

HEALTHCARE REALTY TRUST INC

Form 8-K/A

July 20, 2004

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 8-K/A**

(Amendment No. 1)

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **July 20, 2004 (July 19, 2004)**

**HEALTHCARE REALTY TRUST INCORPORATED**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other  
jurisdiction  
of incorporation)

**1-11852**  
(Commission  
File Number)

**62-1507028**  
(IRS Employer  
Identification No.)

**3310 West End Avenue**

**Suite 700**

**Nashville, Tennessee 37203**  
(Address of principal executive offices)

**(615) 269-8175**

(Registrant's telephone number, including area code)

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This Amendment No. 1 to the Current Report on Form 8-K, originally filed with the Securities and Exchange Commission on July 19, 2004, is being filed in order to include the reference to KPMG LLP as experts and its consent thereto.

**Item 5. Other Events and Regulation FD Disclosure**

For the fiscal year 2004, through the date of this report, Healthcare Realty Trust Incorporated (the Company) has acquired or it is probable that it will acquire real estate properties totalling approximately \$299.1 million.

During the first quarter of 2004, the Company acquired a medical office building from Advocate Healthcare and acquired three medical office buildings in Michigan and four medical office buildings in Arizona from affiliates of Ascension Health, Inc. for approximately \$18.1 million, \$20.9 million and \$9.0 million, respectively.

During the second quarter of 2004, the Company acquired six medical office buildings in Tennessee from affiliates of Ascension Health, Inc. and acquired four medical office buildings from MedStar Health in Washington, D.C. and Maryland for approximately \$70.8 million and \$41.3 million, respectively.

On July 6, 2004, the Company entered into an agreement with Baylor Health Care System to acquire a portfolio of 20 medical office buildings in and around Dallas, Texas for approximately \$133 million. This transaction is expected to close in the third quarter of 2004.

As a result of the transactions discussed above, the Company is providing audited combined historical summaries of gross income and direct operating expenses for the year ended December 31, 2003 for a majority of the acquisitions described above in accordance with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission. The audited combined historical summaries of gross income and direct operating expenses are not necessarily representative of the entire operations of the properties for the periods presented as certain revenues will change and certain expenses as described in the notes thereto have been excluded, and may not be indicative of future operations.

**EXPERTS**

The Combined Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 31, 2003 for Ascension Detroit Properties and for Baylor Health Care System Properties have been incorporated by reference into the registration statement (No. 333-109306) on Form S-3 in reliance upon the reports of KPMG LLP, independent accountants, and upon the authority of said firm as experts in accounting and auditing.

**Item 7. Financial Statements, Pro Forma Financial Information and Exhibits**

(a) Financial Statements Under Rule 3-14 of Regulation S-X

(1) Combined Historical Summary of Gross Income and Direct Operating Expenses for the Baylor Health Care System Properties

(i) Report of Independent Auditors

(ii) Combined Historical Summary of Gross Income and Direct Operating Expenses for the Three Months Ended March 31, 2004 (unaudited), and for the Year Ended December 31, 2003

(iii) Notes to Combined Historical Summary of Gross Income and Direct Operating Expenses

(2) Combined Historical Summary of Gross Income and Direct Operating Expenses for the Ascension Detroit Properties

(i) Report of Independent Auditors

(ii) Combined Historical Summary of Gross Income and Direct Operating Expenses for the Three Months Ended March 31, 2004 (unaudited), and for the Year Ended December 31, 2003

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- (b) Pro Forma Financial Information
  - (1) Introduction to Unaudited Pro Forma Consolidated Financial Statements of the Company
  - (2) Unaudited Pro Forma Consolidated Balance Sheet of the Company as of March 31, 2004
  - (3) Unaudited Pro Forma Consolidated Income Statement of the Company for the three months ended March 31, 2004
  - (4) Unaudited Pro Forma Consolidated Income Statement of the Company for the year ended December 31, 2003
  - (5) Notes to Unaudited Pro Forma Consolidated Financial Statements of the Company

Exhibit 99.1 Consent of KPMG LLP

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**Baylor Health Care System Properties**

Combined Historical Summary of Gross Income and Direct Operating Expenses

For the year ended December 31, 2003 and  
the Three Months ended March 31, 2004 (unaudited)

(With Report of Independent Auditors Thereon)

