

HEALTHCARE REALTY TRUST INC  
Form DEF 14A  
March 28, 2013

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

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

Check the appropriate box:

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

HEALTHCARE REALTY TRUST INCORPORATED

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

Title of each Class of securities to which transaction applies:

(1)

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

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(5) Total fee paid:

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Amount Previously Paid:

(1)

Form, Schedule or Registration Statement No.:

(2)

Filing Party:

(3)

Date Filed:

(4)

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3310 West End Avenue, Suite 700

Nashville, Tennessee 37203

March 28, 2013

TO OUR SHAREHOLDERS:

You are cordially invited to attend the 2013 annual meeting of shareholders of Healthcare Realty Trust Incorporated, to be held on May 14, 2013, at 10:00 a.m. (local time) at the Company's executive offices at 3310 West End Avenue, Suite 700, Nashville, Tennessee 37203.

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

Sincerely,

David R. Emery

Chairman and Chief Executive Officer

3310 West End Avenue, Suite 700

Nashville, Tennessee 37203

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 14, 2013

TO OUR SHAREHOLDERS:

The annual meeting of shareholders of Healthcare Realty Trust Incorporated (the "Company") will be held on Tuesday, May 14, 2013, at 10:00 a.m. (local time) at 3310 West End Avenue, Suite 700, Nashville, Tennessee, for the following purposes:

- (1) To elect three nominees as Class 2 directors for three-year terms;
- (2) To ratify the appointment of BDO USA, LLP as the independent registered public accounting firm for the Company and its subsidiaries for the Company's 2013 fiscal year;
- (3) To vote to approve, on a non-binding advisory basis, a resolution approving the Company's compensation of its named executive officers as disclosed pursuant to Item 402 of Regulation S-K; and
- (4) To transact any other business that properly comes before the meeting or any adjournment thereof.

Holders of the Company's Common Stock of record at the close of business on March 14, 2013 are entitled to vote at the meeting or at any adjournment of the meeting.

By order of the Board of Directors,

David R. Emery

Chairman and Chief Executive Officer

Dated: March 28, 2013

3310 West End Avenue, Suite 700  
Nashville, Tennessee 37203  
PROXY STATEMENT

This Proxy Statement contains information related to the annual meeting of shareholders of Healthcare Realty Trust Incorporated (the "Company") to be held at 3310 West End Avenue, Suite 700, Nashville, Tennessee, on Tuesday, May 14, 2013, at 10:00 a.m. (local time) for the purposes set forth in the accompanying notice, and at any adjournment thereof (the "Annual Meeting"). This Proxy Statement and the Annual Report to Shareholders for the Year Ended December 31, 2012 (the "Annual Report to Shareholders") are available to you on the Internet or, upon your request, will be delivered to you by mail or email in connection with the solicitation of proxies by the Board of Directors of the Company to be voted at the Annual Meeting. Distribution of the Notice of Internet Availability of Proxy Materials (the "Notice") is scheduled to begin on or about March 28, 2013.

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

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

The close of business on March 14, 2013 has been fixed as the record date for the determination of shareholders entitled to vote at the meeting. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum, permitting the conduct of business at the meeting. As of the close of business on such date, the Company had 150,000,000 authorized shares of common stock, \$0.01 par value (the "Common Stock"), of which 89,177,865 shares were outstanding and entitled to vote. The Common Stock is the Company's only outstanding class of voting stock.

Each share of Common Stock will have one vote on each matter to be voted upon at the meeting.

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## ELECTION OF DIRECTORS

The Board of Directors is divided into three classes having three-year terms that expire in successive years. The current three-year term of the Class 2 directors expires at the 2013 annual meeting. The Board of Directors proposes that the nominees described below, all of whom have been nominated by the Board of Directors upon the recommendation of the Company's Corporate Governance Committee, be elected as Class 2 directors to serve until the annual meeting of shareholders in 2016 or until their successors have been elected and take office. Each nominee has consented to be a candidate and to serve if elected.

The Company's articles of incorporation do not provide for cumulative voting and, accordingly, each shareholder may cast one vote per share of Common Stock for each nominee. According to Maryland law, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. The Company has a director resignation policy that is applicable to any director that does not receive a majority of votes cast "for" his or her election to the board in an uncontested election. This policy is described in greater detail on page 6 of this Proxy Statement.

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

## Qualifications of Directors and Nominees to be Directors

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

## Class 2 Nominees

The nominees for election as Class 2 directors are:

Name	Age	Principal Occupation, Directorships and Qualifications	Director Since
Edwin B. Morris III	73	Mr. Morris is Managing Director for Morris & Morse Company, Inc., a real estate advisory and investment firm in Boston, Massachusetts. Mr. Morris' experience in real estate financing and investment is valued for the Board's evaluation and oversight of the Company's investment opportunities and strategies.	1993
John Knox Singleton	64	Mr. Singleton is President and Chief Executive Officer of Inova Health System headquartered in Falls Church, Virginia. He also serves as a director of Washington Mutual Investors Fund and Virginia Tax Exempt Fund, each a mutual fund located in Washington, D.C. The experience Mr. Singleton has gained in these roles has enabled him to provide the Board with insight regarding the business of large not-for-profit health systems, as well as general compensation practices and governance matters.	1993
Roger O. West, CPA	68	Mr. West served as the Company's general counsel from 1994 until 2003. From 2003 until 2008, he served in a non-executive role as the Company's special counsel. From 1999 until 2006, Mr. West served as a director of 3333 Holding Corp., a NYSE company traded in tandem with Centex, Inc. and that served as the corporate general partner of Centex Development Company. Mr. West, an attorney and certified public accountant who meets the qualifications of an audit committee financial expert, enhances the	2010

Board's understanding of corporate law and accounting and his experience as a former executive officer of the Company brings to the Board institutional knowledge regarding the Company's long-held investments and tenant relationships.

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

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Continuing Directors

The persons named below will continue to serve as directors until the annual meeting of shareholders in the year indicated or until their successors are elected and take office. Shareholders are not voting on the election of the Class 1 and Class 3 directors.

Class 3 - 2014

Name	Age	Principal Occupation, Directorships and Qualifications	Director Since
David R. Emery	68	Mr. Emery serves as Chairman of the Board of Directors and Chief Executive Officer of the Company. His understanding of the business of the Company and his leadership role since founding the Company in 1993 have enabled him to provide unique insight and leadership to the Board. His significant equity stake in the Company has also further aligned the Board with shareholder interests.	1993
Batey M. Gresham, Jr.	78	Mr. Gresham, retired, founded Gresham, Smith & Partners, an architectural firm based in Nashville, Tennessee. His experience in design, management and healthcare delivery has contributed to the Board's understanding of facility development and hospital dynamics.	1993
Dan S. Wilford	72	Mr. Wilford retired in November 2002 as President and Chief Executive Officer of Memorial Hermann Healthcare System, a major hospital system in Houston, Texas. He serves as a director of LHC Group, Inc., a home healthcare provider headquartered in Lafayette, Louisiana. His experience gained from these roles and others has added value to the Board's corporate governance oversight and added to its understanding of the healthcare industry and matters affecting the Company's tenants and healthcare system relationships.	2002

Class 1 - 2015

Name	Age	Principal Occupation, Directorships and Qualifications	Director Since
Errol L. Biggs, Ph.D.	72	Dr. Biggs is Director of Graduate Programs in Health Administration at the University of Colorado. He also serves as President of Biggs & Associates, a healthcare consulting company located in Castle Rock, Colorado. Dr. Biggs' experience has added to the Board's knowledge of best practices in corporate governance, particularly in the healthcare industry. Additionally, his experience with healthcare consulting has provided the Board with insight regarding matters affecting the Company's tenants and hospital relationships.	1993
Charles Raymond Fernandez, M.D.	69	Dr. Fernandez retired in August 2008 as Chief Executive Officer of the Piedmont Clinic in Atlanta, Georgia. As a medical doctor, Dr. Fernandez's experience provides the Board with insight regarding matters of importance to the Company's physician tenants. His experience in managing a large clinic of doctors provides particularly valuable insight regarding physician perspectives and hospital relationships.	1993
Bruce D. Sullivan, CPA	72	Mr. Sullivan retired in October 2001 as managing partner of the Nashville office of Ernst & Young LLP. Mr. Sullivan is a certified public accountant and also serves as a director of a small private company. Mr. Sullivan's financial expertise has added strength to the Board as an audit committee financial expert. Additionally, the experience he gained in public accounting has added depth of	2004



knowledge to the Board regarding matters of finance, accounting and risk oversight.

Except as indicated, each of the nominees and continuing directors has had the principal occupation indicated for more than five years.

