short-Term	Base Salary and Other	21%	26%	Fixed cash income to compensate executives for their qualifications and the value of their performance in a competitive market. This also includes all other compensation such as: vacation payout, 401(k) match, and other benefits.
Short-Term	Performance-Based Annual Incentive	27%	24%	Annual cash incentive program designed to motivate our executives to achieve annual financial goals and other business objectives. The total amount paid is based on the achievement of annual operating performance goals and individual performance.
Long-Term	Restricted Stock	19%	20%	Annual equity incentive awards are designed to retain executives and further align the interests of our executives with those of our shareholders by facilitating significant ownership of stock by the officers. The number of shares of restricted stock awarded is primarily based on the officer's position and level of responsibility.
Long-Term	Performance-Based Long-Term Incentive	33%	30%	Annual equity incentive program designed to motivate our executives to achieve long-term financial goals and other business objectives. The total amount paid is based on the achievement of operating performance goals over a three fiscal-year period including dividend equivalent units.

Performance-Based Compensation[(1)]		**At-Risk Compensation**[(2)]	
CEO Pay Mix	Avg other NEO Pay Mix	CEO Pay Mix	Avg other NEO Pay Mix
60%	54%	79%	74%

(1) Includes performance-based annual cash incentive awards and performance-based long-term equity incentive awards.

(2) Includes performance-based annual cash incentive awards, restricted stock awards subject to time-vesting requirements, and performance-based long-term equity incentive awards.

2023 Compensation Changes

During 2023, we made certain changes to our compensation program for NEOs, including the following:

- Increased base salary by a range of 3-12% for the NEOs in 2023;
- Updated some of the performance goals and weightings under the 2023 annual incentive award;

- Updated some of the performance goals and weightings under the 2023 long-term incentive award; and
- Added a salary deferral program, which allows executive officers to defer in 10% increments up to 100% of their base salary for two years and receive restricted stock in lieu of cash with a 25% premium if the executive remains with the Company for the two-year period.

Compensation Design and Philosophy

COMPENSATION BEST PRACTICES

The compensation committee and management periodically review the compensation and benefit programs for executives and other employees to align them with the three core principles discussed above. Additionally, we benchmark both compensation and Company performance against peer companies in our industry in evaluating the appropriateness of our compensation. We have implemented a number of measures in an effort to align the interests of the Company’s executives with those of our shareholders, while also encouraging or rewarding them for strong performance and achievement of long-term goals. Some highlights of our executive compensation program include the following best practices and features:

What We Do	What We Do Not Do
• Link annual incentive compensation to the achievement of pre-established corporate and individual performance goals;	• Provide tax gross-ups for executive officer compensation;
• Provide a majority of our long-term compensation in the form of performance-based restricted stock units;	• Provide extensive perquisites to our executive officers;
• Balance short-term and long-term incentives;	• Guarantee salary increases, bonuses or equity grants; or
• Align executive compensation with shareholder returns through long-term incentives;	• Provide uncapped payouts for short-term and long-term incentive awards.
• Use appropriate peer groups when establishing compensation;	
• Maintain stock ownership guidelines;	
• Include clawback provisions in employment agreements with our NEOs and in our STIP;	
• Conduct an annual compensation risk assessment of our compensation policies and practices;	
• Use an independent compensation consultant; and	
• Maintain a clawback policy that is compliant with final rules required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”).	

Process of Setting Executive Compensation

Participants in the Compensation Process

Our executive compensation program is administered and overseen by our independent compensation committee with assistance from our executives and an independent compensation consultant retained by the committee. Generally, the amount and composition of compensation paid to our executives is determined by analyzing, among other things, compensation data and pay practices from our peer group, as well as our own performance and financial and strategic goals. In addition, the compensation committee solicits the opinions of various constituents discussed below, as we believe feedback from varying perspectives serves the best interests of our shareholders in setting effective compensation standards and goals.

Role of the Compensation Committee

The compensation committee approves the compensation of each of our executive officers, including the NEOs listed in the Summary Compensation Table. Additionally, the compensation committee approves the grant of the long-term incentive awards and other equity awards, and the funding of annual cash-based incentive awards. The compensation committee and the Board have authority to grant equity awards to executive officers.

The compensation committee regularly reviews the Company's executive compensation and benefits policies, programs, and practices and monitors applicable new rules and evolving best practices concerning executive compensation. The compensation committee may delegate its authority to a subcommittee or to one or more officers of the Company to the extent consistent with its charter and the Company's declaration of trust, bylaws, and applicable law and NYSE rules. However, the compensation committee may not delegate any of its responsibilities relating to the review and approval of the Chief Executive Officer's compensation or the compensation philosophy of the Company, or any matters that involve executive compensation or any matters where compensation is intended to be exempt from Section 16(b) under the Exchange Act pursuant to Rule 16b-3 by virtue of being approved by a committee of non-employee trustees.

Compensation committee meetings are regularly attended by committee members and are attended by our Chief Executive Officer. Meetings may be attended by other executives and advisors as appropriate. The compensation committee also meets in executive sessions without members of management present. The Chairman of the compensation committee reports to the Board on the compensation committee's decisions concerning, among other things, compensation of the executive officers.

The compensation committee also reviews and discusses with management this Compensation Discussion and Analysis section and reaches a determination, on an annual basis, whether to recommend to the Board that this Compensation Discussion and Analysis section be included in the Company's annual proxy statement or annual report on Form 10-K, as required by the SEC. The compensation committee is also responsible for overseeing any clawback policy of the Company relating to executive compensation and shareholder advisory votes with respect to executive compensation matters, including non-binding advisory votes on executive compensation, the frequency of such votes, and votes on "golden parachute" payments.

Role of the Compensation Consultant

The compensation committee retains its own independent compensation consultant who reports directly to the committee. The independent compensation consultant's engagement includes reviewing and advising on material aspects of the Company's executive officer compensation, including base salaries, annual incentives, and equity compensation. Since 2014, the compensation committee has engaged the services of Ferguson Partners Consulting ("FPC") as its independent compensation consultant. During fiscal 2023, FPC provided the following executive compensation consulting services to the compensation committee:

- Assist with the benchmarking and analysis of the compensation for the Company’s executive officers;
- Assist with the development and analysis of peer group companies for comparison of executive officers compensation;
- Discuss the mix of compensation components for each executive position;
- Provide commentary and information regarding the overall executive compensation program; and
- Provide benchmarking and information on trustee compensation.

From time to time, FPC communicates with our Chief Executive Officer and other executive officers to discuss different elements and weightings of compensation and best practices and trends in executive compensation. Outside of meetings, FPC also communicates with the Chairman of the compensation committee concerning executive compensation matters.

While the compensation committee considers the compensation consultant’s input and advice, it uses its own independent judgment in making final decisions concerning compensation paid to the NEOs. The compensation committee has full authority to retain and terminate the services of the compensation consultant as it deems necessary or appropriate.

The compensation consultant does not provide any other services to the Company. After reviewing information provided by the compensation consultant regarding its independence and considering the relevant independence factors pursuant to applicable SEC rules and NYSE guidelines, the compensation committee determined that no conflicts of interest existed in connection with the services the compensation consultant performed for the Company in 2023.

Role of the Chief Executive Officer

Our Chief Executive Officer participates in the compensation determination process by consulting with the Board and the compensation committee on matters related to compensation, and by making compensation recommendations for the executive officers other than himself. These recommendations are based upon information provided by FPC, the Chief Executive Officer’s assessment of each executive officer’s performance and contributions to the Company’s performance, and other considerations including employee retention. The compensation committee considers this information, but approves and ultimately determines, based on its own independent judgment, the amounts payable to the executive officers.

Summary of the Annual Compensation Decision-Making Process

Background

Our Board established the compensation committee to carry out the Board’s responsibilities to administer our compensation programs. The compensation committee has decision-making authority for the compensation of our NEOs and has independent authority to engage outside consultants and obtain input from external advisers, as well as our management team or other employees, in determining executive compensation. The compensation committee may retain any independent counsel, experts, or advisors that it believes to be desirable and appropriate. The compensation committee may also use the services of the Company’s regular legal counsel or other advisors to the Company. The compensation committee undertakes an independence assessment prior to retaining or otherwise selecting any counsel, compensation consultant, expert or other advisor that will provide advice to the committee. In conducting this independence assessment, the compensation committee considers factors that may be required to be considered under applicable NYSE rules from time to time, as well as best practices in this area. On at least an annual basis, the compensation committee evaluates whether any work performed by any compensation consultant raised any conflict of interest.

Compensation Decision-Making Process

Each year, the Chief Executive Officer meets with the compensation committee to review the Company’s performance for the year and to discuss qualitative and quantitative performance objectives related to compensation of the executive officers. These discussions include the Chief Executive Officer’s assessment of each executive’s impact on overall Company performance, as well as each executive’s achievements during the year. Separately, the Chief Executive Officer meets with the Board and, in addition to the topics discussed with the compensation committee, provides his assessment of the highlights and challenges from the year and summarizes company performance. The Chairman of the compensation committee then leads an executive Board session during which the non-executive trustees evaluate the Company’s and the Chief Executive Officer’s performance.

From August through the following February of each year, the Chief Executive Officer, using information compiled and supplied by the independent compensation consultant, including peer group compensation information, presents compensation recommendations for the executive officers to the compensation committee for review and discussion. The compensation committee then assesses the Chief Executive Officer’s and each executive officer’s performance, using the information provided, including the input from the Board and benchmarking and other information provided by the independent compensation consultant, to determine the Chief Executive Officer’s and each other executive officer’s total target direct compensation for the ensuing year and the annual incentive payout amount for the most recently completed fiscal year. In connection with the discussions described above, the compensation committee uses the input from the above meetings to select the Company’s peer group and determine each executive officer’s total target compensation package for the ensuing year, including base salary, annual incentive target, long-term incentive award targets and equity awards. The compensation committee discusses its decisions regarding the compensation of the executive officers with the Board. In general, the compensation committee does not consider any previous awards when determining the compensation of the executive officers.

Peer Group and Competitive Positioning

The compensation committee, with input and recommendations from the Company’s independent compensation consultant, establishes the Company’s peer group on an annual basis. The compensation committee uses the peer group for compensation benchmarking and general comparison purposes. The peer group comprises companies selected on various criteria including criteria recommended by the independent compensation consultant, including size, industry, equity market capitalization, and total market capitalization. FPC evaluates the continued appropriateness of each company in the peer group on an annual basis and recommends to the compensation committee additions and/or deletions from the prior year’s peer group as may be warranted. For 2023, the 2022 peer group was updated to remove Healthcare Trust of America, Inc. (which had merged with Healthcare Realty Trust, Inc. in 2022) and QTS Realty Trust, Inc. (which had been acquired by affiliates of Blackstone in 2021). The peer group was updated to add Omega Healthcare Investors, Inc., LXP Industrial Trust, and National Health Investors, Inc. The 2023 peer group consisted of the following 16 public REITs:

Peers	Industry	Market Capitalization ($ Billions)
EastGroup Properties, Inc.	Industrial REIT	$ 8.5
Omega Healthcare Investors, Inc.[1]	Health Care REIT	7.5
STAG Industrial, Inc.	Industrial REIT	7.1
First Industrial Realty Trust, Inc.	Industrial REIT	7.0
Healthcare Realty Trust, Inc.	Health Care REIT	6.6
Cousins Properties Incorporated	Office REIT	3.7
National Storage Affiliates Trust	Self-storage REIT	3.4
Sabra Health Care REIT, Inc.	Health Care REIT	3.3
Physicians Realty Trust	Health Care REIT	3.2
Medical Properties Trust, Inc.	Health Care REIT	2.9
LXP Industrial Trust[1]	Industrial REIT	2.9
COPT Defense Properties[2]	Office REIT	2.9
CareTrust REIT, Inc.	Health Care REIT	2.7
Highwoods Properties, Inc.	Office REIT	2.4
National Health Investors, Inc[1]	Health Care REIT	2.4
LTC Properties, Inc.	Health Care REIT	1.3
Brandywine Realty Trust	Office REIT	0.9

Source: S&P Global, data as of December 31, 2023

(1) Companies added to the peer group for 2023.

