

COMMUNITY
HEALTHCARE
— TRUST —

**Notice of 2020 Annual Meeting
and Proxy Statement**

**Annual Report on Form 10-K
for Fiscal Year Ended December 31, 2019**

**ANNUAL MEETING OF STOCKHOLDERS
MAY 7, 2020 – 8:00 A.M. CST**

Community Healthcare Trust Incorporated
3326 Aspen Grove Drive
Suite 150
Franklin, TN 37067

HOW TO VOTE

Please refer to the notice/proxy card or other voting instructions included with these proxy materials for information on how to vote. If you vote on the internet, you do not need to return your proxy card.

ANNUAL REPORT ON FORM 10-K

The Company has filed an Annual Report on Form 10-K for the year ended December 31, 2019 with the Securities and Exchange Commission. Shareholders may obtain a copy of this report, without charge, by writing: **Investor Relations, Community Healthcare Trust Incorporated, 3326 Aspen Grove Drive, Suite 150, Franklin, Tennessee 37067**; or via email: investorrelations@chct.reit.

Proxy

Proxy

Form 10-K

Form 10-K

COMMUNITY HEALTHCARE TRUST

March 20, 2020

Dear Stockholder:

On behalf of the Board of Directors, we cordially invite you to attend the 2020 annual meeting of stockholders of Community Healthcare Trust Incorporated, a Maryland corporation (the “Company”). The annual meeting will be held beginning at 8:00 a.m., Central time, on Thursday, May 7, 2020 at the principal offices of the Company, located at 3326 Aspen Grove Drive, Suite 150, Franklin, Tennessee 37067. The formal notice of the annual meeting appears on the next page. At the annual meeting, you will be asked to:

1. Elect five directors, each to serve a one-year term expiring in 2021;
2. Vote to approve, on a non-binding advisory basis, a resolution approving the Company’s compensation of its named executive officers;
3. Vote to approve, on a non-binding advisory basis, the frequency of a non-binding advisory vote on executive compensation;
4. Ratify the appointment of BDO USA, LLP as our independent registered public accountants for 2020; and
5. Transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

The accompanying proxy statement provides detailed information concerning the matters to be acted upon at the annual meeting. We urge you to review this proxy statement and each of the proposals carefully. Your vote is very important. It is important that your views be represented at the annual meeting regardless of the number of shares of common stock you own or whether you are able to attend the annual meeting in person.

On March 20, 2020, we posted on the investor’s relations page of our Internet website, <http://investors.chct.reit>, a copy of our 2020 proxy statement, proxy card and our annual report to stockholders. Also, on or around March 20, 2020, we mailed a notice (the “Notice”) containing instructions on how to access our proxy materials and vote online to our institutional stockholders who own our stock directly in their name and in the name of other stockholders.

You may vote your shares on the Internet. If you request a paper copy of the proxy card or voting instruction form, we will mail you the paper copy and you may sign, date and mail the accompanying proxy card or voting instruction form in the envelope provided with your proxy card. Instructions regarding the two methods of voting by proxy are contained on the Notice and on the proxy card. As always, if you are the record holder of our stock, you may vote in person at the annual meeting. The accompanying proxy statement explains how to obtain driving directions to the meeting.

Proxy

On behalf of our Board of Directors, I would like to express our appreciation for your continued interest in Community Healthcare Trust Incorporated.

Sincerely,

A handwritten signature in black ink, appearing to read 'Timothy G. Wallace', with a long horizontal flourish extending to the right.

Timothy G. Wallace
*Chairman of the Board, President, and
Chief Executive Officer*

**Important Notice Regarding the Availability of Proxy Materials for
the Stockholder Meeting to be held on May 7, 2020:**

Community Healthcare Trust Incorporated's 2020 proxy statement, proxy card and annual report to stockholders are available at <http://investors.chct.reit>.

Community Healthcare Trust Incorporated
3326 Aspen Grove Drive, Suite 150
Franklin, Tennessee 37067

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

- TIME** 8:00 a.m., Central Time, on Thursday, May 7, 2020
- PLACE** Community Healthcare Trust Incorporated
3326 Aspen Grove Drive, Suite 150
Franklin, Tennessee 37067
- ITEMS OF BUSINESS**
1. To elect five directors, each to serve a one-year term expiring in 2021;
 2. To vote to approve, on a non-binding advisory basis, a resolution approving the Company's compensation of its named executive officers;
 3. To vote to approve, on a non-binding advisory basis, the frequency of a non-binding advisory vote on executive compensation;
 4. To ratify the appointment of BDO USA, LLP as our independent registered public accountants for 2020; and
 5. To transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.
- RECORD DATE** You can vote if you are a stockholder of record as of the close of business on March 6, 2020.
- ANNUAL REPORT** All of these documents are accessible on our Internet website, <http://investors.chct.reit>. You may request a paper copy of the proxy statement, the proxy card, and our annual report to stockholders, which is not part of the proxy solicitation material.
- PROXY VOTING** It is important that your shares be represented and voted at the annual meeting. You may vote your shares on the Internet or, if you request and receive written proxy materials, you may vote by signing, dating and mailing the accompanying proxy card or voting instruction form in the envelope provided. Instructions regarding the two methods of voting are contained on the proxy card. The Notice has instructions regarding voting on the Internet. Any proxy may be revoked at any time prior to its exercise at the annual meeting.

By Order of the Board of Directors,



W. Page Barnes
Secretary of
Community Healthcare Trust Incorporated
Franklin, Tennessee
March 20, 2020

Proxy

COMMUNITY HEALTHCARE TRUST INCORPORATED
PROXY STATEMENT

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COMMUNITY HEALTHCARE TRUST INCORPORATED
PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON THURSDAY, MAY 7, 2020

We are furnishing this proxy statement to the stockholders of Community Healthcare Trust Incorporated in connection with the solicitation of proxies by its Board of Directors for use at the annual meeting of stockholders of Community Healthcare Trust Incorporated to be held at 8:00 a.m., Central time, on Thursday, May 7, 2020, at 3326 Aspen Grove Drive, Suite 150, Franklin, Tennessee 37067, as well as in connection with any adjournments or postponements of the meeting. This solicitation is made by Community Healthcare Trust Incorporated on behalf of our Board of Directors (also referred to as the “Board” in this proxy statement). “We,” “our,” “us” and the “Company” refer to Community Healthcare Trust Incorporated, a Maryland corporation.

We have elected to provide access to our proxy materials and annual report over the Internet through a “notice and access” model. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the “Notice”) to our stockholders of record as of March 6, 2020. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or to request a printed set of the proxy materials. Instructions on how to request a printed copy by mail or electronically may be found on the Notice and on the website referred to in the Notice, including an option to request paper copies on an ongoing basis. On March 20, 2020, we intend to make this proxy statement available on the Internet and, on or around March 20, 2020, we intend to mail the Notice to all stockholders entitled to vote at the annual meeting. We intend to mail this Proxy Statement, together with a proxy card, to those stockholders entitled to vote at the annual meeting who have properly requested paper copies of such materials, within three business days of such receipt.

This proxy statement, proxy card and our annual report to stockholders are available at <http://investors.chct.reit>. This website address contains the following documents: the Notice, the proxy statement and proxy card sample, and the annual report to stockholders. You are encouraged to access and review all of the important information contained in the proxy materials before voting.

**QUESTIONS AND ANSWERS REGARDING THE 2020 ANNUAL MEETING OF
STOCKHOLDERS**

Who is soliciting proxies from the stockholders?

Our Board of Directors is soliciting your proxy. The proxy provides you with the opportunity to vote on the proposals presented at the annual meeting, whether or not you attend the annual meeting.

What will be voted on at the annual meeting?

Our stockholders will vote on four proposals at the annual meeting:

1. The election of five directors, who are each to serve a one-year term expiring in 2021;
2. The approval of, on a non-binding advisory basis, a resolution approving the Company’s compensation of its named executive officers;
3. The approval of, on a non-binding advisory basis, the frequency of a non-binding advisory vote on executive compensation; and
4. The ratification of the appointment of BDO USA, LLP as our independent registered public accountants for 2020.



Your proxy will also give the proxy holders discretionary authority to vote the shares represented by the proxy on any matter, other than the above proposals, that is properly presented for action at the annual meeting.

How will we solicit proxies, and who bears the cost of proxy solicitation?

Our directors, officers and employees may solicit proxies by telephone, mail, facsimile, via the Internet or by overnight delivery service. These individuals do not receive separate compensation for these services. Finally, in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"), we will reimburse brokerage firms and other persons representing beneficial owners of our common stock for their reasonable expenses in forwarding solicitation materials to such beneficial owners.

Who can vote at the annual meeting?

Our Board of Directors has fixed the close of business on Friday, March 6, 2020, as the record date for our annual meeting. Only stockholders of record on that date are entitled to receive notice of and vote at the annual meeting. As of March 6, 2020, our only outstanding class of securities was common stock, \$0.01 par value per share. On that date, we had 450,000,000 shares of common stock authorized, of which 21,906,352 shares were outstanding.

You (if you, rather than your broker, are the record holder of our stock) can vote either in person at the annual meeting or by proxy, whether or not you attend the annual meeting. If you would like to attend the annual meeting in person and need directions, please contact W. Page Barnes by e-mail at investorrelations@chct.reit or by telephone at 615-771-3052. You may vote your shares on the Internet or, to the extent you request written proxy materials, by signing, dating and mailing the accompanying proxy card in the envelope provided. Instructions regarding the two methods of voting by proxy are contained on the proxy card.

How many votes must be present to hold the annual meeting?

A quorum must be present to hold our annual meeting. The presence, in person or by proxy, of a majority of the votes entitled to be cast at the annual meeting constitutes a quorum. Your shares, once represented for any purpose at the annual meeting, are deemed present for purposes of determining a quorum for the remainder of the meeting and for any adjournment, unless a new record date is set for the adjourned meeting. This is true even if you abstain from voting with respect to any matter brought before the annual meeting. As of March 6, 2020, we had 21,906,352 shares of common stock outstanding; thus, we anticipate that the quorum for our annual meeting will be 10,953,177 shares.

How many votes does a stockholder have per share?

Our stockholders are entitled to one vote for each share held.

What is the required vote on each proposal?

Directors are elected by a plurality vote; the candidates up for election who receive the highest number of votes cast, up to the number of directors to be elected, are elected. Stockholders do not have the right to cumulate their votes.

The affirmative vote of a majority of the shares represented at the meeting and entitled to vote is required to approve, on an advisory basis, the say on pay vote. As an advisory vote, this proposal is not binding upon us. However, the Compensation Committee of our Board of Directors, which is responsible for designing and administering our executive compensation program, values the opinions

expressed by our stockholders and will consider the outcome of the vote when making future compensation decisions.

The affirmative vote of a majority of the shares represented at the meeting and entitled to vote is required to approve, on an advisory basis, the frequency of future stockholder say on pay votes. As an advisory vote, this proposal is not binding upon us. The Compensation Committee of our Board of Directors will consider the outcome of the vote when determining the frequency of holding future stockholder say on pay votes.

The proposal to ratify our appointment of BDO USA, LLP, or BDO, as our independent registered public accountants for 2020, is approved by our stockholders if the votes cast favoring the ratification exceed the votes cast opposing the ratification.

How will the proxy be voted, and how are votes counted?

If you vote by proxy (either voting on the Internet or by properly completing and returning a paper proxy card that you receive upon requesting written proxy materials), the shares represented by your proxy will be voted at the annual meeting as you instruct, including any adjournments or postponements of the meeting. If you return a signed proxy card but no voting instructions are given, the proxy holders will exercise their discretionary authority to vote the shares represented by the proxy at the annual meeting and any adjournments or postponements as follows:

1. **“FOR”** the election of nominees Alan Gardner, Claire Gulmi, Robert Hensley, Lawrence Van Horn, and Timothy Wallace.
2. **“FOR”** the resolution approving the compensation of the Company’s named executive officers.
3. **“ANNUAL”** vote on executive compensation.
4. **“FOR”** the ratification of the appointment of BDO USA, LLP as our independent registered public accountants for 2020.

If you hold your shares in broker’s name (sometimes call “street name” or “nominee name”), you must provide voting instructions to your broker. If you do not provide instructions to your broker, your shares will not be voted in any matter on which your broker does not have discretionary authority to vote, which generally includes non-routine matters. A vote that is not cast for this reason is called a “broker non-vote.” Broker non-votes will be treated as shares present for the purpose of determining whether a quorum is present at the annual meeting, but they will not be considered present for purposes of calculating the vote on a particular matter, nor will they be counted as a vote FOR or AGAINST a matter or as an abstention on the matter. Under the rules of the New York Stock Exchange (“NYSE”), which is the stock exchange on which our common stock is listed, the ratification of our appointment of our independent registered public accountants is considered a routine matter for broker voting purposes, but the election of directors, the advisory (non-binding) vote on the compensation of our named executive officers, and the advisory (non-binding) vote on the frequency of future stockholder votes on the compensation of our named executive officers are not considered routine. It is important that you instruct your broker as to how you wish to have your shares voted, even if you wish to vote as recommended by the Board.

Can a proxy be revoked?

Yes. You can revoke your proxy at any time before it is voted. You revoke your proxy (1) by giving written notice to our Corporate Secretary before the annual meeting, (2) by granting a subsequent proxy on the Internet, or (3) by delivering a signed proxy card dated later than your previous proxy. If you, rather than your broker, are the record holder of your stock, a proxy can also be revoked by appearing in person and voting at the annual meeting. Written notice of the revocation of a proxy should be delivered to the following address: W. Page Barnes, Community Healthcare Trust Incorporated, 3326 Aspen Grove Drive, Suite 150, Franklin, Tennessee 37067.

**PROPOSAL 1
ELECTION OF DIRECTORS**

The persons listed below have been nominated by our Board of Directors to serve as directors for a one-year term expiring at the annual meeting of stockholders occurring in 2021: Alan Gardner, Claire Gulmi, Robert Hensley, Lawrence Van Horn and Timothy Wallace. Each nominee has consented to serve on our Board of Directors. If any nominee were to become unavailable to serve as a director, our Board of Directors may designate a substitute nominee. In that case, the persons named as proxies on the accompanying proxy card will vote for the substitute nominee designated by our Board of Directors. The following lists each director nominated for election to serve as a director for a one-year term expiring at the annual meeting of stockholders occurring in 2021, which includes a brief discussion of the experience, qualifications and skills that led us to conclude that such individual should be a member of our Board.

Qualifications of Directors

We believe that our Board of Directors consists of a diverse collection of individuals who possess the integrity, education, work ethic and ability to work with others necessary to oversee our business effectively and to represent the interests of all stockholders, including the qualities listed below. We have attempted below to highlight certain notable experience, qualifications and skills for each director nominee, rather than provide an exhaustive catalog of each and every qualification and skill that a director possesses. Each of the nominees set forth below is currently serving as a director of the Company.

<u>Name</u>	<u>Age</u>	<u>Background, Qualifications and Skills</u>
Alan Gardner	66	Mr. Gardner retired from Wells Fargo in October 2015. Prior to his retirement, he was a senior relationship manager in healthcare corporate banking. He primarily covered national healthcare companies with market capitalization exceeding \$5 billion, generally in the pharmaceutical, medical device and healthcare services sectors. Mr. Gardner has over 26 years of corporate and investment banking experience, with 20 years covering healthcare companies. Prior to joining Wells Fargo (Wachovia) in March 2004, Mr. Gardner was head of healthcare for FleetBoston Financial from 2003 to 2004 and was a managing director for Banc of America Securities from 1996 to 2003. During his career, Mr. Gardner has led a number of significant financing transactions for leading public healthcare companies. Mr. Gardner previously served as board member and president of Omni Montessori School in Charlotte, North Carolina, as Charlotte Chapter chair for the Impact Angel Network (“IAN”). IAN is managed by RENEW, LLC, an investment advisory and management consulting firm based in Addis Ababa, Ethiopia and Washington D.C. and on the board of directors at Christ Lutheran Church in Charlotte, North Carolina. Mr. Gardner earned a B.S. and M.S. from Virginia Polytechnic Institute and State University and an M.B.A. in finance and accounting from the University of Rochester. Mr. Gardner is our lead independent director, and Mr. Gardner’s commercial banking, capital markets and healthcare industry experience makes him a valuable resource to our Board of Directors.

Name	Age	Background, Qualifications and Skills
Claire Gulmi	66	<p>Ms. Gulmi served as Executive Vice President and Chief Financial Officer of Envision Healthcare, a \$7 billion public company, the largest owner/operator of ambulatory surgery centers in the United States and a leading provider of hospital based physician services, until her retirement in October 2017. Ms. Gulmi continued to serve as an advisor to Envision until September 2018. Prior to Envision’s merger with AmSurg Corp in 2016, Ms. Gulmi served as Executive Vice President and Chief Financial Officer of AmSurg starting in 1994. She was a member of the Board of Directors of AmSurg from 2004 until the merger in 2016. From 2015 to 2017, Ms. Gulmi served on the Board of Directors and as the audit committee chair of Air Methods Corp, a \$1.5 billion public company and the largest provider of air medical emergency transport services in the U.S. From 2001 to 2015 she served on the advisory board of the Bank of Nashville. Ms. Gulmi has a BBA in Accounting and Finance from Belmont University. Ms. Gulmi is the past board chair of the YWCA of Nashville, serves on the boards of the Frist Center for the Visual Arts and Nashville Public Radio. She has served as board chair for the Bethlehem Centers of Nashville and has served on the boards of the Girl Scouts, the American Heart Association and All About Women. Ms. Gulmi has been named by the Nashville Business Journal as one of its Healthcare 100, was one of the 2007 winners of the Nashville Business Journal’s Women of Influence and in 2011 received the Nashville Business Journal’s CFO Lifetime Achievement Award. Ms. Gulmi’s over 30 years of experience in corporate finance, accounting and healthcare makes her a valuable resource to our Board of Directors.</p>
Robert Hensley	62	<p>Mr. Hensley has more than 35 years of experience serving public and privately-held companies across a range of industries, including healthcare, insurance, real estate and private equity capital funds. Mr. Hensley is also the founder of a private publishing company and the principal owner of two real estate and rental property development companies. Mr. Hensley was an audit partner with Ernst & Young from 2002 to 2003. Previously, he was with Arthur Andersen, where he served as an audit partner from 1990 to 2002 and was the managing partner of their Nashville office from 1997 to 2002. His significant experience includes mergers and acquisitions, identification of enterprise and healthcare industry risks, corporate governance and forensic investigations and disputes. Since 2006, Mr. Hensley has served as a senior advisor to the healthcare and transaction advisory services groups of Alvarez and Marsal, LLC (“A&M”). Mr. Hensley serves on the board of directors for Diversicare Healthcare Services, Inc. Mr. Hensley previously served as a director of Capella Healthcare from 2008 to 2015, Greenway Medical Technologies from 2011 to 2013, HealthSpring, Inc. from 2006 to 2012 and Comsys IT Partners, Inc. and Spheris, Inc. from 2006 to 2010. Mr. Hensley earned a B.S. in accounting and a Master’s of Accountancy from the University of Tennessee and is a Certified Public Accountant. Mr. Hensley’s financial accounting, healthcare industry and transactional experience makes him a valuable resource to our Board of Directors.</p>

Proxy

Name	Age	Background, Qualifications and Skills
Lawrence Van Horn .	52	<p>Professor Van Horn has been an associate professor of Economics and Management and the Executive Director of Health Affairs at the Vanderbilt University Owen Graduate School of Management (“Owen”) since 2006. Professor Van Horn is a leading expert and researcher on healthcare management and economics. His current research interests include nonprofit conduct, governance and objectives in healthcare markets and the measurement of healthcare outcomes and productivity. His research on healthcare organizations, managerial incentives in nonprofit hospitals and the conduct of managed care firms has appeared in leading publications. Professor Van Horn consults for national consulting firms, providers, managed care organizations, and pharmaceutical firms. Professor Van Horn also holds faculty appointments in the Vanderbilt University School of Medicine and Law School. Prior to his tenure at Owen, from 1996 to 2006, Professor Van Horn served as an associate professor of economics and management at the William E. Simon Graduate School of Business at the University of Rochester where he was responsible for their graduate programs in health administration. Professor Van Horn began serving on the board of directors of Quorum Health Corporation in January 2016. Professor Van Horn holds a Ph.D. from the University of Pennsylvania’s Wharton School and a Master’s in Business Administration, a Master’s in Public Health and a B.A. from the University of Rochester. Professor Van Horn’s extensive knowledge and research into healthcare industry economics and governance as well as his unique experience with healthcare decision makers and business executives nationwide regarding healthcare policy make him a valuable resource to our Board of Directors.</p>
Timothy Wallace	61	<p>Mr. Wallace has served as our Chairman, Chief Executive Officer and President since the formation of our Company in March 2014. Prior to founding our Company, from 2003 to 2014, Mr. Wallace was co-founder, President and majority owner of Athena Funding Partners, LLC and related entities which were established in 2002 to provide financing solutions to the higher education industry for on-campus student housing facilities mostly in rural areas. From 1993 to 2002, Mr. Wallace was a co-founder and Executive Vice President of Healthcare Realty Trust (NYSE: HR) (“HR”). Between HR’s initial public offering in 1993 and his departure from HR in 2002, Mr. Wallace was integral in helping to grow HR from \$2,000 to over \$2 billion in asset value. Mr. Wallace remained as a paid consultant to HR and was subject to a non-compete until 2008. Mr. Wallace was a senior manager at Ernst & Young from 1988 to 1993. Mr. Wallace began his career in 1980 with Arthur Andersen & Co. Mr. Wallace holds a Bachelor of Science in Business Administration and Masters in Business Administration, both from Western Kentucky University. Mr. Wallace was selected to serve as Chairman because of his past public company experience, his experience in real estate, including acquiring healthcare real estate, and his role as Chief Executive Officer and President of our Company.</p>

Each of the persons listed above has been nominated by our Board of Directors to serve as directors for a one-year term expiring at the annual meeting of stockholders occurring in 2021. Each

nominee has consented to serve on our Board of Directors. If any nominee were to become unavailable to serve as a director, our Board of Directors may designate a substitute nominee. In that case, the persons named as proxies on the accompanying proxy card will vote for the substitute nominee designated by our Board of Directors.

Required Vote

Directors are elected by a plurality vote; the nominees who receive the highest number of votes cast, up to the number of directors to be elected in that class, are elected.

Our Board of Directors unanimously recommends a vote “FOR” the election of each of the five nominees for director to the Board of Directors.

CORPORATE GOVERNANCE

Board Leadership Structure

Our Board of Directors currently consists of the following five directors: Alan Gardner, Claire Gulmi, Robert Hensley, Lawrence Van Horn and Timothy Wallace, each for a one-year term. Our Board has affirmatively determined that each of Alan Gardner, Claire Gulmi, Robert Hensley, and Lawrence Van Horn is an “independent director” as defined under the listing rules of the NYSE, Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Company’s Corporate Governance Guidelines.

The Board considered the relationships between our directors and the Company when determining each director’s status as an “independent director” under the listing rules of the NYSE, Rule 10A-3 of the Exchange Act and the Company’s Corporate Governance Guidelines, including the relationships listed below under “Certain Relationships and Related Party Transactions.” The Board determined that these relationships did not affect any director’s status as an “independent director.” Furthermore, we are not aware of any family relationships between any director, executive officer or person nominated to become a director or executive officer.

Timothy Wallace, our President and Chief Executive Officer, serves as Chairman of the Board of the Company, while Alan Gardner serves as “Lead Independent Director” of our Board. The members of the Board who meet the definition of “independent director” under the listing rules of the NYSE select our lead independent director.

Mr. Wallace serves as our Chairman because we believe this board structure results in a single voice speaking for the Company and presents a unified and clear chain of command to execute our strategic initiatives and business plans. Also, the Chairman of the Board is expected to manage the Board in performing its duties and lead Board discussion. As our President and Chief Executive Officer, Mr. Wallace is ideally positioned to provide insight on the current status of our overall operations, our future plans and prospects and the risks that we face. Thus, the individual with the most knowledge about us and our operations is responsible for leading the Board’s discussions. The Board retains the authority to separate the positions of chairman and chief executive officer if it finds that the Board’s responsibilities can be better fulfilled with a different structure.

Mr. Gardner serves as our Lead Independent Director and provides an independent counterbalance to the Chairman, ensuring that all of our directors’ concerns are addressed and otherwise facilitating robust discussions among the entire Board (which, as noted above, is comprised almost entirely of “independent directors”). In terms of Board leadership, we view the lead independent director as essentially a co-equal with the Chairman of the Board. Mr. Gardner has been a director since 2015 and was the second director to join the Board following Mr. Wallace, which we believe adds weight to his independent voice on the Board. Also, at each meeting of our Board, Mr. Gardner leads the Board in an executive session (that is, a meeting of only those directors who are “independent directors” under the listing rules of the NYSE) to discuss matters outside the presence of the Chairman and management. Our lead independent director is selected on an annual basis by a majority of the independent directors then serving on our Board of Directors.

Our Lead Independent Director Charter sets forth a complete description of the lead independent director’s responsibilities. In general, the lead independent director is responsible for:

- serving as liaison between the Chairman and our other independent directors;
- calling and presiding at executive sessions of the independent directors;
- serving as the focal point of communication to the Board of Directors regarding management plans and initiatives;

- ensuring that the management adheres to the Board of Directors’ oversight role over management operations;
- providing the medium for informal dialogue with and between independent directors, allowing for free and open communication within that group; and
- serving as the communication conduit for third parties who wish to communicate with our Board of Directors.

In addition to these specific duties, we expect the lead independent director to familiarize himself with the Company and the real estate investment trust and healthcare industries in general. He also is expected to keep abreast of developments in the principles of sound corporate governance.

The Board’s Role in Risk Oversight

One of the key functions of our Board of Directors is to provide oversight of our risk management process. Our Board of Directors administers this oversight function directly, with support from its three standing committees—the Audit Committee, the Compensation Committee, and the Corporate Governance Committee—each of which addresses risks specific to their respective areas of oversight. In particular, our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The Audit Committee also monitors compliance with legal and regulatory requirements and has oversight of the performance of our internal audit function. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking. Our Corporate Governance Committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct.

Each committee meets regularly with management to assist it in identifying all of the risks within such committee’s areas of responsibility and in monitoring and, where necessary, taking appropriate action to mitigate the applicable risks. At each Board meeting, the committee chairman of each committee that met prior to such Board meeting provides a report to the full Board on issues related to such committee’s risk oversight duties, as applicable. To the extent that any risks reported to the full Board need to be discussed outside the presence of management, the Board meets in executive session to discuss these issues.

We believe the Board’s approach to fulfilling its risk oversight responsibilities complements its leadership structure. In his capacity as Chairman of the Board, Mr. Wallace reviews whether Board committees are addressing their risk oversight duties in a comprehensive and timely manner. Since he is also our Chief Executive Officer, Mr. Wallace is able to assist these committees in fulfilling their duties by (1) requiring that our management team provide these committees with all requested reports and other information as well as with access to our employees and (2) implementing recommendations of the various Board committees to mitigate risk. At the same time, Mr. Gardner, as our lead independent director, is able to lead an independent review of the risk assessments developed by management and reported to the committees.

Our Board held five meetings during 2019. In 2019, our directors attended all of our Board meetings and at least 75% of the meetings of the committees on which they served. The members who are “independent directors” met in executive session four times during 2019.

We do not have a policy requiring director attendance at our annual stockholder meeting. Mr. Wallace and Ms. Gulmi were the only directors of the Company to attend our 2019 annual stockholder meeting.

Committees of the Board of Directors

Our Board of Directors has three standing committees: an Audit Committee, a Compensation Committee and a Corporate Governance Committee. The principal functions of each committee are described below. We currently comply, and we intend to continue to comply, with the listing requirements and other rules and regulations of the NYSE and each of these committees are comprised exclusively of independent directors. Additionally, our Board of Directors may from time to time establish certain other committees to facilitate the management of our Company.

Audit Committee

Our Audit Committee consists of Mr. Gardner, Ms. Gulmi, and Mr. Hensley, all of whom are independent directors, with Mr. Hensley serving as the chairman. Ms. Gulmi and Mr. Hensley each qualify as an “audit committee financial expert” as that term is defined by the applicable SEC regulations and NYSE corporate governance listing standards. Our Board of Directors has determined that each of the Audit Committee members is “financially literate” as that term is defined by the NYSE corporate governance listing standards. We have adopted an Audit Committee Charter, which details the principal functions of the Audit Committee, including oversight related to:

- our accounting and financial reporting processes;
- the integrity of our consolidated financial statements and financial reporting process;
- our system of disclosure controls and procedures and internal control over financial reporting;
- our compliance with financial, legal and regulatory requirements;
- the evaluation of the qualifications, independence and performance of our independent registered public accounting firm;
- reviewing the adequacy of our Audit Committee Charter on an annual basis;
- the performance of our internal audit function; and
- our overall risk profile.