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## CORPORATE GOVERNANCE

## Leadership Structure

Since the Company's inception, Mr. Emery has served as the Chairman of the Board of Directors and the Company's Chief Executive Officer. The Board of Directors believes that this structure is appropriate given Mr. Emery's performance since founding the Company. The Board of Directors believes that, in its particular circumstances, a unified Chairman and Chief Executive Officer position provides clarity of leadership and operating efficiencies derived from Mr. Emery's familiarity with the industry and business. Further, his experience in working closely with the Company's officers increases the Board's effectiveness in its role of monitoring the management of the Company. In addition, Mr. Emery's significant ownership interest in the Company further aligns the Board's interest with that of the shareholders.

## Lead Independent Director; Non-Management Executive Sessions; Communicating with the Board

Periodically, and no less frequently than quarterly, the independent directors meet in executive session. The non-management directors have appointed Edwin B. Morris III as lead director to preside over the non-management executive sessions. During 2012, the non-management directors held four executive sessions. Any interested party may communicate with the non-management directors as a group by contacting Mr. Morris in writing c/o Healthcare Realty Trust Incorporated, 3310 West End Avenue, Suite 700, Nashville, Tennessee 37203. Any interested party may communicate directly with the full Board of Directors or any individual director by writing to Healthcare Realty Trust Incorporated, 3310 West End Avenue, Suite 700, Nashville, Tennessee 37203, Attention: Secretary. The Secretary of the Company will review all correspondence intended for the entire Board and will regularly forward to the Board copies of all correspondence that, in the opinion of the Secretary, deals with the functions of the Board or committees thereof or that she otherwise determines requires their attention.

## Committee Membership

The Board of Directors has an Executive Committee, Corporate Governance Committee, Audit Committee, and Compensation Committee. The Board of Directors has adopted written charters for each committee, except for the Executive Committee. The committee charters are posted in the Corporate Governance section of the Company's website, [www.healthcarerealty.com](http://www.healthcarerealty.com), under the "Investor Relations" tab and are available in print to any shareholder who requests a copy.

All committee members are non-employee, independent directors, except Mr. Emery. The following table sets forth the current members of the committees:

Name	Executive	Corporate Governance	Audit	Compensation
Errol L. Biggs, Ph.D.		X	X	
David R. Emery	(X)			
Charles Raymond Fernandez, M.D.				X
Batey M. Gresham, Jr.			X	
Edwin B. Morris III				(X)
John Knox Singleton	X			X
Bruce D. Sullivan (1)			(X)	
Dan S. Wilford	X	(X)		
Roger O. West (1)		X	X	

( ) Chairman

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

## Committee Duties

Executive Committee

No meetings in 2012

- Acts on behalf of the Board of Directors on all matters concerning the management and conduct of the business and affairs of the Company, except those matters that cannot by law be delegated by the Board.

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Corporate Governance Committee

Four meetings in 2012

- Reviews and implements the Corporate Governance Committee charter and reports to the Board.
- Develops and implements policies and practices relating to corporate governance.
- Monitors implementation of the Company's Corporate Governance Principles.
- Develops criteria for selection of members of the Board.
- Seeks individuals qualified to become Board members for recommendation to the Board.
- Evaluates the independence and performance of individual directors.

Audit Committee

Five meetings in 2012

- Reviews and implements the Audit Committee charter and reports to the Board.
- Selects the Company's independent registered public accounting firm (whose duty it is to audit the financial statements and internal control over financial reporting of the Company and its subsidiaries for the fiscal year in which it is appointed) and has the sole authority and responsibility to pre-approve all audit and audit-related fees and terms, as well as all significant permitted non-audit services by the Company's independent registered public accounting firm.
- Meets with the independent registered public accounting firm and management of the Company to review and discuss the scope of the audit and all significant matters related to the audit.
- Reviews the adequacy and effectiveness of the Company's internal control over financial reporting with management, the internal audit function, and the independent registered public accounting firm.
- Reviews the financial statements and discusses them with management and the independent registered public accounting firm.
  - Reviews and discusses with management the Company's major financial risk exposures and steps taken by management to monitor and mitigate such exposure.
- Reviews and discusses with management the information contained in the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, earnings press releases, and financial information provided to the public.

Compensation Committee

Eight meetings in 2012

- Reviews and implements the Compensation Committee charter and reports to the Board.
- Annually reviews corporate performance relevant to the compensation of the Company's executive officers and key employees.
- Establishes a general compensation policy and approves salaries paid to the Chief Executive Officer and the other executive officers named in the Summary Compensation Table that appears under the section entitled "EXECUTIVE COMPENSATION" in this Proxy Statement (the "Named Executive Officers") and fees paid to directors.
- Administers the Company's stock plans, retirement plan and employee stock purchase plan. Determines, subject to the provisions of the Company's plans, the directors, officers and employees of the Company eligible to participate in each of the plans, the extent of such participation and the terms and conditions under which benefits may be vested, received or exercised.
- Gives consideration to the development and succession of the Company's Named Executive Officers and considers potential successors to the Chief Executive Officer.

Code of Ethics

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

performing similar functions by posting such information on its website.

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### Director Resignation Policy

The Board of Directors adopted a Director Resignation Policy in January 2012. This policy provides that, in an uncontested election, any director who receives a greater number of withheld votes than votes for election must tender his or her resignation to the Board promptly following certification of the shareholder vote. Upon such resignation, the Corporate Governance Committee will have 45 days following certification of the shareholder vote to consider the resignation and recommend to the Board whether or not to accept such resignation. Following the recommendation of the Corporate Governance Committee, the Board must decide within 90 days of certification of the shareholder vote whether or not to accept the resignation. After making its decision, the Board will promptly disclose the decision in a Form 8-K filed with the SEC. The Director Resignation Policy is included in the Company's Corporate Governance Principles, which are posted in the Corporate Governance section of the Company's website at [www.healthcarerealty.com](http://www.healthcarerealty.com) under the "Investor Relations" tab.

### Meeting Attendance

The Board of Directors held a total of six meetings in 2012. Each director attended at least 75% of the meetings of the Board and committees of the Board on which such director served. The Company has not adopted a formal policy regarding director attendance at annual meetings of shareholders, but encourages each member of the Board of Directors to attend. One member of the Board attended the 2012 annual meeting of shareholders.

### Director Education

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

### Risk Oversight

The Board of Directors is responsible for overseeing the Company's enterprise risk management as part of determining a business strategy designed to provide long-term value to the Company's shareholders. The Board of Directors oversees and monitors the Company's exposure to risk through various means, including specific communications with management. Board deliberations involving strategy and operational initiatives are integrated with reviews of risk exposure to the Company. In addition to reviewing significant transactions, such as capital raises or investments, for consistency with the Company's risk profile, the Board annually reviews risks affecting the Company as part of management's review of appropriate risk factor disclosures. The Board regularly communicates with members of the management team, including officers responsible for identifying potential investments and bringing those investments to fruition, either through acquisition or development. The Board also discusses with management on at least a semi-annual basis the Company's internal forecast, including discussions regarding the Company's acquisition and development pipeline. The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities by monitoring, reviewing and discussing the Company's financial risk exposures. The Audit Committee considers enterprise level risks and financial risks and discusses with management those risks and the measures taken by the management team to mitigate such risks. The Compensation Committee assesses risks related to the Company's executive compensation programs, as discussed further on page 15 of this Proxy Statement. The Company believes that these interactions between the Board and the management team regarding risk exposures and mitigation strengthen and focus the combined efforts of management and the Board on developing strategies that contain risk and enhance long-term shareholder value.

### Independence of Directors

The Board of Directors has adopted a set of Corporate Governance Principles (the "Principles"), addressing, among other things, standards for evaluating the independence of the Company's directors. The full text of the Principles can

be found in the Corporate Governance section of the Company's website, [www.healthcarerealty.com](http://www.healthcarerealty.com), under the "Investor Relations" tab. A copy may also be obtained upon request from the Company's Secretary.

Pursuant to the Principles, the Board undertook its annual review of director independence under the leadership of the Corporate Governance Committee in January 2013. During this review, the Corporate Governance Committee and the Board considered transactions and relationships between each director or any member of his or her immediate family and the Company and its subsidiaries, affiliates and equity investors. The Corporate Governance Committee and the Board also examined transactions and relationships between directors or their affiliates and members of senior management or their affiliates. As provided in the Principles, the purpose of this review was to determine whether any such relationship or transaction was inconsistent with a determination that a director is independent.