(2) COPT Defense Properties was renamed from Corporate Office Properties Trust in 2023.

FPC evaluates the peer group based on similarities to the Company, including asset class focus, size including capitalization, performance, and geographic location.

In order to assist the compensation committee in its determination of executive compensation, the Company's independent compensation consultant prepares an independent analysis of key size and performance indicators such as revenue, market capitalization, and total shareholder return compared to the companies in our peer group. This analysis is provided to the compensation committee, so it has sufficient information on the competitiveness of pay in the context of our performance compared with that of our peers.

FPC also delivers a benchmarking analysis of the compensation paid to our NEOs and to our trustees to the compensation committee. This analysis compares base salary, total annual cash compensation, long-term incentive awards, and total compensation to compensation components of companies in our peer group and provides general guidance for future compensation levels. While the compensation committee uses this analysis to help frame its decisions on compensation, it uses its collective judgment in determining executive compensation.

The compensation committee does not target a specific market position relative to our peer group for the compensation elements of executive officers but seeks to pay competitively and takes into consideration the relative positioning compared to our peer group in making compensation decisions. The compensation committee exercises discretion in making compensation decisions based on the following inputs: its understanding of market conditions, its understanding of competitive pay analysis, recommendations from the Chief Executive Officer regarding the executive officers, the need to retain executive talent, the compensation committee’s overall evaluation of each executive’s performance, and our overall compensation strategy, among other factors.

Risk Assessment

Each year, the compensation committee discusses and analyzes risks associated with the Company’s compensation policies and practices for executive officers and employees generally. The compensation committee believes that the Company’s compensation program and policies do not create or encourage excessive risk-taking that is reasonably likely to have a material adverse effect on the Company.

Several features of the Company’s compensation program and policies are designed to reduce the likelihood of excessive risk-taking by employees, including:

- The three executive compensation principles and compensation program elements are designed to align compensation goals with the interests of our shareholders;
- Compensation typically consists of a mix of fixed and performance-based compensation, with the performance-based compensation structured to reward both short- and long-term corporate performance and contains both absolute and relative metrics versus peers;
- The payout amounts under the short-term and long-term incentives are capped;
- Employment agreements with executive officers as well as our Short-term Incentive Plan (the “STIP”) contain clawback provisions which generally subject compensation paid to our executives to recovery by the Company in the event of material restatements of financial results;
- Adopted a clawback policy that is compliant with final rules required by the Dodd-Frank Act;
- A significant portion of our NEOs’ total direct compensation is in the form of equity-based incentive awards that vest over multiple years; and
- The compensation committee exercises discretion in making compensation decisions and may reduce compensation payable to our executives.

Influence of Say on Pay Results on Executive Compensation Decisions

We provided shareholders with a “say-on-pay” advisory vote on executive compensation at the 2023 annual meeting of shareholders. We maintain an open line of communication with our investors on our compensation practices and have consistently received high say-on-pay support from our shareholders.

At the 2023 annual meeting of shareholders, 96% of the votes cast by shareholders were cast “For” the approval of the compensation of our NEOs. In the last five years, say-on-pay results have averaged 94% approval results.

Say on Pay Results

2019	2020	2021	2022	2023	**AVERAGE**
98%	97%	84%	95%	96%	**94%**

The compensation committee evaluated the results of the say-on-pay vote and in light of the substantial support for our executive compensation program, it did not make any significant changes to the executive compensation program and policies for fiscal year 2023 compensation based on the shareholder voting results. The compensation committee will continue to consider the outcome of future say-on-pay votes when making future compensation decisions for the NEOs. In addition, we provided shareholders with a “say-on-frequency” advisory vote at the 2022 Annual Meeting of Shareholders to determine whether the say-on-pay advisory vote on executive compensation should occur every one, two, or three years. More than 97% of the votes cast on the say-on-frequency proposal were in favor of a vote every year. Based on the results of the say-on-frequency vote, the Board has determined to hold the say-on-pay vote annually.

2023 Executive Compensation

Primary Elements of our Executive Compensation Program

Our executive compensation program is designed to retain and motivate our executive officers, each of whom is critical to the Company’s continued success and growth. The primary elements of our executive compensation program are base salary, annual cash incentive compensation, and long-term incentive compensation and equity awards. These elements were selected by the compensation committee because each element is considered to be important in meeting one or more of our executive compensation principles, including the three core principles discussed above.

Our fiscal 2023 long-term incentive and equity awards program generally consisted of time-based restricted common shares and performance-based restricted stock units for our NEOs. The compensation committee believes this compensation package is appropriately tied to our Company's performance while also rewarding both short-term and long-term performance in a manner that encourages retention of our NEOs. With these objectives in mind, the compensation committee attempts to set realistic but challenging goals in our annual incentive and performance-based long-term incentive programs.

The compensation committee evaluates the various components of compensation annually and does not set fixed percentages for each element of compensation. The total composition of compensation elements may change over time as the competitive market evolves, or other market conditions which affect us change. The compensation committee does not have, and does not anticipate establishing, any policies for allocating between long-term and currently paid compensation, or between cash and non-cash compensation. Part of our compensation determination process includes assessing the appropriate allocation between these elements of compensation on a periodic basis and adjusting our position based on market conditions and our business strategy.

Base Salary

Base salary is the fixed portion of the total compensation package for our executive officers, including our NEOs. The base salary for each NEO is determined by the compensation committee pursuant to the process discussed above. The base salary paid to our executive officers is generally intended to compensate executives for their qualifications and provides executives with a fixed level of guaranteed income for their services.

The compensation committee does not target a specific market position relative to the peer group for base salary but seeks to pay competitively and near the median of the Company's peer group. In reaching decisions with respect to base salary, the compensation committee considers various factors, including peer group data for each NEO's position, the need to retain the executive, and an assessment of the executive officer's contributions to the Company's performance.

The compensation committee reviews each executive's salary and performance every year to determine whether his or her base salary should be adjusted.

Base Salaries

Based on the compensation committee's review and consideration of the materials provided by FPC and the competitive positioning of our executives' salaries compared to our peer group, the compensation committee approved the salary levels set forth below for our NEOs for fiscal year 2023.

Officer		Fiscal 2023 Salary		Fiscal 2022 Salary		Fiscal 2021 Salary
John T. Thomas	$	918,000	$	891,000	$	865,000
Jeffrey N. Theiler		581,000		528,000		512,000
D. Deeni Taylor		554,000		528,000		512,000
Mark D. Theine		476,000		425,000		412,000
John W. Lucey		418,000		387,000		375,000

Salary Deferral Program

For fiscal year 2023, the compensation committee approved a salary deferral program, which allows executive officers to defer in 10% increments up to 100% of their base salary and receive restricted stock of the Company in lieu of cash at a premium of 1.25 times the amount deferred.

The restricted stock that the executive officer has elected to receive in lieu of the executive officer’s base salary cliff vests on January 1 of the year following the election deferral, provided that the executive officer is an employee of the Company or a subsidiary on that date. The premium shares (the additional 25%) cliff vest on January 1 of the second year following the election deferral, provided that the executive officer is an employee of the Company or a subsidiary on that date.

Annual Incentive Awards

The annual incentive awards available to our executive officers are intended to reward executives for the achievement of annual goals related to key business drivers, and to communicate to executives the key business goals of the Company from year to year. In general, the compensation committee uses the Company’s STIP to make annual incentive awards for our executive officers based on company and individual performance. The compensation committee retains discretion under the STIP to adjust individual performance goals and to reward executive officers for individual achievement not reflected in the STIP performance measures.

The compensation committee does not target a specific market position relative to the peer group for annual incentive awards but seeks to pay competitively and in line with the Company’s peer group. The compensation committee takes into consideration the Company's relative positioning compared to our peer group in establishing the range of possible payouts under the STIP.

2023 Annual Incentive Awards

For fiscal year 2023, the compensation committee established annual incentive awards under the STIP based upon the achievement of corporate performance goals and individual performance goals. The corporate performance goals were based on the following measures:

Net Debt to Gross Asset Value	• the average of the Company’s total indebtedness at each quarter end date during fiscal year 2023, with net debt calculated as indebtedness less any cash balances, divided by the value of the Company’s gross assets at each quarter end date • promotes a strong balance sheet and discourages overleveraging • a healthy leverage ratio is important as it measures our ability to maintain our credit ratings and access the capital markets at favorable rates
General and Administrative (“G&A”) Expenses as percentage of Gross Assets	• the Company's annual G&A expenses as compared to the Company's ending gross asset balance • reflects the ability to generate sufficient earnings to meet debt obligations as the portfolio grows
Net Executed Absorption	• the net executed absorption compares the difference between the total leased space and the total vacated space during the fiscal year 2023 • net executed absorption is important as it highlights strong leasing demand and stability, as well as rent growth and tenant retention
Investment grade related Gross Leasable Area (“GLA”)	• the GLA that is leased to an investment grade-rated tenant or a subsidiary of an investment grade-rated entity divided by the Company’s total leased GLA. For purposes of this calculation, certain tenants have implied investment grade ratings based on the strength of their financial statements • tenant quality is important as it helps to measure the financial strength of our tenants and the quality of our underwriting, and accordingly, the reliability of our projected income stream

The compensation committee removed the Funds Available for Distribution (“FAD”) Per Share Growth metric and added the Net Executed Absorption metric for the 2023 STIP awards to drive strong leasing demands, which is core to the Company’s business.

For fiscal year 2023, the compensation committee set the following goals and weightings for the above corporate performance measures.

Weighting as % of Annual Incentive Opportunity Under Corporate Performance Goals	Corporate Performance Goals	Threshold	Target	Max	Achievement
30%	Net Debt to Gross Asset Value	35.0 %	32.0 %	30.5 %	28.3 %
30%	G&A Expenses as percentage of Gross Assets	0.710 %	0.670 %	0.640 %	0.611 %
30%	Net Executed Absorption	20,000 sq ft	40,000 sq ft	60,000 sq ft	1,734 sq ft
10%	Investment grade related GLA	66.00 %	66.80 %	67.00 %	67.10 %

For fiscal year 2023, the compensation committee also established individual performance goals for the Chief Executive Officer and the other executive officers based on recommendations from the Chief Executive Officer. The compensation committee evaluates the individual performance for the Chief Executive Officer and the other executive officers in making its determination of annual incentive payouts under the STIP.