The Audit Committee is also responsible for engaging an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered accounting firm, including all audit and non-audit services, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls.

The Audit Committee met six times in 2019. A copy of the charter of our Audit Committee is available on the investor relations webpage of our website, <http://investors.chct.reit>.

Compensation Committee

Our Compensation Committee consists of Mr. Gardner, Ms. Gulmi, and Mr. Van Horn, all of whom are “independent directors” as defined in NYSE Rule 303A.02, with Ms. Gulmi serving as chairperson. Further, each member of the Compensation Committee is a “non-employee director” as defined in Rule 16b-3 promulgated under the Exchange Act. We have adopted a Compensation Committee Charter, which details the principal functions of the Compensation Committee, including:

- reviewing and recommending to our Board of Directors on an annual basis the corporate goals and objectives relevant to our chief executive officer’s compensation, evaluating our chief executive officer’s performance in light of such goals and objectives and determining and approving the remuneration of our chief executive officer based on such evaluation;

- reviewing and recommending to our Board of Directors the compensation, if any, of all of our other executive officers;
- evaluating our executive compensation policies and plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- administering our incentive plans;
- reviewing and recommending to our Board of Directors policies with respect to incentive compensation and equity compensation arrangements;
- reviewing the competitiveness of our executive compensation programs and evaluating the effectiveness of our compensation policy and strategy in achieving expected benefits to us;
- evaluating and overseeing risks associated with compensation policies and practices;
- reviewing and recommending to our Board of Directors the terms of any employment agreements, severance arrangements change in control protections and any other compensatory arrangements for our executive officers;
- reviewing the adequacy of its Compensation Committee Charter on an annual basis;
- producing a report on executive compensation to be included in our annual proxy statement as required; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

The Compensation Committee met four times in 2019. A copy of the charter of our Compensation Committee is available on the investor relations webpage of our website, <http://investors.chct.reit>.

Corporate Governance Committee

Our Corporate Governance Committee consists of Messrs. Van Horn, Hensley and Gardner, all of whom are “independent directors” as defined in NYSE Rule 303A.02, with Mr. Van Horn serving as chairman. We have adopted a Corporate Governance Committee charter, which details the principal functions of the Corporate Governance Committee, including:

- identifying, evaluating and recommending to the full Board of Directors qualified candidates for election as directors and recommending nominees for election as directors at the annual meeting of stockholders;
- developing and recommending to the Board of Directors corporate governance guidelines and implementing and monitoring such guidelines;
- reviewing and making recommendations on matters involving the general operation of the Board of Directors, including Board size and composition, and committee composition and structure;
- evaluating and recommending to the Board of Directors nominees for each committee of the Board of Directors;
- annually facilitating the assessment of the Board of Directors’ performance as a whole and of the individual directors, as required by applicable law, regulations and the NYSE corporate governance listing standards;
- considering nominations by stockholders of candidates for election to our Board of Directors;
- considering and assessing the independence of members of our Board of Directors;

- developing, as appropriate, a set of corporate governance principles, and reviewing and recommending to our Board of Directors any changes to such principles;
- periodically reviewing our policy statements; and
- reviewing, at least annually, the adequacy of its Corporate Governance Committee Charter.

When evaluating director candidates, the Corporate Governance Committee's objective is to craft a Board composed of individuals with a broad and diverse mix of backgrounds and experiences and possessing, as a whole, all of the skills and expertise necessary to guide a company like us in the prevailing business environment. The Corporate Governance Committee uses the same criteria to assess all candidates for director, regardless of who proposed the candidate. The Corporate Governance Committee considers whether the candidate possesses the following qualifications and qualities:

- independence for purposes of the NYSE rules and SEC rules and regulations, and a record of honest and ethical conduct and personal integrity;
- experience in the healthcare, real estate and/or public real estate investment trust industry or in finance, accounting, legal or other professional disciplines;
- ability to represent the interests of all of our stockholders; and
- ability to devote time to the Board of Directors and to enhance their knowledge of our industry.

The Corporate Governance Committee met one time in 2019. A copy of the charter of the Corporate Governance Committee is available on the investor relations webpage of our website, <http://investors.chct.reit>. Our Corporate Governance Guidelines and Code of Ethics and Business Conduct are also available on the investor relations webpage of our website, <http://investors.chct.reit>. If we make any substantive amendment to the Code of Ethics and Business Conduct or grant any waiver, including any implicit waiver, from a provision of the Code of Ethics and Business Conduct to certain executive officers, we are obligated to disclose the nature of such amendment or waiver, the name of the person to whom any waiver was granted, and the date of waiver on our website or in a report on Form 8-K filed with the SEC. Since the Company's inception, there have been no such amendments or waivers.

The current members of the Board propose nominees for election to the Board. In addition, the Corporate Governance Committee will also consider candidates that stockholders and others recommend. Stockholder recommendations should be addressed to: W. Page Barnes, Corporate Secretary, 3326 Aspen Grove Drive, Suite 150, Franklin, Tennessee 37067. Your recommendations must be submitted to us no earlier than October 21, 2020, nor later than 5:00 p.m., Eastern Time, on November 20, 2020, for consideration as a possible nominee for election to the Board at our 2021 annual meeting.

The Board has not adopted a formal procedure that you must follow to send communications to it, but it does have informal procedures, described below, which it believes adequately facilitate stockholder and other interested party communications with the Board. Stockholders and other interested parties can send communications to the Board by contacting W. Page Barnes, our Corporate Secretary, in one of the following ways:

- By writing to Community Healthcare Trust Incorporated, 3326 Aspen Grove Drive, Suite 150, Franklin, Tennessee, 37067, Attention: Corporate Secretary;
- By e-mail to investorrelations@chct.reit; or
- By phone at 615-771-3052.

If you request information or ask questions that can be more efficiently addressed by management, Mr. Barnes will respond to your questions instead of the Board. He will forward to the Audit Committee any communication concerning employee fraud or accounting matters and will forward to the full Board any communication relating to corporate governance or those requiring action by the Board of Directors. A stockholder may communicate directly with Mr. Gardner, the lead independent director, by sending a confidential letter addressed to his attention at 3326 Aspen Grove Drive, Suite 150, Franklin, Tennessee, 37067.

Director Compensation

The Compensation Committee recommends the compensation for our non-employee directors; our full Board approves or modifies the recommendation. Any modifications are implemented after the annual meeting. Directors who are also employees, currently only Mr. Wallace, receive no additional compensation for their service as a director, but are reimbursed for any direct board related expenses. Annual compensation of non-employee directors may be a combination of cash and restricted stock at levels set by the Compensation Committee.

Cash compensation

Each non-employee director receives an annual retainer, and chairpersons of our board committees and the lead independent director receives additional annual retainers. The annual retainers are payable after each annual meeting of our stockholders. The current annual cash retainer for service on our Board of Directors is \$40,000 but may be adjusted by the Compensation Committee based on an evaluation of director compensation at peer companies. Additionally, the chairpersons of the Audit Committee, the Compensation Committee and the Corporate Governance Committee receive additional annual retainers of \$15,000, \$10,000 and \$10,000, respectively, and our lead independent director receives an additional annual retainer of \$17,500. The Compensation Committee has not retained an independent compensation consultant to advise it with respect to director compensation of the Company since 2018. The most recent time the Board increased the compensation of our non-employee directors for their service on, and in positions on Committees of, the Board of Directors was in February 2018, effective in May 2018.

Each year, non-employee directors may elect to acquire shares of restricted stock with all or a portion of each of their retainers. These shares are issued 10 business days following the date of our annual meeting of stockholders. The number of shares of restricted stock to be acquired is determined by dividing the total amount of annual retainer the director elected to use to acquire shares by the average price of shares of common stock for the immediately preceding 10 trading days. Pursuant to the Company's Amended and Restated Alignment of Interest Program (the "Amended and Restated Alignment of Interest Program"), each director who makes an election to acquire shares of restricted stock with all or a portion of their retainers will be awarded additional shares, at no additional cost to the director, according to the following multiples:

<u>Duration of Restriction Period</u>	<u>Restriction Multiple</u>
1 year	0.2x
2 years	0.4x
3 years	0.6x

Accordingly, for example, if a non-employee director elects to acquire shares of restricted stock in lieu of cash compensation that is equivalent in value to 1,000 shares of common stock and the director elected a three-year restriction period for such restricted stock, the non-employee director would receive the 1,000 shares of restricted stock plus an award of 600 shares of restricted common stock for electing to subject his or her restricted stock to a three-year restriction period, resulting in a total

receipt of 1,600 shares of restricted stock, all of which would be subject to a three-year cliff vesting schedule whereby no shares vest until the third anniversary of the date of grant, at which time 100% of the shares of restricted stock will vest.

The restriction period subjects the shares purchased by the director and the additional shares awarded by the Company to the risk of forfeiture in the event that a director voluntarily resigns or is removed by the stockholders prior to the vesting of these shares. All unvested shares will be forfeited if such non-employee director voluntarily resigns or is removed by the stockholders for any reason prior to vesting. During the restriction periods described above, the restricted shares may not be sold, assigned, pledged, or otherwise transferred. Subject to the risk of forfeiture and transfer restrictions, non-employee directors have all rights as stockholders with respect to restricted shares, including the right to vote and receive dividends or other distributions on such shares.

Stock Awards

Each non-employee director is also awarded an annual grant of shares of restricted stock. Our goal is to have a minimum of 60% to 75% of the aggregate total compensation for our non-employee directors paid in the form of restricted stock having a restriction period of up to three years. Directors are not entitled to receive additional shares through a restriction multiple for these awards.

For 2019, each non-employee director received an annual equity award of restricted stock with an aggregate market value of \$75,000 at the conclusion of the 2019 annual stockholders' meeting. These shares are subject to a three-year cliff vesting schedule whereby no shares vest until the third anniversary of the date of grant, at which time 100% of the shares of restricted stock will vest.

2019 Director Compensation

The following table sets forth compensation paid during 2019 to each of our non-employee directors:

<u>Name(1)</u>	<u>Fees Earned or Paid</u>		<u>Stock Awards(3)</u>	<u>All Other Compensation</u>	<u>Total</u>
	<u>Fees Paid in Cash</u>	<u>Fees Paid in Stock(2)</u>			
Alan Gardner	\$ —	\$57,500	\$112,148	\$—	\$169,648
Claire Gulmi	\$ —	\$50,000	\$107,322	\$—	\$157,322
Robert Hensley	\$15,000	\$40,000	\$100,848	\$—	\$155,848
Lawrence Van Horn	\$ —	\$50,000	\$107,322	\$—	\$157,322

- (1) Mr. Wallace is our other director and is also a full-time employee whose compensation is discussed below under the section titled "Executive Officers" and "Summary Compensation Table." Mr. Wallace receives no additional compensation for his service as a director.
- (2) This column represents non-employee director annual retainer and additional annual retainer amounts, approximately 93% of which was paid in shares of our restricted common stock in lieu of cash. All of the shares are subject to a three-year cliff vesting schedule whereby no shares vest until the third anniversary of the date of grant, at which time 100% of the shares of restricted stock will vest, subject to the director's continuing service as a director of the Company.
- (3) Represents the grant date fair value computed in accordance with FASB ASC Topic 718 of awards of restricted stock to the non-employee directors under the 2014 Incentive Plan, or the 2019 Director Awards. The dollar value of the 2019 Director Awards was based upon the grant date price of our common stock, which was \$37.18 on May 16, 2019. This column also includes the amount of the grant date value of the shares received in accordance with restriction multiples with respect to the deferral of director retainer amounts based on the price of our common stock of

\$39.13 on the determination date, May 31, 2019. All of the shares are subject to a three-year cliff vesting schedule whereby no shares vest until the third anniversary of the date of grant, at which time 100% of the shares of restricted stock will vest, subject to the director's continuing service as a director of the Company.

We also reimburse our directors for expenses they incur in connection with their service on our Board, such as director education, travel and lodging expenses.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes the material elements of the Company's named executive officer compensation program and analyzes the compensation decisions made for our executive officers included in the Summary Compensation Table beginning on page 31 (the "named executive officers").

2019 Named Executive Officers

Our named executive officers for 2019 were:

Timothy Wallace—Chief Executive Officer and President

David Dupuy—Chief Financial Officer and Executive Vice President

Page Barnes—Chief Operating Officer and Executive Vice President

Leigh Ann Stach—Chief Accounting Officer and Executive Vice President

Because only four individuals served as our executive officers at any time during 2019, we have only four named executive officers for 2019.

2019 Highlights

We believe that 2019 was a successful year for the Company. Our named executive officers continued to execute our business plan during 2019 and built upon our operating and financial performance results achieved since we became a publicly traded company after our initial public offering in May 2015.

Our operating and financial performance highlights in 2019 included:

- Achieving net income of \$0.37 per diluted share, FFO of \$1.67 per diluted share and AFFO of \$1.77 per diluted share, compared to net income of \$0.19 per diluted share, FFO of \$1.53 per diluted share and AFFO of \$1.62 per diluted share in 2018;
- Acquiring fifteen (15) properties for an aggregate purchase price of approximately \$152.0 million with estimated yields ranging from 9.02% to 11.00%. These properties were approximately 99.5% leased with lease expirations through 2034;
- Raising gross proceeds of \$107.3 million under our at-the-market offering program;
- Maintaining low leverage levels with a debt-to-total capitalization ratio (debt plus stockholders' equity plus accumulated depreciation) of approximately 31.1%; and
- Generating a year-over-year total stockholder return of approximately 48% (versus approximately 27% for the NAREIT All Equity REIT Index) for the year ended December 31, 2019.

Reconciliations of FFO and AFFO are provided in *Appendix A* beginning on page 46 of this Proxy Statement.

Comprehensive Compensation Policy

We believe that the compensation of our executive officers aligns their interests with those of the stockholders in a way that encourages prudent decision-making, links compensation to our overall performance, provides a competitive level of total compensation necessary to attract and retain talented and experienced executive officers and motivates the executive officers to contribute to our success.

All of our executive officers are eligible to receive performance-based compensation under the 2014 Incentive Plan as amended by Amendment No. 1 to the 2014 Incentive Plan, Amendment No. 2 to the 2014 Incentive Plan, and Amendment No. 3 to the 2014 Incentive Plan (as so amended, our 2014 Incentive Plan).

We use a combination of allowing the acquisition shares of restricted stock in connection with grants of restricted stock as the primary means of delivering long-term compensation to our executive officers. Shares of restricted stock are forfeitable until the lapse of the applicable restrictions. We believe that restricted stock with long vesting periods align the interests of executive officers and stockholders and provide strong incentives to our executive officers to achieve long-term growth in our business, grow the value of our common stock and maintain or increase our dividends.

The executive officers personally benefit from these efforts through their restricted stock, which pay dividends at the same rate as unrestricted stock and increase in value as the value of unrestricted stock increases. However, the Company's executive officers essentially have to earn this equity compensation twice: the first time through their efforts to meet the initial performance criteria necessary to receive the restricted stock; and the second time by continued service through the at-risk vesting period.

Substantially all of our executive officers' compensation is tied to the value of our common stock since the officers have elected to receive restricted stock in lieu of cash compensation. Therefore, if we have superior long-term operating performance, our executive officers, through their restricted stock, will eventually receive more value, due to increases in the price of our common stock, than if they had been paid in cash. Conversely, if we have inferior long-term operating performance, our executive officers through their restricted stock will eventually receive less value, due to decreases in the price of our common stock, than if they had been paid in cash.

Our Compensation Committee determines the restrictions for each award granted pursuant to the 2014 Incentive Plan. Restrictions on the restricted stock may include time-based restrictions, the achievement of specific performance goals or the occurrence of a specific event. Vesting of restricted stock will generally be subject to cliff vesting periods ranging from three to eight years and will be conditioned upon the participant's continued employment, among other restrictions that may apply.

If the performance goals are not achieved or the time-based restrictions do not lapse within the time period provided in the award agreement, the participant will forfeit his or her unvested restricted stock.

Compensation Methodology

Compensation Committee's Governance

The Board established the Compensation Committee to carry out the Board's responsibilities to administer our compensation programs. The Compensation Committee has the final decision-making authority for the compensation of our executive officers. The Compensation Committee operates under a written charter adopted by the Compensation Committee and approved by the Board. The charter is available in the investor relations section of our website (<http://investors.chct.reit>).

Our Compensation Committee has independent authority to engage outside consultants and obtain input from external advisers as well as our management team or other employees.

The Compensation Committee may retain any independent counsel, experts or advisors that it believes to be desirable and appropriate. The Compensation Committee may also use the services of the Company's regular legal counsel or other advisors to the Company. The Compensation Committee undertakes an independent assessment prior to retaining or otherwise selecting any independent counsel, compensation consultant, search firm, expert or other advisor that will provide advice to it,

taking such factors into account and as otherwise may be required by the NYSE from time to time. On at least an annual basis, the Compensation Committee evaluates whether any work by any compensation consultant to it raised any conflict of interest.

The Compensation Committee retained FPL Associates (“FPL”) as its independent compensation consultant in 2019 to advise it regarding market trends and practices in executive compensation and with respect to specific compensation decisions. The Compensation Committee expects to meet at least annually with a compensation consultant to discuss executive compensation trends. The consultant may also attend Compensation Committee meetings periodically. FPL met with the chair of the Compensation Committee in 2019, during and in which it provided a review of recent trends and developments in executive compensation practices within the Company’s industry and in general. FPL received a fee of \$20,000 for its compensation consulting services provided to the Compensation Committee in 2019 with respect to executive compensation.

Our Chief Executive Officer typically attends Compensation Committee meetings, except for executive sessions (unless specifically requested by the Compensation Committee to be present). No executive officer attends an executive session at which his or her compensation is considered. Our Chief Executive Officer may provide recommendations with respect to compensation for the executive officers other than himself. The Compensation Committee considers these recommendations, but may approve, reject or adjust them as it deems appropriate.

Compensation Risk Assessment

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

- The use of restricted stock, with long vesting periods during which the stock cannot be sold, provides an incentive to the named executive officers to make decisions that contribute to long-term growth of the Company, the stability of NOI, and the delivery of dividends to stockholders.
- The maximum potential cash and stock incentive payments are capped at levels such that total compensation would remain comparable within the peer group.
- The Compensation Committee retains broad discretionary authority to adjust annual awards and payments, which further mitigates risks associated with the Company’s compensation plans and policies.

Peer Group

For 2019, the Compensation Committee, based on FPL’s recommendation, used the companies listed below as the peer group against which to measure the Company’s relative one-year and three-year TSR performance. The peer group is selected each year in accordance with the Amended and Restated Executive Officer Incentive Program. The Amended and Restated Executive Officer 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 market capitalization and appropriate pay levels. In determining our peer group, all publicly-traded equity REITs are sorted by market capitalization. Additional criteria used can include industry segment, asset base, externally/internally managed and years of operating history. The Compensation Committee, based on FPL’s recommendations, makes discretionary adjustments to include or exclude companies in

the peer group to capture the Company's closest competitors and to adjust for events such as mergers that might occur during the period. The following companies comprised the peer group for 2019:

Physicians Realty Trust	One Liberty Properties, Inc.
National Health Investors, Inc.	CatchMark Timber Trust, Inc.
LTC Properties, Inc.	MedEquities Realty Trust, Inc.
CareTrust REIT, Inc.	Sotherly Hotels, Inc.
Easterly Government Properties, Inc.	Wheeler Real Estate Investment Trust, Inc.
City Office REIT, Inc.	Plymouth Industrial REIT, Inc.

The Compensation Committee determines the peer group each year and compares the compensation of the peer group for the year preceding the applicable year.

Material Components of Compensation

Elements of Pay

In 2019, the Company's compensation program for its named executive officers consisted of the following key elements:

- Annual base salaries;
- Elective acquisition of restricted shares with corresponding restricted share grants, allowing named executive officers to increase their ownership portion in the Company;
- Performance based awards of cash, stock, or a combination of both; and
- Perquisites and retirement benefits.

Annual Base Salary

Each of our named executive officers has an employment agreement that establishes his or her base salary. Adjustments to base salary are determined by the Compensation Committee and are based upon a review of a variety of factors, including:

- individual and Company performance, measured against quantitative and qualitative goals, such as growth, asset quality and other matters;
- duties and responsibilities, as well as the named executive officer's experience;
- the types and amount of each element of compensation to be paid to the named executive officer; and
- salary levels of persons holding similar positions at companies included in our peer group.

The base salary of the Company’s named executive officers for 2020 and 2019, before any elective deferral of cash for restricted stock, is as follows:

<u>Named Executive Officer</u>	<u>2020 Base Salary</u>	<u>2019 Base Salary</u>
Timothy G. Wallace <i>Chief Executive Officer and President</i>	\$645,000	\$540,000
David H. Dupuy <i>Executive Vice President and Chief Financial Officer</i>	\$392,000	\$233,333(1)
W. Page Barnes <i>Executive Vice President and Chief Operating Officer</i>	\$370,400	\$328,000
Leigh Ann Stach <i>Executive Vice President and Chief Accounting Officer</i>	\$326,800	\$266,000

(1) Mr. Dupuy’s base salary for 2019 is for the period beginning May 1, 2019 through December 31, 2019.

Pursuant to the Amended and Restated Alignment of Interest Program described below, executive officers may elect to utilize any cash compensation they receive to acquire shares of restricted stock. In the event that an executive officer elects to acquire shares of restricted stock, rather than cash compensation, the officer will be awarded shares of restricted stock pursuant to the Amended and Restated Alignment of Interest Program, subject to a three-, five-, or eight- year cliff-vesting schedule, depending on the officer’s election. Each executive officer who makes this election will be awarded the additional restricted common stock award at no cost to the officer, according to the multiple-based formula set forth on page 21 of this proxy statement.

2014 Incentive Plan

Awards may be made in the form of restricted stock or cash under our 2014 Incentive Plan. The purposes of the 2014 Incentive Plan are to attract and retain qualified persons upon whom, in large measure, our sustained progress, growth and profitability depend, to motivate the participants to achieve long-term Company goals and to more closely align the participants’ interests with those of our other stockholders by providing them with a proprietary interest in our growth and performance.

Our executive officers, non-executive officers, employees, consultants and non-employee directors may be eligible to participate in the 2014 Incentive Plan as determined by the Compensation Committee. As of March 6, 2020, the number of shares of our common stock available for issuance under the 2014 Incentive Plan is 719,870.

The 2014 Incentive Plan is administered by our Compensation Committee, which interprets the 2014 Incentive Plan and has broad discretion to select the eligible persons to whom awards will be granted, as well as the type, size and terms and conditions of each award, including the amount of cash or number of shares subject to awards and the expiration date of, and the vesting schedule or other restrictions (including, without limitation, restrictive covenants) applicable to, awards. However, during a calendar year, no participant may receive awards intended to comply with the performance-based compensation requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), which exceed 150,000 shares of common stock.

Unless the 2014 Incentive Plan is terminated earlier by our Board of Directors, the 2014 Incentive Plan will automatically terminate on March 31, 2024. Awards granted before the termination of the 2014 Incentive Plan may extend beyond that date in accordance with their terms.

The two distinct programs applicable to executive officers under the 2014 Incentive Plan are the Amended and Restated Alignment of Interest Program and the Amended and Restated Executive Officer Incentive Program. In addition, we believe it is in the best interests of our stockholders to encourage all executive officers to increase their equity position in the Company to promote share ownership and further align employee and stockholder interests and have therefore adopted stock ownership guidelines with respect to our executive officers and directors.

Amended and Restated Alignment of Interest Program

The Company’s Amended and Restated Alignment of Interest Program, under the 2014 Incentive Plan, is designed to provide the Company’s executive officers with an incentive to remain with the Company and to incentivize long-term growth and profitability. The original Alignment of Interest Program was amended in November 2016 by the Company’s Board of Directors to, among other items, reserve 500,000 shares of the Company’s common stock to be acquired by employees and directors pursuant to elections to acquire restricted stock with their compensation.

Pursuant to the Amended and Restated Alignment of Interest Program, executive officers may elect to acquire restricted stock in lieu of up to 100% of any compensation otherwise payable in cash under their employment agreements. The executive officer must elect his or her participation level and the applicable vesting period for the upcoming year no later than December 31 of the then-current year. The number of shares of restricted stock to be acquired will be determined as of January 15 of the year following the election or, if such date is not a trading day, on the trading day immediately before January 15 by dividing the total of the named executive officer’s elected deferred salary, cash bonus or other compensation by the average price of our common stock for the 10 trading days immediately preceding the determination date. If the dollar amount of any reduced salary, cash bonus or other compensation has not been determined by January 15, then the determination date will be the 10th business day following the date on which the amount of such cash compensation is fixed and determined. Payments of restricted stock in lieu of compensation otherwise payable in cash will be made thereafter.

To the extent an executive officer elects to acquire stock in lieu of cash compensation, the executive officer is entitled to receive an award of restricted stock pursuant to the Amended and Restated Alignment of Interest Program, subject to a three, five or eight-year cliff vesting schedule, depending on each executive officer’s election. Each executive officer who makes this election is awarded the stock award at no cost to the executive officer, according to the following multiple-based formula:

<u>Duration of Restriction Period</u>	<u>Restriction Multiple</u>
3 years	0.3x
5 years	0.5x
8 years	1.0x

Accordingly, for example, if an executive officer elects to acquire shares of restricted stock in lieu of cash compensation that is equivalent in value to 1,000 shares of common stock and the executive officer elected an eight-year restriction period for such restricted stock, the executive officer would receive the 1,000 shares of restricted stock plus an award of 1,000 shares of restricted stock for electing to subject his or her restricted stock to an eight-year restriction period, resulting in a total receipt of 2,000 shares of restricted stock, all of which would be subject to an eight-year cliff vesting schedule

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whereby no shares vest until the eighth anniversary of the date of grant, at which time 100% of the shares of restricted stock will vest.

The restriction period subjects the shares acquired by the executive officer and the additional shares awarded by the Company to the risk of forfeiture in the event that the executive officer voluntarily terminates employment or is terminated for cause from employment with the Company, as those terms are described below, prior to the vesting of the shares. All unvested shares will be forfeited if such executive officer voluntarily terminates employment or is terminated for cause prior to vesting. During the restriction periods described above, the restricted shares may not be sold, assigned, pledged or otherwise transferred. Subject to the risk of forfeiture and transfer restrictions, executive officers have all rights as stockholders with respect to restricted shares, including the right to vote and receive dividends or other distributions on such shares.

All executive officers have elected to take 100% of their base salary and acquire shares of restricted stock since the Company's initial public offering, or since joining the Company as an executive officer.

Amended and Restated Executive Officer Incentive Program

We also have an Amended and Restated Executive Officer Incentive Program under the 2014 Incentive Plan pursuant to which our executive officers may earn performance-based awards in the form of cash and/or restricted stock. Any awards under the Amended and Restated Executive Officer Incentive Program and its interpretation and operation are subject to the discretion of the Compensation Committee.

The Amended and Restated Executive Officer Incentive Program is designed to directly link compensation to performance. The Company believes that the combination of operating metrics and shareholder return provides the best incentive structure for the growth of long-term shareholder value.

Through the Amended and Restated Executive Officer Incentive Program, our named executive officers are rewarded for attaining targeted individual performance, targeted company performance and relative TSR performance. For 2019, almost 80% of the aggregate total compensation for our named executive officers was paid in the form of performance-based compensation, all of which was in restricted stock with cliff vesting periods of eight years.

The Compensation Committee believes that this further demonstrates alignment of the interests of our named executive officers with that of the Company's shareholders.

Individual Performance Awards

The Compensation Committee grants awards of cash, stock, or a combination of both under the 2014 Incentive Plan based on each executive officer's individual performance, and may determine all terms of the award, including to whom, and the time or times at which, individual performance awards may be granted, the number of shares, units or other rights subject to each individual performance award, the exercise, base or purchase price of such individual performance award (if any), the time or times at which such individual performance award will become vested, exercisable or payable, the performance criteria, goals and other conditions of the individual performance award, and the duration of the individual performance award.

In 2019, the Compensation Committee approved the payment of cash individual performance awards to the Company's executive officers in the aggregate of approximately \$476,933. The executive officers each elected to acquire restricted shares of common stock in lieu of the cash bonuses, which based on their elections are subject to an eight-year cliff vesting schedule. Based on the eight-year restriction period elected, the executive officers acquired an aggregate of 11,222 shares of restricted stock in lieu of their cash bonuses and were granted 11,221 additional shares based on the restriction period elected.

All executive officers have elected to take 100% of their bonuses and acquire shares of restricted stock since the Company's initial public offering, or since joining the Company as an executive officer.

Company Performance Awards

The Compensation Committee judges the Company’s performance under the Amended and Restated Executive Officer Incentive Program against targeted metrics set in advance by the Compensation Committee.

Company Performance Awards (“CPA”) may be issued under the 2014 Incentive Plan based on specific Company performance targets. The Compensation Committee may determine, in its discretion, the particular financial and/or operating metrics to be targeted, which may include, but are not limited to AFFO, payout percentages, etc. The measurement period is four consecutive quarters ending on June 30 of each year or such date as the Compensation Committee may determine.