To aid in making its annual review of director independence, the Board has adopted categorical standards for determining independence. A director is independent unless:

• The director is or has been an employee of the Company within the past three years or has an immediate family member that is or has been an executive officer of the Company within the past three years;

The director, or his or her immediate family member, has received more than \$120,000 within any of the past three years in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

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

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

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

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

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

#### Director Nominee Evaluation Process

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

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

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

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

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

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

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

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

#### Shareholder Recommendation or Nomination of Director Candidates

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

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

Such information should include:

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

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

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

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

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

The bylaws of the Company provide that any shareholder who is entitled to vote for the election of directors at a meeting called for such purpose may nominate persons for election to the Board of Directors subject to the following notice requirements. This is the procedure to be followed for direct nominations, as opposed to recommendation of nominees for consideration by the Corporate Governance Committee. To be timely for the 2014 annual meeting, such notice must be received by the Company at its executive offices no earlier than October 30, 2013 nor later than November 29, 2013.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of January 31, 2013, the beneficial ownership of the Company's equity securities as determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, all Company securities over which the directors, nominees and executive officers directly or indirectly have or share voting or investment power are listed as beneficially owned. As of January 31, 2013, there were 88,846,951 shares of the Company's Common Stock outstanding.

Name of Beneficial Owner	Common Shares Beneficially Owned		Percent of Common Shares Beneficially Owned	
David R. Emery	1,089,432	(1)(2)	1.23	%
Scott W. Holmes	216,820	(3)	*	
John M. Bryant, Jr.	99,203	(4)	*	
B. Douglas Whitman, II	69,368	(5)	*	
Todd J. Meredith	43,689	(6)	*	
Errol L. Biggs, Ph.D.	24,539	(7)	*	
Charles Raymond Fernandez, M.D.	23,587	(7)	*	
Batey M. Gresham, Jr.	16,765	(7)	*	
Edwin B. Morris III	24,816	(8)	*	
John Knox Singleton	42,144	(7)(9)	*	
Bruce D. Sullivan	26,682	(7)(10)	*	
Roger O. West	53,907	(7)(11)	*	
Dan S. Wilford	28,671	(7)(12)	*	
All executive officers, directors and nominees to be director as a group (13 persons)	1,759,623		1.98	%
The Vanguard Group	10,769,870	(13)	12.34	%
Blackrock, Inc.	8,867,631	(14)	10.17	%
Morgan Stanley	7,964,827	(15)	9.10	%
Deutsche Bank AG	7,091,941	(16)	8.13	%
Invesco Ltd.	6,640,279	(17)	7.60	%
Vanguard Specialized Funds - Vanguard REIT Index Fund	5,693,394	(18)	6.52	%

\* Less than 1%

(1) Includes 166,652 shares owned by the Emery Family Limited Partnership and 1,448 shares owned by the Emery Family 1993 Irrevocable Trust. Mr. Emery is a limited partner of the partnership and a beneficiary of the trust, but has no voting or investment power with respect to the shares owned by such partnership or trust.

(2) Includes 879,515 shares of restricted stock.

(3) Includes 207,305 shares of restricted stock.

(4) Includes 98,707 shares of restricted stock.

(5) Includes 64,971 shares of restricted stock.

(6) Includes 43,689 shares of restricted stock.

(7) Includes 10,082 shares of restricted stock.

(8) Includes 14,082 shares of restricted stock.

(9) Includes 3,067 shares held in trust by Mr. Singleton for the benefit of his minor children, 16,333 shares owned by Mr. Singleton's wife, 2,000 shares held by Mr. Singleton in a living trust, and 3,306 shares owned in an IRA.

(10) Includes 2,505 shares owned by Mr. Sullivan's wife.

(11) Includes 41,475 shares held by a family limited partnership, of which Mr. West is the general partner.

(12) Includes 3,122 shares held in trust.

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(13) Information is based on a Schedule 13G filed on February 11, 2013 by The Vanguard Group, Inc., an investment adviser located at 100 Vanguard Blvd., Malvern, Pennsylvania 19355. The Vanguard Group, Inc. reported that it possesses the sole power to vote 264,557 shares and to dispose of 10,553,113 shares of the Company's Common Stock. Vanguard reports that the reported shares include the shares held by its subsidiaries as follows: Vanguard Fiduciary Trust Company is the beneficial owner of 132,517 shares of the Company's Common Stock as a result of serving as investment manager of collective trust accounts; and Vanguard Investments Australia, Ltd. is the beneficial owner of 217,000 shares of the Company's Common Stock as a result of its serving as investment manager of Australian investment offerings.

(14) Information is based on a Schedule 13G filed on February 11, 2013 by Blackrock, Inc., a holding company located at 40 East 52nd Street, New York, New York 10022. Blackrock, Inc. reports that, through various of its subsidiaries, it possesses the sole power to vote and dispose of 8,867,631 shares of the Company's Common Stock.

(15) Information is based on a Schedule 13G filed on February 13, 2013 by Morgan Stanley, an investment adviser located at 1585 Broadway, New York, New York 10036. Morgan Stanley reported, through its subsidiary Morgan Stanley Investment Management Inc., that it possesses the sole power to vote 6,654,445 shares and sole power to dispose of 7,964,827 shares of the Company's Common Stock.

(16) Information is based on a Schedule 13G filed on February 15, 2013 by Deutsche Bank AG, an investment adviser located at Taunusanlage 12, 60325 Frankfurt am Main, Federal Republic of Germany. Deutsche Bank reports that it possesses sole power to vote 4,204,334 shares and sole power to dispose of 7,091,941 shares of the Company's Common Stock. Deutsche Bank reports that the reported shares are held by its subsidiaries as follows: Deutsche Investment Management Americas possesses sole power to vote and dispose of 658,842 shares; Oppenheim Asset Management Services S.a.r.l. possesses sole power to vote and dispose of 1,456 shares; and RREEF America, L.L.C. possesses sole power to vote 3,544,036 shares and sole power to dispose of 6,431,643 shares of the Company's Common Stock.

(17) Information is based on a Schedule 13G filed on February 1, 2013 by Invesco Ltd., an investment adviser located at 1555 Peachtree Street NE, Atlanta, Georgia 30309. Invesco reported that, through various of its subsidiaries, it possesses the sole power to vote 3,598,071 shares, shared power to vote 37,898 shares, sole power to dispose of 6,612,906, and shared power to dispose of 27,373 shares of the Company's common stock.

(18) Information is based on a Schedule 13G filed on February 14, 2013 by Vanguard Specialized Funds - Vanguard REIT Index Fund, an investment firm located at 100 Vanguard Blvd., Malvern, Pennsylvania 19355. Vanguard Specialized Funds - Vanguard REIT Index Fund reported that it possesses the sole power to vote 5,693,394 shares.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of the Company's Common Stock, to file with the SEC initial reports of ownership and reports of changes in ownership of the Common Stock. These officers, directors and greater than 10% shareholders of the Company are required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file. There are specific due dates for these reports and the Company is required to report in this Proxy Statement any failure to file reports as required during 2012.

During 2012, based upon a review of these filings and written representations from the Company's directors and executive officers, the Company believes that all reports required to be filed with the SEC by Section 16(a) during the most recent fiscal year were timely filed.

## RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year 2013. Representatives of this firm are expected to be present at the annual meeting and will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions.

The affirmative vote of a majority of the votes cast at the meeting is needed to ratify the appointment of BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year 2013. If the appointment is not ratified, the matter will be referred to the Audit Committee for further review. Abstentions and broker non-votes will have no effect on the outcome of the vote as to this proposal.

## Audit and Non-Audit Fees

The following table details fees for professional audit services rendered by BDO USA, LLP to the Company for the last two years.

	2012	2011
Audit fees(1)	\$700,716	\$780,029
Audit-related fees(2)	—	3,013
Tax fees	—	—
All other fees	—	—
Total	\$700,716	\$783,042

Fees for services related to the audit of the Company's consolidated financial statements and internal control over (1) financial reporting of \$591,667 and \$630,228, respectively, for 2012 and 2011, and fees in connection with the Company's equity and debt offerings in 2012 and 2011 of \$109,049 and \$149,801, respectively.

(2) Fees for services performed related to SEC comment letters received by the Company pertaining to its periodic filings.

All services provided by the Company's independent registered public accounting firm were pre-approved by the Audit Committee, which concluded that the provision of such services by BDO USA, LLP was compatible with the maintenance of such accounting firm's independence in the conduct of its auditing functions.

For the purpose of ensuring the continued independence of BDO USA, LLP, the Company determined that its independent registered public accounting firm will not provide consulting services to the Company. Additionally, the charter of the Audit Committee provides that the Audit Committee must pre-approve all services to be provided by the independent registered public accounting firm. Proposed services exceeding pre-approved cost levels or budgeted amounts also require specific pre-approval by the Audit Committee.