Highlights of the individual performance goals achieved for each NEO for fiscal year 2023 include:

John T. Thomas	Spearheaded the pending merger with Healthpeak, to create the pre-eminent owner, operator, and developer of real estate for healthcare discovery and delivery.
Jeffrey N. Theiler	Successfully negotiated and executed the Company’s $400 million term loan, enhancing the Company’s liquidity and financial flexibility in a rising interest rate environment. Mr. Theiler also directed the assessment of several strategic initiatives to drive long-term value creation for shareholders, optimizing the Company’s financial standing and growth prospects.
D. Deeni Taylor	Directed the sourcing and development of new outpatient medical assets, spearheading the company's inaugural ground-up development of world-class outpatient medical facilities. Mr. Taylor played a pivotal role in refining the Company’s development strategies to effectively address market challenges.
Mark D. Theine	Led teams responsible for portfolio operations, including the leasing team, which continues to consistently produce exceptional tenant retention rates and leasing renewal spreads. Additionally, under Mr. Theine’s leadership, the Company's ESG team garnered 16 new Energy Star certifications, 7 new IREM Certified Sustainable Property designations, and maintained an “A” rating in the 2023 GRESB Public Disclosure Level, achieving a score of 98 out of 100 and retaining the top position in its health care comparison group for the second consecutive year. Moreover, the Company was honored by Nareit as the Leader in the Light winner for the health care sector.
John W. Lucey	Led the enhancement of our Company’s retirement policy, ensuring alignment with evolving industry standards. Mr. Lucey championed the continued refinement of our public reporting disclosures, emphasizing increased clarity and comprehensive information to shareholders. Mr. Lucey has also dedicated significant time and energy to mentor, develop, and refine the Company’s accounting team and processes, ensuring continued operational excellence and accuracy in financial reporting.

The relative weight of each of the various individual performance goals for a NEO was equal; however, no single individual goal was material to the committee’s decisions. Rather, the compensation committee considered the executive’s performance against the overall individual goals and the Chief Executive Officer’s assessment of each executive’s overall performance.

For each NEO, the compensation committee also determined the relative weighting of corporate versus individual performance goals. For fiscal year 2023, the weighting for each NEO's annual incentive award was as follows:

Officer	Corporate Performance Goals	Individual Performance Goals
John T. Thomas	80 %	20%
Jeffrey N. Theiler	70 %	30%
D. Deeni Taylor	70 %	30%
Mark D. Theine	70 %	30%
John W. Lucey	60 %	40%

Based on competitive market practices for annual incentives and our compensation strategy, the compensation committee set a target award opportunity for each of our executive officers. The target represents the amount of incentive compensation the executive officer would recognize when corporate and individual performance meets expected results, or is on "target." The table below reflects the payout as a percentage of an executive officer's base salary for fiscal year 2023. Maximum performance is capped at 200% of base salary for Mr. Thomas, and at 150% for all other NEOs. To simplify the presentation, certain intermediate payouts are not shown; however, payouts were determined by linear interpolation when performance occurred between the payout levels described below. If the executive officer's performance were below threshold in all applicable corporate and individual performance measures, no annual incentive compensation would be payable.

Officer	At Threshold Achievement (% of base salary)	At Target Achievement (% of base salary)	At or Above Maximum Achievement (% of base salary)
John T. Thomas	50 %	100%	200%
Jeffrey N. Theiler	50 %	90%	150%
D. Deeni Taylor	50 %	90%	150%
Mark D. Theine	50 %	90%	150%
John W. Lucey	50 %	75%	150%

2023 Annual Incentive Results

Based on the compensation committee's assessment of the executive officers' achievement of the corporate and individual performance goals, and using linear interpolation, the following payouts were approved by the compensation committee to the NEOs under the STIP:

Officer	Fiscal 2023 Incentive Target	Fiscal 2023 Incentive Payout (% of base salary)	Fiscal 2023 Incentive Payout
John T. Thomas	$ 918,000	140.0 %	$ 1,285,200
Jeffrey N. Theiler	522,900	105.0 %	610,100
D. Deeni Taylor	498,600	105.0 %	581,700
Mark D. Theine	428,400	105.0 %	499,800
John W. Lucey	313,500	105.0 %	438,900

Long-Term Incentive and Equity Awards

The compensation committee designed the Company's long-term incentive program and grant of equity awards to align the interests of our executive officers with the interests of our shareholders and to reward the executive officers for the achievement of long-term goals. Our long-term incentive and equity award program is critical to the attraction and retention of key executive talent and therefore represents a significant portion of the executive officers' total direct compensation. The Equity Plan serves as the governing document for long-term incentive and equity awards for our executive officers. The Company plans to terminate the Equity Plan upon the closing of the Mergers.

The compensation committee does not target a specific market position relative to the peer group for long-term and equity incentive awards but seeks to pay competitively and in line with the Company's peer group. The compensation committee considers the relative positioning of the Company compared to the peer group in establishing the range of possible payouts under the Equity Plan. In making its determination on what type of awards to grant, the compensation committee considers the following:

- Peer group compensation, including the components of compensation and the total direct compensation paid to executives of peer group companies;
- General trends in long-term incentive and equity grants; and
- The effect of having the NEOs receive a significant portion of their total direct compensation in equity awards to motivate and provide an incentive for these officers and to align their interests with those of our shareholders.

2023 Long-Term Incentive and Equity Awards Program Design

The fiscal year 2023 long-term incentive and equity program consisted of a combination of time-based restricted common shares and performance-based restricted stock units. The allocation between each type of equity award was determined by the compensation committee based on input from FPC and the Chief Executive Officer.

Based on competitive market practices for long-term incentive and equity awards, and our compensation strategy, the compensation committee approved equity awards for each executive officer for the fiscal year 2023. On average, 57% of the equity-based compensation granted to our NEOs, including the associated dividend equivalent units, is also performance-based compensation. Fiscal year 2023 grants were made on March 1, 2023, and the number of shares awarded was determined based on the closing price of the Company's common shares on the grant date. Information regarding the equity awards made to the NEOs is set forth in the Grants of Plan-Based Awards in 2023 table.

Officer	**2023 Time-Based Restricted Common Shares**	**2023 Performance-Based Restricted Stock Units Target Grant**	**2023 Salary Deferral Premium(1)**	**Total Target Grant**
John T. Thomas	$ 918,000	$ 1,489,697	$ 22,250	$ 2,429,947
Jeffrey N. Theiler	522,900	754,265	—	1,277,165
D. Deeni Taylor	498,600	719,215	26,500	1,244,315
Mark D. Theine	428,400	617,957	42,500	1,088,857
John W. Lucey	250,800	406,991	19,250	677,041

(1) See our discussion on the Salary Deferral Program above.

Time-Based Restricted Common Shares

The compensation committee chose to award restricted common shares because they provide meaningful retentive value to our key executives, help smooth out market volatility, and are cost efficient. The time-based restricted common shares granted in March 2023 vest in full one year after the grant date, so long as the participant remains employed by the Company.

Performance-Based Restricted Stock Units

Performance-based restricted stock units were granted to each NEO. The compensation committee chose to grant performance-based restricted stock units in order to motivate executives to achieve long-term strategic goals, create long-term shareholder value, and provide an incentive to outperform similarly-situated companies as measured by relative total shareholder return and other metrics.

The performance-based restricted stock units vest after a three-year performance period, if at all, and are payable in common shares based on the number of restricted stock units that actually vest. The extent to which the awards will vest is contingent upon the satisfaction of key corporate performance goals established when granted.

Grant of 2023 PSU Awards

For fiscal year 2023, the compensation committee granted new three-year performance-based restricted stock unit ("PSU") awards. Performance goals for these awards were established by the compensation committee and are described in detail below:

DOC Total Shareholder Return compared to Select Health Care REIT Peers	the percentage rate of return during the 3-year period of 2023-2025 compared to the rate of return of select health care REIT peers, assuming reinvestment of all dividends during the performance period
FFO Per Share Growth compared to 2022 base	the 3-year growth in FFO per share which excludes any material one-time FFO adjustments
Net Debt to Gross Asset Value	the Company's total indebtedness, less any cash balances, divided by the value of the Company's gross assets at the end of the performance period
ESG Scorecard	the number of points obtained out of 10 for achieving certain environmental, social, and governance goals

The compensation committee changed some of the performance metrics and weightings for the 2023 awards from the prior year's awards because the committee believed that achievement of these 2023 performance metrics could be influenced more directly by the executives' actions and would enhance shareholder value. In 2023, the compensation committee introduced the ESG Scorecard metric as part of the 2023 long-term incentive award. This metric encompasses the count of new IREM-certified buildings, replacing the previous IREM metric. In 2023, the compensation committee also replaced the FAD Per Share Growth metric with an FFO Per Share Growth metric. This change aligns our long-term performance goals more closely to our peers. As part of these changes, the compensation committee re-weighted all of the 2023 performance metrics as shown below.

For fiscal year 2023, the compensation committee set the following goals and weightings for the above corporate performance measures:

Weighting as % of Annual Incentive Opportunity Under Corporate Performance Goals	Corporate Performance Goals	Threshold	Target	Max	Measurement
30%	DOC Total Shareholder Return compared to select health care REIT Peers	25th Percentile	50th Percentile	75th Percentile	Compared to seven Health Care Peers with one of the seven having three-times heavier weighting due to being MOB peers
30%	FFO Per Share Growth compared to 2022 base	1.0%	2.0%	3.0%	Increase in FFO per shar
20%	Net Debt to Gross Asset Value	39.0%	35.0%	30.5%	Ratio at the end of the performance period
20%	ESG Scorecard	7	8	10	Achieve certain ESG goa

For each goal, performance below threshold would result in no vesting, performance at threshold would result in vesting of 50% of the award, performance at target would result in vesting of 100% of the award, and performance at maximum would result in vesting of 300% of the award. For performance between threshold and target, or between target and maximum, linear interpolation was used.

Actual performance will be determined at the end of the three-year performance period ending on December 31, 2025.

Settlement of Previously Granted PSU Awards

In 2024, following the completion of the three-year performance period of 2021-2023, the Company settled the performance-based restricted stock unit awards that were granted in 2021. Performance goals for these awards were established by the compensation committee in 2021. The metrics, weighting, threshold, target, and maximum goals for each metric, and actual performance are shown in the table below:

Measurement	Weighting	Threshold	Target	Max	Achievement
DOC Total Shareholder Return compared to Health Care MOB Peers	20%	Average of Peers less 200 bps	Average of Peers	Average of Peers plus 200 bps	Average of Peers plus 2053 bps
DOC Total Shareholder Return compared to specific Nareit Health Care Peers	20%	25th %	50th %	75th %	47th %
FAD Per Share Growth compared to 2020 base	20%	1.0%	2.0%	3.0%	-0.4%
Net Debt to Gross Asset Value	20%	39.0%	35.0%	31.0%	28.6%
IREM Certified Sustainable Property (“CSP”) Buildings	20%	20	26	30	45

For each goal, performance below threshold would result in no vesting, performance at threshold would result in vesting of 50% of the award, performance at target would result in vesting of 100% of the award, and performance at maximum would result in vesting of 300% of the award. For performance between threshold and target, or between target and maximum, linear interpolation was used.

Each NEO was granted a 2021 performance-based restricted stock unit award and based on the actual results, the award vested at 198.8% of target.

Other Elements of Compensation

In addition to the primary elements of total direct compensation described above, the NEOs are eligible to participate in employee benefits and group insurance programs generally available to employees, as well as additional programs and benefits described below. Further detail regarding the compensation related to these programs and benefits is provided in the Summary Compensation Table and the All Other Compensation in 2023 table.