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**Report of Independent Auditors**

The Board of Directors  
Healthcare Realty Trust Incorporated

We have audited the accompanying Combined Historical Summary of Gross Income and Direct Operating Expenses ( Historical Summary ) of the twenty medical office buildings (the Properties ) under the purchase agreement dated July 6, 2004 to be acquired by HRT Properties of Texas, Ltd., an affiliate of Healthcare Realty Trust Incorporated (the Company ), from Baylor Health Care System for the year ended December 31, 2003. This Historical Summary is the responsibility of the Company s management. Our responsibility is to express an opinion on the Historical Summary for the Properties based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary for the Properties was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in note 2 and is not intended to be a complete presentation of the Properties revenues and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in note 2 to the Historical Summary for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

KPMG LLP

July 14, 2004



**Table of Contents****Baylor Health Care System Properties**

## Combined Historical Summary of Gross Income and Direct Operating Expenses

For the year ended December 31, 2003 and the Three Months ended March 31, 2004 (unaudited)

|   | <b>For the<br/>Three Months<br/>Ended<br/>Mar. 31, 2004</b> | <b>For the<br/>Year Ended<br/>Dec. 31, 2003</b> |
|---|---|---|
|   | <b>(unaudited)</b>  |   |
| Gross income:   |   |   |
| Rental income   | \$4,419,888   | \$ 16,767,138                                   |
| Other rental revenue and operating expense and real estate tax recoveries | <u>70,518</u>   | <u>393,899</u>                                  |
| Total gross income  | 4,490,406   | 17,161,037                                      |
| Direct expenses:  |   |   |
| Property taxes  | 423,191   | 1,692,764                                       |
| Utilities   | 402,588   | 1,634,179                                       |
| Environmental services  | 326,252   | 1,403,455                                       |
| Salaries and administrative expenses                                      | 234,502   | 825,826   |
| Other expenses  | 196,242   | 812,671   |
| Repairs and maintenance   | <u>130,146</u>  | <u>574,538</u>                                  |
| Total direct operating expenses   | <u>1,712,921</u>  | <u>6,943,433</u>                                |
| Excess of gross income over direct operating expenses                     | <u>\$2,777,485</u>  | <u>\$ 10,217,604</u>                            |

See accompanying notes to combined historical summary of gross income and direct operating expenses.

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**Baylor Health Care System Properties**

**Notes to Combined Historical Summary of Gross Income and Direct Operating Expenses**

**(1) Business**

The twenty medical office buildings (the Properties ) to be acquired from Baylor Health Care System ( Baylor ), an unaffiliated third-party, are located on and around the Baylor University Medical Campus in and near Dallas, Texas. The Properties consist of approximately 1.1 million gross rentable square feet, were approximately 94% occupied, and were leased to 266 tenants at December 31, 2003.

**(2) Basis of Presentation**

The accompanying Combined Historical Summary of Gross Income and Direct Operating Expenses ( Historical Summary ) has been prepared for the purpose of complying with Rule 3-14 of the Securities and Exchange Commission Regulation S-X and is not intended to be a complete presentation of the Properties revenues and expenses. The Historical Summary has been prepared on the accrual basis of accounting and requires management of the Properties to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting period. Actual results may differ from those estimates.

All adjustments necessary for a fair presentation have been made to the accompanying unaudited amounts for the three months ended March 31, 2004.

**(3) Gross Income**

The Properties contain medical office space occupied under various lease agreements with tenants. All leases are accounted for as operating leases. Some of the leases include provisions under which the Properties are reimbursed for common area maintenance and other operating costs, real estate taxes, and insurance. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates.

Although certain leases may provide for tenant occupancy during periods for which no rent is due and/or increases exist in minimum lease payments over the term of the lease, rental and other revenues are recorded when earned, which is not materially different than on a straight-line basis.

At December 31, 2003, Baylor and its affiliates occupied approximately 568,000 gross rentable square feet (49.8% of the gross rentable area of the Properties) some of which was leased through inter-company lease arrangements. Base rental income reported in the Historical Summary from these lease arrangements represented approximately \$6.5 million for the year ended December 31, 2003. Simultaneous with the closing of the acquisition of the Properties, formal lease agreements are expected to be entered into between HRT Properties of Texas, Ltd., an affiliate of Healthcare Realty Trust Incorporated, and Baylor at rental rates specified in the purchase agreement with lease terms of approximately 4.4 years. Base rents received from tenants not affiliated with Baylor represented approximately \$9.7 million of base rental income for the year ended December 31, 2003. These leases have an average remaining life of approximately 1.6 years. As leases expire, new leases are expected to be entered into at current market rates.