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

## AUDIT COMMITTEE REPORT

The following Audit Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent the Company specifically incorporates this Report by reference therein. The Audit Committee of the Board of Directors of the Company consists entirely of directors who meet the independence and experience requirements of the NYSE. Audit Committee members may serve on the audit committees of no more than three public companies.

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

The Company’s management has primary responsibility for preparing the Company’s Consolidated Financial Statements and implementing internal controls over financial reporting. The Company’s 2012 independent registered public accounting firm, BDO USA, LLP, is responsible for expressing an opinion on the Company’s Consolidated Financial Statements and on the effectiveness of its internal control over financial reporting.

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

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

To fulfill its responsibilities, the Audit Committee has met and held discussions with management and the Company’s independent accountant concerning the Consolidated Financial Statements for the fiscal year ended December 31, 2012 and the Company’s internal control over financial reporting. Management represented to the Audit Committee that the Company’s Consolidated Financial Statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the Consolidated Financial Statements with management and the independent accountants. The Audit Committee discussed with the independent accountants all communications required by the Public Company Accounting Oversight Board (United States).

In addition, the Audit Committee has received the written disclosures and the letter from the independent accountant required by the applicable requirements of the Public Company Accounting Oversight Board (United States) regarding the independent accountant’s communications with the Audit Committee concerning independence, and has discussed with the independent accountant the independent accountant’s independence.

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

Based on the Audit Committee’s review of the audited Consolidated Financial Statements and discussions with management and BDO USA, LLP, as described above and in reliance thereon, the Audit Committee recommended to the Company’s Board of Directors that the audited Consolidated Financial Statements for the fiscal year ended December 31, 2012 be included in the Company’s Annual Report on Form 10-K and that the Form 10-K be filed with the SEC.

Members of the Audit Committee:  
Bruce D. Sullivan, CPA (Chairman)  
Errol L. Biggs, Ph.D.  
Batey M. Gresham, Jr.  
Roger O. West, CPA

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## COMPENSATION DISCUSSION AND ANALYSIS

### 2012 Executive Overview

#### Changes to Executive Compensation

On July 31, 2012, the Company implemented a new Executive Incentive Program and amended its employment agreements with the Named Executive Officers. The effect of these changes has been to reduce the fixed portion of the total compensation of the Named Executive Officers and make a greater portion of total potential compensation variable and subject to individual performance and Company performance-based metrics. The Compensation Committee believes that these changes, together with the significant changes to the employment agreements that were reported in last year's proxy statement, all of which are discussed in greater detail below, further align the interests of the Named Executive Officers with that of the shareholders.

#### New Executive Incentive Program

The Executive Incentive Program was adopted under the Company's 2007 Employees Stock Incentive Plan (the "2007 Incentive Plan") and, for the Named Executive Officers, supersedes the Company's Long-Term Incentive Program. There were no awards to the Named Executive Officers in 2011 or 2012 under the Long-Term Incentive Program. Under the terms of the Executive Incentive Program, the Named Executive Officers may earn incentive awards in the form of cash and restricted stock. Cash incentive awards are based on individual and Company performance. Company performance is measured over a four-quarter period against targeted financial and operational metrics set in advance by the Compensation Committee. Restricted stock awards are based on the Company's relative total shareholder return performance over one-year and three-year periods, measured against 20 peer group companies used for comparison. Named Executive Officers may also receive restricted stock awards by electing to convert cash incentive awards into restricted stock. The various awards available under the Executive Incentive Program are discussed below under the heading "Components of Compensation." All of the Named Executive Officers are participants in the Executive Incentive Program.

### 2012 Performance Overview

For the year ended December 31, 2012, the Company achieved a total shareholder return of 36.20%, placing it in the 85th percentile of its peer group over the one-year period. For the three-year period ended December 31, 2012, the Company achieved a total shareholder return of 32.73%, placing it in the 25th percentile of the peer group. Under the Executive Incentive Program, the Named Executive Officers were eligible for restricted stock awards based on the Company's total shareholder return relative to its peer group as discussed below. The Company also saw continued investment in its portfolio, significant leasing progress in its stabilizing portfolio, positive same-store net operating income ("NOI") growth in its core portfolio, and execution of capital strategies. Highlights in 2012 included:

- \$104.6 million was invested in seven medical office buildings and one inpatient rehabilitation facility;
- \$78.0 million was funded toward two development projects for Mercy Health, with total budgets of \$202.6 million;
- the Company's stabilizing properties were 60% leased by the end of the year, up from 40% for the prior year;
- the Company maintained 90% occupancy in its same-store facilities;
- same-store NOI increased, on average, 3.3% over the prior year;
- \$201.1 million was raised in a follow-on equity offering; and
- the Company reduced its leverage ratio from 47.8% at December 31, 2011 to 43.3% at December 31, 2012.

### Say on Pay

The Company received a favorable say-on-pay vote at its 2012 annual meeting of shareholders, with over 98% of the votes cast supporting the Company's executive compensation. The Compensation Committee believes that the vote reflected a favorable view of the alignment between pay and performance, as well as the extensive changes that were made to the Company's executive compensation program in 2011 and 2012. The Compensation Committee believes the adoption of the Executive Incentive Program and additional revisions to the terms of its employment arrangements with the Named Executive Officers further enhance the quality of the Company's incentive structure and overall

compensation program.

#### Changes to Employment Agreements

Significant changes to the Named Executive Officer's employment agreements were made in February 2012, which were reported in the Company's proxy statement for its 2012 annual meeting of shareholders. The changes discussed in last year's proxy statement included the elimination of single trigger change in control payments and excise tax gross-up payments. In addition to those changes, the employment agreements were further revised in July 2012. These amendments set new, lower

base salaries for each of the Named Executive Officers and revised the calculation of severance compensation to factor in potential cash bonus payments. The agreements are otherwise consistent with the employment agreements for the Named Executive Officers that were in effect immediately prior to July 2012.

#### Comprehensive Compensation Policy

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

#### Pay For Performance

The Executive Incentive Program is designed to directly link compensation to performance. The Company believes that the combination of individual performance, objective core operating metrics and shareholder return provides the best incentive structure for the growth of long-term shareholder value. The Company's strategy revolves around acquiring, leasing, developing and managing high-quality, medical office and other outpatient facilities. Through the Executive Incentive Program, the Named Executive Officers are rewarded for attaining the Company's objectives of sustained growth in revenue and NOI, selective pursuit of acquisition and development opportunities, and effective management of the Company's cost of capital.

#### Restricted Stock

Since inception, the Company has used restricted stock grants as the primary means of delivering long-term incentive compensation to its officers. These grants of restricted stock have generally been subject to cliff vesting periods ranging from three to eight years. The Compensation Committee believes that restricted stock grants with long vesting periods align the interests of officers and shareholders and provide strong incentives to the officers both to grow the value of the stock and to maintain the dividend payment. The officers personally benefit from these efforts through their restricted stock awards, which receive dividends at the same rate as unrestricted common stock. Prior to vesting, the restricted stock grants are subject to forfeiture, in the event that the officer voluntarily leaves employment or is terminated for cause. As such, the Company's officers essentially have to earn this equity compensation twice: the first time through their efforts to meet the initial performance criteria necessary for a grant of restricted stock to be made; and the second time by continued service through the at-risk vesting period. The Compensation Committee believes that this arrangement fosters a focus on long-term performance by the Company's officers. Demonstrating further alignment of the interests of the Named Executive Officers with that of the Company's shareholders, 52.0% of the aggregate total compensation for Named Executive Officers in 2012 was paid in the form of restricted stock having cliff vesting periods of three, five, or eight years. The Company discourages the hedging of Company securities by the Named Executive Officers. None of the Named Executive Officers have entered into any hedging arrangements with respect to Company securities.

#### Compensation Parity

There are no material differences in the compensation policies and decisions relating to the compensation of the different Named Executive Officers, except that Mr. Emery participates in the Company's Executive Retirement Plan and the other Named Executive Officers do not. The Executive Retirement Plan is discussed in greater detail on page 24 of this Proxy Statement. The Executive Retirement Plan was established early in the Company's existence for the benefit of the founding officers. The Compensation Committee believes that this distinction is appropriate given the founder status of Mr. Emery.