401(k) Plan

The Company maintains a 401(k) plan which is intended to be a tax qualified defined contribution plan under Section 401(k) of the Code for all eligible employees. The 401(k) plan allows all eligible employees to contribute up to 100% of their base salary and bonus, up to limits imposed by the Code. The Company adds a cash match to its 401(k) plan for all participants, including those executive officers who participate in the 401(k) plan. The Company matches 100% of the first 3% of compensation deferred as contributions plus 50% of the next 2% deferred as contributions. The 401(k) plan also allows for discretionary profit sharing contributions. Employer contributions, if any, vest immediately. The Company plans to terminate the 401(k) plan upon the closing of the Mergers.

Employee Stock Purchase Plan

Our Employee Stock Purchase Plan allows all active full-time employees, excluding certain employees who are citizens or residents of a non-U.S. jurisdiction, to purchase our common shares through payroll deductions at a 15% discount to the lower of the market price on the first trading day of the six-month purchase period or the last trading day of the six-month purchase period. No plan participant is allowed to purchase more than $25,000 in market value of our common shares under the plan in any calendar year, or own or hold outstanding purchase rights to purchase common shares possessing 5% or more of the total combined voting power of all classes of our capital stock. In fiscal year 2023, all NEOs participated in our Employee Stock Purchase Plan. The Employee Stock Purchase Plan was suspended on January 1, 2024, in connection with the pending Mergers. The Company plans to terminate the Employee Stock Purchase Plan upon the closing of the Mergers.

Dividends

Our NEOs receive dividends on unvested restricted common share awards and accumulate dividend equivalents that are paid in cash upon vesting of performance-based restricted stock unit awards. Dividends for 2023 paid on unvested restricted common shares are disclosed in the All Other Compensation in 2023 portion of the Summary Compensation Table, and dividend equivalents paid are included in the grant date fair value of our performance-based restricted stock units.

Perquisites

Pursuant to the terms of their respective employment agreements, each NEO is entitled to reimbursement of up to $15,000 annually for reasonable professional expenses to receive personal advice from certain professional advisors.

Additional Compensation Plan Features and Policies

Post-Employment Compensation

Severance and change of control benefits are provided to our NEOs pursuant to the terms of their respective employment agreements, as well as under our incentive plans. These benefits are discussed at greater length in the section “Employment Agreements with Named Executive Officers” and “Potential Payments Upon a Change in Control and/or Termination”.

Clawback Provision (Recovery of Incentive Payments)

Each of our NEOs’ respective employment agreements contain a clawback provision that provides that any compensation paid to the executive is subject to recovery by the Company, and the executive is required to repay such compensation, in the event of a material financial restatement. In addition, the STIP contains a similar provision that subjects any incentive compensation paid under the STIP to recovery by the Company in the event of a similar circumstance.

Additionally, the individual award agreements for the performance-based restricted stock units granted under the Equity Plan contain a provision that subjects the awards covered by the agreements to any recoupment or “clawback” policy applied with prospective or retroactive effect. In 2023, the Company also adopted a clawback policy in compliance with the Dodd-Frank Act.

Stock Ownership Guidelines

The compensation committee encourages our executive officers and trustees to own our common shares because we believe such ownership provides strong alignment of interests between executives or trustees and our shareholders. Our stock ownership guidelines recommend that the Chief Executive Officer and other executive officers and trustees achieve the targeted level of ownership within five years of the adoption of the stock ownership guidelines or five years from the date of hire, promotion, appointment, or election, as applicable, of such person. Ownership for purposes of these guidelines includes all shares owned by the officer or trustee or an immediate family member sharing the same household, restricted stock, restricted stock units, deferred stock or units and all performance stock units for which the performance conditions to vesting have been met. The determination of an individual's ownership level is reviewed annually. The chart below shows our stock ownership guidelines.

Title	Guideline
Chief Executive Officer	Five times base salary
Other Executive Officers	Three times base salary
Non-Employee Trustees	Three times annual cash retainer

Hedging / Pledging Prohibitions and Insider Trading Policy

The Company maintains an insider trading policy that prohibits against various trading activities in the Company's securities, including prohibitions on trading using material non-public information acquired by our trustees or employees during the performance of their duties. Trustees and employees, including executives, are strongly discouraged from trading in the Company's securities on a short-term basis, and are encouraged to hold all securities purchased in the open market for a minimum of six months. Trustees and executives are subject to "short-swing profit recovery" for any profit realized on the purchase and sale or sale and purchase of the Company's securities within any six-month period. Additionally, trustees and employees, including executives, are strongly discouraged from purchasing the Company’s securities on margin or pledging the Company’s securities as collateral for margin loans, engaging in hedging transactions, trading in puts, calls, and straddles on the Company’s securities, conducting short sales of the Company’s securities, and maintaining standing or limit orders on the Company’s securities (other than pursuant to a pre-approved trading plan that complies with Rule 10b5-1 under the Exchange Act). As a practical matter, the Company’s insider trading policy strongly discourages trustees and employees from entering into most hedging and pledging arrangements.

Under the Company’s insider trading policy, trustees, NEOs and other employees with access to material non-public information about the Company or another company are prohibited from engaging in transactions in the Company’s securities during blackout periods (other than pursuant to a pre-approved trading plan that complies with Rule 10b5-1 under the Exchange Act).

Tax Deductibility Implications of Executive Compensation

The compensation committee reviews and considers the deductibility of executive compensation. Changes in tax laws or their interpretation and other outside factors may affect the deductibility of certain compensation payments. For example, changes to Section 162(m) of the Code under the Tax Cuts and Jobs Act, which was signed into law on December 22, 2017, generally places a limit of $1 million on the amount of applicable compensation paid to our NEOs that we may deduct each year for taxable years beginning after December 31, 2017.

However, as a REIT, the Company is not subject to federal income taxes to the extent the Company distributes at least 90% of its REIT taxable income to its shareholders. As a result, the compensation committee has awarded compensation, including the 2023 annual incentive awards paid to our NEOs, that may not be fully tax deductible when the committee believes that doing so is in the best interests of our shareholders. If deductibility were to become an issue, the compensation committee may consider various alternatives to preserve the deductibility of compensation payments to executive officers and other benefits to the extent reasonably practical and to the extent consistent with the Company’s other compensation objectives. There is no guarantee that compensation payable pursuant to any of the Company’s compensation programs will ultimately be deductible by the Company.

Compensation Committee Report

The compensation committee has reviewed and discussed the above Compensation Discussion and Analysis with management and, based on such review and discussions, the compensation committee recommended to the Board of Trustees that the Compensation Discussion and Analysis be included in the Company’s Annual Report on 10-K for the year ended December 31, 2023.

Submitted by the compensation committee of the Board of Trustees

Stanton D. Anderson, Chairman
William A. Ebinger, M.D.

Governor Tommy G. Thompson
Ava E. Lias-Booker

Executive Compensation Tables

Summary Compensation Table

The following table presents summary information regarding the total compensation awarded to or earned by each of the NEOs listed below.

Name and Principal Position	Year	Salary(1)	Stock Awards(2)	Non-Equity Incentive Plan Compensation(3)	All Other Compensation(4)	
John T. Thomas	2023	$ 1,000,994	$ 2,429,947	$ 1,285,200	$ 91,706	$ 4
President and Chief Executive Officer	2022	944,231	2,565,529	1,769,400	69,287	5
	2021	923,554	2,523,313	1,384,000	57,595	4
Jeffrey N. Theiler	2023	633,810	1,277,165	610,100	53,385	2
Executive Vice President - Chief Financial Officer	2022	551,631	1,269,046	787,500	47,268	2
	2021	534,843	1,246,057	614,400	44,657	2
D. Deeni Taylor	2023	554,000	1,244,315	581,700	69,041	2
Executive Vice President - Chief Investment Officer	2022	570,535	1,269,046	787,500	50,724	2
	2021	560,837	1,246,057	614,400	47,732	2
Mark D. Theine	2023	550,696	1,088,857	499,800	68,569	2
Executive Vice President - Asset Management	2022	459,228	1,021,510	633,900	43,490	2
	2021	450,031	1,002,670	494,400	40,928	1
John W. Lucey	2023	435,266	677,041	438,900	52,035	1
Chief Accounting and Administrative Officer	2022	400,846	668,617	576,400	36,233	1
	2021	392,625	656,359	450,000	33,014	1

(1) Includes the value of equity received in lieu of cash which is reflected in the Grants of Plan-Based Awards Table and discussed above in the Salary Deferral Program paragraph. Also includes vacation accrued but unused that was paid out to the respective NEOs in January 2023 and December 2023. In January 2023, such amounts were $57,572, $25,994, $0, $36,615, and $17,266 for Messrs. Thomas, Theiler, Taylor, Theine, and Lucey, respectively. In December 2023, such amounts were $25,422, $26,816, $0, $38,081, and $0 for Messrs. Thomas, Theiler, Taylor, Theine, and Lucey, respectively.

(2) Represents the aggregate grant date fair value computed in in accordance with FASB ASC Topic 718 of awards of restricted common shares and awards of performance-based restricted stock units made to the NEOs under the Equity Plan. Aggregate grant date fair value reported is based upon the closing price per share on the date of grant, and the amount for performance-based awards reflects the target level. The maximum number of common shares that could be issued under the 2023

performance-based restricted stock unit awards is three times the target number of shares, which would result in a value of $4,469,091, $2,262,795, $2,157,643, $1,853,871, and $1,220,973 to Messrs. Thomas, Theiler, Taylor, Theine, and Lucey, respectively, based on the closing price per share on the date of grant and market value for certain market-related performance measures. Further detail with respect to these awards are included in Note 9 (Stock-based Compensation) to the Company's audited financial statements for the year ended December 31, 2023. Also includes an amount equal to 25% of the amount of the deferred base salary pursuant to the election made by each of Messrs. Thomas, Taylor, Theine, and Lucey.

(3) Represents non-equity incentive plan compensation paid to the NEOs under the STIP.

(4) See the "All Other Compensation in 2023" table following the Summary Compensation Table for information with respect to these amounts.

All Other Compensation in 2023

The following table sets forth certain information with respect to the "All Other Compensation" column of the Summary Compensation Table for 2023 for the NEOs.

Name	Dividends[(1)]	Professional Services[(2)]	Other[(3)]	401(k) Matching Contributions[(4)]	Total
John T. Thomas	$ 62,682	$ 15,000	$ 824	$ 13,200	$91,706
Jeffrey N. Theiler	31,221	8,500	464	13,200	53,385
D. Deeni Taylor	38,505	15,000	2,336	13,200	69,041
Mark D. Theine	38,993	15,000	1,376	13,200	68,569
John W. Lucey	21,154	15,000	2,681	13,200	52,035

(1) Represents the $0.230 per share dividends for the quarterly periods ended March 31, 2023, June 30, 2023, September 30, 2023, and December 31, 2023, each of which is payable on unvested restricted common shares owned by each NEO, but excludes dividend equivalent rights credited to unvested performance-based restricted stock units, which were previously factored into the grant date fair value for such performance-based restricted stock units.

(2) Represents professional expenses from certain professional advisors including tax, investment, and accounting services.

(3) Represents the aggregate value of taxable gifts, taxable life insurance, and spousal travel to accompany the NEO on business trips.

(4) Represents matching contributions by the Company to the 401(k) plan for each of the NEOs.

2023 Grants of Plan-Based Awards Table

The following table provides information about equity and non-equity awards granted to the NEOs in 2023.