**(4) Direct Operating Expenses**

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Properties. Environmental service expense includes sanitation expenses. Repairs and maintenance expenses are

charged to operations as incurred. Costs such as depreciation, amortization, management fees, and professional fees are excluded from the Historical Summary.

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**Ascension Detroit Properties**

Combined Historical Summary of Gross Income and Direct Operating Expenses

For the year ended December 31, 2003 and  
the Three Months ended March 31, 2004 (unaudited)

(With Report of Independent Auditors Thereon)

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**Report of Independent Auditors**

The Board of Directors  
Healthcare Realty Trust Incorporated

We have audited the accompanying Combined Historical Summary of Gross Income and Direct Operating Expenses ( Historical Summary ) of the three medical office buildings (the Properties ) acquired by HR Acquisition I Corporation, an affiliate of Healthcare Realty Trust Incorporated (the Company ), from St. John Health System, an affiliate of Ascension Health, Inc. for the year ended December 31, 2003. This Historical Summary is the responsibility of the Company s management. Our responsibility is to express an opinion on the Historical Summary for the Properties based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary for the Properties was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in note 2 and is not intended to be a complete presentation of the Properties revenues and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in note 2 to the Historical Summary for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

KPMG LLP

July 14, 2004

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## Combined Historical Summary of Gross Income and Direct Operating Expenses

For the year ended December 31, 2003 and the Three Months ended March 31, 2004 (unaudited)

|   | <b>For the<br/>Three<br/>Months<br/>Ended<br/>Mar. 31,<br/>2004</b> | <b>For the<br/>Year Ended<br/>Dec. 31, 2003</b> |
|---|---|---|
|   | <u>(unaudited)</u>  |   |
| Gross income:   |   |   |
| Rental income   | \$ 972,166  | \$3,311,069                                     |
| Other rental revenue and operating expense and real estate tax recoveries | 19,647  | 14,665  |
|   | <u>991,813</u>  | <u>3,325,734</u>                                |
| Total gross income  |   |   |
| Direct expenses:  |   |   |
| Purchased Services  | 178,109   | 584,673   |
| Property taxes  | 122,681   | 490,726   |
| Utilities   | 168,518   | 467,405   |
| Salaries and administrative expenses                                      | 77,390  | 291,361   |
| Other expenses  | 17,492  | 12,318  |
|   | <u>564,190</u>  | <u>1,846,483</u>                                |
| Total direct operating expenses   |   |   |
| Excess of gross income over direct operating expenses                     | <u>\$ 427,623</u>   | <u>\$1,479,251</u>                              |

See accompanying notes to combined historical summary of gross income and direct operating expenses.

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**Ascension Detroit Properties**

**Notes to Combined Historical Summary of Gross Income and Direct Operating Expenses**

**(1) Business**

The three medical office buildings (the Properties ) purchased from St. John Health System, an affiliate of Ascension Health, Inc. ( Ascension ), an unaffiliated third-party, are located on and around the St. John s Medical Campus in and near Detroit, Michigan. The Properties consist of approximately 198,300 gross rentable square feet, were approximately 98% occupied, and were leased to 75 tenants at December 31, 2003.

**(2) Basis of Presentation**

The accompanying Combined Historical Summary of Gross Income and Direct Operating Expenses ( Historical Summary ) has been prepared for the purpose of complying with Rule 3-14 of the Securities and Exchange Commission Regulation S-X and is not intended to be a complete presentation of the Properties revenues and expenses. The Historical Summary has been prepared on the accrual basis of accounting and requires management of the Properties to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting period. Actual results may differ from those estimates.

All adjustments necessary for a fair presentation have been made to the accompanying unaudited amounts for the three months ended March 31, 2004.

**(3) Gross Income**

The Properties contain medical office space occupied under various lease agreements with tenants. All leases are accounted for as operating leases. Some of the leases include provisions under which the Properties are reimbursed for common area maintenance and other operating costs, real estate taxes, and insurance. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates.