#### Stock Ownership Guidelines

The Compensation Committee believes that it is in the best interests of the shareholders to encourage all employees, especially the Named Executive Officers, to increase their equity position in the Company to promote share ownership and further align employee and shareholder interests. In 2011, the Compensation Committee adopted stock ownership

guidelines applicable to the Named Executive Officers and directors. Under these guidelines, the Chief Executive Officer should hold Common Stock with a fair market value equal to five times his current base salary, net of elective deferrals, as of April 1 each year. All executive vice presidents should hold Common Stock with a fair market value equal to three times their current base salary, net of elective deferrals, as of April 1 each year. Each non-employee director should hold common stock with a fair market value equal to three times such director's then current annual retainer. The guidelines provide that all owned stock, both restricted and unrestricted, count towards the ownership requirements for officers and directors. Officers and directors who are subject to these guidelines have five years from the date that they first become subject to the guidelines to comply with its terms. As of January 31, 2013, all of the Company's non-employee directors and Named Executive Officers met the stock ownership guidelines. As of January 31, 2013, the Named Executive Officers had holdings of Company Common Stock as follows:

Named Executive Officer	Fair market value of stock holdings as multiple of current base salary, net of elective deferrals
David R. Emery	28.5x
Scott W. Holmes	23.5x
John M. Bryant, Jr.	6.7x
B. Douglas Whitman, II	4.5x
Todd J. Meredith	3.2x

#### Compensation "Clawbacks"

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

#### Compensation Methodology

##### Compensation Committee's Governance

The Compensation Committee approves salaries and makes other compensation decisions for the Named Executive Officers and the Company's directors. Salaries and other compensation decisions for all other officers and employees are made by management within the parameters of the Company's compensation policies and plans.

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

Management utilizes comprehensive executive compensation worksheets (commonly referred to as "tally sheets") that set forth the Company's total compensation obligations to its Named Executive Officers under various scenarios. The tally sheets for each Named Executive Officer are distributed to the members of the Compensation Committee for discussion and are used in the preparation of the compensation tables in this Proxy Statement. The overall purpose of these tally sheets is to bring together, in one place, all of the elements of actual and potential future compensation of the Named Executive Officers, including information about wealth accumulation.

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

##### Compensation Risk Assessment

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

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

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

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

### Peer Group

For 2012, the Compensation Committee used the companies below as the peer group against which to measure the Company's total shareholder return. The peer group is selected each year in accordance with the Executive Incentive Program. The Executive Incentive Program provides a mechanism for determining the peer group, which the Compensation Committee believes provides for the most closely comparable companies with respect to competition for management talent and appropriate pay levels. The plan provides that all publicly traded equity REITs are sorted by market capitalization, with externally managed REITs and REITs with less than five years of operating history excluded. The 10 companies with market capitalizations immediately larger and the 10 companies immediately smaller than the Company are selected as the peer group. The following companies comprised the peer group for 2012:

Brandywine Realty Trust	Lexington Realty Trust
Corporate Office Properties Trust	Medical Properties Trust Inc.
CubeSmart	National Health Investors
DCT Industrial Trust Inc.	Omega Healthcare Investors
DiamondRock Hospitality Co.	Post Properties Inc.
EastGroup Properties Inc.	Potlatch Corp.
Entertainment Properties Trust	PS Business Parks Inc.
Equity One Inc.	Sovran Self Storage Inc.
Glimcher Realty Trust	Sun Communities Inc.
LaSalle Hotel Properties	Washington REIT

The Compensation Committee will determine the peer group for 2013 at its first regularly scheduled meeting following the end of the first quarter of 2013.

### Compensation Consultant

The Compensation Committee retains Ernst & Young LLP ("Ernst & Young") as its independent compensation consultant to advise it regarding market trends and practices in executive compensation and with respect to specific compensation decisions. The Compensation Committee's policy is to meet annually with the compensation consultant to discuss executive compensation trends. The consultant also provides a market survey, usually once each three years, containing data on the levels of compensation at comparable real estate companies. The consultant also attends Compensation Committee meetings periodically. Ernst & Young participated by telephone in one of the Compensation Committee's meetings in 2012, during which it provided a review of recent trends and developments in compensation practices within the Company's industry and in general. Ernst & Young also reviewed the Executive Incentive Program in advance of its adoption by the Company and advised the Compensation Committee with respect to the development of the program and refining its approach.

Ernst & Young received an aggregate of \$35,000 for its compensation consulting services provided to the Compensation Committee in 2012.

### Components of Compensation

#### Elements of Pay

The Company's compensation program for its Named Executive Officers consists of the following key elements:

- annual base salaries that are paid in cash;
- the potential for individual performance awards that are paid in cash;
- the potential for Company performance awards that are based on defined performance targets set by the Compensation Committee and which are paid in cash, but may be taken in the form of restricted stock at the election of the officer;
- the potential for total shareholder return awards that are paid in the form of restricted stock and which are based on the Company's total shareholder return performance, relative to the peer group; and
- elective salary deferral, allowing Named Executive Officers to increase their holdings of Company stock, aligning interests with shareholders and subjecting the value of elective restricted stock to market risk and risk of forfeiture.

### Annual Base Salary

Annual base salary for the Named Executive Officers was reduced by 30% in 2012 to provide for a lower percentage of fixed compensation. The Compensation Committee reviewed the base compensation for comparable executive officers in the peer group as data points, but did not benchmark to a particular percentile. The Compensation Committee believes that the level of base salary is competitive and reasonable compared to the peer group and will monitor the base salary of the Named Executive



Officers each year. The Compensation Committee expects that any growth in pay for the Named Executive Officers in the next year will come in the form of variable, performance-based pay rather than base salary. For 2013, the base compensation of the Company's Named Executive Officers, before any elective deferral of cash in the form of restricted stock, has been set as follows:

Named Executive Officer	2013 Base Compensation
David R. Emery Chairman of the Board and Chief Executive Officer	\$975,513
Scott W. Holmes Executive Vice President and Chief Financial Officer	\$469,636
John M. Bryant, Jr. Executive Vice President and General Counsel	\$440,721
B. Douglas Whitman, II Executive Vice President - Corporate Finance	\$440,721
Todd J. Meredith Executive Vice President - Investments	\$440,721

#### Individual Performance Awards

Individual Performance Awards are available to Named Executive Officers in the discretion of the Compensation Committee and are for the purposes of: (i) rewarding an officer's individual efforts in contributing to the success of the Company and the demonstration of competency within his job description and requisite skill sets and (ii) retaining the officer's employment. Individual Performance Awards are paid in the form of cash. Individual performance awards are not expected to exceed 45% of the officer's base salary.

#### Company Performance Awards

Company Performance Awards are based on specific Company performance targets and include growth in same store NOI and same store revenue. These two potential awards operate independently of one another and will be paid in cash, subject to the election described below. The measurement period for these awards is four consecutive quarters and is generally expected to be applied to the Company's fiscal year. The potential payouts are scaled against performance measures, offering the Named Executive Officers the opportunity to receive amounts equal to a maximum of 35% of their base salaries for growth in same store NOI and 35% of their base salaries for growth in same store revenue. Named Executive Officers can elect to receive Company Performance Awards in the form of restricted stock. If a Named Executive Officer elects to receive the award in restricted stock, he can select a three-year vesting period, which would increase the size of the award by two times, or a five-year vesting period, which would increase the size of the award by three times. Company Performance Awards will be in effect for the first time in 2013. Accordingly, the Named Executive Officers received no Company Performance Awards in 2012. The Compensation Committee believes that the potential for Company Performance Awards provides incentives for the Named Executive Officers to efficiently manage and sustain growth in property operating revenues and expenses.

#### Total Shareholder Return Awards

Total Shareholder Return Awards ("TSR Awards") are based on the Company's total shareholder return, as measured against the peer group as of the last trading day of the year. TSR Awards can be earned each year based on one-year and three-year total shareholder return. The Compensation Committee believes that this encourages the Named Executive Officers to create long-term value. TSR Awards are in the form of restricted stock that is subject to a three-year cliff vesting period. The vesting period guards further against short-term management decisions, as the award remains subject to the risk of forfeiture and market risk until the vesting period ends. In the event that an officer voluntarily terminates employment, retires or is terminated for cause from employment with the Company during the vesting period, the TSR Award would be forfeited. TSR Awards for one-year TSR and three-year TSR operate independently of one another, such that an officer could earn one or the other, both, or neither TSR Awards. The size

of potential TSR Awards are based on multiples of base salary. The Company's total shareholder return on a one-year and three-year basis is measured against the peer group and the Company's performance is viewed as falling along a percentile rank in each category. The levels of potential payout, expressed as multiples of base salary, are set forth in the following table:

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TSR Measure	<25th Percentile	>=25th Percentile	>=50th Percentile	>=75th Percentile	>100th Percentile
1-Year TSR	—	0.25x	0.50x	0.75x	1.00x
3-Year TSR	—	0.25x	0.50x	0.75x	1.00x

#### Elective Deferral Awards

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

#### Employee Stock Purchase Plan

All employees meeting minimum service requirements, including the Named Executive Officers, are eligible to purchase shares pursuant to the Company's 2000 Employee Stock Purchase Plan (the "Purchase Plan"). As further discussed under the heading "Grants of Plan-Based Awards" in the section entitled "EXECUTIVE COMPENSATION" beginning on page 20 of this Proxy Statement, each participant is granted an option on January 1 of each year to purchase up to \$25,000 of the Company's Common Stock under the Purchase Plan.