Name	Grant Date	Date Approved	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[(1)] Threshold	Target	Maximum	Estimated Future Payouts Under Equity Incentive Plan Awards[(2)] Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Stock or Units		Grant Date Fair Value of Stock and Option Awards[(3)]
John T. Thomas	1/1/2023	11/2/2022							6,151	(4)	89,000
	1/1/2023	11/2/2022							1,538	(5)	22,250
	3/1/2023	2/20/2023							62,449	(6)	918,000
	3/1/2023	2/20/2023				46,837	93,674	281,022			1,489,697
		2/20/2023	$ 459,000	$ 918,000	$ 1,836,000						
Jeffrey N. Theiler	3/1/2023	2/20/2023							35,572	(6)	522,900
	3/1/2023	2/20/2023				23,715	47,429	142,287			754,265
		2/20/2023	290,500	522,900	871,500						
D. Deeni Taylor	1/1/2023	11/2/2022							7,326	(4)	106,000
	1/1/2023	11/2/2022							1,831	(5)	26,500
	3/1/2023	2/20/2023							33,919	(6)	498,600
	3/1/2023	2/20/2023				22,613	45,225	135,675			719,215
		2/20/2023	277,000	498,600	831,000						
Mark D. Theine	1/1/2023	11/2/2022							11,748	(4)	170,000
	1/1/2023	11/2/2022							2,937	(5)	42,500
	3/1/2023	2/20/2023							29,143	(6)	428,400
	3/1/2023	2/20/2023				19,429	38,858	116,574			617,957
		2/20/2023	238,000	428,400	714,000						
John W. Lucey	1/1/2023	11/2/2022							5,321	(4)	77,000
	1/1/2023	11/2/2022							1,330	(5)	19,250
	3/1/2023	2/20/2023							17,062	(6)	250,800
	3/1/2023	2/20/2023				12,796	25,592	76,776			406,991
		2/20/2023	209,000	313,500	627,000						

(1) On February 20, 2023, the compensation committee established threshold, target, and maximum cash payouts under the Company's STIP to each of the NEOs for 2023. Actual payout amounts under the STIP for 2023 are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. The business measurements and performance goals for determining the payouts under the STIP and with respect to the awards are described in the "Compensation Discussion and Analysis" section.
(2) These columns show the threshold, target, and maximum number of common shares that could be issued in connection with performance-based restricted stock units granted in 2023 under the Company's Equity Plan to each of the NEOs. The exact number of shares to be issued depends upon, among other things, the Company's financial performance, as described in the "Compensation Discussion and Analysis" section. Subject to continued service of the NEO, the shares, if any, will be issued following the performance period end date of December 31, 2025.
(3) Amounts represent the grant date fair value calculated in accordance with FASB ASC Topic 718. Performance-based restricted stock units are reflected at target value. Further detail with respect to these awards is included in Note 9 (Stock-based Compensation) to the Company's audited financial statements for the year ended December 31, 2023.
(4) Represents restricted common shares granted in 2023 under the Salary Deferral Plan for each of Messrs. Thomas, Taylor, Theine, and Lucey, which vested on January 1, 2024, and are reflected using the grant date per share closing price of $14.47.
(5) Represents the premium restricted common shares granted in 2023 under the Salary Deferral Plan for each of Messrs. Thomas, Taylor, Theine, and Lucey, which will vest on January 1, 2025, and are reflected using the grant date per share closing price of $14.47.
(6) Represents restricted common shares granted in 2023 under the Equity Plan, which will vest on March 1, 2024, and are reflected using the grant date per share closing price of $14.70.

Outstanding Equity Awards at 2023 Fiscal Year-End

The following table sets forth all outstanding equity awards held by each of our NEOs as of December 31, 2023, including any unvested restricted common shares and performance-based restricted stock units with performance and/or service conditions that had not yet been satisfied as of December 31, 2023.

	Stock Awards			
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)]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested[(3)]	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested[(2)]
John T. Thomas	479,086	$ 6,376,635	525,954	$ 7,000,448
Jeffrey N. Theiler	106,544	1,418,101	258,402	3,439,331
D. Deeni Taylor	114,048	1,517,979	251,790	3,351,325
Mark D. Theine	100,939	1,343,498	210,039	2,795,619
John W. Lucey	62,701	834,550	140,607	1,871,479

(1) Represents a number of performance-based restricted stock units granted to each of the NEOs in 2021, which vested on January 18, 2024, and correspond to the number of common shares that were issued at a performance level of 198.8% based on performance criteria over a three-year performance period ending December 31, 2023. This total also includes time-based common shares granted to each of the NEOs in 2023, which will vest on March 1, 2024 and January 1, 2025. In February 2020, the compensation committee recommended, and the Board approved, a special long-term retention award of restricted stock units, one-half of which vests after four years and one-half of which vests after five years from the grant date, to our CEO to incentivize and retain him. The special long-term award was made to our CEO prior to the COVID-19 outbreak in the United States.

(2) The value is based on the $13.31 closing price per share of our common shares on December 31, 2023.

(3) Represents a number of performance-based restricted stock units granted to each of the NEOs in 2022 and 2023, which will vest, if at all, based on achievement of performance criteria over a performance period ending December 31, 2024 and December 31, 2025, respectively, subject to the terms of the grant. As of December 31, 2023, actual performance for the 2022 and 2023 performance-based awards were between target and maximum levels; therefore, the number of common shares for these performance-based awards corresponds to the number of common shares that would be issued at the maximum performance level of 300%. The actual number of common shares, if any, to be issued and actual payout value of unvested common shares with respect to the performance-based awards will be determined

based on achievement of performance criteria over a three-year performance period, subject to the terms of the grant of such awards.

2023 Option Exercises and Stock Vested Table

The following table contains information about the vesting of awards of restricted common shares held by the NEOs in 2023.

	Stock Awards[1]	
Name	**Number of Shares Acquired on Vesting[2]**	**Value Realized on Vesting[3]**
John T. Thomas	250,735	$ 3,758,438
Jeffrey N. Theiler	121,984	1,827,558
D. Deeni Taylor	121,984	1,827,558
Mark D. Theine	98,168	1,470,746
John W. Lucey	62,931	943,122

(1) If an NEO used share withholding to satisfy the tax obligations with respect to the vesting of restricted common shares, the number of shares acquired and the value realized were less than the amounts shown.

(2) Represents a number of performance-based restricted stock units granted to each of the NEOs in 2020, which vested in February 2023, and correspond to the number of common shares that were issued at a performance level of 292.0% based on performance criteria over a three-year performance period ending December 31, 2022. This total also includes restricted common shares granted to each of the NEOs in 2022, which vested in March 2023.

(3) Value realized upon vesting is based on the closing price per share of the Company’s common stock on the vesting date.

Employment Agreements with Named Executive Officers

On October 20, 2023, the Company entered into employment agreements with each of Mr. Thomas, Mr. Theiler, Mr. Taylor, Mr. Theine, and Mr. Lucey, which by their terms replaced the Company’s prior employment agreements with each of the executives. Mr. Thomas serves as our President and Chief Executive Officer, Mr. Theiler serves as our Executive Vice President and Chief Financial Officer, Mr. Taylor serves as our Executive Vice President and Chief Investment Officer, Mr. Theine serves as our Executive Vice President of Asset Management, and Mr. Lucey serves as our Chief Accounting & Administrative Officer, in each case until December 31, 2026. The employment term automatically renews for successive one-year terms, provided that the number of such additional terms may not exceed two, and unless earlier terminated in accordance with the respective agreement’s provisions, the agreements automatically terminate on December 31, 2028. The employment agreements for each NEO have been publicly filed with the SEC. The Company does not maintain a separate severance or change in control agreement or policy that would apply to the NEOs.

The employment agreements provide that each of Mr. Thomas, Mr. Theiler, Mr. Taylor, Mr. Theine, and Mr. Lucey is entitled to an annual base salary of $918,000, $581,000, $554,000, $476,000, and $418,000, respectively, subject to such annual increases as the compensation committee may approve, reimbursement of up to $15,000 annually for reasonable professional expenses to receive personal advice from certain professional advisors, and other benefits and group insurance programs generally available to other employees and our other executives. Each executive is entitled to receive an annual cash bonus opportunity for each calendar year during his employment based upon performance goals that are established by the Board or the compensation committee, as the case may be, in its sole discretion. Under Mr. Thomas' employment agreement, he has the right to be nominated to be a member of the Board and any executive committee (or similar committee) of the Board for the term of his employment agreement. The compensation committee uses the STIP in general to make annual incentive awards for our executive officers based on company and individual performance. Each executive is eligible to receive options, restricted shares, or other awards under the Equity Plan at the discretion of the compensation committee. The Company plans to terminate the Equity Plan upon the closing of the Mergers.

Each executive's employment agreement provides that it may be terminated at any time and the executive will be entitled to receive any accrued but unpaid amounts through the date of termination, including base salary and vacation pay (together, the "Accrued Obligations") and nonforfeitable benefits payable to him under any benefit plans maintained by us. Provided the executive is not terminated by us for "cause," he may be entitled to receive additional benefits or severance upon termination, as described below.

If the executive’s employment is terminated voluntarily by the executive without “good reason,” subject to his continued compliance with the restrictive covenants set forth in his employment agreement and a requirement that he timely return and not revoke an executed release agreement, he would be entitled to receive a pro-rated annual bonus based on the actual achievement of any performance goal(s). If such voluntary termination is due to the executive’s “retirement,” he would also be entitled to pro-rata vesting of any restricted stock awards and to continued vesting of a pro-rata portion of any performance-based restricted stock unit awards, subject to actual achievement of any performance goals.

If the executive’s employment is terminated by us without “cause” or by the executive for “good reason” other than within the 12 months commencing on the date of a “change in control,” then subject to his continued compliance with the restrictive covenants set forth in his employment agreement and a requirement that he timely return and not revoke an executed release agreement, he would be entitled to (i) severance pay equal to 24 months of his then current base salary, (ii) accelerated vesting of any unvested equity awards, (iii) continued coverage under any health insurance program maintained by us for a period of 12 months and (iv) a lump sum payment equal to two times the average of the annual bonuses paid to him for the two years ending prior to his termination date, subject to certain restrictions under the respective employment agreement.

If the executive’s employment is terminated by us due to non-renewal of the employment agreement or by automatic termination of the employment agreement on December 31, 2028, subject to his continued compliance with the restrictive covenants set forth in his employment agreement and a requirement that he timely return and not revoke an executed release agreement, and provided he does not enter into a new employment agreement with the Company for a period commencing before or immediately after December 31, 2028, he would be entitled to (i) severance pay equal to six months of his then current base salary, (ii) vesting of performance-based awards based on the actual level of achievement of the performance goals under the award, which would be pro-rated based on the executive’s period of service during the performance period, (iii) accelerated vesting of any awards not subject to performance-based vesting conditions, and (iv) continued coverage under any health insurance program maintained by us for a period of 6 months.