The Compensation Committee anticipates that participants will have the opportunity to earn Company Performance Awards each year. The Company will generally target a maximum of two performance metrics during any given measurement period and a maximum combined award for all such metrics of up to 50% of such participant’s base salary.

The Company currently combines several performance metrics and is based on a sliding scale of the attainment of AFFO required to reach prescribed payout ratios assuming an increasing dividend rate.

To date, no awards have been made by the Compensation Committee pursuant to a Company Performance Award. To the extent a Company Performance Award is earned, any cash award will be available for participation in the Amended and Restated Alignment of Interest Program.

Total Shareholder Return Awards

Total Shareholder Return Awards (“TSRA”) are based on the Company’s total shareholder return, as measured against the Peer Group. The criteria for awarding TSRAs are the Company’s relative total shareholder return performance measured as a percentile, as compared to the total shareholder returns of the companies in the Peer Group. The current measurement period is four and twelve consecutive quarters ending June 30 of each year.

The Company generally targets a maximum TSRA for each executive officer of up to 200% of such executive officer’s base salary. Executive officers have the opportunity to earn TSRAs each year based on 1-year total shareholder return and 3-year total shareholder return. TSRAs are in the form of restricted stock with an eight-year cliff vesting period and are not available for the Amended and Restated Alignment of Interest Program. The TSRA percentages range from 0% up to 100% of base salary depending on the relative total shareholder return versus the members of the peer group. The number of shares are determined as of June 30th by dividing the total of the executive officer’s TSRA by the average closing price of the common stock for the 10 trading days immediately preceding June 30.

The Company granted TSRAs in the form of restricted stock under the Amended and Restated Executive Officer Incentive Program to our executive officers in 2019 in the aggregate of 66,419 shares of common stock which will cliff vest in eight years.

Perquisites

The Company provides its executive officers with perquisites that it believes are reasonable, competitive and consistent with the Company’s compensation program for all employees. The Company believes that such perquisites help the Company to retain its personnel. In 2019, these perquisites included matching contributions in each participating executive’s 401(k) and a contribution for each participating executive’s health savings account (HSA), calculated in the same manner as for all employees, as well as moving and relocation expenses for Mr. Dupuy.

Retirement Benefits

All named executive officers are eligible to participate in the Company's 401(k) plan, pursuant to which each participant may contribute up to the annual maximum allowed under IRS regulations (\$19,000 for 2019). All eligible participants over the age of 50 may also contribute an additional \$6,000 per year to the plan in the form of catch-up contributions. The Company provides a matching contribution of up to an annual maximum three and one-half percent for the first six percent of base salary contributed to the plan.

Compensation Governance Practices

Anti-Hedging Policy

The Company prohibits the hedging of Company securities by its executive officers and directors. None of the executive officers or directors have entered into any hedging arrangements with respect to the Company's securities. In addition, restricted stock may not be sold, assigned, pledged or otherwise transferred.

At Risk Compensation

Since the Company's initial public offering or joining Company, as applicable, all named executive officers have elected to take 100% of their compensation in restricted stock of the Company that cliff-vests in 8-years. Until such time that those shares vest, each named executive officer is at risk of forfeiting those shares, as well as losing value of the shares should events occur, including management errors, that negatively impact the financial results or performance of the Company.

We believe this compensation program aligns executive management with our stockholders, encourages appropriate long-term decision-making and effectively rewards or punishes executive management for their decisions made.

Stock Ownership Guidelines

We believe that it is in the best interests of our stockholders to encourage all executive officers and directors to increase their equity position in the Company to promote share ownership and further align stockholder interests with executive officers and directors. Accordingly, as set forth in the table below, we have adopted stock ownership guidelines applicable to our executive officers and directors requiring each to hold common stock with a fair market value equal to a multiple of each officer's then current base salary or each non-employee director's then current annual retainer, as applicable:

<u>Position</u>	<u>Common Stock Ownership Multiple</u>
Chief Executive Officer	5x Current Base Salary
Executive Vice President	3x Current Base Salary
Non-Employee Director	3x Current Base Annual Retainer

The guidelines provide that all owned stock, both restricted and unrestricted, counts toward the ownership guidelines. All of our executive officers and directors were in compliance with these guidelines as of March 6, 2020.

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). In 2017 and prior tax years, qualifying performance-based compensation was not subject to the deduction limit if certain requirements were met. Effective for tax years beginning on January 1, 2018, the tax reform

legislation informally known as the Tax Cuts and Jobs Act of 2017 repeals the performance-based compensation exception to the Section 162(m) \$1 million deduction limit. The Company's tax deduction for compensation expense in 2019 was not limited pursuant to Section 162(m) because no applicable officer's compensation, as determined for federal income tax purposes, exceeded the applicable limit. As a qualifying REIT, the Company does not pay federal income tax; therefore, the future unavailability of the Section 162(m) compensation deduction is not expected to result in any increase in the Company's federal income tax obligations.

CEO Pay Ratio

Pursuant to rules adopted by the SEC under the Dodd-Frank Act, the Company is required to disclose the ratio of the annual total compensation for its CEO to the median annual total compensation for its employees other than the CEO. The Company identified the median employee by examining its payroll records for 2019 for all individuals other than the CEO that were employed by the Company at December 31, 2019. Compensation for employees that began employment during the year was annualized based on rate of pay applied to a full year.

As of December 31, 2019, the Company had 25 employees. These employees are all employed at the Company's corporate office and are comprised of executive and non-executive officers, asset management, accountants, and various other roles and responsibilities. At December 31, 2019, the Company identified its median employee as one making \$105,761 per year. For 2019, the Company's CEO, Mr. Wallace, had an annual total compensation of \$2,595,964. This amount is comprised of several components, as reflected in the Summary Compensation Table beginning on page 31. Additional information concerning Mr. Wallace's total compensation is provided in the Compensation Discussion and Analysis section beginning on page 16 and in the Executive Officers section beginning on page 28.

The ratio of CEO pay to median employee pay at December 31, 2019 was 25:1. The table below illustrates the details of the calculation.

Pay	CEO to Median Employee Pay Ratio	
	Chief Executive Officer and President	Median Employee
Salary		
Cash	\$ —	\$ 92,000
Salary stock	\$ 572,278	\$ —
Bonus		
Cash	\$ —	\$ 10,000
Bonus stock	\$ 220,036	\$ —
Alignment of Interest Stock	\$ 756,000	\$ —
1-Year Total Shareholder Return Stock	\$ 444,358	\$ —
3-Year Total Shareholder Return Stock	\$ 592,492	\$ —
All Other Compensation	\$ 10,800	\$ 3,761
Total	\$2,595,964	\$105,761
CEO to Media Employee Pay Ratio		25:1

Termination, Severance and Change-in-Control Arrangements

Under the terms of the Company's compensation plans and its employment agreements with the named executive officers, if employment is terminated for any reason other than for cause, change-in-control or death or disability, the named executive officer is entitled to receive all accrued salary, bonus compensation, if any, to the extent earned, whether or not vested without regard to such termination (other than defined contribution plan or profit sharing plan benefits which will be paid in accordance with the applicable plan), any benefits under any plans of the Company in which the named

executive officer is a participant to the full extent of the named executive officer's rights under such plans, full vesting of all awards granted to the named executive officer under the 2014 Incentive Plan, accrued vacation pay and any appropriate business expenses incurred by the named executive officer in connection with his or her duties hereunder, all to the date of termination. In addition, the named executive officer will receive as severance compensation his or her base salary (at the rate payable at the time of such termination), for a period of 36 months, with respect to Mr. Wallace, and 12 months, with respect to Mr. Dupuy, Mr. Barnes and Ms. Stach, from the date of such termination; provided, however, that if the named executive officer is employed by a new employer during such period, the severance compensation payable to the named executive officer during such period will be reduced by the amount of compensation that the named executive officer is receiving from the new employer. However, the named executive officer is under no obligation to mitigate the amount owed the named executive officer by seeking other employment or otherwise. In addition to the severance payment, the named executive officer will be paid an amount equal to the greater of: (i) two times the average annual cash bonus, if any, earned by the named executive officer in the two years immediately preceding the date of termination, without regard to any elective income deferral or conversion of such bonus into stock or any other non-cash consideration; and (ii) two times the product of the named executive officer's base salary and 0.67 with respect to Mr. Wallace, and 0.33 with respect to Mr. Dupuy, Mr. Barnes and Ms. Stach. Each named executive officer will be entitled to accelerated vesting of any accrued benefit under each deferred compensation plan. If a named executive officer is terminated for disability, the terminated named executive officer will receive the benefits described above, all to the date of termination, with the exception of medical and dental benefits, if any, which shall continue at the Company's expense through the then current one-year term of the employment agreement. If a named executive officer's employment terminates due to death, the terminated named executive officer's estate will receive the benefits described above.

The severance payment in the event of a change in control will consist of: (1) three times the terminated officer's annual base salary (at the rate payable at the time of such termination), and (2) an amount equal to the greater of: (i) two times the average annual cash bonus, if any, earned by the terminated officer in the two years immediately preceding the date of termination, without regard to any elective income deferral or conversion of such bonus into stock or any other non-cash consideration; and (ii) two times the product of the terminated officer's base salary and 0.67 with respect to Mr. Wallace, and 0.33 with respect to Mr. Dupuy, Mr. Barnes and Ms. Stach. Such severance compensation shall be paid in a lump sum promptly after the date of such termination, and in no event later than two and a half months after the end of the year in which such termination occurs. If the payments due to the change-in-control result in an excise tax to the terminated officer, under Section 4999 of the Code, all change-in-control payments to the terminated officer may be limited to an amount that is less than 300% of his or her average annual compensation. This limit would not apply in the event that the terminated officer's net after-tax benefits are greater after considering the effect of the excise tax.

COMPENSATION COMMITTEE REPORT

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

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

Members of the Compensation Committee:

Claire Gulmi (Chair)
Alan Gardner
Lawrence Van Horn

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee during 2019 were Claire Gulmi (Chair), Alan Gardner, and Lawrence Van Horn. In 2019, no member of the Compensation Committee was an officer or employee of the Company or any of its subsidiaries or was formerly an officer of the Company or any of its subsidiaries, and no member had any relationship requiring disclosure as a related person transaction under applicable SEC regulations.

EXECUTIVE OFFICERS

The names, ages, positions and business experience of our executive officers, except for Mr. Wallace, are listed below. Because he is also a member of our Board, information about Mr. Wallace appeared previously under Proposal 1—Election of Directors beginning on page 4. All of our executive officers serve at the discretion of the Board and are parties to employment agreements.

<u>Name</u>	<u>Age</u>	<u>Position</u>
David H. Dupuy	51	Mr. Dupuy has served as our Executive Vice President and Chief Financial Officer since May 2019. From 2008 to 2019, Mr. Dupuy served as a Managing Director, Healthcare Investment Banking Group at SunTrust Robinson Humphrey. From 2004 to 2008, Mr. Dupuy served as a Senior Vice President of the Healthcare Group at Bank of America. From 2000 to 2004, Mr. Dupuy served as a Vice President and Regional Director for KDA Holdings with responsibility for consulting, financing, and development of outpatient medical facilities. Previously, Mr. Dupuy served as Chief Financial Officer and Founding Partner of LIFESIGNS Holdings, Inc., a provider of diagnostic healthcare services, from 1997 to 2000. Mr. Dupuy began his career in 1991 with Bank of America. Mr. Dupuy holds a Bachelor of Arts in Business Administration from Furman University and a Master of Business Administration from the Owen School at Vanderbilt University.
W. Page Barnes	66	Mr. Barnes has served as our Executive Vice President and Chief Operating Officer since May 1, 2019. Prior to becoming Chief Operating Officer, Mr. Barnes served as our Chief Financial Officer since the formation of our Company in March 2014. Mr. Barnes is responsible for financing and management activities. Prior to joining our Company, from 2005 to 2013, Mr. Barnes was a co-founder, Chief Financial Officer and Executive Vice President—Chief Development Officer for Haven Behavioral Healthcare where he was responsible for raising a \$100 million private equity investment, negotiating four separate bank financings and the acquisition and/or development of 12 hospitals. From 1997 to 2005, Mr. Barnes served as Chief Financial Officer then Senior Vice President—Finance for Ardent Health Services and its predecessor Behavioral Healthcare Corporation. Prior to Ardent, Mr. Barnes began a banking career with AmSouth Bank in 1990 as a Commercial Real Estate Relationship Manager and ended it in 1997 as Senior Vice President and Manager of the Healthcare Banking Department. Mr. Barnes holds a Bachelor of Science in Accounting from Auburn University.

Name	Age	Position
Leigh Ann Stach	53	<p>Ms. Stach has served as our Chief Accounting Officer since the formation of our company in March 2014 and as Executive Vice President since May 2019. Prior to her appointment as Executive Vice President in May, Ms. Stach served as our Vice President—Financial Reporting, and Chief Accounting Officer. From 2005 to 2013, Ms. Stach served as Vice President—Financial Reporting at HR where she had responsibility for financial reporting and coordinating due diligence materials for debt and equity offerings. In addition, she brought EDGAR and XBRL filings in-house and provided oversight of HR’s compliance function and internal audit. Prior to that, from 1997 to 2005, Ms. Stach served as Vice President—Controller at HR. From 1994 to 1997, Ms. Stach served as Assistant Controller at HR. Prior to HR, from 1991 to 1994, Ms. Stach was a senior accountant—financial reporting at HCA. She began her career with Hospital Corporation of America in 1988 as an internal auditor. Ms. Stach holds a Bachelor of Science in Accounting from Western Kentucky University.</p>

Employment Agreements of our Named Executive Officers

We have entered into employment agreements with each of Mr. Wallace, Mr. Dupuy, Mr. Barnes, and Ms. Stach, which became effective on May 28, 2015 for Mr. Wallace, Mr. Barnes, and Ms. Stach, and May 1, 2019 for Mr. Dupuy. The initial term of each of Mr. Wallace’s, Mr. Barnes’, and Ms. Stach’s employment agreements were through December 31, 2017, while the initial term of Mr. Dupuy’s employment agreement was through December 31, 2019. The term of each respective employment agreement automatically renews for successive one-year terms on December 31 of each calendar year. As amended on January 3, 2020, the annual base salary of each of Mr. Wallace, Mr. Dupuy, Mr. Barnes and Ms. Stach under each of their employment agreements was increased for fiscal year 2020 from \$540,000 to \$645,000, from \$350,000 to \$392,000, from \$328,000 to \$370,400 and from \$266,000 to \$326,800, respectively. In addition, Mr. Dupuy is to be awarded a grant of 5,000 shares of restricted common stock per year for three years, which began on May 1, 2019, vesting equally in 2027, 2028, and 2029.

On March 11, 2019, the Company entered into an amended and restated employment agreement with Mr. Barnes in connection with his new role as Chief Operating Officer that became effective on May 1, 2019. Other than related to Mr. Barnes’ change in role, the compensation terms and other material terms of Mr. Barnes’ employment with the Company remain unchanged. On May 1, 2019, the Company entered into an amended and restated employment agreement with Ms. Stach in connection with her new role as Executive Vice President that became effective on May 1, 2019. Other than related to Ms. Stach’s change in role, the compensation terms and other material terms of Ms. Stach’s employment with the Company remain unchanged.

The base salaries are subject to annual increases as the Compensation Committee may approve in their discretion and other benefits generally available to other employees and our other executive officers, and each will be eligible for an annual bonus for each calendar year during his or her respective employment based on a combination of his or her respective continued employment with the Company and the achievement of certain performance goals established by our Board of Directors and our Compensation Committee.



If employment is terminated for any reason other than for cause, change-in-control or death or disability, the named executive officer is entitled to receive all accrued salary, bonus compensation, if any, to the extent earned, whether or not vested without regard to such termination (other than defined contribution plan or profit sharing plan benefits which will be paid in accordance with the applicable plan), any benefits under any plans of the Company in which the named executive officer is a participant to the full extent of the named executive officer's rights under such plans, full vesting of all awards granted to the named executive officer under the 2014 Incentive Plan, accrued vacation pay and any appropriate business expenses incurred by the named executive officer in connection with his or her duties hereunder, all to the date of termination.

In addition, the named executive officer will receive as severance compensation his or her base salary (at the rate payable at the time of such termination), for a period of 36 months, with respect to Mr. Wallace, and 12 months, with respect to Mr. Dupuy, Mr. Barnes and Ms. Stach, from the date of such termination; provided, however, that if the named executive officer is employed by a new employer during such period, the severance compensation payable to the named executive officer during such period will be reduced by the amount of compensation that the named executive officer is receiving from the new employer. However, the named executive officer is under no obligation to mitigate the amount owed the named executive officer by seeking other employment or otherwise.

In addition to the severance payment, the named executive officer will be paid an amount equal to the greater of: (i) two times the average annual cash bonus, if any, earned by the named executive officer in the two years immediately preceding the date of termination, without regard to any elective income deferral or conversion of such bonus into stock or any other non-cash consideration; and (ii) two times the product of the named executive officer's base salary and 0.67 with respect to Mr. Wallace, and 0.33 with respect to Mr. Dupuy, Mr. Barnes and Ms. Stach. Each named executive officer will be entitled to accelerated vesting of any accrued benefit under each deferred compensation plan.

If a named executive officer is terminated for disability, the terminated named executive officer will receive the benefits described above, all to the date of termination, with the exception of medical and dental benefits, if any, which shall continue at the Company's expense through the then current one-year term of the employment agreement. If a named executive officer's employment terminates due to death, the terminated named executive officer's estate will receive the benefits described above.

The severance payment in the event of a change in control will consist of: (1) three times the terminated officer's annual base salary (at the rate payable at the time of such termination), and (2) an amount equal to the greater of: (i) two times the average annual cash bonus, if any, earned by the terminated officer in the two years immediately preceding the date of termination, without regard to any elective income deferral or conversion of such bonus into stock or any other non-cash consideration; and (ii) two times the product of the terminated officer's base salary and 0.67 with respect to Mr. Wallace, and 0.33 with respect to Mr. Dupuy, Mr. Barnes and Ms. Stach. Such severance compensation shall be paid in a lump sum promptly after the date of such termination, and in no event later than two and a half months after the end of the year in which such termination occurs. If the payments due to the change-in-control result in an excise tax to the terminated officer, under Section 4999 of the Code, all change-in-control payments to the terminated officer may be limited to an amount that is less than 300% of his or her average annual compensation. This limit would not apply in the event that the terminated officer's net after-tax benefits are greater after considering the effect of the excise tax.

Each employment agreement contains customary non-competition and non-solicitation covenants that apply during the term and for 12 months following a termination upon a change in control, so long as the payments to which the terminated officer is entitled as a result of his or her termination upon a change of control are made on a timely basis.

COMPENSATION TABLES

Summary Compensation Table

The table below sets forth the compensation paid in fiscal years 2019, 2018, and 2017 to our principal executive officer and the three most highly compensated executive officers. The four executive officers are referred to in this proxy statement as our named executive officers.

Each of our named executive officers has agreed to take 100% of his or her salary, bonus and long-term incentive compensation in the form of restricted common stock under our 2014 Incentive Plan since such officers began their tenure with the Company. In compliance with the terms of the Amended and Restated Alignment of Interest Program described above, the election to acquire stock, otherwise payable in cash, caused the named executive officers to be eligible to receive additional stock awards based upon a multiple described on page 21 of this proxy statement.

All shares of restricted stock issued in lieu of cash compensation and any shares of restricted stock issued under the Amended and Restated Alignment of Interest Program are subject to a vesting schedule whereby no shares vest until the third, fifth or eighth anniversary of the date of grant, at which time 100% of the shares of restricted stock will vest, subject to continued employment.

The following table sets forth the compensation of our named executive officers for the fiscal years 2019, 2018, and 2017.

Name and Principal Position	Year	Salary		Bonus		Stock Awards(4)	All Other Compensation(5)	Total(7)
		Compensation Paid in Cash(1)	Compensation Paid in Stock(2)	Compensation Paid in Cash	Compensation Paid in Stock(3)			
Timothy G. Wallace <i>Chief Executive Officer and President</i>	2019	\$—	\$540,000	\$—	\$216,000	\$1,829,164	\$10,800	\$2,595,964
	2018	\$—	\$458,167	\$—	\$183,267	\$1,606,543	\$ —	\$2,247,977
	2017	\$—	\$376,333	\$—	\$150,533	\$1,065,151	\$ —	\$1,592,017
David H. Dupuy(6) <i>Executive Vice President and Chief Financial Officer</i>	2019	\$—	\$233,333	\$—	\$ 23,333	\$1,115,165	\$11,279	\$1,383,110
	2018	\$—	\$ —	\$—	\$ —	\$ —	\$ —	\$ —
	2017	\$—	\$ —	\$—	\$ —	\$ —	\$ —	\$ —
W. Page Barnes <i>Executive Vice President and Chief Operating Officer</i>	2019	\$—	\$328,000	\$—	\$131,200	\$1,111,109	\$ 8,930	\$1,579,239
	2018	\$—	\$271,167	\$—	\$108,467	\$ 950,883	\$ —	\$1,330,517
	2017	\$—	\$214,333	\$—	\$ 85,723	\$ 606,640	\$ —	\$ 906,696
Leigh Ann Stach <i>Executive Vice President and Chief Accounting Officer</i>	2019	\$—	\$266,000	\$—	\$106,400	\$ 901,044	\$ 1,000	\$1,274,444
	2018	\$—	\$220,500	\$—	\$188,200	\$ 876,216	\$ —	\$1,284,916
	2017	\$—	\$175,000	\$—	\$ 70,000	\$ 495,272	\$ —	\$ 740,272

- (1) All of our named executive officers agreed to acquire shares of restricted common stock in lieu of any cash compensation for the fiscal years ended December 31, 2019, 2018 and 2017, as applicable.
- (2) The amounts represent the annual base salary of each named executive officer set forth in the table pursuant to their employment agreements, 100% of which was used to acquire shares of our restricted common stock in lieu of cash. The number of shares of common stock issued in 2019 was based on \$29.78, which was the average price of our common stock for the 10 days preceding January 14, 2019, the determination date. The number of shares of common stock issued in 2018 was based on \$26.99, which was the average price of our common stock for the 10 days preceding January 16, 2018, the determination date. The number of shares of common stock issued in 2017 was based on \$23.05, which was the average price of our common stock for the 10 days preceding January 13, 2017, the determination date. All of the shares of our restricted common stock issued in lieu of cash compensation are subject to an eight-year cliff vesting schedule whereby no shares vest until the eighth anniversary of the date of grant, at which time 100% of the shares of restricted stock will vest, subject to continued employment.
- (3) The bonus amounts paid in each of the years 2019, 2018 and 2017 represent the annual bonus of each named executive officer set forth in the table pursuant to their employment agreements, 100% of which was used to acquire shares of our restricted common stock in lieu of cash. The number of shares of common stock issued in 2019 was based on \$42.50, which was the average price of our common stock for the 10 days preceding August 15, 2019, the determination date. The number of shares of common stock issued in 2018 was based on \$31.26, which was the average price of our common stock for the 10 days preceding August 15, 2018, the determination date. The number of shares of common stock issued in 2017 was based on \$25.18, which was the average price of our common stock for the 10 days preceding August 28, 2017, the determination date. All of the shares of our restricted common stock issued in lieu of cash compensation are subject to an eight-year cliff vesting schedule whereby no shares vest until the eighth anniversary of the date of grant, at which time 100% of the shares of restricted stock will vest, subject to continued employment.
- (4) Represents the aggregate fair value computed in accordance with FASB ASC Topic 718 of awards of restricted common stock to the named executive officers for the years ended December 31, 2019, 2018, and 2017 under the 2014 Incentive Plan, as amended. The dollar values of the awards related to base salaries and bonuses for 2019, 2018, and 2017 are based on the grant date value of such awards and the restriction multiples for cash compensation deferrals outlined in our Amended and Restated Alignment of Interest Program. Awards granted to our



named executive officers' in connection with their base salaries for 2019, 2018, and 2017, were based on grant date values of such awards of \$30.67 per share, \$25.95 per share, and \$22.67 per share, respectively. Awards granted to our named executive officers' in connection with their bonuses for 2019, 2018 and 2017, were based on grant date values of such awards of \$42.90, \$31.73 per share and \$25.96 per share, respectively. The dollar values of the awards related to the Company's total stockholder return performance, relative to its peer group, for the years ended December 31, 2019, 2018 and 2017, as outlined in the Executive Officer Incentive Program, are based on the grant date value of such awards of \$42.90 per share, \$31.73 per share and \$24.88 per share, respectively. The restricted share award of 5,000 shares of common stock granted to Mr. Dupuy upon becoming a named executive officer in 2019 was based on a grant date value of \$36.29 per share.

- (5) Includes employer contributions to the executive officer's health savings account (HSA) and 401(k), as well as moving and relocation expenses for Mr. Dupuy.
- (6) Joined the Company as a named executive officer on May 1, 2019 and was awarded 5,000 shares of restricted stock.
- (7) A significant portion of the named executive officer's compensation is performance based, as set forth in the following table:

Name	Year	Performance Based Incentive Compensation						
		Total Compensation	Bonus Stock(1)	Alignment of Interest Stock(2)	1 Year Total Shareholder Return Stock	3 Year Total Shareholder Return Stock	Total Performance Based Incentive Compensation	Percent of Total Compensation
Timothy G. Wallace	2019	\$2,595,964	\$216,000	\$884,164	\$405,000	\$540,000	\$2,045,164	78.8%
	2018	\$2,247,977	\$183,267	\$690,209	\$458,167	\$458,167	\$1,789,810	79.6%
	2017	\$1,592,017	\$150,533	\$500,651	\$282,250	\$282,250	\$1,215,684	76.4%
David H. Dupuy(3)	2019	\$1,383,110	\$ 23,333	\$321,215	\$262,500	\$350,000	\$ 957,048	69.2%
	2018	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	—
	2017	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	—
W. Page Barnes	2019	\$1,579,239	\$131,200	\$537,109	\$246,000	\$328,000	\$1,242,309	78.7%
	2018	\$1,330,517	\$108,467	\$408,549	\$271,167	\$271,167	\$1,059,350	79.6%
	2017	\$ 906,696	\$ 85,723	\$285,140	\$160,750	\$160,750	\$ 692,363	76.4%
Leigh Ann Stach	2019	\$1,274,444	\$106,400	\$435,544	\$199,500	\$266,000	\$1,007,444	79.0%
	2018	\$1,284,916	\$188,200	\$435,216	\$220,500	\$220,500	\$1,064,416	82.8%
	2017	\$ 740,272	\$ 70,000	\$232,772	\$131,250	\$131,250	\$ 565,272	76.4%

- (1) Each executive officer has elected to take 100% of their salary and cash bonus in deferred stock with an 8-year cliff vesting.
- (2) Alignment of interest stock grants per the Amended and Restated Alignment of Interest Program which is part of the Company's Incentive Plan.
- (3) Mr. Dupuy joined the Company on May 1, 2019.

Grants of Plan-Based Awards

The following table provides additional information relating to grants of plan-based awards made to our named executive officers during 2019.

Name	Grant date	All other stock awards: Number of shares of stock (#)(1)	Grant date fair value of share awards (#)
Timothy G. Wallace	1/15/2019	18,133	\$ 556,139
	8/15/2019	29,251	\$1,254,868
David H. Dupuy	5/1/2019	5,000	\$ 181,450
	5/15/2019	6,359	\$ 235,665
	8/15/2019	16,213	\$ 695,538
W. Page Barnes	1/15/2019	11,015	\$ 337,830
	8/15/2019	17,768	\$ 762,247
Leigh Ann Stach	1/15/2019	8,933	\$ 273,975
	8/15/2019	14,408	\$ 618,103

- (1) The table below shows the number of restricted shares of common stock awarded to the named executive officers in 2019 pursuant to the 2014 Incentive Plan.

Name	Incentive Awards				CFO Grant(#)	Total Stock Awards(#)
	Company Match Salary(#)	Company Match Bonus(#)	1 Year Total Shareholder Return Stock(#)	3 Year Total Shareholder Return Stock(#)		
Timothy G. Wallace	18,133	5,082	10,358	13,811	—	47,384
David H. Dupuy	6,359	549	6,713	8,951	5,000	27,572
W. Page Barnes	11,015	3,087	6,292	8,389	—	28,783
Leigh Ann Stach	8,933	2,503	5,102	6,803	—	23,341

Outstanding Equity Awards at December 31, 2019

The following table sets forth all outstanding equity awards held by each of our named executive officers at December 31, 2019.

Name	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested \$(1)
Timothy G. Wallace	184,832(2)	\$7,921,900
David H. Dupuy	27,572(2)	\$1,181,736
W. Page Barnes	105,549(2)	\$4,523,830
Leigh Ann Stach	90,519(2)	\$3,879,644

- (1) The market value of unvested restricted common stock is calculated by multiplying the number of unvested shares of restricted common stock held by the applicable named executive officer by the closing price of our common stock on December 31, 2019, which was \$42.86.
- (2) These shares of restricted common stock are subject to eight-year cliff vesting through 2027, subject to continued employment with the Company on the vesting date.