Although certain leases may provide for tenant occupancy during periods for which no rent is due and/or increases exist in minimum lease payments over the term of the lease, rental and other revenues are recorded when earned, which is not materially different than on a straight-line basis.

At December 31, 2003, St. John s Medical System occupied approximately 47,038 square feet (23.7% of the gross rentable area of the Properties) some of which was leased through inter-company lease arrangements. Base rental income reported in the Historical Summary from these lease arrangements represented approximately \$153,000 for the year ended December 31, 2003. Formal lease agreements have been entered into between HR Acquisition I Corporation, an affiliate of Healthcare Realty Trust Incorporated, and these tenants with lease terms of approximately 5 years. Base rental income to be received from tenants not affiliated with St. John s represented approximately \$3.0 million of base rental income for the year ended December 31, 2003. These leases have an average remaining life of approximately 4.3 years. As leases expire, new leases are expected to be entered into at current market rates.

**(4) Direct Operating Expenses**

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Properties. Purchased services include janitorial services, landscape maintenance, and other services that are provided by third parties. Repairs and maintenance expenses are charged to operations as incurred. Costs such as depreciation,

amortization, management fees, and professional fees are excluded from the Historical Summary. Certain overhead operating costs are allocated to the buildings by Ascension. These allocations are included in the Historical Summary.



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**Introduction to Unaudited Pro Forma Consolidated Financial Statements of Healthcare Realty Trust Incorporated**

The following unaudited pro forma consolidated balance sheet as of March 31, 2004, reflects the financial position of the Company as if the transactions described in the Notes to the Unaudited Pro Forma Financial Statements were completed on March 31, 2004. The unaudited pro forma consolidated income statements for the three months ended March 31, 2004 and the twelve months ended December 31, 2003, present the results of operations of the Company as if the transactions described in the Notes to the Unaudited Pro Forma Financial Statements were completed on January 1, 2003. These unaudited pro forma consolidated financial statements should be read in connection with, and are qualified in their entirety by reference to, the financial statements of the Company for the three months ended March 31, 2004, included in the Company's Quarterly Report on Form 10-Q, the financial statements of the Company for the year ended December 31, 2003, included in the Company's Annual Report on Form 10-K, and the financial statements included in Item 7(a) of this Form 8-K. These unaudited pro forma financial statements include management's estimates and assumptions of, including among other items, future revenues and expenses and purchase price allocations of the disclosed properties, interest rates, capital financing requirements, and are not necessarily indicative of the expected results of operations of the Company for any future period. These pro forma financial statements include assumptions related only to transactions described in the Notes to the Unaudited Pro Forma Financial Statements and do not attempt to forecast actual expected results of operations of the Company for any future period.

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**Healthcare Realty Trust Incorporated**  
**Unaudited Pro Forma Consolidated Balance Sheet**  
**As of March 31, 2004**  
(Dollars in thousands)

|   | Historical  | Pro Forma<br>Adjustments | Pro Forma   |
|---|-------------|--------------------------|-------------|
|   |             | (A)                      |             |
| <b>ASSETS</b>                                 |             |                          |             |
| Real estate properties:                       |             |                          |             |
| Land  | \$ 140,387  | \$ 5,013                 | \$ 145,400  |
| Buildings, improvements and lease intangibles | 1,460,458   | 235,210                  | 1,695,668   |
| Personal property                             | 14,268      | 54                       | 14,322      |
| Construction in progress                      | 15,220      | 0                        | 15,220      |
|   | 1,630,333   | 240,277                  | 1,870,610   |
| Less accumulated depreciation                 | (243,178)   | 0                        | (243,178)   |
|   | 1,387,155   | 240,277                  | 1,627,432   |
| Cash and cash equivalents                     | 59,125      | (59,125)                 | 0           |
| Mortgage notes receivable                     | 93,057      | 0                        | 93,057      |
| Other assets, net                             | 108,476     | 10,914                   | 119,390     |
|   | 1,647,813   | 192,066                  | 1,839,879   |
|   | \$1,647,813 | \$192,066                | \$1,839,879 |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>    |             |                          |             |
| <b>LIABILITIES:</b>                           |             |                          |             |
| Notes and bonds payable                       | \$ 716,872  | \$ 63,884                | \$ 780,756  |
| Accounts payable and accrued liabilities      | 20,342      | 0                        | 20,342      |
| Other liabilities                             | 15,784      | (33)                     | 15,751      |
|   | 752,998     | 63,851                   | 816,849     |
|   | 752,998     | 63,851                   | 816,849     |
| Commitments                                   | 0           | 0                        | 0           |
| <b>Stockholders' equity:</b>                  |             |                          |             |
| Preferred stock                               | 0           | 0                        | 0           |
| Common stock                                  | 430         | 35                       | 465         |
| Additional paid-in capital                    | 1,062,864   | 128,180                  | 1,191,044   |