In the event of a change in control, if and to the extent that outstanding equity awards granted to the executive are not continued, assumed or replaced in connection with a change in control, such awards would become fully vested, at the maximum level of achievement in the case of performance-based awards, and, in the case of options, exercisable in full. In addition, if at any time during the 12 consecutive months commencing on the occurrence of a change in control (i) the executive is involuntarily terminated by us (other than for “cause”), or (ii) the executive terminates his employment for “good reason,” or (iii) the Company gives notice of non-renewal of his employment agreement, or (iv) such 12 months period includes December 31, 2028, in lieu of the severance pay amount described above for termination by us without “cause”, termination by the executive for “good reason,” or termination by us due to non-renewal of the employment agreement, then (A) the executive would be entitled to severance pay in a lump sum cash payment equal to three times in the case of Mr. Thomas, and two times in the case of each of Mr. Theiler, Mr. Taylor, Mr. Theine and Mr. Lucey, the sum of (i) his base salary as in effect at the time of the change in control, and (ii) the average of the annual bonuses paid to him for the prior two fiscal years of the Company ending prior to the change in control, if any, and (B) any options, restricted shares or other awards granted to the executive under the Equity Plan would become fully vested and, in the case of options, exercisable in full. For purposes of the foregoing, reference to “fully vested” in the case of performance-based awards means vesting at the maximum level of achievement. Each lump sum severance payment made to an executive will be reduced on a dollar-for-dollar basis by any portion of such payment received or receivable by him from any successor to the Company. Additionally, the executive would be entitled to continued coverage under any health insurance program maintained by us for a period of 18 months.

If the executive’s employment were terminated due to his “disability,” then subject to his continued compliance with the restrictive covenants set forth in his employment agreement and a requirement that he timely return and not revoke an executed release agreement, he would be entitled to (i) severance pay equal to 12 months of his then current base salary, (ii) accelerated vesting of any restricted stock or restricted stock units and (iii) accelerated vesting for performance-based awards based on the target level of achievement of the performance goals under the award.

If the executive’s employment were terminated due to his death, then his spouse or estate, as applicable, would be entitled to a lump sum payment equal to the Accrued Obligations plus a pro-rated annual bonus for the year of termination based on actual achievement of any performance goals thereunder and pro-rated based on the executive’s period of service during the performance period. In addition, the death benefits payable by reason of the executive’s death under any retirement, deferred compensation, life insurance or other employee benefit plan maintained by the Company shall be paid to the beneficiary designated by the executive, and the options, restricted shares or other awards held by the executive shall become fully vested and, in the case of options, exercisable in full. For purposes of the foregoing, reference to “fully vested” in the case of performance-based awards means vesting at the target level of achievement of the performance goals under the award.

Each executive’s employment agreement contains non-competition and non-solicitation restrictive covenants which apply during the term of the agreement and for one year following his termination, and a non-disparagement restrictive covenant that applies during and after the term of his employment with the Company.

The terms “cause,” “good reason,” “change in control,” “retirement,” and “disability” have the meanings set forth in each executive’s employment agreement.

Potential Payments Upon a Change in Control and/or Termination

The employment agreements with each of our NEOs provide for certain payments and benefits to the NEOs in the event of a change in control or termination either in connection with a change in control or during the normal course of business. The material terms of these current arrangements are set forth in the above section “Employment Agreements with Named Executive Officers.” In addition, awards granted to our NEOs under the Equity Plan provide for acceleration of vesting under certain circumstances.

The Company’s STIP does not include a change of control provision under which the NEO would be paid a bonus for that year upon the occurrence of a change of control. However, in order for an executive officer to be paid a bonus under the STIP, the executive officer must be employed by us on the last day of the performance period for which the incentive bonus is otherwise payable, which would be December 31 of the applicable year. If the officer were terminated following a change of control but prior to the year end, no bonus would be payable under the STIP for that year; however, under the terms of the executive officer’s employment agreement, the officer would receive a lump sum cash payment corresponding to the amount designated in the applicable employment agreement.

As provided for in the Merger Agreement, the Mergers will constitute a change in control as defined in the employment agreements. The Merger Agreement provides that the change in control-related severance benefits payable to the executive officers pursuant to their employment agreements will be paid in full as of the Company Merger Effective Time, irrespective of whether the executive officers continue to be employed by the Combined Company, subject to certain terms and conditions.

The following tables estimate the payments required to be made to each NEO in connection with (i) a termination of employment upon specified events or (ii) a change in control assuming a $13.31 per share price for the Company’s common shares, which represents the closing market price on December 31, 2023. The amounts shown also assume that the termination or change in control was effective December 31, 2023, and thus (i) reflect the amounts payable under the Company’s prior employment agreements with each of the NEOs and (ii) include amounts earned (including accrued but unpaid dividend equivalents for unvested performance-based restricted stock units) through such time and are estimates of the amounts which would be paid out to the NEOs. Therefore, the amounts shown do not reflect, for instance, any changes to base salaries or bonus targets effective in 2024, changes in the cost of health benefit plans, equity grants or equity that vested following December 31, 2023, or any other circumstances after December 31, 2023. The actual amounts paid can only be determined at the time of the termination of the NEO’s employment or a change in control. The terms “Cause,” “Good Reason,” “Change in Control,” “Retirement” and “Disability” have the meanings set forth in each executive’s employment agreement.

Mr. Thomas

Executive Benefits and Payments Upon Separation or Change in Control	Qualifying Termination Change in Control [(1)]	Resignation without Good Reason	Termination without Cause or Resignation for Good Reason	Termination due to Disability	Termination due to Retirement
Salary[(2)]	$ 2,754,000	$ —	$ 1,836,000	$ 918,000	$ —
Bonus	5,010,300	428,400	3,483,000	428,400	428,400
Accelerated Vesting of Unvested Equity Compensation[(3)]	13,377,060	—	13,377,060	9,713,562	9,713,562
Health Coverage	55,448	—	36,965	—	—
Dividend Equivalents	1,423,687	—	1,423,687	—	499,321
Total	**$22,620,495**	**$ 428,400**	**$ 20,156,712**	**$ 11,059,962**	**$ 10,641,283**

(1) "Qualifying Termination" means termination by the Company (or its successor) without Cause or by the officer for Good Reason within 12 months following a Change in Control.

(2) "Salary" also includes vacation accrued but unused as of December 31, 2023.

(3) See discussion under “Employment Agreements with Named Executive Officers” above for accelerated vesting of unvested equity compensation.

Mr. Theiler

Executive Benefits and Payments Upon Separation or Change in Control	**Qualifying Termination Change in Control** [1]	**Resignation without Good Reason**	**Termination without Cause or Resignation for Good Reason**	**Termination due to Disability**	**Termination due to Retirement**
Salary[2]	$ 1,162,000	$ —	$ 1,162,000	$ 581,000	$ —
Bonus	1,600,900	203,300	1,600,900	203,300	203,300
Accelerated Vesting of Unvested Equity Compensation[3]	4,857,426	—	4,857,426	3,039,706	3,039,706
Health Coverage	66,150	—	44,100	—	—
Dividend Equivalents	690,560	—	690,560	—	237,495
Total	**$8,377,036**	**$ 203,300**	**$ 8,354,986**	**$ 3,824,006**	**$ 3,480,501**

(1) “Qualifying Termination” means termination by the Company (or its successor) without Cause or by the officer for Good Reason within 12 months following a Change in Control.

(2) “Salary” also includes vacation accrued but unused as of December 31, 2023.

(3) See discussion under “Employment Agreements with Named Executive Officers” above for accelerated vesting of unvested equity compensation.

Mr. Taylor

Executive Benefits and Payments Upon Separation or Change in Control	Qualifying Termination Change in Control[1]	Resignation without Good Reason	Termination without Cause or Resignation for Good Reason	Termination due to Disability	Termination due to Retirement
Salary[2]	$ 1,150,616	$ 42,616	$ 1,150,616	$ 596,616	$ 42,616
Bonus	1,563,100	193,900	1,563,100	193,900	193,900
Accelerated Vesting of Unvested Equity Compensation[3]	4,869,298	—	4,869,298	3,110,249	3,110,249
Health Coverage	18,184	—	12,123	—	—
Dividend Equivalents	678,990	—	678,990	—	236,760
Total	**$8,280,188**	**$ 236,516**	**$ 8,274,127**	**$ 3,900,765**	**$ 3,583,525**

(1) "Qualifying Termination" means termination by the Company (or its successor) without Cause or by the officer for Good Reason within 12 months following a Change in Control.

(2) "Salary" also includes vacation accrued but unused as of December 31, 2023.

(3) See discussion under "Employment Agreements with Named Executive Officers" above for accelerated vesting of unvested equity compensation.

Mr. Theine

Executive Benefits and Payments Upon Separation or Change in Control	Qualifying Termination Change in Control(1)	Resignation without Good Reason	Termination without Cause or Resignation for Good Reason	Termination due to Disability	Termination due to Retirement
Salary(2)	$ 952,000	$ —	$ 952,000	$ 476,000	$ —
Bonus	1,300,300	166,600	1,300,300	166,600	166,600
Accelerated Vesting of Unvested Equity Compensation(3)	4,139,094	—	4,139,094	2,657,705	2,657,705
Health Coverage	55,333	—	36,888	—	—
Dividend Equivalents	559,379	—	559,379	—	191,344
Total	**$7,006,106**	**$ 166,600**	**$ 6,987,661**	**$ 3,300,305**	**$ 3,015,649**

(1) "Qualifying Termination" means termination by the Company (or its successor) without Cause or by the officer for Good Reason within 12 months following a Change in Control.

(2) "Salary" also includes vacation accrued but unused as of December 31, 2023.

(3) See discussion under "Employment Agreements with Named Executive Officers" above for accelerated vesting of unvested equity compensation.

Mr. Lucey

Executive Benefits and Payments Upon Separation or Change in Control	Qualifying Termination Change in Control(1)	Resignation without Good Reason	Termination without Cause or Resignation for Good Reason	Termination due to Disability	Termination due to Retirement
Salary(2)	$ 859,150	$ 23,150	$ 859,150	$ 441,150	$ 23,150
Bonus	1,161,600	146,300	1,161,600	146,300	146,300
Accelerated Vesting of Unvested Equity Compensation(3)	2,706,012	—	2,706,012	1,719,381	1,719,381
Health Coverage	44,434	—	29,622	—	—
Dividend Equivalents	377,015	—	377,015	—	130,319
Total	**$5,148,211**	**$ 169,450**	**$ 5,133,399**	**$ 2,306,831**	**$ 2,019,150**

(1) “Qualifying Termination” means termination by the Company (or its successor) without Cause or by the officer for Good Reason within 12 months following a Change in Control.
(2) “Salary” also includes vacation accrued but unused as of December 31, 2023.
(3) See discussion under “Employment Agreements with Named Executive Officers” above for accelerated vesting of unvested equity compensation.

CEO Pay Ratio

Pursuant to the Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, we are required to disclose the following information for the 2023 fiscal year:

- the median of the annual total compensation of all employees of our Company (excluding our CEO);
- the annual total compensation of our CEO; and
- the ratio of the annual total compensation of our CEO to the median of the total annual compensation of all of our employees (excluding our CEO).

Based on Item 402(u) and applicable SEC guidance and applying the methodology described below, we have determined that our CEO’s annual total compensation for 2023 was $4,807,847, and our reasonable good faith estimate of the median of the annual total compensation of all of our employees (excluding our CEO) for 2023 was $109,629. Accordingly, we estimate the ratio of our CEO’s annual total compensation for 2023 to the median of the annual total compensation of all of our employees (excluding our CEO) for 2023 was 44 to 1.