#### Termination and Change-in-Control Arrangements

Under the terms of the Company's compensation plans and its employment agreements with the Named Executive Officers, the Named Executive Officers are entitled to payments and benefits upon the occurrence of specified events including termination of employment and upon a termination in connection with a change-in-control of the Company. The specific terms of these arrangements are discussed under the heading "Termination and Change in Control Arrangements with Named Executive Officers" under the section entitled "POST-EMPLOYMENT COMPENSATION" in this Proxy Statement beginning on page 24. In the case of the employment agreements, the terms of these arrangements were agreed to after arms-length negotiations with each Named Executive Officer. The Compensation Committee believes that these arrangements, as amended in 2012, are appropriate under the Company's current circumstances.

#### Perquisites

The Company provides its executive officers with perquisites that it believes are reasonable, competitive and consistent with the Company's overall executive compensation program. The Company believes that such perquisites help the Company to retain its executive personnel and allows them to operate more effectively. These perquisites generally include:

Supplemental life and disability insurance. The Company offers to its Named Executive Officers supplemental term life insurance and supplemental disability insurance at the Company's expense.

Use of the Company's aircraft for personal travel. The Compensation Committee believes that allowing the Company's Named Executive Officers to use the Company's aircraft for personal travel provides the officers with significant convenience, safety, and security at a relatively low incremental cost to the Company.

If a Named Executive Officer receives benefits that would otherwise be considered perquisites in excess of 10% of annual cash compensation, excluding Company Performance Awards, that officer is required to reimburse the Company the amount of such excess.

#### Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation over \$1 million paid to a corporation's chief executive officer and the three other most highly compensated executive officers (excluding the chief financial officer). Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. Restricted stock issued under the 2007 Incentive Plan, and its predecessor plans, and associated dividends do not qualify as performance-based compensation under Section 162(m) and therefore this compensation is subject to the deduction limit. Consequently, compensation expense in the amount of \$928,508 in 2012 was not deductible. As a

qualifying REIT, the Company does not pay federal income tax; therefore, the unavailability of the Section 162(m) compensation deduction to these amounts did not result in any increase in the Company's federal income tax obligations and, accordingly, the Compensation Committee has not adopted a policy requiring all compensation to be deductible.

#### Retirement Benefits

The Company has an Executive Retirement Plan under which certain officers designated by the Compensation Committee may receive a specified percentage of the officer's final average earnings. See the section entitled "POST-EMPLOYMENT COMPENSATION - Retirement Plan Potential Annual Payments and Benefits" beginning on page 24 of this Proxy Statement for details of the Executive Retirement Plan. The Company's Chief Executive Officer is the only Named Executive Officer participating in this plan. The maximum annual benefit payable to a single participant under the Executive Retirement Plan is \$896,000, before periodic cost-of-living increases.

All Named Executive Officers are eligible to participate in the Company's 401(k) plan, pursuant to which each participant may contribute up to the annual maximum allowed under IRS regulations (\$17,000 for 2012). All eligible participants over the age of 50 may also contribute an additional \$5,500 per year to the plan. The Company provides a matching contribution for the first three percent of base salary contributed to the plan, up to an annual maximum of \$2,800 per employee.

#### Compensation of Non-Employee Directors

Compensation of non-employee directors is set by the Compensation Committee, based upon periodic peer reviews prepared by the Company.

Cash Compensation. Each non-employee director receives an annual retainer and meeting fees, with chairpersons of Committees and the lead director receiving additional annual retainers. See the section entitled "DIRECTOR COMPENSATION" beginning on page 28 of this Proxy Statement for a complete discussion of the cash compensation paid to non-employee directors.

Stock Awards. The Company awards non-employee directors an annual grant of restricted shares of Company Common Stock. On May 15, 2012, each non-employee director received shares with a market value on the date of grant of \$76,138. In 2012, 63% of the aggregate total compensation for the Company's non-employee directors was paid in the form of restricted stock having cliff vesting periods of three years. See the section entitled "DIRECTOR COMPENSATION" beginning on page 28 of this Proxy Statement for a complete discussion of the terms of the restricted shares granted to non-employee directors.

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#### COMPENSATION COMMITTEE REPORT

The following Compensation Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management of the Company and, based on such review and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Members of the Compensation Committee:

Edwin B. Morris III (Chairman)

Charles Raymond Fernandez, M.D.

John Knox Singleton



## EXECUTIVE COMPENSATION

The following Summary Compensation Table reflects the total compensation of the Company's Named Executive Officers for the three years ending December 31, 2012, except that two years of total compensation is reflected for Mr. Meredith, as he became a Named Executive Officer in 2011.

Summary Compensation Table

Name and Principal Position	Year	Salary(1)	Bonus	Stock Awards(2)	Option Award Plan Compensation	Non-Equity Incentive Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings(3)	All Other Compensation(4)	Total
David R. Emery Chairman of the Board and Chief Executive Officer	2012	\$975,513	\$418,077	\$975,502	\$—	\$—	\$—	\$101,405	\$2,470,497
	2011	\$1,385,093	\$—	\$—	\$—	\$—	\$—	\$145,102	\$1,530,195
	2010	\$1,359,600	\$—	\$208,120	\$—	\$—	\$1,523,899	\$137,315	\$3,228,934
Scott W. Holmes Executive Vice President and Chief Financial Officer	2012	\$277,581	\$118,964	\$1,027,949	\$—	\$—	n/a	\$70,971	\$1,495,465
	2011	\$392,927	\$—	\$543,271	\$—	\$—	n/a	\$29,364	\$965,562
	2010	\$378,082	\$—	\$696,764	\$—	\$—	n/a	\$36,867	\$1,111,713
John M. Bryant, Jr. Executive Vice President and General Counsel	2012	\$361,837	\$155,073	\$644,696	\$—	\$—	n/a	\$36,863	\$1,198,469
	2011	\$515,264	\$—	\$147,085	\$—	\$—	n/a	\$—	\$662,349
	2010	\$463,383	\$—	\$320,650	\$—	\$—	n/a	\$12,753	\$796,786
B. Douglas Whitman, II Executive Vice President - Corporate Finance	2012	\$347,377	\$148,876	\$543,026	\$—	\$—	n/a	\$39,854	\$1,079,133
	2011	\$497,832	\$—	\$103,578	\$—	\$—	n/a	\$52,925	\$654,335
	2010	\$489,237	\$—	\$169,604	\$—	\$—	n/a	\$19,925	\$678,766
Todd J. Meredith Executive Vice President - Investments	2012	\$328,078	\$140,605	\$600,198	\$—	\$—	n/a	\$12,580	\$1,081,461
	2011	\$479,966	\$—	\$50,910	\$—	\$—	n/a	\$16,731	\$547,607

(1) Salary is net of employee elective deferrals and mandatory Base Compensation Stock Awards shown in Note 2 below.

Represents the grant date fair value of restricted shares of Common Stock received pursuant to the 2007 Incentive Plan which are described in the Grants of Plan-Based Awards section below. The shares will fully vest if the Named Executive Officers remain employees of the Company for the full vesting period or they are terminated for (2) any reason other than for cause or in the event of voluntary termination of employment. See Note 12 to the Consolidated Financial Statements contained in the Company's 2012 Annual Report on Form 10-K for assumptions relevant to the valuation of stock awards. The table below lists amounts included under the Stock Awards column that have been granted to the Named Executive Officers pursuant to the 2007 Incentive Plan:



Name	Year	Salary Deferral Plan				
		Employee Elective Deferral Amount	Company Matching Amount(a)	Incentive Program	Base Compensation Stock Award	Total Stock Awards
David R. Emery	2012	\$—	\$—	\$975,502	\$—	\$975,502
	2011	\$—	\$—	\$—	\$—	\$—
	2010	\$—	\$—	\$208,120	\$—	\$208,120
Scott W. Holmes	2012	\$273,979	\$273,979	\$469,636	\$10,355	\$1,027,949
	2011	\$261,367	\$261,345	\$—	\$20,559	\$543,271
	2010	\$246,951	\$246,951	\$173,247	\$29,615	\$696,764
John M. Bryant, Jr.	2012	\$87,207	\$87,207	\$440,704	\$29,578	\$644,696
	2011	\$58,899	\$29,460	\$—	\$58,726	\$147,085
	2010	\$80,589	\$40,295	\$115,192	\$84,574	\$320,650
B. Douglas Whitman, II	2012	\$57,134	\$57,133	\$403,224	\$25,535	\$543,026
	2011	\$26,443	\$26,421	\$—	\$50,714	\$103,578
	2010	\$—	\$—	\$96,554	\$73,050	\$169,604
Todd J. Meredith	2012	\$85,720	\$85,719	\$403,224	\$25,535	\$600,198
	2011	\$—	\$—	\$—	\$50,910	\$50,910

(a) Determined based on the restriction multiples described on page 22 of this Proxy Statement.