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|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| Deferred compensation                     | (24,976)          | 0                 | (24,976)          |
| Cumulative net income                     | 533,471           | 0                 | 533,471           |
| Cumulative dividends                      | (676,974)         | 0                 | (676,974)         |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| Total stockholders equity                 | 894,815           | 128,215           | 1,023,030         |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| Total liabilities and stockholders equity | \$1,647,813       | \$192,066         | \$1,839,879       |
|   | <u>          </u> | <u>          </u> | <u>          </u> |

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**Healthcare Realty Trust Incorporated**  
**Unaudited Pro Forma Consolidated Statement of Income**  
**For The Three Months Ended March 31, 2004**

(Dollars in thousands, except per share data)

|   | <u>Pro Forma Adjustments</u> |                     |                   | <u>Pro Forma</u> |
|---|------------------------------|---------------------|-------------------|------------------|
|   | <u>Historical</u>            | <u>Acquisitions</u> | <u>Financing</u>  |                  |
|   |                              | <b>(B)</b>          | <b>(E)</b>        | <b>(D)</b>       |
| <b>REVENUES:</b>  |                              |                     |                   |                  |
| Master lease rental income  | \$ 23,010                    | \$ 112              | \$ 0              | \$ 23,122        |
| Property operating income   | 24,764                       | 8,777               | 0                 | 33,541           |
| Straight line rent  | 182                          | 0                   | 0                 | 182              |
| Mortgage interest income  | 2,814                        | 0                   | 0                 | 2,814            |
| Interest and other income   | 894                          | 0                   | 0                 | 894              |
|   | <u>51,664</u>                | <u>8,889</u>        | <u>0</u>          | <u>60,553</u>    |
| <b>EXPENSES:</b>  |                              |                     |                   |                  |
| General and administrative  | 3,417                        | 0                   | 0                 | 3,417            |
| Property operating expenses                                       | 10,362                       | 4,735               | 0                 | 15,097           |
| Interest  | 8,973                        | 0                   | 2,683             | 11,656           |
| Depreciation  | 11,087                       | 1,964               | 0                 | 13,051           |
| Amortization  | 13                           | 50                  | 0                 | 63               |
|   | <u>33,852</u>                | <u>6,749</u>        | <u>2,683</u>      | <u>43,284</u>    |
| <b>INCOME FROM CONTINUING OPERATIONS</b>                          | <u>\$ 17,812</u>             | <u>\$ 2,140</u>     | <u>\$ (2,683)</u> | <u>\$ 17,269</u> |
| <b>INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE BASIC</b>   | <u>\$ 0.43</u>               |                     |                   | <u>\$ 0.38</u>   |
| <b>INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE DILUTED</b> | <u>\$ 0.42</u>               |                     |                   | <u>\$ 0.38</u>   |

|   |                   |                  |                   |
|---|-------------------|------------------|-------------------|
| <b>WEIGHTED AVERAGE<br/>COMMON SHARES<br/>OUTSTANDING BASIC</b> | <b>41,668,173</b> | <b>3,500,000</b> | <b>45,168,173</b> |
|---|-------------------|------------------|-------------------|

|   |                   |                  |                   |
|---|-------------------|------------------|-------------------|
| <b>WEIGHTED AVERAGE<br/>COMMON SHARES<br/>OUTSTANDING<br/>DILUTED</b> | <b>42,379,283</b> | <b>3,500,000</b> | <b>45,879,283</b> |
|---|-------------------|------------------|-------------------|

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**Healthcare Realty Trust Incorporated**  
**Unaudited Pro Forma Consolidated Statement of Income**  
**For The Twelve Months Ended December 31, 2003**