Post-Employment Compensation

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, 2019, and that any additional conditions to vesting of restricted stock awards under restricted stock award agreements had been met.

<u>Timothy G. Wallace</u> <u>Chief Executive Officer and President</u>	<u>Voluntary</u> <u>Termination</u>	<u>Not for</u> <u>Cause</u> <u>Termination</u>	<u>Change-in-</u> <u>Control</u>	<u>Death or</u> <u>Disability</u>	<u>Retirement</u>
Cash Severance Benefit(1)	\$—	\$ 2,343,600	\$ 2,343,600	\$ —	\$ —
Accelerated Vesting Of Restricted Stock(3)	\$—	\$12,531,278	\$12,531,278	\$12,531,278	\$12,531,278
Total Value of Payments	\$—	\$14,874,878	\$14,874,878	\$12,531,278	\$12,531,278
<u>David H. Dupuy</u> <u>Executive Vice President and Chief</u> <u>Financial Officer</u>	<u>Voluntary</u> <u>Termination</u>	<u>Not for</u> <u>Cause</u> <u>Termination</u>	<u>Change-in-</u> <u>Control</u>	<u>Death or</u> <u>Disability</u>	<u>Retirement</u>
Cash Severance Benefit(2)	\$—	\$ 581,000	\$1,281,000	\$ —	\$ —
Accelerated Vesting Of Restricted Stock(3)	\$—	\$1,477,770	\$1,477,770	\$1,477,770	\$1,477,770
Total Value of Payments	\$—	\$2,058,770	\$2,758,770	\$1,477,770	\$1,477,770
<u>W. Page Barnes</u> <u>Executive Vice President and Chief</u> <u>Operating Officer</u>	<u>Voluntary</u> <u>Termination</u>	<u>Not for</u> <u>Cause</u> <u>Termination</u>	<u>Change-in-</u> <u>Control</u>	<u>Death or</u> <u>Disability</u>	<u>Retirement</u>
Cash Severance Benefit(2)	\$—	\$ 567,667	\$1,223,667	\$ —	\$ —
Accelerated Vesting Of Restricted Stock(3)	\$—	\$7,091,744	\$7,091,744	\$7,091,744	\$7,091,744
Total Value of Payments	\$—	\$7,659,411	\$8,315,411	\$7,091,744	\$7,091,744
<u>Leigh Ann Stach</u> <u>Executive Vice President and Chief</u> <u>Accounting Officer</u>	<u>Voluntary</u> <u>Termination</u>	<u>Not for</u> <u>Cause</u> <u>Termination</u>	<u>Change-in-</u> <u>Control</u>	<u>Death or</u> <u>Disability</u>	<u>Retirement</u>
Cash Severance Benefit(2)	\$—	\$ 560,600	\$1,092,600	\$ —	\$ —
Accelerated Vesting Of Restricted Stock(3)	\$—	\$6,168,454	\$6,168,454	\$6,168,454	\$6,168,454
Total Value of Payments	\$—	\$6,729,054	\$7,261,054	\$6,168,454	\$6,168,454

- (1) Represents the annual base salary at December 31, 2019 for a period of 36-months from the date of such termination, payable in monthly installments.
- (2) Represents the annual base salary at December 31, 2019 for a period of 12-months from the date of such termination, payable in monthly installments.
- (3) Based upon the closing price of a share of the Company's Common Stock on the New York Stock Exchange on December 31, 2019 of \$42.86.

EQUITY COMPENSATION PLAN INFORMATION

The following table gives information about shares of our common stock that may be issued under our 2014 Incentive Plan as of December 31, 2019.

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)</u>
Equity compensation plans approved by stockholders(1)	—	—	579,205
Equity compensation plans not approved by stockholders	—	—	277,262(2)
Total	<u>—</u>	<u>—</u>	<u>856,467</u>

- (1) Our 2014 Incentive Plan automatically increases, on an annual basis, the number of shares of common stock available for issuance under the 2014 Incentive Plan to an amount equal to 7% of the total number of shares of common stock outstanding on December 31 of the immediately preceding year. These annual increases are required because of the level of restricted stock, versus cash, we utilize in our compensation methodology and was approved by a vote of our shareholders in 2017.
- (2) These 277,262 shares are reserved under our 2014 Incentive Plan for purchase by our employees and directors in exchange for the cash compensation. See “2014 Incentive Plan” beginning on page 20.



PROPOSAL 2

NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables the Company's stockholders to vote to approve, on a non-binding advisory basis, the compensation of the Company's named executive officers as disclosed in this proxy statement in accordance with the SEC's rules.

As discussed in the Compensation Discussion and Analysis section of this proxy statement beginning on page 16, the Company's executive compensation policies are designed to align the interests of the named executive officers with the interests of our shareholders, link executive compensation to the Company's overall performance, and attract, retain, and motivate our named executive officers. The Board believes that its executive compensation programs have been effective at appropriately aligning pay and Company performance, promoting the achievement of the long-term positive results in its performance criteria, and enabling the Company to attract and retain talented executives within its industry.

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

RESOLVED, that the stockholders of Community Healthcare Trust Incorporated approve, on a non-binding advisory basis, the compensation of the named executive officers as disclosed pursuant to Item 402 of Regulation S-K in the Company's proxy statement for the 2020 annual meeting of stockholders.

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

Required Vote

The affirmative vote of a majority of the shares represented at the meeting and entitled to vote is required to approve, on an advisory basis, the say on pay vote. As an advisory vote, this proposal is not binding upon us. However, the Compensation Committee of our Board of Directors, which is responsible for designing and administering our executive compensation program, values the opinions expressed by our stockholders and will consider the outcome of the vote when making future compensation decisions.

Our Board of Directors unanimously recommends a vote "FOR" the resolution approving the compensation of the Company's named executive officers

PROPOSAL 3

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

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

Required Vote

The affirmative vote of a majority of the shares represented at the meeting and entitled to vote is required to approve, on an advisory basis, the frequency of future stockholder say on pay votes. As an advisory vote, this proposal is not binding upon us. Our Board of Directors will consider the outcome of the vote when determining the frequency of holding future stockholder say on pay votes.

Our Board of Directors unanimously recommends a vote for an "ANNUAL" vote on executive compensation

PROPOSAL 4

RATIFICATION OF THE APPOINTMENT OF BDO USA, LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2020

General

We are asking our stockholders to ratify the selection of BDO USA, LLP as our independent registered public accountants for 2020. Although current law, rules and regulations, as well as the charter of the Audit Committee, require the Audit Committee to engage, retain and supervise our independent registered public accountants, we view the selection of the independent registered public accountants as an important matter of stockholder concern and thus are submitting the selection of BDO USA, LLP for ratification by stockholders as a matter of good corporate practice.

The Audit Committee appointed BDO USA, LLP to serve as our independent registered public accountants for the 2019 fiscal year and has appointed BDO USA, LLP to serve as our independent registered public accountants for the 2020 fiscal year. A representative of BDO USA, LLP is expected to attend the annual meeting. If present, the representative will have the opportunity to make a statement and will be available to respond to appropriate questions. BDO USA, LLP has served as our independent registered public accountants since 2015.

Audit and Non-Audit Services

Fees related to services performed for us by BDO USA, LLP in fiscal years 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Audit Fees(1)	\$726,430	\$484,921
Audit-Related Fees(2)	19,066	—
Tax Fees	—	—
All Other Fees	—	—
Total	<u>\$745,496</u>	<u>\$484,921</u>

- (1) Audit fees include fees and expenses associated with the audit of our financial statements, the reviews of the financial statements in our quarterly reports on Form 10-Q, and services provided in connection with registration statements and periodic reports filed with the Securities and Exchange Commission. Audit fees for 2019 include fees associated with registration statements totaling \$109,492 and fees related to auditing our internal control over financial reporting. Audit fees for 2018 include fees associated with registration statements totaling \$74,162.
- (2) Audit-related fees for 2019 included fees associated with Rule 3-14 audits.

In accordance with the procedures set forth in its charter, the Audit Committee pre-approves all auditing services and permitted non-audit and tax services (including the fees and terms of those services) to be performed for us by our independent registered public accountants prior to their engagement with respect to such services, subject to the de minimis exceptions for non-audit services permitted by the Exchange Act, which are approved by the Audit Committee prior to the completion of the audit.

Required Vote

The affirmative vote by a majority of the votes cast at the annual meeting is required for the ratification of the appointment of BDO USA, LLP as our independent registered public accountants.

Abstentions will have no effect on this proposal. If our stockholders fail to ratify this appointment, the Audit Committee will reconsider whether to retain BDO USA, LLP and may retain that firm or another firm without resubmitting the matter to our stockholders. Even if the appointment is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accountant at any time during the year if it determines that such change would be in our best interests and in the best interests of our stockholders.

Our Board of Directors unanimously recommends a vote “FOR” the ratification of BDO USA, LLP as our independent registered public accountants for 2020.

REPORT OF THE AUDIT COMMITTEE

The information provided in this section shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to its proxy regulations or to the liabilities of Section 18 of the Exchange Act. The information provided in this section shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

The Audit Committee oversees our financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the preparation, consistency and fair presentation of the financial statements, the accounting and financial reporting process, the systems of internal control, and the procedures designed to ensure compliance with accounting standards, applicable laws and regulations. Management is also responsible for its assessment of the design and effectiveness of our internal control over financial reporting. Our independent registered public accountants are responsible for performing an audit in accordance with the standards of the Public Company Accounting Oversight Board (United States), or PCAOB, and expressing an opinion on the conformity of the financial statements of the Company with U.S. generally accepted accounting principles and expressing an opinion on the effectiveness of our internal controls over financial reporting. The internal auditors are responsible to the Audit Committee and the Board of Directors for testing the integrity of the financial accounting and reporting control systems and such other matters as the Audit Committee and the Board of Directors determine.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements of the Company for the year ended December 31, 2019 and management’s assessment of the design and effectiveness of our internal control over financial reporting as of December 31, 2019. The discussion addressed the quality, and not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee reviewed and discussed with the independent public accountants their judgments as to the quality of our accounting principles and such other matters as are required to be discussed with the committee under PCAOB auditing standards including, without limitation, the matters required to be discussed by PCAOB Auditing Standard No. 1301. In addition, the Audit Committee received the written disclosures and the letter from the independent registered public accountants required by applicable requirements of the PCAOB regarding the independent registered public accountants’ communications with the Audit Committee concerning independence, discussed with the independent registered public accountants their independence from management and the Company, and considered the compatibility of non-audit services with the auditors’ independence.

The Audit Committee discussed with our internal and independent registered public accountants the overall scope and plans for their respective audits. The Audit Committee met with the internal and independent registered public accountants, with and without management present, to discuss the results of their examinations, their understanding of our internal controls, and the overall quality of our financial reporting.

In reliance upon the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in our annual report to stockholders for filing with the SEC.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are not experts in the fields of accounting or auditing, including with respect to auditor independence. Members of the Audit Committee rely without independent verification on the information provided to them and on the representations made by management and the independent registered public accounting firm. Accordingly, the Audit Committee’s oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial

reporting principles, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with the standards of the PCAOB, that the financial statements are presented in accordance with generally accepted accounting principles or that BDO USA, LLP is in fact "independent."

Audit Committee:

Robert Hensley (Chairman)
Alan Gardner
Claire Gulmi

BENEFICIAL OWNERSHIP OF SHARES OF COMMON STOCK

Directors, Executive Officers and Other Stockholders

As of March 6, 2020, we had 31 stockholders of record. Except as otherwise stated in a footnote, the following table presents certain information regarding the beneficial ownership of our common stock as of March 6, 2020 by: (i) the persons known by us to own beneficially more than 5% of our common stock; (ii) each of our directors, nominees for director and named executive officers; and (iii) all of our directors, nominees for director, and executive officers as a group. Each person named in the table has sole voting and investment power with respect to all of the common stock shown as beneficially owned by such person, except as otherwise set forth in the notes to the table.

The SEC has defined “beneficial ownership” of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. A stockholder is also deemed to be, as of any date, the beneficial owner of all securities that such stockholder has the right to acquire within 60 days after that date through (1) the exercise of any option, warrant or right, (2) the conversion of a security, (3) the power to revoke a trust, discretionary account or similar arrangement or (4) the automatic termination of a trust, discretionary account or similar arrangement. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, our common stock subject to options or other rights (as set forth above) held by that person that are currently exercisable or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person.

Unless otherwise indicated, the business address of all the individuals and entities is c/o Community Healthcare Trust Incorporated, 3326 Aspen Grove Drive, Suite 150, Franklin, Tennessee 37067. No common stock beneficially owned by any director or named executive officer has been pledged as security for a loan.

<u>Name of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned (#)</u>	<u>Percentage of All Shares (%)(1)</u>
5% Stockholders		
BlackRock, Inc.	3,215,961(2)	14.7%
The Vanguard Group, Inc.	2,173,776(3)	9.9%
The Bank of New York Mellon Corporation.	1,241,241(4)	5.7%
Cardinal Capital Management, LLC	1,198,032(5)	5.5%
Directors		
Alan Gardner	30,446	*
Claire Gulmi	7,037	*
Robert Hensley	35,372	*
Lawrence Van Horn	19,439	*
Named Executive Officers		
Timothy G. Wallace	760,756	3.5%
David H. Dupuy	52,653	*
W. Page Barnes	207,635	*
Leigh Ann Stach	159,072	*
All Directors and Executive Officers as a Group (8 persons total)	1,272,410	5.8%

* Less than 1% of the outstanding shares of common stock.

(1) Based on 21,906,352 shares of common stock outstanding on March 6, 2020.

- (2) Based on a Schedule 13G/A filed with the SEC on February 4, 2020, BlackRock, Inc. has sole voting power with respect to 3,166,327 shares of common stock and sole dispositive power with respect to 3,215,961 shares of common stock. A subsidiary of BlackRock, Inc., BlackRock Fund Advisors, beneficially owns 5% or greater of the outstanding shares of common stock reported on BlackRock's Schedule 13G/A. BlackRock, Inc. is located at 55 East 52nd Street, New York, New York 10055.

- (3) Based on a Schedule 13G/A filed with the SEC on February 12, 2020, The Vanguard Group, Inc. has sole voting power with respect to 30,780 shares of common stock, shared voting power with respect to 2,100 shares of common stock, sole dispositive power with respect to 2,142,801 shares of common stock and shared dispositive power with respect to 30,975 shares of common stock. As reported on The Vanguard Group Inc.'s Schedule 13G/A, Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 28,875 shares of common stock, and Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 4,005 shares common stock outstanding of the Company. The VanGuard Group, Inc. is located at 100 Vanguard Boulevard, Malvern, PA 19355.

- (4) Based on a Schedule 13G filed with the SEC on February 5, 2020, The Bank of New York Mellon Corporation has sole voting power with respect to 1,227,122 shares of common stock, sole dispositive power with respect to 1,240,108 shares of common stock, and shared dispositive power with respect to 60 shares of common stock. As reported on The Bank of New York Mellon Corporation's Schedule 13G, BNY Mellon IHC, LLC has sole voting power with respect to 1,170,352 shares of common stock and sole dispositive power with respect to 1,184,411 shares of common stock. MBC Investments Corporation has sole voting power with respect to 1,170,352 shares of common stock and sole dispositive power with respect to 1,184,411 shares of common stock. Mellon Investments Corporation has sole voting power with respect to 1,109,009 shares of common stock and sole dispositive power with respect to 1,109,009 shares of common stock. The Bank of New York Mellon Corporation, BNY Mellon IHC, LLC, MBC Investments Corporation, and Mellon Investments Corporation are located at 240 Greenwich Street, New York, New York 10286.

- (5) Based on a Schedule 13G/A filed with the SEC on February 14, 2020, Cardinal Capital Management, LLC has sole voting power with respect to 945,464 shares of common stock and sole dispositive power with respect to 1,198,032 shares of common stock. Cardinal Capital Management, LLC is located at Four Greenwich Office Park, Greenwich, Connecticut 06831.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Policies and Procedures for Related Person Transactions

Our Audit Committee has adopted a written policy governing the approval of related party transactions that complies with all applicable requirements of the SEC and the NYSE concerning related party transactions. Under our policy, a related party transaction is a transaction between the Company and a related party (including any transaction requiring disclosure under Item 404 of Regulation S-K under the Exchange Act), other than transactions available to all employees generally or involving less than \$5,000 when aggregated with similar transactions. “Related parties” include (i) an officer or director of the Company, (ii) a person who is an immediate family member of an officer or director; (iii) an entity which is owned or controlled by an officer or director or an immediate family member of an officer or director, or an entity in which an officer or director or an immediate family member of an officer or director is deemed to have a substantial ownership interest or control of such entity by virtue of such person owning more than 20% of such entity; and (iv) any person known to be the beneficial owner of more than 5% of any class of the Company’s voting securities. Members of an officer’s or director’s immediate family include such officer’s or director’s spouse, child, stepchild, parent, stepparent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and any other person sharing the household of such officer or director. For purposes of this policy, officers are defined as “executive officers” under applicable guidelines of the SEC. Additionally, a “Related Party” may be a person or entity that proposes to enter into a transaction with the Company if the Audit Committee finds that such transaction would require disclosure under Item 404 of Regulation S-K.

Our related party transaction policy is administered by our Audit Committee. At each fiscal year’s first regularly-scheduled Audit Committee meeting, management or the Corporate Governance Committee, as applicable, will provide the Audit Committee with detailed information concerning all related party transactions, if any, then known by management to be entered into or to be continued by the Company for the fiscal year. Under the related party transactions policy, there is a general presumption that a related party transaction with the Company will not be approved by the Audit Committee. However, the Audit Committee may approve a related party transaction if: (i) the Audit Committee finds that the transaction is on terms comparable to those that could be obtained in arm’s length dealings with an unrelated third party; and (ii) the Audit Committee finds that it has been fully apprised of all significant conflicts that may exist or otherwise arise on account of the transaction, and it believes, nonetheless, that the Company is warranted entering into the related party transaction and has developed an appropriate plan to manage the potential conflicts of interest. The Audit Committee will consider each proposed related party transaction and may approve the Company’s entering into or continuing such related party transaction if the transaction satisfies the guidelines set forth above.

Related Party Transactions

Pursuant to its authority and based on discussions with management and BDO USA, LLP, the Audit Committee has determined that there have been no related party transactions requiring disclosure under Item 404(a) of Regulation S-K.

Legal Proceedings

We are not aware of any current legal proceedings involving any of our directors, director nominees, or executive officers and either the Company or any of its subsidiaries.

STOCKHOLDER PROPOSALS FOR THE 2021 ANNUAL MEETING

At the annual meeting each year, the Board of Directors submits to stockholders its nominees for election as directors. In addition, the Board may submit other matters to the stockholders for action at the annual meeting. Stockholders may also submit proposals for action at the annual meeting.

Stockholders interested in submitting a proposal for inclusion in our proxy materials for the 2021 annual meeting of stockholders may do so by following the procedures described in Rule 14a-8 of the Exchange Act. If the 2021 annual meeting is held within 30 days of May 7, 2020, stockholder proposals must be received by Timothy Wallace at 3326 Aspen Grove Drive, Suite 150, Franklin, Tennessee, 37067, no later than 5:00 p.m., Eastern Time on November 20, 2020 in order for such proposals to be considered for inclusion in the proxy statement and form of proxy relating to such annual meeting.

Any stockholder proposals (including recommendations of nominees for election to the Board of Directors) intended to be presented at the Company's 2021 annual meeting of stockholders, other than a stockholder proposal submitted pursuant to Exchange Act Rule 14a-8, must be received in writing at our principal executive offices no earlier than on October 21, 2020, nor later than 5:00 p.m., Eastern Time, on November 20, 2020, together with all supporting documentation required by our Bylaws. For more complete information on these requirements, please refer to our Bylaws.

OTHER MATTERS

As of the date of this proxy statement, management does not know of any other matters to be brought before the annual meeting other than those set forth herein. However, if any other matters are properly brought before the annual meeting, the persons named in the enclosed form of proxy will have discretionary authority to vote all proxies with respect to such matters in accordance with their best judgment.

REGARDLESS OF THE NUMBER OF SHARES YOU OWN, YOUR VOTE IS IMPORTANT TO THE COMPANY. PLEASE SUBMIT A PROXY BY INTERNET OR, IF YOU REQUEST WRITTEN PROXY MATERIALS BY RETURNING A COMPLETED, SIGNED AND DATED PROXY CARD OR VOTING INSTRUCTION FORM.

AVAILABILITY OF ANNUAL REPORT ON FORM 10-K

Upon written request of any record holder or beneficial owner of shares entitled to vote at the annual meeting, we will provide, without charge, a copy of our Annual Report on Form 10-K. Requests should be mailed to W. Page Barnes, Corporate Secretary, 3326 Aspen Grove Drive, Suite 150, Franklin, Tennessee 37067. You may also access our Annual Report on Form 10-K on the investor relations webpage of our Internet website, <http://investors.chct.reit>.

By Order of the Board of Directors,



Timothy Wallace
Chairman of the Board
March 20, 2020

APPENDIX A—RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Funds from operations, (“FFO”), as defined by NAREIT, and adjusted funds from operations (“AFFO”), are important non-GAAP supplemental measures of operating performance for a REIT. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation except on land, such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a REIT that uses historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP.

NAREIT defines FFO as the most commonly accepted and reported measure of a REIT’s operating performance equal to net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property and impairments of real estate, plus depreciation and amortization related to real estate properties, and after adjustments for unconsolidated partnerships and joint ventures. NAREIT also provides REITs with an option to exclude gains, losses and impairments of assets that are incidental to the main business of the REIT from the calculation of FFO.

The Company’s AFFO is defined as FFO, excluding non-cash income and expenses, such as amortization of stock-based compensation, the effects of straight-line rent, and others. The Company considers AFFO to be a useful supplemental measure to evaluate the Company’s operating results excluding these income and expense items to help investors, analysts and other interested parties compare the operating performance of the Company between periods or as compared to other companies on a more consistent basis.

Management believes that net income, as defined by GAAP, is the most appropriate earnings measurement. However, management believes FFO and FFO per share to be supplemental measures of a REIT’s performance because they provide an understanding of the operating performance of the Company’s properties without giving effect to certain significant non-cash items, primarily depreciation and amortization expense. Historical cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time. However, real estate values instead have historically risen or fallen with market conditions.

The Company believes that by excluding the effect of depreciation, amortization, gains or losses from sales of real estate, impairment of real estate, and gains, losses and impairment of incidental assets, straight-line rent and amortization of stock-based compensation, all of which are based on historical costs and which may be of limited relevance in evaluating current performance, FFO and AFFO can facilitate comparisons of operating performance between periods. The Company reports FFO and AFFO per share because these measures are observed by management to be some of the predominant measures used by the REIT industry and by industry analysts to evaluate REITs and because FFO per share, as defined by NAREIT, is consistently reported, discussed, and compared by research analysts in their notes and publications about REITs. For these reasons, management has deemed it appropriate to disclose and discuss FFO and AFFO per share. However, neither FFO or AFFO represents cash generated from operating activities determined in accordance with GAAP and are not necessarily indicative of cash available to fund cash needs. FFO and AFFO should not be considered alternatives to net income attributable to common stockholders or as indicators of the Company’s operating performance or as alternatives to cash flow from operating activities as measures of liquidity. The table below reconciles net income to FFO and AFFO.

COMMUNITY HEALTHCARE TRUST INCORPORATED
RECONCILIATION OF FFO and AFFO
(Unaudited; Amounts in thousands, except per share amounts)

	Year Ended December 31,	
	2019	2018
Net income	\$ 8,376	\$ 4,403
Real estate depreciation and amortization	22,377	19,661
Impairment of note receivable(1)	—	5,000
Income tax expense (benefit)(1)	1,321	(1,321)
Gain from sale of depreciable real estate	—	(295)
Total adjustments	<u>23,698</u>	<u>23,045</u>
Funds from Operations (FFO)	\$32,074	\$27,448
Transaction costs	—	57
Straight-line rent	(2,052)	(1,292)
Stock-based compensation	<u>3,844</u>	<u>2,853</u>
Adjusted Funds from Operations (AFFO)	<u>\$33,866</u>	<u>\$29,066</u>
FFO per Common Share-Diluted	<u>\$ 1.67</u>	<u>\$ 1.53</u>
AFFO Per Common Share-Diluted	<u>\$ 1.77</u>	<u>\$ 1.62</u>
Weighted Average Common Shares Outstanding-Diluted(2)	<u>19,164</u>	<u>17,943</u>

- (1) In the fourth quarter of 2018, the Company recorded a \$5.0 million impairment related to its mezzanine loan with Highland Hospital and recorded a related tax benefit and deferred tax asset of approximately \$1.3 million. This deferred tax asset was impaired in the fourth quarter of 2019 and the tax benefit was reversed resulting in tax expense of \$1.3 million. The Company believes that the mezzanine loan is incidental to the main operations of the Company. As such, the Company has excluded the impairment of the note receivable and the related tax impact from its calculation of FFO. The \$5.0 million impairment on the loan and related tax benefit of \$1.3 million recorded in 2018 was previously recognized as an adjustment to AFFO rather than FFO for the year ended December 31, 2018 and has been reclassified as an adjustment to Funds from Operations rather than to Adjusted Funds from Operations for 2018 to conform to the current year presentation.
- (2) Diluted weighted average common shares outstanding for FFO are calculated based on the treasury method, rather than the 2-class method used to calculate earnings per share.



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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED December 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-37401

Community Healthcare Trust Incorporated

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

46-5212033

(I.R.S. Employer
Identification No.)

**3326 Aspen Grove Drive
Suite 150**

Franklin, Tennessee 37067

(Address of Principal Executive Offices) (Zip Code)

(615) 771-3052

(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, \$0.01 par value per share	CHCT	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None
(Title of Class)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the shares of common stock (based upon the closing price of these shares on the New York Stock Exchange, Inc. on June 30, 2019) of the Registrant held by non-affiliates (for purposes of this calculation, all of the Registrant's directors and executive officers are deemed affiliates of the Registrant) on June 30, 2019 was approximately \$720.9 million.

The Registrant had 21,634,583 shares of common stock, \$0.01 par value per share, outstanding as of February 20, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders are incorporated by reference into Part III of this Report. The Registrant expects to file its Definitive Proxy Statement with the Securities and Exchange Commission within 120 days after December 31, 2019.

COMMUNITY HEALTHCARE TRUST INCORPORATED
FORM 10-K
December 31, 2019

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We make statements in this Annual Report on Form 10-K that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts may be forward-looking statements. In particular, statements pertaining to our capital resources, property performance and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. When we use the words “may,” “should,” “could,” “would,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “seeks,” “assumes,” “projects,” “forecast,” “goal” or similar expressions or their negatives, as well as statements in future tense, we intend to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

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

- defaults on or non-renewal of leases by tenants;
- adverse economic or real estate developments, either nationally or in the markets in which our properties are located;
- decreased rental rates or increased vacancy rates;
- difficulties in identifying healthcare properties to acquire and completing acquisitions;
- our ability to make distributions on our shares of stock;
- our dependence upon key personnel whose continued service is not guaranteed;
- our ability to identify, hire and retain highly qualified personnel in the future;
- the degree and nature of our competition;
- general economic conditions;
- the availability, terms and deployment of debt and equity capital;
- general volatility of the market price of our common stock;
- changes in our business or strategy;
- changes in governmental regulations, tax rates and similar matters;
- new laws or regulations or changes in existing laws and regulations that may adversely affect the healthcare industry;
- trends or developments in the healthcare industry that may adversely affect our tenants;

- competition for acquisition opportunities;
- our failure to successfully develop, integrate and operate acquired properties and operations;
- our ability to operate as a public company;
- changes in accounting principles generally accepted in the United States of America (“GAAP”);
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- fluctuations in interest rates and increased operating costs;
- our increased vulnerability economically due to the concentration of our investments in healthcare properties;
- a substantial portion of our revenue is derived from our largest tenants and thus, the bankruptcy, insolvency or weakened financial position of any one of them could seriously harm our operating results and financial condition;
- geographic concentrations in Texas, Illinois, and Ohio causes us to be particularly exposed to downturns in these local economies or other changes in local real estate market conditions;
- lack of or insufficient amounts of insurance;
- other factors affecting the real estate industry generally;
- our failure to maintain our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes;
- limitations imposed on our business and our ability to satisfy complex rules in order for us to maintain our status as a REIT for U.S. federal income tax purposes; and
- changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. You should not place undue reliance on any forward-looking statements, which speak only as of the date of this report. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes after the date of this Annual Report on Form 10-K, except as required by applicable law. For a further discussion of these and other factors that could impact our future results, performance or transactions, see “Part I, Item 1A. Risk Factors.”