We selected December 31, 2023, which is a date within the last three months of fiscal 2023, as the date we would use to identify our median employee. To identify the median employee from our employee population, we used the amount of salary, bonus, other cash compensation, and, to the extent applicable, the value of equity awards made to employees under the Equity Plan. We used our payroll records to identify this information. In making this determination, we did not annualize compensation for those employees who did not work for the Company for the entire fiscal year. We also did not make any cost-of-living adjustments in identifying the median employee. We believe total compensation, including the value of equity awards granted to employees under the Company's Equity Plan in 2023, is an appropriate and consistently applied compensation measure because a significant number of our employees participate in the Equity Plan.

Under Item 402(u) and applicable SEC guidance, each company has considerable flexibility to use a compensation measure to identify its median employee, provided the measure is consistently applied to all employees included in the calculation. Additionally, companies are afforded significant discretion as to the assumptions, adjustments and estimates it uses to identify the median employee or to determine annual total compensation of the median employee. Therefore, our 2023 pay ratio is not intended to facilitate a comparison to the pay ratio disclosed by any other company, including any company in our peer group.

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

Stock Ownership

Beneficial Ownership of the Company's Securities

The following table sets forth certain information known to the Company with respect to beneficial ownership of our common shares and common shares issuable upon redemption of OP Units as of February 21, 2024 by (i) each person known by the Company to be the beneficial owner of more than 5% of the Company's common shares; (ii) each member of the Board; (iii) the Company's President and CEO and each of its other NEOs in the Summary Compensation Table; and (iv) all trustees and executive officers as a group. The percentage of shares owned is based on 238,911,308 common shares outstanding and 9,713,522 OP Units outstanding that are not held by the Company as of February 21, 2024.

The SEC has defined "beneficial ownership" of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. A shareholder is also deemed to be, as of any date, the beneficial owner of all securities that such shareholder has the right to acquire within 60 days after that date, including through (i) the exercise of any option, warrant or right, (ii) the conversion of a security, (iii) the power to revoke a trust, discretionary account or similar arrangement, or (iv) the automatic termination of a trust, discretionary account or similar arrangement. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, our common shares subject to options or other rights (as set forth above) held by that person that are exercisable as of February 21, 2024 or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person.

Unless otherwise indicated, the address of each named person is c/o Physicians Realty Trust, 309 N. Water Street, Suite 500, Milwaukee, Wisconsin 53202. No shares beneficially owned by any executive officer, trustee, or trustee nominee have been pledged as security for a loan, except as provided below.

Name of Beneficial Owner	Number of Common Shares Beneficially Owned	Number of Common Shares and OP Units Beneficially Owned	Percentage of All Common Shares	Percentage of All Common Shares and OP Units
Executive Officers and Trustees:				
John T. Thomas[1]	832,751	832,751	*	*
Jeffrey N. Theiler	374,408	374,408	*	*
D. Deeni Taylor	198,574	198,574	*	*
Mark D. Theine	265,535	265,535	*	*
John W. Lucey	205,025	205,025	*	*
Tommy G. Thompson[2]	187,568	187,568	*	*
Stanton D. Anderson[3]	69,916	69,916	*	*
Mark A. Baumgartner[4]	65,617	65,617	*	*
Albert C. Black, Jr.[5]	133,610	133,610	*	*
William A. Ebinger, M.D.	64,841	64,841	*	*
Pamela J. Shelley-Kessler[6]	43,882	43,882	*	*
Ava E. Lias-Booker	11,585	11,585	*	*
Richard A. Weiss	69,692	69,692	*	*
All executive officers and trustees as a group (18 people)	2,992,992	2,992,992	1.3%	1.2%
Other 5% Shareholders:				
BlackRock, Inc.[7]	43,492,907	43,492,907	18.2%	17.5%
The Vanguard Group[8]	35,165,424	35,165,424	14.7%	14.1%
State Street Corporation [9]	12,738,112	12,738,112	5.3%	5.1%

* Less than 1.0%

(1) Includes 6,346 common shares held by accounts for the benefit of Mr. Thomas' children, and 100,000 common shares subject to a margin loan that will be paid off in full over time.

(2) Includes 25,635 common shares held by Thompson Family Charitable Foundation.

(3) Includes 25,189 common shares held by the Stanton D. Anderson Trust.

(4) The 65,617 common shares are held by the Mark A. and Mary Jane Baumgartner Revocable Trust dated 09/16/07.

(5) Includes 16,366 common shares held by Mr. Black's spouse and 1,327 shares held by the Black Family Capital Trust.

(6) The 30,972 common shares are held by the Kessler Family Trust dated 03/31/00 and 3,000 common shares held by Ms. Shelley-Kessler's spouse.

(7) Based on a Schedule 13G/A filed by BlackRock, Inc. ("BlackRock") with the SEC on January 19, 2024. These securities are owned by BlackRock directly or through wholly-

owned subsidiaries of BlackRock. BlackRock has sole voting power with respect to 40,511,154 common shares and sole dispositive power with respect to 43,492,907 common shares. BlackRock lists its address as 50 Hudson Yards, New York, New York 10001.

(8) Based on a Schedule 13G/A filed with the SEC on February 13, 2024, The Vanguard Group ("Vanguard") has sole dispositive power with respect to 34,551,624 common shares, shared voting power with respect to 352,343 common shares, and shared dispositive power with respect to 613,800 common shares. Vanguard lists its address as 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

(9) Based on a Schedule 13G/A filed with the SEC on January 30, 2024, State Street Corporation ("State Street Corp.") has shared voting power with respect to 9,738,648 common shares, shared dispositive power with respect to 12,738,112 common shares. State Street Corp. lists its address as 1 Congress Street, Suite 1, Boston, Massachusetts 02114.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Trustee Independence

Under the listing requirements and rules of the NYSE, independent trustees must comprise a majority of a listed company's board of directors. The nominating and corporate governance committee recommended to the Board, and the Board determined, that of the nine persons who serve on our Board, the following eight trustees are "independent" based on the NYSE's listing rules, and the Company's corporate governance guidelines: Messrs. Anderson, Baumgartner, Black, and Weiss, Dr. Ebinger, Mss. Shelley-Kessler and Lias-Booker, and Governor Thompson.

In making the independence determinations, our Board broadly considers all relevant facts and circumstances, including the current and prior relationships that each non-employee trustee has with us and the beneficial ownership of our common shares by each non-employee trustee. In assessing the independence of one trustee, the Board considered immaterial, ordinary course and arm's-length rental payments received from one health care system that is a tenant at two of our properties and on whose board the trustee serves. Based on the assessments, the Board determined that none of the non-employee trustees had a relationship with our Company or our management that, in the judgment of the Board, would impair the trustee's independence.

A copy of the Company's corporate governance guidelines is available in the "Investors" section of our website (www.docreit.com) under "Governance Documents." Information contained on our website is not part of, or incorporated by reference into, this Annual Report on Form 10-K.

Certain Relationships and Related Party Transactions

We have adopted a related person transaction policy, which provides that we will not enter into any transaction required to be disclosed under Item 404 of Regulation S-K unless the audit committee reviews and approves or ratifies such transaction in accordance with such policy. The audit committee consists of Mr. Baumgartner, who serves as Chairman, Mr. Anderson, and Ms. Shelley-Kessler.

Related person transactions generally are identified in:

- questionnaires annually distributed to our trustees and executive officers; and
- communications made directly by the related person to the principal financial officer, the principal accounting officer or, if neither are available, an officer of a similar position.

In the course of its review and approval or ratification of a disclosable related party transaction, the audit committee will consider all relevant factors, including whether the terms of the proposed transaction are at least as favorable to us as those that might be achieved with an unaffiliated third party. Among other relevant factors, the audit committee will consider the following:

- the size of the transaction and the amount of consideration payable to a related person;
- the nature of the interest of the applicable related person;
- whether the transaction may involve a conflict of interest; and
- whether the transaction involves the provision of goods or services to us that are available from unaffiliated third parties.

The audit committee may, in its discretion, engage outside counsel to review certain related person transactions. In addition, the committee may request that the full Board consider the approval or ratification of any related person transaction if it deems advisable.

Finally, it is our policy to make disclosures regarding any transactions in which we participate and in which any related person has a direct or indirect material interest and the amount involved exceeds $120,000 to the extent required by SEC rules. The related person transaction policy is available in the "Investors" section of our website (www.docreit.com) under "Governance Documents." Information contained on our website is not part of, or incorporated by reference into, this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Selection and Engagement of Independent Registered Public Accounting Firm

The audit committee annually reviews EY's performance and independence in deciding whether to engage a different independent registered public accounting firm. In the course of these reviews, the Committee considers, among other things:

- EY's independence from the Company and management, including any factors that may impact EY's objectivity
- The experience, qualifications, and performance of EY's senior personnel that are providing audit services to the Company
- Any issues raised by the most recent internal quality-control review, peer review or Public Company Accounting Oversight Board's ("PCAOB") review of EY
- The quality and candor of EY's communications with the Committee and management
- EY's quality control procedures
- The quality and effectiveness of EY's historical and recent audit plans and performance on our audit
- The fees for EY's services
- The advisability and potential impact of selecting a different independent public accounting firm

At its 2023 Annual Meeting of Shareholders held on May 3, 2023, the Committee selected, and shareholders voted, EY to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2023.

Audit Committee Pre-Approval Policies and Procedures

Under the audit committee charter, audit and permissible non-audit services performed by the Company's independent registered public accounting firm must be approved in advance by the audit committee. The term of any pre-approval is 12 months from the date of pre-approval unless the audit committee specifically provides for a different period. In addition, individual engagements anticipated to exceed pre-established thresholds, as well as certain other services, must be specifically pre-approved by the audit committee. Under the audit committee charter, the audit committee may delegate pre-approval authority to one or more designated members of the audit committee provided that such approvals are presented to the audit committee at a subsequent meeting. All services provided by the Company's independent registered public accounting firm for the years ended December 31, 2023 and 2022 were pre-approved in accordance with the policies and procedures described above.

Fees Paid to Independent Registered Public Accounting Firm

The aggregate fees billed for professional services by EY in fiscal 2023 and 2022 were as follows:

Fees		Fiscal 2023 (Ended December 31, 2023)		Fiscal 2022 (Ended December 31, 2022)
Audit Fees	$	942,000	$	838,300
Audit Related Fees		—		—
Tax Compliance		451,255		319,500
Tax Advisory		11,456		6,650
Total Fees	**$**	**1,404,711**	**$**	**1,164,450**

Audit Fees. The aggregate fees billed for professional services rendered by EY for the audit of the Company's consolidated and combined financial statements included in the Company's annual report, review of financial statements included in Form 10-Qs, audit of management's assessment of internal controls, and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements, were approximately $942,000 and $838,300 for the years ended December 31, 2023 and December 31, 2022, respectively.

Audit Related Fees. The aggregate fees billed for assurance and related services by EY that are reasonably related to the performance of the audit or review of the Company's consolidated and combined financial statements and are not reported under "Audit Fees" above were $0 for the years ended December 31, 2023 and December 31, 2022.

Tax Compliance. The aggregate fees billed for professional services rendered by EY for tax compliance were approximately $451,255 and $319,500 for the years ended December 31, 2023 and December 31, 2022, respectively. Tax compliance services primarily involve the preparation and review of tax returns and compliance with state and local tax regulatory matters.