(Dollars in thousands, except per share data)

|   | Pro Forma Adjustments |                 |                    | Pro Forma        |
|---|-----------------------|-----------------|--------------------|------------------|
|   | Historical            | Acquisitions    | Financing          |                  |
|   |                       | (C)             | (E)                | (D)              |
| <b>REVENUES:</b>  |                       |                 |                    |                  |
| Master lease rental income  | \$ 88,963             | \$ 449          | \$ 0               | \$ 89,412        |
| Property operating income   | 85,954                | 41,514          | 0                  | 127,468          |
| Straight line rent  | 2,553                 | 0               | 0                  | 2,553            |
| Mortgage interest income  | 10,441                | 0               | 0                  | 10,441           |
| Interest and other income   | 4,086                 | 0               | 0                  | 4,086            |
|   | 191,997               | 41,963          | 0                  | 233,960          |
| <b>EXPENSES:</b>  |                       |                 |                    |                  |
| General and administrative  | 11,122                | 0               | 0                  | 11,122           |
| Property operating expenses                                       | 34,876                | 23,228          | 0                  | 58,104           |
| Interest  | 34,601                | 0               | 12,761             | 47,362           |
| Depreciation  | 42,142                | 9,373           | 0                  | 51,515           |
| Amortization  | 53                    | 198             | 0                  | 251              |
|   | 122,794               | 32,799          | 12,761             | 168,354          |
| <b>INCOME FROM CONTINUING OPERATIONS</b>                          | <b>\$ 69,203</b>      | <b>\$ 9,164</b> | <b>\$ (12,761)</b> | <b>\$ 65,606</b> |
| <b>INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE BASIC</b>   | <b>\$ 1.71</b>        |                 |                    | <b>\$ 1.47</b>   |
| <b>INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE DILUTED</b> | <b>\$ 1.69</b>        |                 |                    | <b>\$ 1.45</b>   |

|   |                             |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|
|   | <u>                    </u> |                             | <u>                    </u> |
| <b>WEIGHTED AVERAGE<br/>COMMON SHARES<br/>OUTSTANDING BASIC</b>       | 41,129,282                  | 3,500,000                   | 44,629,282                  |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| <b>WEIGHTED AVERAGE<br/>COMMON SHARES<br/>OUTSTANDING<br/>DILUTED</b> | 41,780,088                  | 3,500,000                   | 45,280,088                  |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u> |

**Table of Contents****Notes to Unaudited Pro Forma Consolidated Financial Statements**

(Dollars in thousands)

**(A) Unaudited Pro Forma Consolidated Balance Sheet Adjustments**

Represents the impact of the Company's consummated acquisitions, those pending acquisitions whose consummation is considered by management to be probable, and capital financings related to those acquisitions subsequent to March 31, 2004, and assumes those acquisitions and capital financings were closed on March 31, 2004. These transactions were funded or are expected to be funded with cash on hand, borrowings on the Company's Unsecured Credit Facility due 2006, and from assumed net proceeds from the anticipated issuance of 3,500,000 common shares in July 2004 at an assumed net proceeds per share amount of \$36.63. Actual or probable acquisitions subsequent to March 31, 2004 are included in the table below.

| <b>Date Acquired</b> | <b>Location</b>                    | <b>Number of Buildings</b> | <b>Real Estate Investment (2) (in millions)</b> |
|----------------------|------------------------------------|----------------------------|---|
| 4/20/04              | Baltimore, MD and Washington, D.C. | 4                          | \$ 42.4   |
| 4/23/04              | Nashville, TN                      | 6                          | \$ 70.9   |
| 4/30/04              | Ft. Walton, FL                     | 1                          | \$ 4.8  |
|                      | Dallas/Ft. Worth Texas area        | 20                         | \$ 133.0(1)                                     |
|                      |                                    |                            |   |
|                      |                                    | Totals                     | \$ 251.1  |

(1) Estimate as the transaction has not yet closed.

(2) Excludes closing and other costs included in the purchase price.