Unless the context otherwise requires or indicates, references above or in this report to "we," "us," "our," "the Company," "our Company," and "Community Healthcare Trust" refer to Community Healthcare Trust Incorporated, a Maryland corporation organized to qualify as a REIT for U.S. federal income tax purposes, together with its consolidated subsidiaries, including Community Healthcare OP, LP, a Delaware limited partnership, or our "operating partnership" or our "OP," of which we are the sole general partner and own 100% of its interests.

PART I.

ITEM 1. BUSINESS

We are a fully-integrated healthcare real estate company organized as a corporation in the State of Maryland on March 28, 2014. We own and acquire real estate properties that are leased to hospitals, doctors, healthcare systems or other healthcare service providers.

Real Estate Investments

As of December 31, 2019, we had investments of approximately \$602.9 million in 118 real estate properties located in 32 states, totaling approximately 2.6 million square feet in the aggregate. The real estate properties were 89.8% leased at December 31, 2019 with a weighted average remaining lease term of approximately 7.7 years. The Company's real estate investments by geographic area are detailed in Note 2 to the Consolidated Financial Statements. The following table details the Company's real estate investments at December 31, 2019:

<i>(Dollars in thousands)</i>	Number of Properties	Gross Investment
Medical office buildings	41	\$ 189,069
Physician clinics	22	55,620
Surgical centers and hospitals	15	76,292
Specialty centers	27	75,936
Behavioral facilities	9	121,497
Inpatient rehabilitation facilities	3	66,575
Long-term acute care hospitals	1	14,928
	118	599,917
Corporate property	—	2,935
Total real estate investments	118	\$ 602,852

Our investments in healthcare real estate are considered a single reportable segment as further discussed in Note 1 of Item 8 in this Annual Report on Form 10-K setting forth the required financial information.

Customer Concentrations

Our real estate portfolio is leased to a diverse tenant base. For the year ended December 31, 2019, none of our tenants individually accounted for 10% or more of our consolidated revenues. We have no control over the success or failure of our tenants' businesses and, at any time, any of our tenants may experience a downturn in its business that may weaken its financial condition.

Geographic Concentrations

The Company's portfolio is currently located in 32 states with 40.7% of our consolidated revenues for the year ended December 31, 2019 derived from properties located in Texas (16.6%), Illinois (14.0%), and Ohio (10.1%). Such geographic concentrations could expose the Company to certain downturns in the economics of those states or other changes in such states' respective real estate market conditions. Any material change in the current payment programs or regulatory, economic, environmental or competitive conditions in any of these areas could have an effect on our overall business results. In the event of negative economic or other changes in any of these markets, our business, financial condition and results of operations, our ability to make distributions to our shareholders and the trading price of our common shares may be adversely affected. See each of the discussions under Item 1A, "Risk Factors," under the captions "Adverse economic or other conditions in the geographic markets in which we conduct

business could negatively affect our occupancy levels and rental rates and have a material adverse effect on our operating results," and "A large percentage of our properties are located in Texas, Illinois, and Ohio, and changes in these markets may materially adversely affect us."

2019 Real Estate Investments

In 2019, the Company acquired 15 properties totaling approximately 436,000 square feet for an aggregate purchase price of approximately \$152.0 million. The Company's expected returns on these investments range from approximately 9% to 11%.

Competitive Strengths

We believe our management team's significant healthcare, real estate and public REIT management experience distinguishes us from other REITs and real estate operators, both public and private. Specifically, our Company's competitive strengths include, among others:

- *Strong, Diversified Portfolio.* Our focus is on investing in properties where we can develop strategic alliances with financially sound healthcare providers that offer need-based healthcare services in our target markets. Our tenant base includes many nationally recognized healthcare providers (or their affiliates) and our property portfolio has significant diversification with respect to healthcare provider, industry segment, and facility type.
- *Attractive and Disciplined Investment Focus.* We focus on healthcare facilities in our target submarkets which are off-market or lightly marketed transactions at purchase prices generally between \$5 million and \$30 million. We believe there is significantly less competition from existing REITs and institutional buyers for assets in these target submarkets than for comparable urban assets, thereby increasing the potential for more attractive risk-adjusted returns. In addition, we believe that healthcare-related real estate rents and valuations are less susceptible to changes in the general economy than many other types of commercial real estate due to favorable demographic trends and the need-based rise in healthcare expenditures, even during economic downturns.
- *Extensive Relationships with Healthcare Providers, Intermediaries and Property Owners.* We believe that our management team has a strong reputation among, and a deep understanding of the real estate needs of, healthcare providers in our target submarkets. In addition, we have strategic relationships which we believe gives us the ability to meet the needs of healthcare providers by structuring transactions that are mutually advantageous to sellers, our tenants and us. We believe this ability has led to, and will continue to lead to, strategic acquisition opportunities, which will, in turn, produce attractive risk-adjusted returns. None of our properties to date were acquired pursuant to "calls for offers" or other auction style bidding situations. We believe our relationships provide us with additional off-market or lightly marketed acquisition opportunities, thus providing us the opportunity to continue to purchase assets outside a competitive bidding process.
- *Experienced Management Team.* Each of the members of our executive management team has over 25 years of healthcare, real estate and/or public REIT management experience. Led by Timothy G. Wallace, our Chairman, Chief Executive Officer and President, David, H. Dupuy, our Executive Vice President and Chief Financial Officer, W. Page Barnes, our Executive Vice President and Chief Operating Officer, and Leigh Ann Stach, our Executive Vice President and Chief Accounting Officer, our management team has significant experience in acquiring, owning, operating and managing healthcare facilities and providing full service real estate solutions for the healthcare industry. Prior to founding our company, Mr. Wallace was a co-founder and Executive Vice President of Healthcare Realty Trust (NYSE: HR). Between the initial public offering of HR in 1993 and his departure from HR in 2002, Mr. Wallace was integral in helping to grow HR to over \$2 billion in assets. Prior to joining the Company, Mr. Dupuy was a Managing Director at SunTrust Robinson Humphrey where he led investment banking coverage of healthcare facilities and REITs and held positions in healthcare banking at Bank of America. Mr. Barnes has held executive positions with

acute care and behavioral hospital companies and directed healthcare lending for AmSouth Bank. Ms. Stach has experience in public healthcare REIT accounting and financial reporting.

- *Growth Oriented Capital Structure.* At December 31, 2019, we had \$15.0 million outstanding on our revolving credit facility and had \$175.0 million outstanding on our term loans under our second amended and restated Credit Agreement, as amended (collectively, our "Credit Facility") with a 31.1% debt-to-total capitalization ratio (debt plus stockholders' equity plus accumulated depreciation). In the future, in addition to equity and debt issuances, we may also use OP units of our operating partnership as currency to acquire additional properties from owners seeking to defer their potential taxable gain and diversify their holdings. We believe that the borrowing capacity under our Credit Facility, combined with our ability to use OP units as acquisition currency, provides us with significant financial flexibility to make opportunistic investments and fund future growth.
- *Significant Alignment of Interests.* We have structured the compensation of our board and management team to closely align their interests with the interests of our stockholders. Each of Mr. Wallace, Mr. Barnes and Ms. Stach have elected to take 100% of their total compensation in restricted stock since the Company's initial public offering, or IPO, in May 2015, subject to an eight-year cliff-vesting period. Similarly, Mr. Dupuy, who joined the Company during 2019, has elected to receive 100% of his total compensation in restricted stock since joining the Company. The Company's board of directors have elected to take 88% of their total compensation in restricted stock since the Company's IPO, subject to a three-year cliff-vesting period. We believe that paying our board and management team with restricted stock that is subject to long-term cliff-vesting periods effectively aligns the interests of our board and management with those of our stockholders, creating significant incentives to maximize returns for our stockholders. In addition, concurrently with the completion of our IPO in May 2015 and our follow-on offering in 2016, Mr. Wallace purchased over \$2.6 million in shares of our common stock and certain of our officers and directors purchased an aggregate of \$450,000 in shares of our common stock in concurrent private placements in each case at a price per share equal to the price of the shares sold in the IPO or follow-on offering, as applicable. Further, Mr. Wallace purchased 178,213 shares of our common stock under 10b5-1 plans that he had in place in 2016 and 2017, which we believe further aligns management's interests with our stockholders. Finally, each executive officer and director has met, stock ownership guidelines that require our executive officers and directors to continuously own an amount of our common stock based on a multiple of such officer's annual base salary or such director's annual retainer, as applicable.

Business Objective

Our principal business objective is to provide attractive risk-adjusted returns to our stockholders through a combination of (i) sustainable and increasing rental income and cash flow that generates reliable, increasing dividends and (ii) potential long-term appreciation in the value of our properties and common stock. Our primary strategies to achieve our business objective are to invest in, own and proactively manage a diversified portfolio of healthcare properties, which we believe will drive reliable, increasing rental revenue and cash flow.

Growth Strategy

We intend to continue to grow our portfolio of healthcare properties primarily through acquisitions of healthcare facilities in our target submarkets that provide stable revenue growth and predictable long-term cash flows. We generally focus on individual acquisition opportunities between \$5 million and \$30 million in off-market or lightly marketed transactions and do not intend to participate in competitive bidding or auctions of properties. We believe that there are abundant opportunities to acquire attractive healthcare properties in our target markets either from third-party owners of existing healthcare facilities or directly with healthcare providers through sale-leaseback transactions. We believe there is significantly less competition from existing REITs and institutional buyers for assets in these target submarkets than for comparable urban assets, thereby increasing the potential for attractive risk-adjusted returns. Furthermore, we may acquire healthcare properties on a non-cash basis in a tax efficient manner through the issuance of OP units as consideration for the transaction.

We intend for our investment portfolio to be diversified among healthcare facility type and segments such as medical office buildings, physician clinics, surgical centers and hospitals, specialty centers, behavioral facilities, inpatient rehabilitation facilities and long-term acute care hospitals, as well as being diverse both geographically and with respect to our tenant base. We seek to invest in properties where we can develop strategic alliances with financially-sound healthcare providers that offer need-based healthcare services in our target markets.

In connection with our review and consideration of healthcare real estate acquisition opportunities, we generally take into account a variety of considerations, including but not limited to:

- whether the property will be leased to a financially-sound healthcare tenant;
- the historical performance of the market and its future prospects;
- property location, with an emphasis on proximity to a population base;
- demand for healthcare related services and facilities;
- current and future supply of competing properties;
- occupancy and rental rates in the market;
- population density and growth potential;
- anticipated capital expenditures;
- anticipated future acquisition opportunities; and
- existing and potential competition from other healthcare real estate owners and tenants.

We currently have no intention to invest in companies that provide healthcare services structured to comply with the REIT Investment Diversification and Empowerment Act of 2007, or RIDEA.

We operate so as to maintain our status as a REIT for federal income tax purposes. As a REIT, we are not subject to corporate federal income tax with respect to taxable income distributed to our stockholders. We have also elected one subsidiary to be treated as a taxable REIT subsidiary ("TRS"), which is subject to federal and state income taxes.

Tax Status

We have qualified as a REIT for U.S. federal income tax purposes since 2015, the year we began operations, and we expect that we will remain qualified as a REIT for U.S. federal income tax purposes for the year ending December 31, 2020. Our qualification as a REIT depends upon our ability to meet, on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code of 1986, as amended, or the Code, relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our capital stock. We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code and that our manner of operations will enable us to continue to meet the requirements for qualification and taxation as a REIT for U.S. federal income tax purposes for the year ending December 31, 2020.

As a REIT, we generally will not be subject to U.S. federal income tax on our taxable income that we distribute currently to our stockholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute on an annual basis at least 90% of their REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. If we fail to qualify for taxation as a REIT in any taxable year and do not qualify for certain statutory relief provisions, our

income for that year will be subject to tax at regular corporate income tax rates, and we would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. Even if we qualify as a REIT for U.S. federal income tax purposes, we may still be subject to state and local taxes on our income and assets and to U.S. federal income and excise taxes on our undistributed income. Additionally, any income earned by Community Healthcare Trust Services, Inc., our TRS, and any other TRSs that we form or acquire in the future will be fully subject to U.S. federal, state and local corporate income tax. See *Government Regulation and Legislative Developments* below for a discussion of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the “Affordable Care Act”) and Note 14 to the Consolidated Financial Statements for a discussion of the Tax Cuts and Jobs Act (“TCJA”), enacted on December 22, 2017, which reduced the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018.

Government Regulation

Our healthcare tenants and their operators are subject to extensive federal, state and local government legislation and regulation. Federal laws, including but not limited to the Affordable Care Act; laws intended to combat fraud and waste such as the Anti-Kickback Statute, Stark Law, False Claims Act; Medicare and Medicaid laws and regulations; and the Health Insurance Portability and Accountability Act of 1996 may limit our tenants operational flexibility and compensation arrangements. Many states have analogous laws which may be broader than their federal counterparts, including state licensure laws, privacy rules, and Medicaid requirements. Compliance with these regulatory requirements can increase operating costs and, thereby, adversely affect the financial viability of our tenants’ businesses. Our tenants’ failure to comply with these laws and regulations could adversely affect their ability to successfully operate our properties, which could negatively impact their ability to satisfy their contractual obligations to us. As a landlord, we intend for all of our business activities and operations to conform in all material respects with all applicable laws and regulations, including healthcare laws and regulations. Our leases require the tenants and operators to comply with all applicable laws, including healthcare laws. However, we do not have any ability to audit nor do we independently verify such information.

These laws subject tenant healthcare facilities and practices to requirements related to reimbursement, licensing and certification policies, ownership of facilities, addition or expansion of facilities and services, pricing and billing for services, compliance obligations (including those governing the security, use and disclosure of confidential patient information) and fraud and abuse laws. These laws and regulations are wide-ranging and complex, may vary or overlap from jurisdiction to jurisdiction, and are subject frequently to change. Healthcare facilities may also be affected by changes in accreditation standards or in the procedures of the accrediting agencies that are recognized by governments in the certification process. In addition, expansion (including the addition of new beds or services or the acquisition of medical equipment) and occasionally the discontinuation of services of healthcare facilities may be subject to state regulatory approval through certificate of need programs. This may impact the ability of our tenants to expand their businesses. Different tenants may be more or less subject to certain types of regulation, some of which are specific to the type of facility or provider. We cannot predict the degree to which these changes, or changes to the federal healthcare programs in general, may affect the economic performance of some or all of our tenants, positively or negatively. We expect healthcare providers to continue to adjust to new operating and reimbursement challenges, as they have in the past, by increasing operating efficiency and modifying their strategies to profitably grow operations.

There are various state and federal laws that may apply to investors including U.S. federal and state anti-kickback and fee-splitting statutes, which limit physician referrals to entities in which the physician has a financial relationship. States vary in the types of entities, if any, that their laws cover. Investment interests in those facilities may, in certain instances, prohibit referrals to the entity by physician investors. Physician investors may also face disciplinary action from licensure boards for referrals to entities in which the physician has an investment interest. Some states require disclosure of the financial relationship before referral by any physician investors, while others prohibit referrals entirely. These state laws and regulations may be broader than their federal counterparts and are the subject of state enforcement. Many state laws contain exemptions for investments in publicly traded companies provided certain requirements are met. These exemption requirements may include listing on a national stock exchange or maintaining a minimum asset value. Meeting some of these requirements may be dependent on market forces or otherwise outside our control.

Changes in laws and regulations, reimbursement enforcement activity and regulatory non-compliance by our tenants and operators can all have a significant effect on their operations and financial condition, which in turn may adversely impact us, as detailed below and set forth under Item 1A, "Risk Factors," under the caption "The healthcare industry is heavily regulated and new laws or regulations, changes to existing laws or regulations, changes to reimbursement models or structure, loss of licensure or failure to obtain licensure could adversely impact our company and result in the inability of our tenants to make rent payments to us." We highlight below several of the more complex laws; however this is an overview, as the complexities of the laws impacting tenants are varied and extensive.

The Affordable Care Act has continued to change how healthcare services are covered, delivered and reimbursed. The Affordable Care Act includes payment reform provisions intended to drive Medicare towards more value-based purchasing which, in turn, increases accountability for healthcare providers for the quality and costs of the healthcare services they provide. While more individuals now carry healthcare coverage as a result of the Affordable Care Act, the full effects of the changes to reimbursement models for both public and commercial coverage continue to evolve. Each kind of healthcare provider tenant has a different and complex set of laws related to reimbursement and reimbursement models, which may affect the tenant's ability to collect revenues and meet the terms of their leases. Such varying reimbursement models and laws impact each kind of provider as well as the healthcare system as a whole. For example, for physicians, the Centers for Medicare and Medicaid Services sets an annual Medicare Sustainable Growth Rate and updates a related physician fee schedule to control spending by Medicare on physician services. The implementation of this physician fee schedule can be suspended or adjusted by Congress, as has been done regularly in the past. In addition, for ambulatory service centers, the Affordable Care Act introduced provisions that reduce the annual inflation update for payment rates by a "productivity adjustment," which may result in a decrease in Medicare payment rates for the same procedures in a given year compared to the prior year. Other changes brought about by the Affordable Care Act could negatively impact reimbursement for any one of the kind of provider tenants as outlined below.

The Affordable Care Act also altered reimbursement from private insurers and managed care organizations. Networks continue to readjust, and all providers must ensure adequate market share in their respective areas to remain in the network created by many of the managed care organizations. Under the Affordable Care Act prior to the Trump Administration, individuals were required to obtain coverage or pay a penalty resulting in millions of more Americans obtaining coverage, usually through the healthcare exchanges (called the Marketplace) established to provide coverage in each state. The Trump Administration and Congress removed this mandate beginning in 2019. The Trump Administration has also loosened rules to allow greater flexibility among insurers in the benefits offered, both lowering the costs of some plans but also limiting the coverage such plans offer. It is unclear at this time if increased competition from lowcost plans will damage the Marketplace, and how these changes will affect coverage rates in any particular state or locale. While the Trump Administration had decreased its focus on repealing the Affordable Care Act, a December 2018 federal court ruled the law unconstitutional. This decision is still being appealed by several states. There is continued uncertainty with respect to the impact the Trump Administration and the federal judiciary may have on the Affordable Care Act, and it could impact coverage and reimbursement for healthcare items and services covered by plans that were authorized by the Affordable Care Act. However, we cannot predict the ultimate content, timing or effect of any healthcare reform legislation or the impact of potential legislation on us and/or our tenants.

Section 603 of the Bipartisan Budget Act of 2015 lowered Medicare rates, effective January 1, 2017, for services provided in off-campus, provider-based outpatient departments, to the same level of rates for physician-office settings. Section 603 does not apply to facilities that billed at the lower Medicare rates on or before November 2, 2015 (the "grandfather clause") or that had a binding written agreement in place for the construction of the off-campus site before November 2, 2015 (the "mid-build exemption"). Section 603 reflects movement by the Congress and the Center for Medicare and Medicaid Services ("CMS") toward "site-neutral reimbursement" where Medicare rates across different facility-type settings are equalized. CMS finalized rules in 2018 to implement these changes. While changes such as Section 603 are expected to lower overall Medicare spending, our medical office buildings located on hospital campuses could become more valuable as hospital tenants keep their higher Medicare rates for on-campus outpatient services. However, we cannot predict the amount of benefit from these measures or if current

and future federal budget negotiations will ultimately require similar site neutral changes in Medicare reimbursement rates for services provided in other facility-type settings.

Legislative Developments

Each year, legislative proposals for health policy are introduced in Congress and state legislatures, and regulatory changes are enacted by government agencies. These proposals, individually or in the aggregate, could significantly change the delivery of healthcare services, either nationally or at the state level, if implemented. Examples of significant legislation currently under consideration, recently enacted or in the process of implementation, include:

- the Affordable Care Act and proposed amendments and any further repeal measures and related actions at the federal and state level;
- the repeal of a portion of the Affordable Care Act (effective in 2019) for the mandate that all individuals purchase health insurance or pay a tax penalty;
- quality control, cost containment, and payment system reforms for Medicaid, Medicare and other public funding, such as expansion of pay-for-performance criteria and value-based purchasing programs, bundled provider payments, accountable care organizations, increased patient cost-sharing, geographic payment variations, comparative effectiveness research, and lower payments for hospital readmissions;
- implementation of health insurance exchanges and regulations governing their operation, whether run by the state or by the federal government, whereby individuals and small businesses purchase health insurance, including government-funded plans, many assisted by federal subsidies that are under ongoing legal challenges;
- equalization of Medicare payment rates across different facility-type settings (i.e.; the Bipartisan Budget Act of 2015, Section 603, lowered Medicare payment rates, effective January 1, 2017, for services provided in off-campus, provider-based outpatient departments to the same level of rates for physician-office settings for those facilities not grandfathered-in under the current Medicare rates as of the law's date of enactment, November 2, 2015);
- the continued adoption by providers of federal standards for, and the associated audits of, the meaningful-use of electronic health records and the transition to ICD-10 coding;
- an increased flexibility from the Trump Administration to grant Medicaid waivers, including work and job training requirements, which could decrease Medicaid coverage;
- a continuing trend of provider consolidation and associated antitrust scrutiny; and
- tax law changes affecting non-profit providers, including the 2017 act's effect on charitable contributions.

Environmental Matters

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

Competition

We compete with many other entities engaged in real estate investment activities for acquisitions of healthcare properties, including national, regional and local operators, acquirers and developers of healthcare-related real estate

properties. The competition for healthcare-related real estate properties may significantly increase the price that we must pay for healthcare properties or other assets that we seek to acquire, and our competitors may succeed in acquiring those properties or assets themselves. In addition, our potential acquisition targets may find our competitors to be more attractive because they may have greater resources, may be willing to pay more for the properties or may have a more compatible operating philosophy. In particular, larger REITs that target healthcare properties may enjoy significant competitive advantages that result from, among other things, a lower cost of capital, enhanced operating efficiencies, more personnel and market penetration and familiarity with markets. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase. Increased competition would result in increased demand for the same assets and therefore increase prices paid for them. Those higher prices for healthcare properties or other assets may adversely affect our returns from our investments.

Insurance

We carry comprehensive liability insurance and property insurance covering our properties. In addition, tenants under long-term single-tenant net leases are required to carry property insurance covering our interest in the buildings.

Employees

At December 31, 2019, we employed 25 people. The employees are not members of any labor union, and we consider our relations with our employees to be excellent.

Seasonality

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

Available Information

The Company makes available to the public free of charge through its internet website the Company's Definitive Proxy Statement, Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after the Company electronically files such reports with, or furnishes such reports to, the Securities and Exchange Commission ("SEC"). The Company's internet website address is www.chct.reit.

The public may read and copy any materials that the Company files with the SEC at the SEC's Public Reference Room located at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains electronic versions of the Company's reports on its website at www.sec.gov.

Corporate Governance Guidelines

The Company has adopted Corporate Governance Guidelines relating to the conduct and operations of the Board of Directors. The Corporate Governance Guidelines are posted on the Company's website (www.chct.reit) and are available in print to any stockholder who requests a copy.

Committee Charters

The Board of Directors has an Audit Committee, Compensation Committee and Corporate Governance Committee. The Board of Directors has adopted written charters for each committee which are posted on the Company's website (www.chct.reit) and are available in print to any stockholder who requests a copy.

ITEM 1A. RISK FACTORS

Risks Related to Our Business

Our real estate investments are concentrated in healthcare properties, making us more vulnerable economically than if our investments were diversified in other segments of the economy.

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

We may be unable to source off-market or lightly marketed deal flow in the future, which may have a material adverse effect on our growth.

A key component of our investment strategy is to acquire additional healthcare properties in off-market or lightly marketed transactions, relying on our officers' relationships with healthcare providers and real estate brokers. We seek to acquire properties before they are widely marketed by real estate brokers. As we expect to compete with many national, regional and local acquirers of healthcare properties, properties that are acquired in off-market or lightly marketed transactions are typically more attractive to us as a purchaser because of the absence of a formal sales process, which could lead to higher prices. In the formal sales process, our potential acquisition targets may find our competitors to be more attractive because they may have greater resources, may be willing to pay more for the properties or may have a more compatible operating philosophy. In particular, larger REITs, including publicly traded and privately held REITs, private equity investors or institutions investment funds who are targeting healthcare properties may enjoy significant competitive advantages that result from, among other things, a lower cost of capital, enhanced operating efficiencies, more risk tolerance, more personnel and market penetration and familiarity with markets. As such, if we do not have access to off-market or lightly marketed deal flow in the future, our ability to locate and acquire additional properties in our target submarkets at attractive prices could be materially and adversely affected, which could materially impede our growth, and, as a result, adversely affect our operating results.

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

Our success depends, to a significant extent, on the continued services of Mr. Timothy G. Wallace, our Chairman, Chief Executive Officer and President, Mr. David H. Dupuy, our Executive Vice President and Chief Financial Officer, Mr. W. Page Barnes, our Executive Vice President and Chief Operating Officer, and Ms. Leigh Ann Stach, our Executive Vice President and Chief Accounting Officer. Each executive officer has significant experience in the healthcare and/or real estate industry and have all developed significant relationships with various healthcare providers and real estate brokers throughout the United States. Our ability to continue to acquire and develop healthcare properties in off market or lightly marketed transactions depends upon the significant relationships that our senior management team has developed over many years.

Although we have entered into employment agreements with Messrs. Wallace, Dupuy, and Barnes and Ms. Stach, we cannot provide any assurance that any of them will remain employed by us. Our ability to retain our executive

officers, or to attract suitable replacements should any member of the senior management team leave, is dependent on the competitive nature of the employment market. The loss of services of, or the failure to successfully integrate one or more new members of, our senior management team could adversely affect our business and our prospects.

We may be unable to complete any pending acquisitions, which would adversely affect our ability to make distributions to our stockholders and could have a material adverse impact on our results of operations, earnings and cash flow.

We cannot assure you that we will complete any pending acquisitions on the terms described in this report or other reports the Company may file or furnish in future SEC filings, because these transactions are subject to a variety of conditions, including, in the case of properties under contract, the execution of a mutually agreed-upon lease between us and the proposed tenant, our satisfactory completion of due diligence and the satisfaction of customary closing conditions. These transactions, whether or not successful, require substantial time and attention from management. Furthermore, the pending acquisitions require significant expense, including expenses for due diligence, legal and accounting fees and other costs. If we are unable to complete any potential acquisitions, we would still incur the costs associated with pursuing those investments, but would not generate the revenues and net operating income that we currently anticipate, which would adversely affect our ability to make distributions to our stockholders and could have a material adverse impact on our financial condition, results of operations and the market price of our common shares.

We may be unable to successfully acquire properties and expand our operations into new or existing target submarkets.

A component of our strategy is to pursue acquisitions of properties in new and existing target submarkets. These acquisitions could divert our officers' attention from other pending and/or potential acquisitions, and we may be unable to retain key employees or attract highly qualified new employees in those markets. In addition, we may not possess familiarity with the dynamics and prevailing conditions of any new target submarkets, which could adversely affect our ability to successfully expand into or operate within those markets. For example, new target submarkets may have different insurance practices, reimbursement rates and local real estate zoning regulations than those with which we are familiar. We may find ourselves more dependent on third parties in new target submarkets because our physical distance could hinder our ability to directly and efficiently manage and otherwise monitor new properties in new target submarkets. In addition, our expansion into new target submarkets could result in unexpected costs or delays as well as lower occupancy rates and other adverse consequences. We may not be successful in identifying suitable properties or other assets that meet our acquisition criteria or in consummating acquisitions on satisfactory terms or at all for a number of reasons, including, among other things, significant competition from other prospective purchasers in new target submarkets, unsatisfactory results of our due diligence investigations, failure to obtain financing for the acquisition on favorable terms or at all, and our misjudgment of the value of the opportunities. We may also be unable to successfully integrate the operations of acquired properties, maintain consistent standards, controls, policies and procedures, or realize the anticipated benefits of the acquisitions within the anticipated timeframe or at all. If we are unsuccessful in expanding into new or our existing target submarkets, it could materially and adversely affect our business, financial condition and results of operations, our ability to make distributions to our stockholders and the market price of our common stock.

The bankruptcy, insolvency or weakened financial position of our tenants, and particularly our largest tenants, could materially and adversely affect our operating results and financial condition.

We receive substantially all of our revenue from rent payments from tenants under leases of space in our healthcare properties. We have no control over the success or failure of our tenants' businesses and, at any time, any of our tenants may experience a downturn in its business that may weaken its financial condition. Additionally, private or governmental payers may lower the reimbursement rates paid to our tenants for their healthcare services. For example, the Affordable Care Act provides for significant reductions to Medicare and Medicaid payments. As a result, our tenants may delay lease commencement or renewal, fail to make rent payments when due or declare bankruptcy. Any leasing delays, tenant failures to make rent payments when due or tenant bankruptcies could result in the termination of the tenant's lease and, particularly in the case of a large tenant, or a significant number of

tenants, may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the market price of our common stock. In addition, to the extent a tenant vacates specialized space in one of our properties (such as imaging space, ambulatory surgical space, or inpatient hospital space), re-leasing the vacated space could be more difficult than re-leasing less specialized office space, as there are fewer users for such specialized healthcare space in a typical market than for more traditional office space.