(3) Amounts in this column are based on actuarial projections. Actual amounts paid in the future under the Executive Retirement Plan could differ.

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

(5)

Name	Year	Personal	Additional	De	Total All
		Use of Company Airplane(a)	Life/ Disability Insurance(b)	Minimis Items(c)	Other Compensation
David R. Emery	2012	\$78,557	\$14,740	\$8,108	\$101,405
	2011	\$127,997	\$14,740	\$2,365	\$145,102
	2010	\$120,340	\$14,740	\$2,235	\$137,315
Scott W. Holmes	2012	\$44,844	\$19,208	\$6,919	\$70,971
	2011	\$6,679	\$19,885	\$2,800	\$29,364
	2010	\$17,061	\$19,806	\$—	\$36,867
John M. Bryant, Jr.	2012	\$21,781	\$7,789	\$7,293	\$36,863
	2011	\$—	\$—	\$—	\$—
	2010	\$8,074	\$1,879	\$2,800	\$12,753
B. Douglas Whitman, II	2012	\$21,221	\$10,901	\$7,732	\$39,854
	2011	\$50,125	\$—	\$2,800	\$52,925
	2010	\$17,125	\$—	\$2,800	\$19,925
Todd J. Meredith	2012	\$4,819	\$—	\$7,761	\$12,580
	2011	\$13,931	\$—	\$2,800	\$16,731

Represents the total flight hours attributed to the Named Executive Officer's personal use of the Company's airplane, (a) multiplied by the Company's incremental cost rates for 2012, 2011 and 2010 of \$2,434/hour, \$2,295/hour and \$2,125/hour, respectively.

(b) Represents life and disability insurance policies paid on behalf of the Named Executive Officer.

Represents other benefit payments, such as amounts paid on behalf of the Named Executive Officer for tax (c) preparation services and employer matching contributions on behalf of the Named Executive Officer pursuant to the Company's 401(k) plan.



## Grants of Plan-Based Awards

All of the Company's officers, including the Named Executive Officers, are eligible to receive performance-based compensation under the 2007 Incentive Plan, under which shares of Common Stock may be granted. The two distinct programs applicable to Named Executive Officers under the 2007 Incentive Plan are the Salary Deferral Plan and the Executive Incentive Program, which are discussed on pages 13, 17, and 18 of this Proxy Statement.

The following table supplements the Summary Compensation Table by providing more detailed disclosure of equity compensation received by the Named Executive Officers during 2012.

Name	Grant Date	Number of Shares of Stock or Units (#)(1)	Full Grant Date Fair Value of Award
David R. Emery	12/31/2012	40,629	\$975,502
Scott W. Holmes	1/3/2012	28,734	\$547,958
	1/3/2012	543	\$10,355
	12/31/2012	19,560	\$469,636
John M. Bryant, Jr.	1/3/2012	9,146	\$174,414
	1/3/2012	1,551	\$29,578
	12/31/2012	18,355	\$440,704
B. Douglas Whitman, II	1/3/2012	5,992	\$114,267
	1/3/2012	1,339	\$25,535
	12/31/2012	16,794	\$403,224
Todd J. Meredith	1/3/2012	8,990	\$171,439
	1/3/2012	1,339	\$25,535
	12/31/2012	16,794	\$403,224

(1) The table below shows the number of restricted shares of Common Stock issued to the Named Executive Officers in 2012 pursuant to the 2007 Incentive Plan.

Name	Salary Deferral Plan				
	Employee Elective Deferral Shares	Company Matching Shares(a)	Executive Incentive Program	Base Compensation Stock Award	Total Stock Awards
David R. Emery	—	—	40,629	—	40,629
Scott W. Holmes	14,367	14,367	19,560	543	48,837
John M. Bryant, Jr.	4,573	4,573	18,355	1,551	29,052
B. Douglas Whitman, II	2,996	2,996	16,794	1,339	24,125
Todd J. Meredith	4,495	4,495	16,794	1,339	27,123

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

Pursuant to the Salary Deferral Plan, officers may elect to defer up to 50% of their base salary in the form of shares of restricted stock. The officer must elect his or her participation level and vesting period for the coming year by December 31 of the current year. The number of restricted shares granted in January of each year is determined based on the average closing market price of the Company's Common Stock on the last ten trading days of the calendar year preceding the year in which the shares are issued. The number of shares granted will be increased by a multiple of the amount of cash deferred depending on the length of the vesting period selected by the officer. Each officer who makes this election will be awarded additional shares at no additional cost to the officer according to the following multiple-based formula:

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

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

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

#### Outstanding Equity Awards at Fiscal Year-End

The following table discloses the number of securities and market-based value of restricted shares outstanding that have not vested as of December 31, 2012.

Name	Number of Shares or Units of Stock That Have Not Vested(1)	Market Value of Shares or Units of Stock That Have Not Vested(2)
David R. Emery	879,515	\$21,117,155
Scott W. Holmes	188,137	\$4,517,169
John M. Bryant, Jr.	93,645	\$2,248,416
B. Douglas Whitman, II	61,599	\$1,478,992
Todd J. Meredith	36,277	\$871,011

(1) Vesting dates generally range from 2013 to 2020.

(2) Based on the closing price per share of the Company's Common Stock on the New York Stock Exchange on December 31, 2012 of \$24.01.

#### Stock Vested in 2012

The following table reflects the shares of restricted stock held by the Named Executive Officers that vested in 2012 and the market value of such shares on the vesting date.

Name	Number of Shares that Vested in 2012	Market Value of Shares that Vested in 2012
David R. Emery	—	—
Scott W. Holmes	5,604	\$105,668
John M. Bryant, Jr.	5,830	\$124,729
B. Douglas Whitman, II	548	\$10,470
Todd J. Meredith	—	—

## POST-EMPLOYMENT COMPENSATION

## Retirement Plan Potential Annual Payments and Benefits

The Company has an Executive Retirement Plan in which Mr. Emery has been designated to participate. The Executive Retirement Plan is an unfunded, defined benefit plan in that the amount of a retiree's pension is calculated using compensation and years of service as an employee, rather than by the market value of the plan's assets as in defined contribution plans.

Under the Executive Retirement Plan, an officer designated to participate by the Compensation Committee may receive upon normal retirement (defined to be when the officer reaches age 65 and has completed five years of service with the Company) an amount equal to 60% of the officer's Final Average Annual Compensation, as defined below, plus 6% of Final Average Annual Compensation for each year of service (but not more than five years) after age 60, subject to a maximum annual amount of \$896,000, before periodic cost-of-living increases. Plan benefits are reduced by certain other retirement benefits received by the officer, such as Social Security and the Company's contributions to the participant's 401(k) plan. "Final Average Annual Compensation," calculated as the average of the officer's highest three, not necessarily consecutive, years' earnings, is based upon annual cash compensation, including deferrals (but not including incentive-based stock awards or cash bonuses for officers whose annual salary exceeds \$200,000).

The annual pension benefits are to be paid in either a lump sum payment or monthly installments over a period not to exceed the greater of the life of the retired officer or his or her surviving spouse. Mr. Emery has agreed to receive, upon his retirement, benefits under the Executive Retirement Plan in monthly installment payments, rather than in a lump sum.

The following table discloses the material terms and estimated benefits payable to Mr. Emery under the Company's Executive Retirement Plan which is discussed in more detail in Note 11 to the Consolidated Financial Statements contained in the Company's 2012 Annual Report on Form 10-K:

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
David R. Emery	Executive Retirement Plan	20	\$13,041,616	\$—

## 401(k) Plan

All eligible employees may participate and receive post-employment compensation under a 401(k) plan, pursuant to which each employee may contribute a portion of his or her salary, to an annual maximum allowed under IRS regulations (\$17,500 for 2013). Additionally, participants in the 401(k) plan receive matching contributions from the Company of up to 3% of their salary, to an annual maximum of \$2,800. Where applicable, the matching contributions are included in the All Other Compensation column of the Summary Compensation Table.