**(B) Unaudited Pro Forma Consolidated Income Statement Acquisition Adjustments for the Three Months Ended March 31, 2004**

Represents the impact of the Company's consummated acquisitions, those pending acquisitions whose consummation is considered by management to be probable, and capital financings throughout 2004 as if those acquisitions and capital financings were in place as of January 1, 2003. These transactions were funded with cash on hand, 5.125% \$300.0 million Senior Notes due 2014, borrowings on the Company's Unsecured Credit Facility due 2006, and from assumed net proceeds from the anticipated issuance of 3,500,000 common shares in July 2004 at an assumed net proceeds per share amount of \$36.63.

| <b>Date Acquired</b> | <b>Location</b> | <b>Number of Buildings</b> | <b>Real Estate Investment (2) (in millions)</b> |
|----------------------|-----------------|----------------------------|---|
| 3/1/04               | Chicago, IL     | 1                          | \$ 18.1   |
| 3/3/04               | Detroit, MI     | 3                          | \$ 20.9   |
| 3/8/04               | Tucson, AZ      | 4                          | \$ 9.0  |





**Table of Contents****(C) Unaudited Pro Forma Consolidated Income Statement Acquisition Adjustments for the Twelve Months Ended December 31, 2003**

Represents the impact of the Company's consummated acquisitions, those pending acquisitions whose consummation is considered by management to be probable, and capital financings throughout 2003 and 2004 as if those acquisitions and capital financings were in place as of January 1, 2003. These transactions were funded with cash on hand, 5.125% \$300.0 million Senior Notes due 2014, borrowings on the Company's Unsecured Credit Facility due 2006, and from anticipated net proceeds from the anticipated issuance of 3,500,000 common shares in July 2004 at an assumed net proceeds per share amount of \$36.63.

| <b>Date Acquired</b> | <b>Seller</b>                      | <b>Number of Buildings</b> | <b>Real Estate Investment (2) (in millions)</b> |
|----------------------|------------------------------------|----------------------------|---|
| 2/28/03              | New Orleans, LA                    | 2                          | \$ 10.8   |
| 9/12/03              | San Antonio, TX                    | 2                          | \$ 26.1   |
| 9/29/03              | Honolulu, HI                       | 2                          | \$ 20.7   |
| 3/1/04               | Chicago, IL                        | 1                          | \$ 18.1   |
| 3/3/04               | Detroit, MI                        | 3                          | \$ 20.9   |
| 3/8/04               | Tucson, AZ                         | 4                          | \$ 9.0  |
| 4/20/04              | Baltimore, MD and Washington, D.C. | 4                          | \$ 42.4   |
| 4/23/04              | Nashville, TN                      | 6                          | \$ 70.9   |
| 4/30/04              | Ft. Walton, FL                     | 1                          | \$ 4.8  |
|                      | Dallas/Ft. Worth Texas area        | 20                         | \$ 133.0(1)                                     |
|                      | <b>Totals</b>                      | <b>45</b>                  | <b>\$ 356.7</b>                                 |

(1) Estimate as the transaction has not yet closed.

(2) Excludes closing and other costs included in the purchase price.

**(D) Depreciation and Amortization Adjustments to the Unaudited Pro Forma Consolidated Statements of Income**

As required under Statement of Financial Accounting Standards No. 141, "Business Combinations", the Company has estimated and allocated the investment in the properties acquired to the various components acquired, including land, building, and lease intangibles and has amortized those assets over the remaining life of each asset acquired. Under this methodology the remaining lives may range from a few months to several years. As such, depreciation and amortization are generally accelerated when compared to the Company's previous methodology of depreciating over a 31.5 or 39-year life. The amounts of non-cash depreciation and amortization adjustments, included in depreciation, amortization and property operating income in the Unaudited Pro Forma Consolidated Statements of Income for the Three Months Ended March 31, 2004 and the Twelve Months Ended December 31, 2003 are \$3.7 million and \$17.6 million, respectively.

**(E) Interest Expense Adjustments to the Unaudited Pro Forma Consolidated Statements of Income**

Represents the pro forma net effect on interest expense resulting from the acquisitions described in Notes (B) and (C) above, the issuance of the 5.125% Senior Notes due 2014, the issuance of 3,500,000 shares of common stock, and the change to the outstanding balance of the Company's revolving credit facility as if these acquisition and capital

financing transactions had occurred on January 1, 2003.

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**SIGNATURES**

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

HEALTHCARE REALTY TRUST  
INCORPORATED

By /s/ Scott W. Holmes  
Scott W. Holmes  
Senior Vice President and Chief Financial  
Officer

Date: July 19, 2004

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