Any bankruptcy filings by or relating to one of our tenants could bar all efforts by us to collect pre-bankruptcy debts from that tenant or seize its property, unless we receive an order permitting us to do so from a bankruptcy court, which we may be unable to obtain. A tenant bankruptcy could also delay our efforts to collect past due balances under the relevant leases and could ultimately preclude full collection of these sums. Furthermore, if a tenant rejects the lease while in bankruptcy, we would have only a general unsecured claim for pre-petition damages. Any unsecured claim that we hold may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. It is possible that we may recover substantially less than the full value of any unsecured claims that we hold, if any, which may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the market price of our common stock. Furthermore, dealing with a tenant bankruptcy or other default may divert management's attention and cause us to incur substantial legal and other costs, which could adversely affect our ability to execute our business strategies, financial condition, and results of operations, as well as our ability to make distributions to our stockholders and the market price of our common stock.

We may have difficulty finding suitable replacement tenants in the event of a tenant default or non-renewal of our leases, especially for our properties located in smaller markets.

We cannot predict whether our tenants will renew existing leases beyond their current terms. At December 31, 2019, we had 50 leases scheduled to expire in 2020 and 23 leases scheduled to expire in 2021 which represent 9.0% and 6.1% of our total annualized lease revenue, respectively, for the year ended December 31, 2019. If any of our leases are not renewed, or are terminated prior to the contractual expiration date, we would attempt to lease those properties to another tenant at then-current market rates. However, following expiration of a lease term or if we exercise our right to replace a tenant in default, rental payments on the related properties could decline or cease altogether while we reposition the properties with a suitable replacement tenant. As such, we may be required to fund certain expenses and obligations (e.g., real estate taxes, debt costs and maintenance expenses) to preserve the value of, and avoid the imposition of liens on, our properties while they are being repositioned. Furthermore, our ability to reposition our properties with a suitable tenant could be significantly delayed or limited by state licensing, receivership, certificate of need, or CON, or other laws, as well as by the Medicare and Medicaid change-of-ownership rules. We could also incur substantial additional expenses in connection with any licensing, receivership or change-of-ownership proceedings. In addition, our ability to locate suitable replacement tenants could be impaired by the specialized healthcare uses or contractual restrictions on use of the properties, and we may be required to spend substantial amounts to adapt the properties to other uses. Any such delays, limitations and expenses could adversely impact our ability to collect rent, obtain possession of leased properties or otherwise exercise remedies for tenant default and could have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the market price of our common stock.

All of these risks may be greater in the target submarkets on which we focus, where there may be fewer potential replacement tenants, making it more difficult to replace tenants, especially for specialized space, like hospital or outpatient treatment facilities located in our properties, and could have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the market price of our common stock.

Adverse economic or other conditions in the geographic markets in which we conduct business could negatively affect our occupancy levels and rental rates and have a material adverse effect on our operating results.

Our operating results depend upon our ability to maintain and improve the anticipated occupancy levels and rental rates at our properties. Adverse economic or other conditions in the geographic markets in which we operate, including periods of economic slowdown or recession, industry slowdowns, periods of deflation, relocation of businesses, changing demographics, water pollution, earthquakes and other natural disasters, fires, terrorist acts, civil disturbances or acts of war and other man-made disasters which may result in uninsured or underinsured losses, and changes in tax, real estate, zoning and other laws and regulations, may lower our occupancy levels and limit our ability to increase rents or require us to offer rental concessions. The failure of our properties to generate revenues sufficient to meet our cash requirements, including operating and other expenses, debt service and capital expenditures, may have an adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the market price of our common stock.

A large percentage of our properties are located in Texas, Illinois, and Ohio, and changes in these markets may materially adversely affect us.

Of our investments in 118 properties, the properties located in Texas, Illinois, and Ohio provide, in the aggregate, approximately 40.7% of our annualized rent as of December 31, 2019. As a result of this geographic concentration, we are particularly exposed to downturns in the economies of those states or other changes in such states' respective real estate market conditions. Any material change in the current payment programs or regulatory, economic, environmental or competitive conditions in these states could have a disproportionate effect on our overall business results. In the event of negative economic or other changes in these markets, our business, financial condition and results of operations, our ability to make distributions to our stockholders and the market price of our common stock may be materially and adversely affected.

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

In order to maintain our status as a REIT under the Code, we are required, among other things, to distribute each year to our stockholders at least 90% of our REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains. In addition, we are subject to income tax at regular corporate rates to the extent we distribute less than 100% of our REIT taxable income, including any net capital gains. Because of this distribution requirement, we will not likely be able to fund all of our future capital needs from cash retained from operations, including capital needed to make investments and to satisfy or refinance maturing obligations. As a result, we expect to rely upon external sources of capital, including debt and equity financing, to fund future capital needs. If we are unable to obtain needed capital on satisfactory terms or at all, we may not be able to make the investments needed to expand our business or to meet our obligations and commitments as they mature. Our access to capital will depend upon a number of factors over which we have little or no control, including general market conditions, the market's perception of our current and potential future earnings and cash distributions and the market price of our common stock. We may not be in a position to take advantage of attractive acquisition opportunities for growth if we are unable to access the capital markets on a timely basis on favorable terms.

We may not be able to control our expenses or our expenses may remain constant or increase, even if our revenue does not increase, which could cause our results of operations to be adversely affected.

There are factors beyond our control that may adversely affect our ability to control our expenses. Certain costs associated with real estate investments (e.g., real estate taxes, debt costs and maintenance expenses) required to preserve the value of the property may not be reduced even if a healthcare related facility is not occupied or other circumstances cause our revenues to decrease. If our expenses increase as a result of any of the foregoing factors, our results of operations may be adversely affected.

Our ability to issue equity to expand our business will depend, in part, upon the market price of our common stock, and our failure to meet market expectations with respect to our business could adversely affect the market price of our common stock and thereby limit our ability to raise capital.

The availability of equity capital to us will depend, in part, upon the market price of our common stock, which, in turn, will depend upon various market conditions and other factors that may change from time to time, including:

- the extent of investor interest in our Company and our assets;
- our ability to satisfy the distribution requirements applicable to REITs;
- the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our financial performance and that of our tenants;
- analyst reports about us and the REIT industry;
- macroeconomic conditions generally and conditions affecting the healthcare and real estate industry in particular;
- general stock and bond market conditions, including changes in interest rates on fixed income securities, which may lead prospective purchasers of our common stock to demand a higher annual yield from future distributions;
- a failure to maintain or increase our dividend which is dependent, in large part, upon funds from operations, or FFO, which, in turn, depends upon increased revenue from additional acquisitions and rental increases; and
- other factors such as governmental regulatory action and changes in REIT tax laws.

Our failure to meet the market's expectations with regard to future earnings and cash distributions could materially and adversely affect the market price of our common stock and, as a result, the cost and availability of equity capital to us.

We have now, and may have in the future, exposure to contingent rent escalators, which can hinder our growth and profitability.

We receive a significant portion of our revenues by acquiring and leasing our assets under long-term net leases in which the rental rate is generally fixed with annual fixed rate rental rate escalations or rental rate escalators based upon changes in the Consumer Price Index, or CPI. Properties which we acquire in the future may contain CPI escalators or escalators that are contingent upon our tenant's achievement of specified revenue parameters. If, as a result of weak economic conditions or other factors, the revenues generated by our net leased properties do not meet the specified parameters or CPI does not increase, our growth and profitability will be hindered by these leases.

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

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

- we may be unable to obtain financing for development projects on favorable terms or at all;

- we may not complete development projects on schedule or within budgeted amounts;
- we may encounter delays in obtaining or fail to obtain all necessary zoning, land use, building, occupancy, environmental and other governmental permits and authorizations, or underestimate the costs necessary to develop the property to market standards;
- development or construction delays may provide tenants the right to terminate preconstruction leases or cause us to incur additional costs;
- volatility in the price of construction materials or labor may increase our development costs;
- hospitals or health systems may maintain significant decision-making authority with respect to the development schedule;
- we may incorrectly forecast risks associated with development in new geographic regions;
- tenants may not lease space at the quantity or rental rate levels projected;
- demand for our development project may decrease prior to completion, including due to competition from other developments; and
- lease rates and rents at newly developed properties may fluctuate based on factors beyond our control, including market and economic conditions.

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

Mortgage notes in which we may invest in may be impacted by unfavorable real estate market conditions, which could decrease their value.

Investments in mortgage notes involve special risks relating to the particular borrower, and we could be at risk of loss on that investment, including losses as a result of a default on the mortgage note. These losses may be caused by many conditions beyond our control, including economic conditions affecting real estate values, tenant defaults and lease expirations, interest rate levels, adverse rulings of bankruptcy courts, and the other economic and liability risks associated with real estate. We do not know whether the values of the property securing any of our real estate related investments will remain at the levels existing on the dates we initially make the related investment. If the values of the underlying properties drop, our risk will increase and the values of our interests may decrease.

Delays in liquidating defaulted mortgage note investments could reduce our investment returns.

Delays in liquidating defaulted mortgage note investments could reduce our investment returns. If there are defaults under mortgage note investments, we may not be able to foreclose on or obtain a suitable remedy with respect to such investments. Specifically, we may not be able to repossess and sell the underlying properties quickly, which could reduce the value of our investment. For example, an action to foreclose on a property securing a mortgage note is regulated by state statutes and rules and is subject to many of the delays and expenses of lawsuits if the defendant raises defenses or counterclaims. Additionally, in the event of default by a mortgagor, these restrictions, among other things, may impede our ability to foreclose on or sell the mortgaged property or to obtain proceeds sufficient to repay all amounts due to us on the mortgage note.

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

Our business is at risk from and may be impacted by information security incidents, including attempts to gain unauthorized access to our confidential data, ransomware, malware, and other electronic security events. Such incidents can range from individual attempts to gain unauthorized access to our information technology systems to more sophisticated security threats. They can also result from internal compromises, such as human error or malicious acts. While we employ a number of measures to prevent, detect and mitigate these threats, there is no guarantee such efforts will be successful in preventing a cyber event. Cybersecurity incidents could disrupt our business and compromise confidential information of ours and third parties, including our tenants.

If LIBOR is discontinued or if the methods of calculating LIBOR change from their current form, interest rates on our Credit Facility may be adversely impacted.

In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee (AARC) has proposed that the Secured Overnight Financing Rate (SOFR) is the rate that represents best practice as the alternative to LIBOR for use in derivatives and other financial contracts currently indexed to LIBOR. AARC has proposed a paced market transition plan to SOFR from LIBOR. We are currently evaluating the impact of the transition from LIBOR as an interest rate benchmark to other potential alternative reference rates, including SOFR. We do not currently have material contracts, with the exception of our Credit Facility, that are indexed to LIBOR. We will continue to actively assess the related opportunities and risks involved in this transition.

Risks Related to the Healthcare Industry

The healthcare industry is heavily regulated and new laws or regulations, changes to existing laws or regulations, changes to reimbursement models or structure, loss of licensure or failure to obtain licensure could adversely impact our company and result in the inability of our tenants to make rent payments to us.

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

The Affordable Care Act's passage changed how healthcare services are covered, delivered and reimbursed through expanded coverage of uninsured individuals and reduced Medicare program spending. The law reformed certain aspects of health insurance, expanded existing efforts to tie Medicare and Medicaid payments to performance and quality and contained provisions intended to strengthen fraud and abuse enforcement. In addition, the law requires skilled nursing facilities and nursing facilities to implement a compliance and ethics program for all employees and agents. The complexities and ramifications of the Affordable Care Act continue to unfold within our industry. Our revenues and financial condition, and those of our tenants, could be impacted by the current law's complexity, lack of implementing regulations or interpretive guidance, gradual implementation and possible additional changes to the law. Further, we are unable to foresee how individuals and businesses will respond to the uncertain landscape or that landscape's effect on the reimbursement rates received by our tenants, the financial success of our tenants and strategic partners, and consequently the effect on us.

The Trump Administration has attempted to repeal portions of the Affordable Care Act and replace the current legislation with new legislation. While the Trump Administration's efforts in 2017 and 2018 were largely unsuccessful, there is continued uncertainty with respect to the impact the Trump Administration may have, and it could impact coverage and reimbursement for healthcare items and services covered by plans that were authorized by the Affordable Care Act. Further, a federal district court has recently ruled the Affordable Care Act

unconstitutional, and the fate of the legislation remains subject to further appeal before federal appellate courts and perhaps the U.S. Supreme Court.

We cannot predict the ultimate content, timing or effect of any further healthcare reform legislation or the impact of potential legislation on us. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for medical products once approved or additional pricing pressures, and may adversely affect our operating results.

Many states also regulate the construction of healthcare facilities, the expansion of healthcare facilities, the construction or expansion of certain services, including by way of example specific bed types and medical equipment, as well as certain capital expenditures through CON laws. Under such laws, the applicable state regulatory body must determine a need exists for a project before the project can be undertaken. If one of our tenants seeks to undertake a CON-regulated project, but is not authorized by the applicable regulatory body to proceed with the project, the tenant would be prevented from operating in its intended manner.

Failure to comply with these laws and regulations could adversely affect us directly and our tenants' ability to make rent payments to us which may have an adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the market price of our common stock.

Adverse trends in healthcare provider operations may negatively affect our lease revenues and our ability to make distributions to our stockholders.

The healthcare industry is currently experiencing, among other things:

- changes in the demand for and methods of delivering healthcare services;
- changes in third party reimbursement methods and policies;
- increased attention to compliance with regulations designed to safeguard protected health information and cyber-attacks on entities;
- consolidation and pressure to integrate within the healthcare industry through acquisitions and joint ventures; and
- increased scrutiny of billing, referral and other practices by U.S. federal and state authorities.

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

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

Sources of revenue for our tenants typically include Medicare, Medicaid, private insurance payers and health maintenance organizations. Healthcare providers continue to face increased government and private payer pressure to control or reduce healthcare costs and significant reductions in healthcare reimbursement, including reduced reimbursements and changes to payment methodologies under the Affordable Care Act. In some cases, private insurers rely upon all or portions of the Medicare payment systems to determine payment rates which may result in decreased reimbursement from private insurers. The Affordable Care Act and associated regulations continue to encourage increasing enrollment in plans offered by private insurers who choose to participate in state-run exchanges, but recent changes by the Trump Administration affecting Medicaid and the availability of lower cost, lower coverage plans creates uncertainty around private insurer costs and, thereby, payment rates to providers.

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

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

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

These laws include without limitation:

- the federal Anti-Kickback Statute, which prohibits, among other things, the offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, the referral of any federal or state healthcare program patients;
- the Stark Law, which, subject to specific exceptions, restricts physicians who have financial relationships with healthcare providers from making referrals for designated health services for which payment may be made under Medicare or Medicaid programs to an entity with which the physician, or an immediate family member, has a financial relationship;
- the federal False Claims Act, which prohibits any person from knowingly presenting false or fraudulent claims for payment to the federal government, including under the Medicare and Medicaid programs;
- the federal Civil Monetary Penalties Law, which authorizes the Department of Health and Human Services, or HHS, to impose monetary penalties for certain fraudulent acts; and
- state anti-kickback, anti-inducement, anti-referral and insurance fraud laws which may be generally similar to, and potentially more expansive than, the federal laws set forth above.

Other laws that impact how our tenants conduct their operations include: state and local licensure laws; laws protecting consumers against deceptive practices; laws generally affecting our tenants' management of property and equipment and how our tenants generally conduct their operations, such as fire, health and safety and environmental laws (including medical waste disposal); federal and state laws affecting assisted living facilities mandating quality of services and care, mandatory reporting requirements regarding the quality of care and quality of food service; resident rights (including abuse and neglect laws); and health standards set by the federal Occupational Safety and Health Administration.

Violations of these laws may result in criminal and/or civil penalties that range from punitive sanctions, damage assessments, penalties, imprisonment, denial of Medicare and Medicaid payments and/or exclusion from the Medicare and Medicaid programs. In addition, the Affordable Care Act clarifies that the submission of claims for items or services generated in violation of the Anti-Kickback Statute constitutes a false or fraudulent claim under the False Claims Act. The federal government has taken the position, and some courts have held that violations of other laws, such as the Stark Law, can also be a violation of the False Claims Act. Additionally, certain laws, such as the False Claims Act, allow for individuals to bring whistleblower actions on behalf of the government for violations thereof. Imposition of any of these penalties upon one of our tenants or strategic partners could jeopardize that tenant's ability to operate or to make rent payments or affect the level of occupancy in our healthcare properties, which may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the market price of our common stock. Further, we enter into leases and other financial relationships with healthcare delivery systems that are subject to or impacted by these laws.

Our tenants may be subject to compliance issues and cyber-attack associated with the protection of personal information.

Breaches of personal information can result from deliberate attacks or unintentional events. More recently, there has been an increased level of attention focused on cyber-attacks focused on healthcare providers because of the vast amount of personally identifiable information they possess. Public awareness of privacy and security issues is increasing. Most healthcare providers, including all who accept Medicare and Medicaid, must comply with the Health Insurance Portability and Accountability Act, as amended (HIPAA), regulations regarding the privacy and security of protected health information. All 50 states also maintain laws focused on the privacy, security and notification requirements with regard to personally identifiable information, including health information. The HIPAA regulations impose extensive administrative requirements on our tenants and their business associate vendors with regard to how such protected health information may be used and disclosed. Further, the regulations include extensive and complex regulations which require providers to establish reasonable and appropriate administrative, technical and physical safeguards to ensure the confidentiality, integrity and availability of protected health information. Providers are obligated under HIPAA and state law to notify individuals and the government if personal information is compromised. In addition to federal regulators, state attorneys general are also enforcing information security breaches. As of 2018, all 50 states have breach notification laws. In addition to state laws regarding confidentiality of medical information, several states are now focused on expanding state privacy laws. California recently enacted an expansion privacy law, effective January 1, 2020, whose effects on our tenant's businesses are still undetermined. These laws require our tenants to safeguard protected health information, and potentially other information, against reasonably anticipated threats or hazards to the information. HIPAA directs the Secretary of HHS to provide for periodic audits to ensure covered entities (and their business associates, as that term is defined under HIPAA) comply with the applicable HIPAA requirements.

Violations of these various privacy and security laws can result in significant civil monetary penalties, as well as the potential for criminal penalties. In addition to state data breach notification requirements, HIPAA authorizes state attorneys general to bring civil actions on behalf of affected state residents against entities that violate HIPAA privacy and security regulations. These penalties could be in addition to any penalties assessed by a state for a breach which would be considered reportable under the state's data breach notification laws. Further there are significant costs associated with a breach including investigation costs, remediation and mitigation costs, notification costs, attorney fees and the potential for reputational harm and lost revenues due to a loss in confidence in the provider. Plaintiff attorneys are increasingly developing class action litigation strategies designed to obtain settlements from healthcare providers. We cannot predict the effect of additional costs on tenants to comply with these laws nor the costs associated with a potential breach of protected health information by a tenant and what effect they might have on the expenses of our tenants and their ability to meet their obligations to us, which in turn could have a material adverse effect on our business, financial condition and results of operations, our ability to pay distributions to our stockholders and the market price of our common stock.

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

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

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

Risks Related to the Real Estate Industry

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

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

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

Moreover, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interests. Therefore, we may not be able to vary our portfolio promptly in response to economic or other conditions or on favorable terms, which may adversely affect our cash flows, our ability to make distributions to our stockholders and the market price of our common stock.

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

We intend to hold our various real estate investments until such time as we determine that a sale or other disposition appears to be advantageous to achieve our investment objectives. Our senior management team and our board of directors may exercise their discretion as to whether and when to sell one of our healthcare properties, and we will have no obligation to sell our buildings at any particular time. We generally intend to hold our healthcare properties for an extended period of time, and we cannot predict with any certainty the various market conditions affecting real estate investments that will exist at any particular time in the future. Because of the uncertainty of market conditions that may affect the future disposition of our healthcare properties, we may not be able to sell our buildings at a profit in the future or at all. We may incur prepayment penalties in the event that we sell a property subject to a mortgage earlier than we otherwise had planned. Additionally, we could be forced to sell healthcare properties at inopportune

times which could result in us selling the affected building at a substantial loss. Accordingly, the extent to which you will receive cash distributions and realize potential appreciation on our real estate investments will, among other things, be dependent upon fluctuating market conditions. Because of the uncertainty of market conditions that may affect the future disposition of our properties, and the potential payment of prepayment penalties upon such disposition, we cannot assure you that we will be able to sell our properties at a profit in the future, which could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Uninsured losses relating to real property may adversely affect your returns.

We evaluate our insurance coverage annually in light of current industry practice through an analysis prepared by outside consultants and attempt to ensure that all of our properties are adequately insured to cover casualty losses. However, there are certain losses, including losses from floods, earthquakes, wildfires, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so. In addition, changes in the cost or availability of insurance could expose us to uninsured casualty losses. In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by the amount of any such uninsured loss, and we could experience a significant loss of capital invested and potential revenue in these properties and could potentially remain obligated under any recourse debt associated with the property. In addition, we may have no source of funding to repair or reconstruct the damaged property, and we cannot assure you that any such sources of funding will be available to us for such purposes in the future. Furthermore, we, as the general partner of our operating partnership, generally will be liable for all of our operating partnership's unsatisfied recourse obligations. Any such losses could materially adversely affect our financial condition, results of operations, cash flows and ability to pay distributions, and the market price of our common stock.

Our property taxes could increase due to property tax rate changes or reassessments, which could materially adversely impact our cash flows.

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. The amount of property taxes we pay in the future may increase substantially from what we have paid in the past. If the property taxes we pay increase, our cash flow would be adversely impacted to the extent that we are not reimbursed by tenants for those taxes, and our ability to pay any expected dividends to our stockholders could be materially adversely affected.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs of remediation.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury is alleged to have occurred.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties.

The properties in our portfolio are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances and zoning restrictions may restrict our use of our properties and may require us to obtain approval from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Our growth strategy may be adversely affected by our ability to obtain permits, licenses and zoning relief. Our failure to obtain such permits, licenses and zoning relief or to comply with applicable laws could have an adverse effect on our financial condition, results of operations, cash flows and our ability to pay distributions, and the market price of our common stock.

In addition, federal and state laws and regulations, including laws such as the Americans with Disabilities Act, or ADA, and the Fair Housing Amendment Act of 1988, or FHAA, impose further restrictions on our properties and operations. Under the ADA and the FHAA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA or the FHAA. If one or more of our properties is not in compliance with the ADA, the FHAA or any other regulatory requirements, we may be required to incur additional costs to bring the property into compliance, including the removal of access barriers, and we might incur governmental fines or the award of damages to private litigants. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely impact our financial condition, results of operations, cash flows and our ability to pay distributions, and the market price of our common stock.

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

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

We perform a Phase I environmental site assessment at any property we are considering acquiring. However, Phase I environmental site assessments are limited in scope and do not involve sampling of soil, soil vapor, or groundwater, and these assessments may not include or identify all potential environmental liabilities or risks associated with the property. Even where subsurface investigation is performed, it can be very difficult to ascertain the full extent of environmental contamination or the costs that are likely to flow from such contamination. We cannot assure you that the Phase I environmental site assessment or other environmental studies identified all potential environmental liabilities, or that we will not face significant remediation costs or other environmental contamination that makes it difficult to sell any affected properties. As a result, we could potentially incur material liability for these issues,

which could adversely impact our financial condition, results of operations, cash flows and ability to pay distributions, and the market price of our common stock.

Certain environmental laws impose compliance obligations on owners and tenants of real property with respect to the management of hazardous substances and other regulated materials. For example, environmental laws govern the management and removal of asbestos-containing materials and lead-based paint. Failure to comply with these laws can result in penalties or other sanctions. If we incur substantial costs to comply with these environmental laws or we are held liable under these laws, our business, financial condition and results of operations, our ability to make distributions to our stockholders and the market price of our common stock may be adversely affected.

Some of the properties we acquire in the future may be subject to ground lease or other restrictions on the use of the space. If we are required to undertake significant capital expenditures to procure new tenants, then our business and results of operations may suffer.

Properties we acquire in the future may be subject to ground leases that contain certain restrictions. These restrictions could include limits on our ability to re-let these properties to tenants not affiliated with the healthcare provider or other owner that owns the underlying property, rights of purchase and rights of first offer and refusal with respect to sales of the property and limits on the types of medical procedures that may be performed. If we are unable to promptly re-let our properties, if the rates upon such re-letting are significantly lower than expected or if we are required to undertake significant capital expenditures in connection with re-letting, our business, financial condition and results of operations, our ability to make distributions to our stockholders and the market price of our common stock may be adversely affected.

Our assets may be subject to impairment charges.

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

Risks Related to our Corporate Structure and the Acquisition of Properties

Conflicts of interest could arise in the future between the interests of our stockholders and the interests of holders of OP units, which may impede business decisions that could benefit our stockholders.

Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any limited partner thereof, on the other. Our directors and officers have duties to our company under Maryland law in connection with the management of our company. At the same time, we, as the general partner of our operating partnership, have fiduciary duties and obligations to our operating partnership and its limited partners, if any, under Delaware law and our partnership agreement in connection with the management of our operating partnership. Our fiduciary duties and obligations as the general partner of our operating partnership may come into conflict with the duties of our directors and officers to our company. There are currently no limited partners of our operating partnership other than a wholly-owned subsidiary of the Company.

Under Delaware law, a general partner of a Delaware limited partnership has fiduciary duties of loyalty and care to the partnership and its limited partners and must discharge its duties and exercise its rights as general partner consistent with the obligation of good faith and fair dealing. Our partnership agreement provides that, in the event of a conflict between the interests of our operating partnership or any limited partner, on the one hand, and the company or our stockholders, on the other hand, we, as the general partner of our operating partnership, may give priority to the separate interests of the company or our stockholders (including with respect to tax consequences). Further, any action or failure to act on our part or on the part of our directors that gives priority to the interests of the company or our stockholders and does not result in a violation of our partnership agreement does not violate the

duty of loyalty or any other duty that we, in our capacity as the general partner of our operating partnership, owe to our operating partnership and its limited partners or violate the obligation of good faith and fair dealing.

Additionally, our partnership agreement provides that we generally will not be liable to our operating partnership or any limited partner for any action or omission taken in our capacity as general partner, for the debts or liabilities of our operating partnership or for the obligations of our operating partnership under the partnership agreement, except for liability for our fraud, willful misconduct or gross negligence, pursuant to any express indemnity we may give to our operating partnership or in connection with a redemption. Our operating partnership must indemnify us, our directors and officers, officers of our operating partnership and our designees from and against any and all claims that relate to the operations of our operating partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) the person actually received an improper personal benefit in violation or breach of the partnership agreement or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Our operating partnership must also pay or reimburse the reasonable expenses of any such person in advance of a final disposition of the proceeding upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification.

Since we no longer qualify as an emerging growth company as of December 31, 2019, we have to comply with increased disclosure and compliance requirements.

As of December 31, 2019, we are no longer an emerging growth company and are now a large accelerated filer. As a large accelerated filer, we will be subject to certain disclosure and compliance requirements that apply to other public companies but did not previously apply to us due to our status as an emerging growth company. These requirements include, but are not limited to:

- the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act of 2002;
- compliance with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements; and
- the requirement that we provide full and more detailed disclosures regarding executive compensation and obtain stockholder approval of any golden parachute payments not previously approved.

We expect that the loss of emerging growth company status and compliance with the additional requirements of being a large accelerated filer will increase our legal and financial compliance costs and cause management and other personnel to divert attention from operational and other business matters to devote substantial time to public company reporting requirements. In addition, if we are not able to comply with changing requirements in a timely manner, the market price of our stock could decline and we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the Securities and Exchange Commission, (the "SEC"), or other regulatory authorities, which would require additional financial and management resources.

Since we are no longer an emerging growth company, we will be subject to the requirements of the Sarbanes-Oxley Act and will be obligated to obtain an audit opinion on the effectiveness of internal control over financial reporting. These internal controls may not be determined to be effective, which may harm investor confidence and, as a result, the trading price of our common stock.

The Sarbanes-Oxley Act requires our auditors to deliver an attestation report on the effectiveness of our internal control over financial reporting in conjunction with their opinion on our audited financial statements. Substantial work on our part is required to implement appropriate processes, document the system of internal control over key processes, assess their design, remediate any deficiencies identified and test their operation. This process is expected

to be both costly and challenging. We cannot give any assurances that material weaknesses will not be identified in the future in connection with our compliance with the provisions of the Sarbanes-Oxley Act. The existence of any material weakness would preclude a conclusion by management and our independent auditors that we maintained effective internal control over financial reporting. Our management may be required to devote significant time and expense to remediate any material weaknesses that may be discovered and may not be able to remediate any material weakness in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, all of which could lead to a decline in the market price of our common stock.

We incurred costs as a result of becoming a public company, and such costs may increase now that we are no longer an emerging growth company.