## Termination and Change in Control Arrangements with Named Executive Officers

## David R. Emery

On July 31, 2012, the Company entered into an amended and restated employment agreement with Mr. Emery, pursuant to which Mr. Emery serves as Chairman of the Board and Chief Executive Officer of the Company. The agreement has a one-year term that is automatically extended on December 31 of each year for an additional year. If Mr. Emery's employment is terminated for any reason other than for cause (including a constructive termination), he is entitled to receive his accrued unpaid salary, earned bonus, full vesting of all restricted stock awards, vested deferred compensation and other benefits accrued through the date of termination. In addition, Mr. Emery will receive as severance compensation an amount equal to three times (3x) his annual base salary plus an amount equal to two times (2x) his average annual cash bonus during the two years immediately preceding his termination.

If a "change-in-control" (as defined in the employment agreement) occurs, and Mr. Emery's employment is terminated within one year following the change-in-control for any reason other than for cause (or constructive termination), he will receive the payments described above provided that the severance compensation would be (a) three times (3x) his annual base salary plus (b) three times (3x) his average annual bonus during the two years immediately preceding his termination, and paid in the form of a lump sum. For purposes of computing the amount due under the immediately

preceding subparagraph (b), the average annual cash bonus earned by Mr. Emery in the two years immediately preceding the date of termination shall not be less than 0.6667 times his annual base salary at the time of termination. If the payments due to the change-in-control result in an excise tax to Mr. Emery, under Section 4999 of the Internal Revenue Code, all change-in-control payments to him may be limited to an amount that is less than 300% of his average annual compensation. This limit would not apply in the event that Mr. Emery's net after-tax benefits are greater after considering the effect of the excise tax.

The Company may terminate Mr. Emery's agreement for "cause," which is defined to include acts of dishonesty on Mr. Emery's part constituting a felony which has resulted in material injury to the Company and which is intended to result directly or indirectly in substantial gain or personal enrichment to Mr. Emery at the expense of the Company or Mr. Emery's material, substantial and willful breach of the employment agreement which has resulted in material injury to the Company. In the event of Mr. Emery's termination for cause, he shall receive all accrued salary, earned bonus compensation, vested deferred compensation (other than plan benefits which will be payable in accordance with the applicable plan), and other benefits through the date of termination, but shall receive no other severance benefits. Mr. Emery's agreement may be terminated if Mr. Emery dies or becomes disabled and his disability continues for a period of 12 consecutive months. In the event of termination of the employment agreement because of Mr. Emery's death or disability, Mr. Emery (or his estate) shall receive his unpaid salary, earned bonus, full vesting of restricted stock awards, vested deferred compensation (other than plan benefits which will be paid in accordance with the applicable plan) and other benefits through the date of termination, but no additional severance except that, if Mr. Emery becomes disabled, the Company will maintain his insurance benefits for the remaining term of his employment agreement.

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

#### Other Executive Officers

The employment agreements of the Company's other Named Executive Officers: (Scott W. Holmes, Executive Vice President and Chief Financial Officer; John M. Bryant, Jr., Executive Vice President and General Counsel; B. Douglas Whitman, II, Executive Vice President - Corporate Finance; and Todd J. Meredith, Executive Vice President - Investments) were also amended and restated on July 31, 2012. These agreements each have a one-year term that is automatically extended on January 1 of each year for an additional year. If employment is terminated for any reason other than for cause (or constructive termination), the officer is entitled to receive his unpaid salary, earned bonus, full vesting of his restricted stock awards, vested deferred compensation and other benefits through the date of termination. In addition, the officer will receive as severance compensation one and one-half times (1.5x) his annual base salary following the date of termination plus an amount equal to the greater of: (i) two times (2x) his average annual bonus, if any, earned during the two years immediately preceding his termination; and (ii) two times the product of his base salary and 0.43.

If a "change-in-control" (as defined in the employment agreement) occurs and the officer's employment is terminated for any reason other than for cause (or a constructive termination), he will receive the payments described above provided that the severance compensation would be an amount equal to three times (3x) the officer's annual base salary, rather than one and one-half times, plus an amount equal to the greater of: (i) two times (2x) his average annual bonus, if any, earned during the two years immediately preceding his termination; and (ii) two times the product of his base salary and 0.43. If the payments due to the change-in-control result in an excise tax to the officer, under Section 4999 of the Internal Revenue Code, all change-in-control payments to the officer may be limited to an amount that is less than 300% of his average annual compensation. This limit would not apply in the event the officer's net after-tax benefits are greater after considering the effect of the excise tax.

The Company may terminate the officer's agreement for "cause," which is defined to include material, substantial and willful dishonesty towards, fraud upon, or deliberate injury or attempted injury to, the Company or the officer's material, substantial and willful breach of the employment agreement which has resulted in material injury to the Company. In the event of the officer's termination for cause, he shall receive all accrued salary, earned bonus compensation, vested deferred compensation (other than plan benefits which will be payable in accordance with the applicable plan), and other benefits through the date of termination, but shall receive no other severance benefits. Each agreement may be terminated if the officer dies or becomes disabled and his disability continues for a period of 12 consecutive months. In the event of termination of the employment agreement because of the officer's death or disability, the officer (or his estate) shall receive his unpaid salary, earned bonus, full vesting of restricted stock



awards, vested deferred compensation (other than plan benefits which will be paid in accordance with the applicable plan) and other benefits through the date of termination, but no additional severance except that, if the officer becomes disabled, the Company will maintain his insurance benefits for the remaining term of his employment agreement. The Company has agreed to indemnify each of the officers for certain liabilities arising from actions taken within the scope of his employment. Each employment agreement contains restrictive covenants pursuant to which such officer has agreed not to compete with the Company during the period of employment and any period following termination of his employment during

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which he is receiving severance payments, except that in the event of a change-in-control of the Company, the restrictive period shall be for one year.

The tables below illustrate the compensation that would have been received by each of the Named Executive Officers assuming the officer had been terminated or had been eligible to retire and had elected to retire on December 31, 2012, and that any additional conditions to vesting of restricted stock awards under restricted stock award agreements had been met.

David R. Emery Chairman of Board and Chief Executive Officer	Voluntary Termination	Not for Cause Termination	Change-in- Control	Death or Disability	Retirement
Cash Severance Benefit(1)	\$—	\$3,344,616	\$4,227,288	\$—	\$—
Retirement Plan Benefits(2)	\$—	\$13,041,616	\$13,041,616	\$13,041,616	\$13,041,616
Accelerated Vesting of Restricted Stock(3)	\$—	\$21,117,155	\$21,117,155	\$21,117,155	\$21,117,155
Total Value of Payments	\$—	\$37,503,387	\$38,386,059	\$34,158,771	\$34,158,771
Scott W. Holmes Executive Vice President and Chief Financial Officer	Voluntary Termination	Not for Cause Termination	Change-in- Control	Death or Disability	Retirement
Cash Severance Benefit(1)	\$—	\$1,108,341	\$1,812,795	\$—	\$—
Accelerated Vesting of Restricted Stock(3)	\$—	\$4,517,169	\$4,517,169	\$4,517,169	\$4,517,169
Total Value of Payments	\$—	\$5,625,510	\$6,329,964	\$4,517,169	\$4,517,169
John M. Bryant, Jr. Executive Vice President and General Counsel	Voluntary Termination	Not for Cause Termination	Change-in- Control	Death or Disability	Retirement
Cash Severance Benefit(1)	\$—	\$1,040,102	\$1,701,184	\$—	\$—
Accelerated Vesting of Restricted Stock(3)	\$—	\$2,248,416	\$2,248,416	\$2,248,416	\$2,248,416
Total Value of Payments	\$—	\$3,288,518	\$3,949,600	\$2,248,416	\$2,248,416
B. Douglas Whitman, II Executive Vice President – Corporate Finance	Voluntary Termination	Not for Cause Termination	Change-in- Control	Death or Disability	Retirement
Cash Severance Benefit(1)	\$—	\$1,040,102	\$1,701,183	\$—	\$—
Accelerated Vesting of Restricted Stock(3)	\$—	\$1,478,992	\$1,478,992	\$1,478,992	\$1,478,992
Total Value of Payments	\$—	\$2,519,094	\$3,180,175	\$1,478,992	\$1,478,992
Todd J. Meredith Executive Vice President – Investments	Voluntary Termination	Not for Cause Termination	Change-in- Control	Death or Disability	Retirement
Cash Severance Benefit(1)	\$—	\$1,040,101	\$1,701,183	\$—	\$—
Accelerated Vesting of Restricted Stock(3)	\$—	\$871,011	\$871,011	\$871,011	\$871,011
Total Value of Payments	\$—	\$1,911,112			