Tax Advisory. The aggregate fees billed for professional services rendered by EY for tax advisory services were approximately $11,456 and $6,650 for the years ended December 31, 2023 and December 31, 2022, respectively. Tax advisory services primarily include tax advice related to acquisitions and investments.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

(1) Financial Statements:

(2) Financial Statement Schedules:

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are omitted because they are not required under the related instructions or are not applicable, or because the required information is shown in the consolidated financial statements or notes thereto.

(3) Exhibits:

See the Exhibit Index immediately following the signature page of this report on Form 10-K.

The report of Physicians Realty Trust's independent registered public accounting firm (PCAOB ID:42) with respect to the above-referenced financial statements and their report on internal control over financial reporting are included in Item 8 of this Form 10-K at the page number referenced above. Their consent appears as Exhibit 23 of this Form 10-K.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PHYSICIANS REALTY TRUST

Dated: February 22, 2024	/s/ John T. Thomas
	John T. Thomas
	Chief Executive Officer and President
	(Principal Executive Officer)

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints John T. Thomas and Jeffrey N. Theiler and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the Securities and Exchange Commission in connection with this Annual Report on Form 10-K and any and all amendments hereto, as fully and for all intents and purposes as he or she might do or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ JOHN T. THOMAS John T. Thomas	Chief Executive Officer and President and Trustee (Principal Executive Officer)	February 22, 2024
/s/ JEFFREY N. THEILER Jeffrey N. Theiler	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 22, 2024
/s/ JOHN W. LUCEY John W. Lucey	Chief Accounting and Administrative Officer (Principal Accounting Officer)	February 22, 2024
/s/ STANTON D. ANDERSON Stanton D. Anderson	Trustee	February 22, 2024
/s/ MARK A. BAUMGARTNER Mark A. Baumgartner	Trustee	February 22, 2024
/s/ ALBERT C. BLACK, JR. Albert C. Black, Jr.	Trustee	February 22, 2024
/s/ WILLIAM A. EBINGER, M.D. William A. Ebinger, M.D.	Trustee	February 22, 2024
/s/ PAMELA J. SHELLEY-KESSLER Pamela J. Shelley-Kessler	Trustee	February 22, 2024
/s/ AVA E. LIAS-BOOKER Ava Lias-Booker	Trustee	February 22, 2024
/s/ TOMMY G. THOMPSON Tommy G. Thompson	Chairman	February 22, 2024
/s/ RICHARD A. WEISS Richard A. Weiss	Trustee	February 22, 2024

EXHIBIT INDEX

Exhibit No.		Title
2.1	(22)	Master Transaction Agreement, dated October 1, 2021, between Physicians Realty L.P. and Landmark Healthcare Companies LLC.
2.2	(23)	First Amendment to Master Purchase Agreement, dated as of December 3, 2021 between Physicians Realty L.P. and Landmark Healthcare Companies LLC
2.3	(23)	Second Amendment to Master Purchase Agreement, dated as of December 8, 2021 between Physicians Realty L.P. and Landmark Healthcare Companies LLC.
2.4	(23)	Letter Agreement dated December 20, 2021 between Physicians Realty L.P. and Landmark Healthcare Companies LLC.
2.5	(2)	Agreement and Plan of Merger dated as of October 29, 2023 among Healthpeak Properties, Inc., Alpine Sub, LLC, Alpine OP Sub, LLC, Physicians Realty Trust and Physicians Realty L.P.
3.1	(1)	Articles of Amendment and Restatement of Physicians Realty Trust
3.2	(2)	Bylaws of Physicians Realty Trust, as amended through October 28, 2023
3.3	(3)	Certificate of Limited Partnership of Physicians Realty L.P.
4.1	(1)	Form of Certificate of Common Shares of Physicians Realty Trust
4.2	(4)	Senior Indenture, dated as of March 7, 2017, among Physicians Realty L.P., Physicians Realty Trust and U.S. Bank National Association, as trustee
4.3	(4)	First Supplemental Indenture, dated as of March 7, 2017, among Physicians Realty L.P., Physicians Realty Trust and U.S. Bank National Association, as trustee
4.4	(4)	Form of 4.300% Senior Notes due 2027 and guarantee thereof (included in Exhibit 4.3)
4.5	(5)	Second Supplemental Indenture, dated as of December 1, 2017, among Physicians Realty L.P., Physicians Realty Trust and U.S. Bank National Association, as trustee
4.6	(5)	Form of 3.950% Senior Notes due 2028 and guarantee thereof (included in Exhibit 4.5)
4.7	(6)	Third Supplemental Indenture, dated as of October 13, 2021, among Physicians Realty L.P., Physicians Realty Trust and U.S. Bank National Association, as trustee
4.8	(6)	Form of 2.625% Senior Note due 2031 and the guarantee thereof (included in Exhibit 4.7)
4.9		Description of Securities*
10.1	(7)	Second Amended and Restated Agreement of Limited Partnership of Physicians Realty L.P., dated February 5, 2015
10.2	(8)	Form of Restricted Shares Award Agreement (Time Vesting)**
10.3	(1)	Form of Indemnification Agreement between Physicians Realty Trust and its trustees and officers
10.4	(9)	Employment Agreement dated as of October 20, 2023 between the Trust and John T. Thomas**
10.5	(9)	Employment Agreement dated as of October 20, 2023 between the Trust and Jeffrey N. Theiler**
10.6	(9)	Employment Agreement dated as of October 20, 2023 between the Trust and John W. Lucey**
10.7	(9)	Employment Agreement dated as of October 20, 2023 between the Trust and Mark D. Theine**
10.8	(9)	Employment Agreement dated as of October 20, 2023 between the Trust and Del Mar Deeni Taylor**
10.9	(9)	Employment Agreement dated as of October 20, 2023 between the Trust and

Exhibit No.		Title
10.24	(27)	Form of Restricted Share Award Agreement - Executives (Time Vesting)**
10.25	(27)	Form of Restricted Share Unit Award Agreement - Trustee (Time Vesting)**
10.26	(27)	Form of Restricted Share Unit Award Agreement - Trustee (In Lieu of Cash Retainer)**
10.27	(27)	Form of Restricted Share Award Agreement - Executives (Deferral)**
10.28	(15)	Note Purchase and Guarantee Agreement, dated as of January 7, 2016, among the Operating Partnership, the Trust and each of the purchasers identified therein
10.29	(15)	Form of 4.03% Senior Notes, Series A, due January 7, 2023 (included in Exhibit 10.22)
10.30	(15)	Form of 4.43% Senior Notes, Series B, due January 7, 2026 (included in Exhibit 10.22)
10.31	(15)	Form of 4.57% Senior Notes, Series C, due January 7, 2028 (included in Exhibit 10.22)
10.32	(15)	Form of 4.74% Senior Notes, Series D, due January 7, 2031 (included in Exhibit 10.22)
10.33	(16)	Note Purchase and Guarantee Agreement, dated as of August 11, 2016, among the Operating Partnership, the Trust and each of the purchasers identified therein
10.34	(16)	Form of 4.09% Senior Notes, Series A, due August 11, 2025 (included in Exhibit 10.27)
10.35	(16)	Form of 4.18% Senior Notes, Series B, due August 11, 2026 (included in Exhibit 10.27)
10.36	(16)	Form of 4.24% Senior Notes, Series C, due August 11, 2027 (included in Exhibit 10.27)
10.37	(16)	First Amendment, dated as of August 11, 2016, to the Note Purchase and Guarantee Agreement, dated as of January 7, 2016, among the Operating Partnership, the Trust and the Noteholders, party thereto
10.38	(18)	Second Amendment, dated as of November 19, 2018, to the Note Purchase and Guarantee Agreement, dated as of January 7, 2016, among the Operating Partnership, the Trust and the Noteholders party thereto
10.39		Third Amendment, dated as of February 9, 2024, to the Note Purchase and Guarantee Agreement, dated as of January 7, 2016, among the Operating Partnership, the Trust and the Noteholders party thereto*
10.40	(18)	First Amendment, dated as of November 19, 2018, to the Note Purchase and Guarantee Agreement, dated as of August 11, 2016, among the Operating Partnership, the Trust and the Noteholders party thereto
10.41		Second Amendment, dated as of February 9, 2024, to the Note Purchase and Guarantee Agreement, dated as of August 11, 2016, among the Operating Partnership, the Trust and the Noteholders party thereto*
10.42	(17)	Third Amended and Restated Credit Agreement, dated September 24, 2021, among Physicians Realty L.P., as Borrower, Physicians Realty Trust, as Guarantor, the Lenders party thereto, KeyBank National Association, as Administrative Agent, KeyBanc Capital Markets, Inc., BMO Capital Markets and Citizens Bank, N.A., as Lead Arrangers and Co-Bookrunners, and BMO Capital Markets and Citizens Bank, N.A., as Co-Syndication Agents.
10.43	(24)	First Amendment to Third Amended and Restated Credit Agreement, dated March 31, 2023, among Physicians Realty L.P., as Borrower, Physicians Realty Trust, as Guarantor, KeyBank National Association, as Administrative Agent, and the Lenders party thereto

Exhibit No.	Title
101.LAB	XBRL Taxonomy Extension Label Linkbase Document(†)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document(†)
104.0	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.
** Indicates a management contract or compensatory plan or arrangement.

† Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement for purposes of Section 11 or 12 of the Securities Act, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

(1) Incorporated by reference to Amendment No. 2 to the Registrant’s Registration Statement on Form S-11 filed with the SEC on June 14, 2013 (File No. 333-188862).
(2) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on October 30, 2023 (File No. 001-36007).
(3) Incorporated by reference to the Registrant’s Registration Statement on Form S-3 filed with the SEC on June 17, 2015 (File No. 333-205034).
(4) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on March 7, 2017 (File No. 001-36007).
(5) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on December 1, 2017 (File No. 001-36007).
(6) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on October 13, 2021 (File No. 001-36007).
(7) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on February 6, 2015.
(8) Incorporated by reference to Amendment No. 3 to the Registrant’s Registration Statement on Form S-11 filed with the SEC on June 20, 2013 (File No. 333-188862).
(9) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on October 20, 2023 (File No. 001-36007).
(10) Incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q filed with the SEC on May 5, 2022 (File No. 001-36007).
(11) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on May 7, 2014 (File No. 001-36007).
(12) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on May 4, 2023 (File No. 001-36007).
(13) Incorporated by reference to the Registrant’s Annual Report on Form 10-K filed with the SEC on March 12, 2015 (File No. 001-36007).
(14) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on June 13, 2016 (File No. 001-36007).
(15) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on January 12, 2016 (File No. 001-36007).

(16) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on August 11, 2016 (File No. 001-36007).
(17) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on September 28, 2021 (File No. 001-36007).
(18) Incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the SEC on February 28, 2019 (File No. 001-36007).
(19) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 8, 2020 (File No. 001-36007).
(20) Incorporated by reference to the Registrant's Quarterly Report on Form 8-K filed with the SEC on February 28, 2018 (File No. 001-36007).
(21) Incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the SEC on February 27, 2020 (File No. 001-36007).
(22) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on October 6, 2021 (File No. 001-36007).
(23) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on December 21, 2021 (File No. 001-36007).

(24) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on April 3, 2023 (File No. 001-36007).

(25) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on May 25, 2023 (File No. 001-36007).

(26) Incorporated by reference to the Registrant’s Annual Report on Form 10-K filed with the SEC on February 24, 2023 (File No. 001-36007).

(27) Incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q filed with the SEC on October 30, 2023 (File No. 001-36007).