As a public company, we now incur significant legal, accounting, insurance and other expenses, including costs associated with public company reporting requirements. The expenses incurred by public companies for reporting and corporate governance purposes have generally been increasing. We expect compliance with these public reporting requirements and associated rules and regulations to increase expenses, particularly now that we are no longer an emerging growth company, although we are currently unable to estimate these costs with any degree of certainty.

We may have assumed unknown liabilities in connection with our acquisitions which could result in unexpected liabilities and expenses.

As part of our acquisitions, we (through our operating partnership) received certain assets or interests in certain assets subject to existing liabilities, some of which may be unknown to us. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims of tenants, vendors or other persons dealing with the entities prior to this report (including those that had not been asserted or threatened prior to this report), tax liabilities, and accrued but unpaid liabilities incurred in the ordinary course of business. Our recourse with respect to such liabilities may be limited. Depending upon the amount or nature of such liabilities, our business, financial condition and results of operations, our ability to make distributions to our shareholders and the market price of our shares may be adversely affected.

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

As of December 31, 2019, we had \$190.0 million outstanding under our Credit Facility, including our term loans. We do not anticipate that our internally generated cash flow will be adequate to repay our anticipated indebtedness upon maturity and, therefore, we expect to repay indebtedness through refinancings and future offerings of equity and debt securities, either of which we may be unable to secure on favorable terms or at all. Our level of debt and any limitations imposed upon us by our debt agreements could have adverse consequences, including the following:

- our cash flow may be insufficient to meet required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, including to make acquisitions;
- we may be unable to refinance indebtedness at maturity or the refinancing terms may be less favorable than the terms of the original indebtedness;
- because a portion of our debt bears interest at variable rates, an increase in interest rates could materially increase our interest expense;
- we may fail to effectively hedge against interest rate volatility;

- we may be forced to dispose of properties, possibly on disadvantageous terms if we are able to do so at all, in order to repay indebtedness;
- after debt service, the amount available for distributions to our stockholders may be reduced;
- we may default on our debt obligations, which could restrict our ability to make any distributions to our stockholders;
- our ability to make distributions to our stockholders could be restricted by our debt agreements;
- our leverage could place us at a competitive disadvantage compared to our competitors who have less debt;
- we may experience increased vulnerability to economic and industry downturns, reducing our ability to respond to changing business and economic conditions;
- we may default on our obligations and the lenders may foreclose on properties that secure their loans and receive an assignment of rents and leases;
- we may violate financial covenants, which would cause a default on our obligations and result in the acceleration of our payment obligations;
- we may inadvertently violate non-financial restrictive covenants in our loan documents, such as covenants that require us to maintain the existence of entities, maintain insurance policies and provide financial statements, which would entitle the lenders to accelerate our debt obligations; and
- our default under any loan with cross-default or cross-collateralization provisions could result in default on other indebtedness or result in the foreclosures of other properties.

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

We could become highly leveraged in the future because our organizational documents contain no limitations on the amount of debt that we may incur.

At December 31, 2019, our debt to total capitalization ratio (debt plus stockholders' equity plus accumulated depreciation) was approximately 31.1%. Our current financing policy prohibits aggregate debt (secured or unsecured) in excess of 40% of the Company's total capitalization, except for short-term transitory periods. However, this debt limitation policy can be changed by our board of directors without stockholder approval and there are no provisions in our bylaws that limit our ability to incur indebtedness. We could alter the balance between our total outstanding indebtedness and the value of our properties at any time. If we become more highly leveraged, the resulting increase in outstanding debt could adversely affect our ability to make debt service payments, to pay our anticipated distributions and to make the distributions required to qualify as a REIT. The occurrence of any of the foregoing risks could adversely affect our business, financial condition and results of operations, our ability to make distributions to our stockholders and the market price of our common stock.

Increases in interest rates may increase our interest expense and adversely affect our cash flows and our ability to service our indebtedness and to make distributions to our shareholders.

As of December 31, 2019, we had \$15 million of variable-rate indebtedness outstanding that had not been swapped for a fixed interest rate and we expect that more of our indebtedness in the future, including borrowings under our Credit Facility, some of which may be subject to variable interest rates. Increases in interest rates on any variable

rate indebtedness will increase our interest expense, which could adversely affect our cash flow and our ability to pay distributions.

The Company may enter into swap agreements from time to time that may not effectively reduce its exposure to changes in interest rates.

The Company may enter into swap agreements from time to time that may not effectively reduce its exposure to changes in interest rates. The Company entered into seven swap agreements during 2017, 2018 and 2019 and may enter into such agreements in the future to manage some of its exposure to interest rate volatility. These swap agreements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements. In addition, these arrangements may not be effective in reducing the Company's exposure to changes in interest rates. In addition, we may be limited in the type and amount of hedging transactions that we may use in the future by our need to satisfy the REIT income tests under the Code. Failure to hedge effectively against interest rate changes may have an adverse effect on our business, financial condition, results of operations, our ability to make distributions to our shareholders and the market price of our common shares.

Our use of OP units in our operating partnership as currency to acquire properties could result in stockholder dilution and/or limit our ability to sell such properties, which could have a material adverse effect on us.

In the future, we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for OP units in our operating partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell properties at a time, or on terms, that would be favorable absent such restrictions.

Our charter restricts the ownership and transfer of our outstanding shares which may have the effect of delaying, deferring or preventing a transaction or change of control of our Company.

In order for us to maintain our status as a REIT, no more than 50% of the value of our outstanding shares may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year other than our initial REIT taxable year. Subject to certain exceptions, our charter prohibits any stockholder from beneficially or constructively owning more than 9.8% of the outstanding shares of our capital stock, in value or number of shares, whichever is more restrictive. The constructive ownership rules under the Code are complex and may cause the outstanding shares owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.8% of our outstanding shares or of our common stock by an individual or entity could cause that individual or entity to own constructively more than 9.8% of the outstanding shares of such stock and to be subject to our charter's ownership limit. Our charter also prohibits, among other prohibitions, any person from owning our shares that would result in our being "closely held" under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT. Any attempt to own or transfer shares in violation of these restrictions may result in the shares being automatically transferred to a charitable trust or may be void.

Certain provisions of Maryland law could inhibit changes of control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

Certain provisions of the Maryland General Corporation Law, or MGCL, applicable to Maryland corporations may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then-prevailing market price of our shares, including:

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

Our bylaws, however, contain provisions exempting us from the business combination and control share acquisition provisions of the MGCL and we will not be permitted to opt into either of these provisions in the future without the affirmative vote of a majority of the votes cast on the matter by stockholders entitled to vote. Our board of directors may not amend or eliminate either of these provisions at any time in the future without the affirmative vote of a majority of the votes cast on the matter by stockholders entitled to vote.

Certain provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain corporate governance provisions, some of which are not currently applicable to us. If implemented, these provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for us or of delaying, deferring or preventing a change in control of us under circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby the Company has elected to not be subject to the provisions of Title 3, Subtitle 8 of the MGCL without the affirmative consent of the shares cast on the matter by stockholders entitled to vote.

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

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

Certain provisions in the partnership agreement of our operating partnership may delay or prevent unsolicited acquisitions of us.

Provisions of the partnership agreement of our operating partnership may delay or make more difficult unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals

involving an unsolicited acquisition of us or change of our control, although some stockholders or limited partners might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights of qualifying parties;
- a requirement that we may not be removed as the general partner of our operating partnership without our consent;
- transfer restrictions on OP units; and
- our ability, as general partner, in some cases, to amend the partnership agreement and to cause our operating partnership to issue additional partnership interests with terms that could delay, defer or prevent a merger or other change of control of us or our operating partnership without the consent of our stockholders or the limited partners.

Our charter and bylaws, the partnership agreement of our operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

We may change our business, investment and financing strategies without stockholder approval.

We may change our business, investment and financing strategies without a vote of, or notice to, our stockholders, which could result in our making investments and engaging in business activities that are different from, and possibly riskier than, the investments and businesses described in this report. In particular, a change in our investment strategy, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to real estate market fluctuations. In addition, we may in the future increase the use of leverage at times and in amounts that we, in our discretion, deem prudent and such decision would not be subject to stockholder approval. Furthermore, our board of directors may determine that healthcare properties do not offer the potential for attractive risk-adjusted returns for an investment strategy. Changes to our strategies with regards to the foregoing could adversely affect our financial condition, results of operations and our ability to make distributions to our stockholders.

Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event that we take certain actions which are not in your best interests.

Our charter eliminates the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment as being material to the cause of action adjudicated.

Our charter authorizes us to indemnify our present and former directors and officers for actions taken by them in those and other capacities to the maximum extent permitted by Maryland present and former law. Our bylaws obligate us to indemnify each present and former director or officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. In addition, we may be obligated to advance the defense costs incurred by our director and officers. We have entered into indemnification agreements with our officers and directors, granting them express indemnification rights. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist absent the current provisions in our charter, bylaws and indemnification agreements or that might exist with other companies.

Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management and may prevent a change in control of our company that is in the best interests of our stockholders. Our charter provides that a director may only be removed for cause upon the affirmative vote of holders of two-thirds of all the votes entitled to be cast generally in the election of directors. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum. These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in control of our company that is in the best interests of our stockholders.

We are a holding company with no direct operations and, as such, we will rely on funds received from our operating partnership to pay liabilities, and the interests of our stockholders will be structurally subordinated to all liabilities and obligations of our operating partnership and its subsidiaries.

We are a holding company and conduct substantially all of our operations through our operating partnership. We do not have, apart from an interest in our operating partnership, any independent operations. As a result, we will rely on distributions from our operating partnership to pay any dividends we might declare on shares of our common stock. We will also rely on distributions from our operating partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our operating partnership. In addition, because we are a holding company, your claims as stockholders will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and our operating partnership's and its subsidiaries' liabilities and obligations have been paid in full.

Our operating partnership may issue additional OP units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our operating partnership and would have a dilutive effect on the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders.

We own 100% of the outstanding OP units and we may, in connection with our acquisition of properties or otherwise, cause our operating partnership to issue additional OP units to third parties. Such issuances would reduce our ownership percentage in our operating partnership and affect the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders. Because you will not directly own OP units, you will not have any voting rights with respect to any such issuances or other partnership level activities of our operating partnership.

Risks Related to Our Qualification and Operation as a REIT

Failure to remain qualified as a REIT, would cause us to be taxed as a regular corporation, which would adversely affect the value of our shares and substantially reduce funds available for distributions to our stockholders.

Our organization and proposed method of operation have enabled us to meet the requirements for qualification and taxation as a REIT commencing with our taxable year ended December 31, 2015. However, we cannot assure you that we will remain qualified as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Code, or the Treasury Regulations, is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the ownership of our stock, the composition of our assets and the composition of our income. In addition, we must distribute to stockholders annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding net capital gains. Legislation, new Treasury Regulations, administrative interpretations or court decisions may materially and adversely affect our ability to qualify as a REIT for U.S. federal income tax purposes.

If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distribution to our stockholders because:

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

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

If our operating partnership failed to qualify as a “partnership” for U.S. federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our operating partnership should be treated either as an entity disregarded from us or, after the admission of additional partners, if any, as a “partnership” for U.S. federal income tax purposes. As a disregarded entity or a partnership, our operating partnership will not be subject to U.S. federal income tax on its income. Instead, each of its partners will be allocated, and may be required to pay tax with respect to, its share of our operating partnership’s income. We cannot assure you that the IRS will not challenge the status of our operating partnership, or that a court would not sustain such a challenge. If the Internal Revenue Service, or IRS, were successful in treating our operating partnership as an entity taxable as a corporation, our operating partnership would be liable for U.S. federal and state corporate income taxes on its taxable income and we would fail to meet the gross income tests and certain of the asset tests applicable to REITs under the Code and cease to qualify as a REIT.

We may face other tax liabilities that reduce our cash flows.

We may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, taxes on income from certain “prohibited transactions” and state or local income, property and transfer taxes. In addition, any TRS that we may form or in which we may invest will be subject to regular corporate federal, state and local taxes. Any of these taxes would decrease cash available for distributions to our stockholders.

To maintain our status as a REIT and avoid the payment of U.S. federal income and excise taxes, we may be forced to borrow funds, use proceeds from the issuance of securities, pay taxable dividends of our stock or debt securities or sell assets to make distributions, in each case during unfavorable market conditions and which may result in our distributing amounts that would otherwise be used for our operations.

To maintain our status as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, determined without regard to the dividends paid deduction and excluding net capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income (determined without regard to the deduction for dividends paid) each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be spent on operations, the acquisitions of properties and the service of our debt. It is possible that we could be required to borrow funds, use proceeds from the issuance of securities, pay taxable dividends of our stock or debt securities or sell assets in order to distribute enough of our taxable income to qualify or maintain our qualification as a REIT and to avoid the payment of U.S. federal income and excise taxes. We cannot assure you that a sufficient amount of capital will be available to us on favorable terms, or at all, when needed for the foregoing purposes,

which would materially and adversely affect our financial condition, results of operations, cash flows and ability to pay distributions, and the market price of our common stock.

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

To maintain our status as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our shares. In order to meet these tests, we may be required to forego investments we might otherwise make or liquidate otherwise attractive investments. Compliance with the REIT requirements may reduce our income and amounts available for distribution to our stockholders and otherwise hinder our performance.

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

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

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

We have formed one TRS, and in the future, may form other TRSs for various reasons, including for the purpose of leasing “qualified healthcare properties” from us pursuant to the provisions of the REIT Investment Diversification and Empowerment Act of 2007, or RIDEA. Overall, no more than 20% of the value of a REIT’s assets may consist of stock or securities of one or more TRSs. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm’s-length basis. We will monitor the value of our respective investments in our TRSs for the purpose of ensuring compliance with the TRS ownership limitation and will structure any future transactions with any TRS on terms that we believe are arm’s length to avoid incurring the 100% excise tax described above. However, there can be no assurance that we will be able to comply with such TRS ownership limitation or to avoid application of the 100% excise tax.

TRSs will increase our overall tax liability.

Our one TRS, and any TRSs that we may form or acquire in the future, including a TRS formed or acquired to lease “qualified healthcare properties” from us under the provisions of RIDEA, will be subject to federal and state income tax on its taxable income. Accordingly, although our ownership of a TRS may allow us to participate in income we otherwise could not receive directly as a REIT, such income would be fully subject to federal and state income tax.

If a TRS tenant failed to qualify as a TRS, or the operator of a facility engaged by a TRS tenant did not qualify as an “eligible independent contractor,” we could fail to qualify as a REIT and could be subject to higher taxes and have less cash available for distribution to our stockholders.

We may, in the future, lease certain of our properties that qualify as “qualified healthcare properties” to a TRS tenant, although we have no present intention to do so. Rent paid by a tenant that is a “related party tenant” of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. However, so long as any TRS tenant of ours qualifies as a TRS, it will not be treated as a “related party tenant” with respect to our healthcare properties that are managed by “eligible independent contractors.” We would seek to structure any future arrangements with a TRS tenant such that the TRS tenant would qualify to be treated as a TRS for U.S. federal

income tax purposes, but there can be no assurance that the IRS would not challenge the status of a TRS or that a court would not sustain such a challenge. If the IRS were successful in disqualifying a TRS tenant from treatment as a TRS, it is possible that we would fail to meet the asset tests applicable to REITs and a significant portion of our income would fail to qualify for the gross income tests. If we failed to meet either the asset or gross income tests, we would likely lose our REIT qualification for federal income tax purposes.

Additionally, if the operator of a facility engaged by a TRS tenant does not qualify as an “eligible independent contractor,” we could fail to qualify as a REIT. Any operator of a healthcare facility leased to a TRS tenant must qualify as an “eligible independent contractor” under the REIT rules in order for the rent paid to us by such TRS tenant to be qualifying income for purposes of the REIT gross income tests. Among other requirements, in order to qualify as an eligible independent contractor a facility operator must not own, directly or indirectly, more than 35% of our outstanding shares and no person or group of persons can own more than 35% of our outstanding shares and the ownership interests of the facility operator, taking into account certain ownership attribution rules. The ownership attribution rules that apply for purposes of these 35% thresholds are complex. Although we would monitor ownership of our shares by any facility operators and their owners, there can be no assurance that these ownership levels will not be exceeded.

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

Rents paid to us by third-party tenants and any TRS tenant that we may form or acquire in the future pursuant to the leases of our properties will constitute substantially all of our gross income. In order for such rent to qualify as “rents from real property” for purposes of the gross income tests applicable to REITs, the leases must be respected as true leases for U.S. federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. If our leases are not respected as true leases for U.S. federal income tax purposes, we could fail to qualify as a REIT.

You may be restricted from acquiring or transferring certain amounts of our common stock.

The share ownership restrictions of the Code for REITs and the 9.8% share ownership limit and other restrictions on ownership and transfer of our shares contained in our charter may inhibit market activity in our shares and restrict our business combination opportunities.

In order to maintain our status as a REIT each taxable year, five or fewer individuals, as defined in the Code, may not own, beneficially or constructively, more than 50% in value of our issued and outstanding shares at any time during the last half of each taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our shares under this requirement. Additionally, at least 100 persons must beneficially own our shares during at least 335 days of a taxable year for each taxable year. To help insure that we meet these tests, our charter restricts the acquisition and ownership of shares.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of directors, our charter prohibits any person from beneficially or constructively owning more than 9.8% in value of the outstanding shares of our capital stock or 9.8%, in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock. Our board of directors may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of such limits would result in our failing to qualify as a REIT. This, as well as other restrictions on transferability and ownership, will not apply if our board of directors determines that it is no longer in our best interests to continue to qualify as a REIT.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to “qualified dividend income” payable to U.S. stockholders that are taxed at individual rates is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates on

qualified dividend income. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock. However, for tax years beginning after December 31, 2017, certain stockholders may be able to deduct up to 20% of "qualified REIT dividends" pursuant to Section 199A of the Code subject to certain limitations set forth in the Code.

Distributions to tax-exempt stockholders may be classified as unrelated business tax income.

In general, neither ordinary nor capital gain distributions with respect to our common stock, nor gain from the sale of our common stock, should constitute unrelated business tax income, or UBTI, to a tax-exempt stockholder. However, under certain limited circumstances, income and gain recognized by certain tax-exempt stockholders could be treated, in whole or in part, as UBTI.

Non-U.S. stockholders may be subject to FIRPTA taxation upon the sale of their shares of our common stock.

Subject to the exceptions described herein, a non-U.S. person generally is subject to U.S. federal income tax on gain recognized on a disposition of our stock under the Foreign Investment in Real Property Tax Act, or FIRPTA. However, such FIRPTA tax will not apply if we are "domestically controlled," meaning less than 50% of our stock, by value, has been owned directly or indirectly by non-U.S. persons during a specified look-back period. In addition, even if we were not domestically controlled, such tax would not apply to such non-U.S. stockholder if our common stock was traded on an established securities market and such stockholder did not, at any time during the five-year period prior to a sale of our common stock, directly or indirectly own more than 5% of the value of our outstanding common stock. We cannot assure you that we will qualify as a "domestically controlled" REIT, although we expect our stock will be regularly traded on an established securities market.

Our capital gain distributions to non-U.S. stockholders attributable to our sales of U.S. real property interests may be subject to tax under FIRPTA.

A non-U.S. stockholder generally is subject to U.S. income tax on our capital gain distributions attributable to our sales of U.S. real property interests under FIRPTA. However, if our common stock is regularly traded on an established securities market, such distributions will not be subject to such tax if such stockholder did not, at any time during the one-year period preceding the distribution, directly or indirectly own more than 5% of the value of our outstanding common stock. While we expect our stock will be regularly traded on an established securities market, if it is not so traded, or if we are unable to determine the level of ownership of a particular non-U.S. stockholder, we may be required to withhold 21% of any distribution to such stockholder that we designate as a capital gain dividend.

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

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

Effective January 1, 2018, among other things, the TCJA reduced the top corporate tax rate from 35% to 21%, allowed a deduction of up to 20% of qualified business income including qualified REIT dividends, eliminated the corporate alternative minimum tax, and placed certain additional limitations on the deductibility of interest expense. Additionally, the TCJA required that taxpayers using the accrual method for income tax accounting take into account certain items of income for income tax purposes no later than the time such items are taken into account as revenue for financial accounting purposes on certain financial statements. The application of this rule may require the accrual

of income with respect to certain debt instruments on mortgage-based securities, such as original issue discount or mortgage discount, earlier than would be the case under the general tax rules, although the precise application of this rule is unclear at this time. The full effect of the TCJA on the real estate industry and our business are not yet known.

Risks Related to our Common Stock

The trading volume of our common stock may be volatile, and you may not be able to resell shares of our common stock at prices equal to or greater than the price you paid or at all.

Our common stock is listed on the NYSE. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur, and investors in our common stock may from time to time experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above the price at which you purchased such shares. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results or dividends;
- changes in our FFO or earnings estimates;
- publication of research reports about us or the real estate industry;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this report;
- the extent of investor interest in our securities;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our underlying asset value;
- investor confidence in the stock and bond markets generally;
- changes in tax laws;
- future equity issuances by us;
- failure to meet earnings estimates;

- failure to meet and maintain REIT qualification;
- changes in our credit ratings; and
- general market and economic conditions.

In the past, securities class-action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on us, including our financial condition, results of operations, cash flow and the market price of our common stock.

Increases in market interest rates may have an adverse effect on the market price of our common stock as prospective purchasers of our common stock may expect a higher dividend yield and as an increased cost of borrowing may decrease our funds available for distribution.

One of the factors that will influence the market price of our common stock will be the dividend yield on the common stock (as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates but are increasing, may lead prospective purchasers of our common stock to expect a higher dividend yield (with a resulting decline in the trading prices of our common stock) and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to decrease.

Our issuance of equity securities or the perception that such issuances might occur could materially adversely affect us, including the per share trading price of our common stock.

The vesting of any restricted shares granted to certain directors, executive officers and other employees under our 2014 Incentive Plan, as amended, (the "2014 Incentive Plan"), including our Amended and Restated Alignment of Interest Program, our Executive Officer Incentive Program and our Non-Executive Officer Incentive Program, the issuance of our common stock or OP Units in connection with future property, portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the market price of our common stock, and the existence of our common stock issuable under our 2014 Incentive Plan may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. In addition, future issuances of our common stock may be dilutive to existing stockholders.

If securities analysts do not publish research or reports about our industry or if they downgrade our common stock or the healthcare-related real estate sector, the price of our common stock could decline.

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

Future sales of shares of our common stock, particularly by our executive officers or directors, may cause the per share trading price of our common stock to decline.

Any sales of a substantial number of shares of our common stock, or the perception that those sales might occur, may cause the market price of the common stock to decline. After the expiration of any applicable transfer restrictions imposed by our 2014 Incentive Plan, stock purchase agreements or lockup agreements with us, our executive officers and directors will have the ability to sell all of any portion of the applicable common stock which could cause the market price of our common stock to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

In addition to the information provided below, see Item 1, "Business," Note 2 to the Consolidated Financial Statements in Item 8 "Financial Statements and Supplementary Data," and Schedule III of Item 15 of this Annual Report on Form 10-K for more detailed information about the Company's properties as of December 31, 2019.

Scheduled Lease Expirations

As of December 31, 2019, the weighted average remaining years to maturity pursuant to the leases with our tenants was approximately 7.7 years, with expirations through 2034. The table below details scheduled lease expirations, as of December 31, 2019, for our properties for the periods indicated.

Year	Number of Leases Expiring	Total Leased Square Footage		Annualized Lease Revenue	
		Amount	Percent (%)	Amount (in thousands)	Percent (%)
2020	50	246,396	10.5 %	\$ 5,002	9.0 %
2021	23	165,561	7.0 %	3,439	6.1 %
2022	35	220,711	9.4 %	4,753	8.5 %
2023	41	243,410	10.3 %	4,967	8.9 %
2024	19	112,431	4.8 %	2,565	4.6 %
2025	14	143,123	6.1 %	4,434	7.9 %
2026	11	161,162	6.8 %	3,462	6.2 %
2027	4	12,325	0.5 %	354	0.6 %
2028	4	92,289	3.9 %	1,714	3.1 %
2029	9	134,406	5.7 %	4,288	7.7 %
Thereafter	30	811,756	34.5 %	20,649	37.0 %
Month-to-Month	6	11,508	0.5 %	198	0.4 %
Totals	246	2,355,078	100.0 %	\$ 55,825	100.0 %

ITEM 3. LEGAL PROCEEDINGS

The Company may, from time to time, be involved in litigation arising in the ordinary course of business or which may be expected to be covered by insurance. The Company is not aware of any pending or threatened litigation that, if resolved against the Company, would have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II.

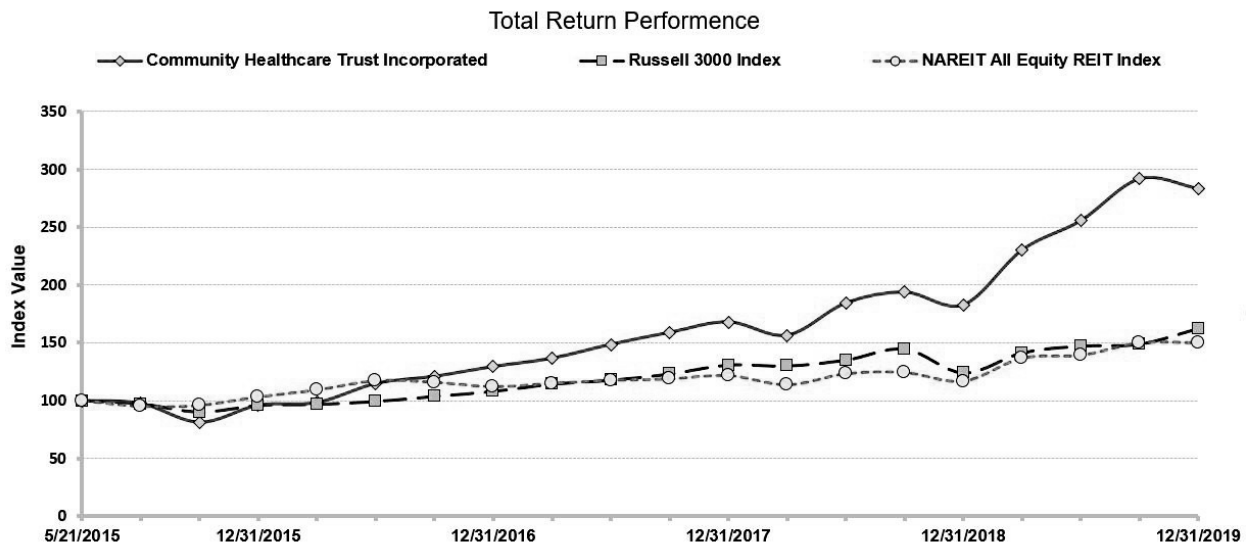
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Shares of the Company's common stock are traded on the New York Stock Exchange under the symbol "CHCT." At February 20, 2020, there were 31 stockholders of record.

Future dividends will be declared and paid at the discretion of the Board of Directors. The Company's ability to pay dividends is dependent upon its ability to generate funds from operations and cash flows, and to make accretive new investments.

Stock Performance Graph

The following graph compares, over a measurement period beginning May 21, 2015 and ending on December 31, 2019, the cumulative total return on our common stock with the cumulative total return on the stocks included in (i) the Russell 3000 Index and (ii) the NAREIT All Equity REIT Index. The performance graph assumes that the value of the investment in our common stock, the Russell 3000 Index and the NAREIT All Equity REIT Index was \$100 at May 21, 2015, the date our common stock began publicly trading on the New York Stock Exchange, and that all dividends were reinvested. There can be no assurance that our common stock performance will continue in the future with the same or similar trends depicted in the stock performance graph below. We will not make or endorse any predictions as to future stock performance.



Index	Period Ending					
	5/21/2015	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Community Healthcare Trust Incorporated	\$ 100.00	\$ 95.98	\$ 129.42	\$ 167.99	\$ 182.80	\$ 283.24
Russell 3000 Index	\$ 100.00	\$ 95.92	\$ 108.14	\$ 130.99	\$ 124.12	\$ 162.63
NAREIT All Equity REIT Index	\$ 100.00	\$ 103.15	\$ 112.05	\$ 121.77	\$ 116.84	\$ 150.33

The information provided under the heading "Stock Performance Graph" shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to its proxy regulations or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, other than as provided in Item 201 of Regulation S-K. The information provided in this section shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth financial information for the Company, which is derived from the Consolidated Financial Statements of the Company.

	Year Ended December 31,				
	2019	2018	2017	2016	2015 ⁽¹⁾
<i>(Amounts in thousands except per share data)</i>					
Statement of Operations Data:					
Total revenues ⁽²⁾	\$ 60,849	\$ 48,557	\$ 37,276	\$ 25,042	\$ 8,561
Total operating expenses ⁽²⁾	\$ 42,179	\$ 35,117	\$ 30,367	\$ 21,173	\$ 9,688
Net income (loss)	\$ 8,376	\$ 4,403	\$ 3,510	\$ 2,721	\$ (1,456)
Diluted Income (loss) per share:					
Income (loss) per diluted common share	\$ 0.37	\$ 0.19	\$ 0.19	\$ 0.24	\$ (0.31)
Weighted average common shares outstanding - Diluted	18,685	17,669	14,815	11,320	4,727
Balance Sheet Data (as of the end of the period):					
Real estate properties, gross	\$ 602,852	\$ 444,930	\$ 388,486	\$ 252,736	\$ 132,967
Real estate properties, net	\$ 525,329	\$ 389,632	\$ 352,350	\$ 234,332	\$ 127,764
Mortgage notes receivable, net	\$ —	\$ —	\$ 10,633	\$ 10,786	\$ 10,897
Total assets	\$ 562,531	\$ 426,570	\$ 385,766	\$ 251,529	\$ 142,803
Debt, net	\$ 194,243	\$ 147,766	\$ 93,353	\$ 51,000	\$ 17,000
Total stockholders' equity	\$ 353,411	\$ 271,659	\$ 283,374	\$ 194,007	\$ 122,270
Other Data:					
Funds from operations ⁽³⁾	\$ 32,074	\$ 27,448	\$ 21,224	\$ 15,912	\$ 3,747
Funds from operations per common share - Diluted ⁽³⁾	\$ 1.67	\$ 1.53	\$ 1.41	\$ 1.41	\$ 0.79
Dividends paid	\$ 31,947	\$ 29,375	\$ 24,432	\$ 17,783	\$ 3,928
Dividends declared and paid per common share	\$ 1.645	\$ 1.605	\$ 1.565	\$ 1.525	\$ 0.517

⁽¹⁾ The Company completed its initial public offering and began operations on May 27, 2015.

⁽²⁾ Total revenues and total operating expenses include reclassifications of bad debt expense from expenses to revenues for the years ended December 31, 2015 through 2018 to conform to the 2019 presentation.

⁽³⁾ The presentation of funds from operations ("FFO") for the year ended December 31, 2018 has been updated to reflect the impairment of a note receivable and the related tax effects in the Company's reconciliation of FFO for 2018 to conform to the current year presentation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 for a discussion of FFO, including why the Company presents FFO and a reconciliation of net income to FFO.

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

The purpose of this Management's Discussion and Analysis ("MD&A") is to provide an understanding of the Company's consolidated financial condition, results of operations and cash. MD&A is provided as a supplement to, and should be read in conjunction with, the Company's Consolidated Financial Statements and accompanying notes.

Overview

We were organized in the State of Maryland on March 28, 2014. We are a self-administered, self-managed healthcare REIT that acquires and owns properties that are leased to hospitals, doctors, healthcare systems or other healthcare service providers.

Trends and Matters Impacting Operating Results

Management monitors factors and trends that it believes are important to the Company and the REIT industry in order to gauge their potential impact on the operations of the Company. Certain of the factors and trends that management believes may impact the operations of the Company are discussed below.

Real estate investments

During 2019, the Company invested in 15 real estate properties for an aggregate purchase price of approximately \$152.0 million, including cash consideration of approximately \$150.0 million. Upon acquisition, the real estate properties were approximately 99.5% leased in the aggregate with lease expirations through 2033.

2020 Real estate acquisitions

Subsequent to December 31, 2019, the Company acquired three real estate properties totaling approximately 56,000 square feet for an aggregate purchase price of approximately \$11.7 million and cash consideration of approximately \$11.8 million. Upon acquisition, the properties were 96.1% leased in the aggregate with lease expirations through 2026. These acquisitions were funded with cash on hand and proceeds from the Company's Revolving Credit Facility.

Acquisition Pipeline

The Company has two properties under definitive purchase agreements for an aggregate expected purchase price of approximately \$6.3 million. The Company's expected aggregate returns on these investments range from approximately 9.4% to 9.9%. The Company is currently performing due diligence procedures customary for these types of transactions. The Company expects to close these properties in the first quarter of 2020; however, the Company cannot provide assurance as to the timing of when, or whether, these transactions will actually close.

The Company also has four properties under definitive purchase agreements, to be acquired after completion and occupancy, for an aggregate expected purchase price of approximately \$73.4 million. The Company's expected aggregate returns on these investments range from approximately 9.5% to 11.0%. The Company expects to close one of these properties with a purchase price of approximately \$19.0 million during the first quarter of 2020 and the rest of these properties through the first half of 2021; however, the Company cannot provide assurance as to the timing of when, or whether, these transactions will actually close.

The Company anticipates funding these investments with cash from operations, through proceeds from its Credit Facility or from net proceeds from additional debt or equity offerings.

Highland Transition Update

Highland Hospital is expected to file a pre-packaged bankruptcy in the first quarter of 2020, with an anticipated sale to the new operator, in order to facilitate the transfer of licenses. The new operator continues to manage Highland Hospital pursuant to a management agreement. The Company will provide liquidity if required, secured by all assets of Highland Hospital, if needed, to ensure the sale transaction is finalized.

The Company's lease with the new operator will become effective upon the closing of the anticipated bankruptcy sale. The Company has received and anticipates continuing to receive monthly payments.

The Company does not anticipate any material adverse long-term effect to its cash flows or net income related to the transition or subsequent leasing of this facility. The Company cannot provide assurance as to the timing or whether, this transaction will actually close.

Purchase Option Provisions

Certain of the Company's leases provide the lessee with a purchase option or a right of first refusal to purchase the leased property. The purchase option provisions generally require the lessee to purchase the leased property at fair value or at an amount greater than the Company's gross investment in the leased property at the time of the purchase. At December 31, 2019, the Company had gross investments of approximately \$13.9 million in seven real estate properties with purchase options exercisable at December 31, 2019.

ATM Program

On November 5, 2019, the Company entered into an Amended and Restated Sales Agency Agreement (the "2019 Amended and Restated Sales Agreement") for its at-the-market offering program ("ATM Program") with Sandler O'Neill & Partners, L.P., Evercore Group L.L.C., SunTrust Robinson Humphrey, Inc., BB&T Capital Markets, a division of BB&T Securities, LLC, Fifth Third Securities, Inc. and Janney Montgomery Scott LLC, as sales agents (collectively, the "Agents"), under which the Company may issue and sell shares of its common stock, having an aggregate gross sales price of up to \$360.0 million. The shares of common stock may be sold from time to time through or to one or more of the Agents, as may be determined by the Company in its sole discretion, subject to the terms and conditions of the agreement and applicable law. This 2019 Amended and Restated Sales Agreement amended and replaced the Company's agreement dated August 7, 2018 (the "2018 Sales Agreement") with the Agents, under which the Company could sell shares of its common stock, having an aggregate gross sales price of up to \$100.0 million.

During 2019, the Company sold, through its ATM Program, 2,674,347 shares of common stock in the aggregate (1,321,362 shares of common stock were sold under the 2018 Sales Agreement and 1,352,985 shares of common stock were sold under the 2019 Amended and Restated Sales Agreement) at an average sales price of \$42.84 per share and received net proceeds of approximately \$106.8 million after deducting commissions and offering expenses paid by the Company. Of the shares sold during 2019, 120,100 shares of common stock settled in January 2020 for net proceeds of approximately \$5.0 million. As of December 31, 2019, the Company had approximately \$298.1 million remaining that may be issued under the ATM Program. The proceeds were used to repay outstanding balances under the Company's Credit Facility, to fund investments, and for general corporate purposes.

Credit Facility

The Company's second amended and restated credit facility (the "Credit Facility") is by and among Community Healthcare OP, LP, the Company, the lenders from time to time party thereto, and SunTrust Bank, as Administrative Agent. The Credit Facility, as amended, provides for a \$150.0 million Revolving Credit Facility and \$175.0 million in term loans (the "Term Loans"). The Credit Facility, through the accordion feature, allows borrowings up to a total of \$525.0 million including the ability to add and fund additional term loans. The Revolving Credit Facility matures on March 29, 2023 and includes one 12-month option to extend the maturity date of the Revolving Credit Facility, subject to the satisfaction of certain conditions. The Term Loans include a five-year term loan facility in the

aggregate principal amount of \$50.0 million (the "A-1 Term Loan"), which matures on March 29, 2022, a seven-year term loan facility in the aggregate principal amount of \$50.0 million (the "A-2 Term Loan"), which matures on March 29, 2024 and the new seven-year, \$75.0 million term loan facility (the "A-3 Term Loan"), which matures on March 29, 2026. The Company had \$15.0 million outstanding under the Revolving Credit Facility with a borrowing capacity remaining of approximately \$135.0 million and a weighted average interest rate of approximately 3.45% at December 31, 2019. Also, at December 31, 2019, the Company had drawn the full \$175.0 million under the Term Loans which had a fixed weighted average interest rate under the swaps of approximately 4.57%. See Note 5 to the Consolidated Financial Statements for more details on the Credit Facility.

Lease Expirations

As of December 31, 2019, approximately 4.6% to 9.0% of our leases will expire in each of the next 5 years. Management expects that many of the tenants will renew their leases, but in cases where they do not renew, the Company believes it will generally be able to re-lease the space to existing or new tenants without significant loss of rental income. See "Properties" in Item 2 for a schedule of the Company's lease expirations.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that are reasonably likely to have a material effect on the Company's consolidated financial condition, results of operations or liquidity.

Inflation

We believe inflation will have a minimal impact on the operating performance of our properties. Many of our lease agreements contain provisions designed to mitigate the adverse impact of inflation. These provisions include clauses that enable us to receive payment of increased rent pursuant to escalation clauses which generally increase rental rates during the terms of the leases. These escalation clauses often provide for fixed rent increases or indexed escalations (based upon CPI or other measures). However, some of these contractual rent increases may be less than the actual rate of inflation. Generally, our lease agreements require the tenant to pay property operating expenses, including maintenance costs, real estate taxes and insurance. This requirement reduces our exposure to increases in these costs and property operating expenses resulting from inflation.

Seasonality

We do not expect our business to be subject to material seasonal fluctuations.

New Accounting Pronouncements

See Note 1 to the Company's Consolidated Financial Statements accompanying this report for information on new accounting standards not yet adopted.

Results of Operations

Our results of operations are most significantly impacted each year by our acquisitions in and funding of our real estate investments, as well as expenses related to our employees, professional fees and other costs related to operating the REIT and its related subsidiaries.

As of December 31, 2019, we had invested approximately \$602.9 million in 118 real estate properties, which are located in 32 states and total approximately 2.6 million square feet. During 2019, we acquired 15 real estate properties which in the aggregate were 99.5% leased for cash consideration of approximately \$150.0 million. During 2018, we acquired 19 real estate properties for cash consideration of approximately \$45.2 million.

Year Ended December 31, 2019 Compared to December 31, 2018

The table below shows our results of operations for the year ended December 31, 2019 compared to the same period in 2018 and the effect of changes in those results from period to period on our net income.

<i>(Dollars in thousands)</i>	For the Year Ended December 31,		Increase (Decrease) to Net Income	
	2019	2018	\$	%
REVENUES				
Rental income (1)	\$ 58,269	\$ 46,453	\$ 11,816	25.4 %
Other operating interest	2,580	2,104	476	22.6 %
	60,849	48,557	12,292	25.3 %
EXPENSES				
Property operating	12,235	9,944	(2,291)	(23.0)%
General and administrative	7,719	5,634	(2,085)	(37.0)%
Depreciation and amortization	22,225	19,539	(2,686)	(13.7)%
	42,179	35,117	(7,062)	(20.1)%
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND OTHER ITEMS				
	18,670	13,440	5,230	38.9 %
Gain on sale of real estate	—	295	(295)	(100.0)%
Interest expense	(9,301)	(6,299)	(3,002)	(47.7)%
Impairment of note receivable	—	(5,000)	5,000	100.0 %
Income tax (expense) benefit	(1,430)	1,547	(2,977)	n/m
Interest and other income, net	437	420	17	4.0 %
INCOME FROM CONTINUING OPERATIONS	8,376	4,403	3,973	90.2 %
NET INCOME	\$ 8,376	\$ 4,403	\$ 3,973	90.2 %

n/m-not meaningful.

(1) Tenant reimbursements totaling approximately \$6.4 million and bad debts totaling approximately \$0.1 million for the year ended December 31, 2018 were reclassified into rental income to conform to the current year presentation.

Revenues

Revenues increased approximately \$12.3 million or 25.3%, for the year ended December 31, 2019 compared to the same period in 2018 due mainly to the following:

- Acquisitions during 2019 contributed revenues of approximately \$8.5 million in 2019; and
- Acquisitions during 2018 contributed an increase in revenues of approximately \$4.3 million in 2019.
- Leases restructured from gross to net leases and certain expiring or terminated leases resulted in a reduction of revenue of approximately \$0.5 million from 2018 to 2019.

Expenses

Property operating expenses increased approximately \$2.3 million, or 23.0%, for the year ended December 31, 2019 compared to the same period in 2018 mainly due to the following:

- Acquisitions during 2019 accounted for an increase of approximately \$0.3 million in 2019; and
- Acquisitions during 2018 accounted for an increase of approximately \$1.5 million in 2019.
- Increases in property taxes, utilities and other property operating expenses resulted in the remainder of the increase of approximately \$0.5 million.

General and administrative expenses increased approximately \$2.1 million, or 37.0%, for the year ended December 31, 2019 compared to the same period in 2018 due mainly to compensation-related expenses and occupancy costs related to our employees and corporate office, including the amortization of non-vested restricted common shares issued under the 2014 Incentive Plan and expenses related to the addition of employees totaling approximately \$1.7 million. Also, professional fees increased approximately \$0.3 million related mainly to additional compliance requirements of moving from an emerging growth company status to a large accelerated filer status.

Depreciation and amortization expense increased approximately \$2.7 million, or 13.7%, for the year ended December 31, 2019 compared to the same period in 2018 due mainly to the following:

- Depreciation and amortization related to properties acquired during 2019 accounted for an increase of approximately \$2.2 million in 2019;
- Depreciation and amortization related to properties acquired during 2018 accounted for an increase of approximately \$2.5 million in 2019;
- Real estate intangible assets acquired prior to 2018 that became fully depreciated resulted in a decrease of approximately \$2.3 million in 2019; and
- Depreciation related to tenant and other improvements accounted for an increase of approximately \$0.3 million in 2019.

Gain on sale of real estate

During the fourth quarter of 2018, the Company disposed of a 61,000 square foot physician clinic in Alabama, received net proceeds of approximately \$3.2 million, and recognized a gain of approximately \$0.3 million. The Company disposed of the property pursuant to the tenant's exercise of its purchase option on the property.

Interest expense

Interest expense increased approximately \$3.0 million, or 47.7%, for the year ended December 31, 2019 compared to the same period in 2018 due mainly to the following:

- In the first quarters of 2019 and 2018, the Company borrowed \$75.0 million and \$40.0 million in Term Loans, respectively. These Term Loans resulted in additional interest expense in 2019 of approximately \$2.6 million;

- The Company amended its Credit Facility in the first quarters of 2019 and 2018 resulting in additional financing fees which the Company deferred and is amortizing. Also, in 2019, the Company extended the term of the Credit Facility, which resulted in a net decrease in amortization expense of approximately \$0.2 million.
- Interest expense related to our Revolving Credit Facility increased approximately \$0.2 million due mainly to higher interest rates and a higher weighted average debt balance in 2019 compared to 2018.

Impairment of note receivable

The Company recorded a \$5.0 million impairment in 2018 related to a mezzanine note with one of its operators.

Income tax (expense) benefit

The Company recorded income tax (expense) benefit in 2019 and 2018 related to the impairment of a mezzanine note in 2018 and a valuation allowance for the related deferred tax asset in 2019 and deferred compensation in both 2019 and 2018.

Year Ended December 31, 2018 Compared to December 31, 2017

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations” in our 2018 Annual Report on Form 10-K for a comparison of the year ended December 31, 2018 compared to December 31, 2017.

Liquidity and Capital Resources

The Company monitors its liquidity and capital resources and relies on several key indicators in its assessment of capital markets for financing acquisitions and other operating activities as needed, including the following:

- Leverage ratios and financial covenants included in our Credit Facility;
- Dividend payout percentage; and
- Interest rates, underlying treasury rates, debt market spreads and equity markets.

The Company uses these indicators and others to compare its operations to its peers and to help identify areas in which the Company may need to focus its attention.

Sources and Uses of Cash

The Company derives most of its revenues from its real estate properties, collecting rental income and operating expense reimbursements based on contractual arrangements with its tenants. These sources of revenue represent our primary source of liquidity to fund our dividends, general and administrative expenses, property operating expenses, interest expense on our Credit Facility and other expenses incurred related to managing our existing portfolio and investing in additional properties. To the extent additional resources are needed, the Company will fund its investment activity generally through equity or debt issuances either in the public or private markets or through proceeds from our Credit Facility.

The Company expects to meet its liquidity needs through cash on hand, cash flows from operations and cash flows from sources discussed above. The Company believes that its liquidity and sources of capital are adequate to satisfy its cash requirements. The Company cannot, however, be certain that these sources of funds will be available at a time and upon terms acceptable to the Company in sufficient amounts to meet its liquidity needs.

Operating Activities

Cash flows provided by operating activities for the years ended December 31, 2019, 2018 and 2017 were approximately \$32.4 million, \$24.4 million, and \$22.1 million, respectively. Cash flows provided by operating activities for the years ended December 31, 2019, 2018 and 2017 were generally provided by contractual rents and interest on notes and mortgage receivables, net of property operating expenses not reimbursed by the tenants and general and administrative expenses.

Investing Activities

Cash flows used in investing activities for the years ended December 31, 2019, 2018 and 2017 were approximately \$153.2 million, \$53.5 million, and \$147.6 million, respectively. During 2019, the Company invested in 15 real estate properties for an aggregate cash consideration of approximately \$150.0 million. During 2018, the Company invested in 19 real estate properties for cash consideration of approximately \$45.6 million. In addition, in 2018, the Company acquired \$2.2 million of certain promissory notes secured by two facilities related to a borrower. During 2017, the Company invested in 28 real estate properties and acquired a property for its corporate expansion for cash consideration of approximately \$133.5 million and funded or purchased notes totaling approximately \$13.8 million.

Financing Activities

Cash flows provided by financing activities for the years ended December 31, 2019, 2018 and 2017 were approximately \$120.4 million, \$29.3 million, and \$126.0 million, respectively. During 2019, 2018 and 2017, the Company paid dividends totaling \$31.9 million, \$29.4 million and \$24.4 million, respectively. During 2019, 2018 and 2017, the Company completed equity offerings, including offerings under its at-the-market program, resulting in net proceeds, net of underwriters' discount and offering costs, of approximately \$106.8 million, \$10.0 million and \$108.6 million, respectively. During 2019, the Company repaid, on a net basis, approximately \$28.0 million on its Revolving Credit Facility, in 2018, the Company borrowed, on a net basis, approximately \$9.0 million, and in 2017, the Company repaid, on a net basis approximately \$17.0 million. During 2019, 2018 and 2017, the Company also borrowed \$75.0 million, \$40.0 million, and \$60.0 million in Term Loans under its Credit Facility. The net proceeds from these equity offerings and borrowings under its Credit Facility were used to invest in the Company's real estate assets and were used for general corporate purposes.

Credit Facility

The Company's Credit Facility is by and among Community Healthcare OP, LP, the Company, the lenders from time to time party thereto, and SunTrust Bank, as Administrative Agent. The Credit Facility, as amended, provides for a \$150.0 million Revolving Credit Facility and \$175.0 million in Term Loans. The Credit Facility, through the accordion feature, allows borrowings up to a total of \$525.0 million including the ability to add and fund additional term loans. The Revolving Credit Facility matures on March 29, 2023 and includes one 12-month option to extend the maturity date of the Revolving Credit Facility, subject to the satisfaction of certain conditions. The Term Loans include a five-year term loan facility in the aggregate principal amount of \$50.0 million which matures on March 29, 2022, a seven-year term loan facility in the aggregate principal amount of \$50.0 million, which matures on March 29, 2024 and the new seven-year, \$75.0 million term loan facility, which matures on March 29, 2026. The Company had \$15.0 million outstanding under the Revolving Credit Facility with a borrowing capacity remaining of approximately \$135.0 million and a weighted average interest rate of approximately 3.45% at December 31, 2019. Also, at December 31, 2019, the Company had drawn the full \$175.0 million under the Term Loans which had a fixed weighted average interest rate under the swaps of approximately 4.57%. See Note 5 to the Consolidated Financial Statements for more details on the Credit Facility.

The Company's ability to borrow under the Credit Facility is subject to its ongoing compliance with customary affirmative and negative covenants, including limitations with respect to liens, indebtedness, distributions, mergers, consolidations, investments, restricted payments and asset sales, as well as financial maintenance covenants. Also, the Company's current financing policy prohibits aggregate debt (secured or unsecured) in excess of 40% of the

Company's total capitalization, except for short-term transitory periods. At December 31, 2019, our debt to total capitalization ratio (debt plus stockholders' equity plus accumulated depreciation) was approximately 31.1%. The Company was in compliance with its financial covenants under its Credit Facility as of December 31, 2019.

Automatic Shelf Registration Statement

On November 5, 2019, the Company filed an automatic shelf registration statement on Form S-3 with the SEC. The registration statement is for an indeterminate number of securities and is effective for three years. Under this registration statement, the Company has the capacity to offer and sell from time to time various types of securities, including common stock, preferred stock, depository shares, rights, debt securities, warrants and units.

2020 Real estate acquisitions

Subsequent to December 31, 2019, the Company acquired three real estate properties totaling approximately 56,000 square feet for an aggregate purchase price of approximately \$11.7 million and cash consideration of approximately \$11.8 million. Upon acquisition, the properties were 96.1% leased in the aggregate with lease expirations through 2026. These acquisitions were funded with cash on hand and proceeds from the Company's Revolving Credit Facility.

Acquisition Pipeline

The Company has two properties under definitive purchase agreements for an aggregate expected purchase price of approximately \$6.3 million. The Company's expected aggregate returns on these investments range from approximately 9.4% to 9.9%. The Company is currently performing due diligence procedures customary for these types of transactions. The Company expects to close these properties during the first quarter of 2020; however, the Company cannot provide assurance as to the timing of when, or whether, these transactions will actually close.

The Company also has four properties under definitive purchase agreements, to be acquired after completion and occupancy, for an aggregate expected purchase price of approximately \$73.4 million. The Company's expected aggregate returns on these investments range from approximately 9.5% to 11.0%. The Company expects to close one of these properties with a purchase price of approximately \$19.0 million during the first quarter of 2020 and the rest of these properties through the first half of 2021; however, the Company cannot provide assurance as to the timing of when, or whether, these transactions will actually close.

The Company anticipates funding these investments with cash from operations, through proceeds from its Credit Facility or from net proceeds from additional debt or equity offerings.

Security Deposits

As of December 31, 2019, the Company held approximately \$3.5 million in security deposits for the benefit of the Company in the event the obligated tenant fails to perform under the terms of its respective lease. Generally, the Company may, at its discretion and upon notification to the tenant, draw upon the security deposits if there are any defaults under the leases.

Contractual Obligations

The Company's material contractual obligations at December 31, 2019 are included in the table below. At December 31, 2019, the Company had no long-term capital lease or purchase obligations.

<i>(Dollars in thousands)</i>	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Revolving Credit Facility ⁽¹⁾	\$ 17,924	\$ 900	\$ 17,024	\$ —	\$ —
Terms Loans ⁽²⁾	211,716	7,995	70,194	57,659	75,868
Mortgage note payable	7,532	646	1,937	4,949	—
Operating lease obligation	321	7	14	15	285
Tenant improvements	3,602	3,602	—	—	—
Capital improvements	1,719	1,719	—	—	—
	<u>\$ 242,814</u>	<u>\$ 14,869</u>	<u>\$ 89,169</u>	<u>\$ 62,623</u>	<u>\$ 76,153</u>

⁽¹⁾ The amounts shown include interest at the weighted average interest rate at December 31, 2019 and the unused fee interest assuming the credit facility remains at \$15.0 million through its maturity.

⁽²⁾ The amounts shown include interest at the current fixed rates through the in-place cash flow hedges assuming the term loans remain at \$175.0 million outstanding through maturity.

Dividends

The Company is required to pay dividends to its stockholders at least equal to 90% of its taxable income in order to maintain its qualification as a REIT.

During 2019, 2018 and 2017, the Company paid cash dividends in the amounts of \$1.645 per share, \$1.605 per share and \$1.565 per share, respectively.

On February 6, 2020, the Company's Board of Directors declared a quarterly common stock dividend in the amount of \$0.4175 per share. The dividend is payable on February 28, 2020 to stockholders of record on February 18, 2020.

The ability of the Company to pay dividends is dependent upon its ability to generate cash flows and to make accretive new investments.

Funds from Operations

Funds from operations ("FFO") and FFO per share are operating performance measures adopted by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT"). NAREIT defines FFO as the most commonly accepted and reported measure of a REIT's operating performance equal to net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property and impairments of real estate, plus depreciation and amortization related to real estate properties, and after adjustments for unconsolidated partnerships and joint ventures. NAREIT also provides REITs with an option to exclude gains, losses and impairments of assets that are incidental to the main business of the REIT from the calculation of FFO.

Management believes that net income, as defined by GAAP, is the most appropriate earnings measurement. However, management believes FFO and FFO per share to be supplemental measures of a REIT's performance because they provide an understanding of the operating performance of the Company's properties without giving effect to certain significant non-cash items, primarily depreciation and amortization expense. Historical cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time. However, real estate values instead have historically risen or fallen with market conditions.

The Company believes that by excluding the effect of depreciation, amortization, gains or losses from sales of real estate, impairment of real estate, and gains, losses and impairment of incidental assets, all of which are based on historical costs and which may be of limited relevance in evaluating current performance, FFO and FFO per share can facilitate comparisons of operating performance between periods. The Company reports FFO and FFO per share because these measures are observed by management to also be the predominant measures used by the REIT industry and by industry analysts to evaluate REITs and because FFO per share is consistently reported, discussed, and compared by research analysts in their notes and publications about REITs. For these reasons, management has deemed it appropriate to disclose and discuss FFO and FFO per share. However, FFO does not represent cash generated from operating activities determined in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income attributable to common stockholders as an indicator of the Company's operating performance or as an alternative to cash flow from operating activities as a measure of liquidity. The table below reconciles net income to FFO.

<i>(Amounts in thousands, except per share amounts)</i>	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 8,376	\$ 4,403	\$ 3,510
Real estate depreciation and amortization	22,377	19,661	17,714
Impairment of note receivable ⁽¹⁾	—	5,000	—
Income tax expense (benefit) ⁽¹⁾	1,321	(1,321)	—
Gain from sale of depreciable real estate	—	(295)	—
Total adjustments	23,698	23,045	17,714
Funds from Operations	<u>\$ 32,074</u>	<u>\$ 27,448</u>	<u>\$ 21,224</u>
Funds from Operations per Common Share-Basic	<u>\$ 1.72</u>	<u>\$ 1.55</u>	<u>\$ 1.43</u>
Funds from Operations per Common Share-Diluted	<u>\$ 1.67</u>	<u>\$ 1.53</u>	<u>\$ 1.41</u>
Weighted Average Common Shares Outstanding-Basic	<u>18,685</u>	<u>17,669</u>	<u>14,815</u>
Weighted Average Common Shares Outstanding-Diluted ⁽²⁾	<u>19,164</u>	<u>17,943</u>	<u>15,002</u>

⁽¹⁾ In the fourth quarter of 2018, the Company recorded a \$5.0 million impairment related to its mezzanine loan with Highland Hospital and recorded a related tax benefit and deferred tax asset of approximately \$1.3 million. This deferred tax asset was impaired in the fourth quarter of 2019 and the tax benefit was reversed resulting in tax expense of \$1.3 million. The Company believes that the mezzanine loan is incidental to the main operations of the Company. As such, the Company has excluded the impairment of the note receivable and the related tax impact from its calculation of FFO. The \$5.0 million impairment on the loan and related tax benefit of \$1.3 million recorded in 2018 was not previously reflected as an adjustment to FFO in the Company's 2018 Form 10-K. The presentation of FFO for the year ended December 31, 2018 has been updated to reflect this impairment and the related tax effects in the Company's reconciliation of Funds from Operations for 2018 to conform to the current year presentation.

⁽²⁾ Diluted weighted average common shares outstanding for FFO are calculated based on the treasury method, rather than the 2-class method.

Critical Accounting Policies

Our Consolidated Financial Statements are prepared in conformity with GAAP and the rules and regulations of the SEC. In preparing the Consolidated Financial Statements, management is required to exercise judgment and make assumptions and estimates that may impact the carrying value of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates. Set forth below is a summary of our accounting policies that we believe are critical to the preparation of our Consolidated Financial Statements. Our accounting policies are more fully discussed in Note 1 to the Consolidated Financial Statements.

Principles of Consolidation

Our Consolidated Financial Statements may include the accounts of the Company, its wholly owned subsidiaries, joint ventures, partnerships and variable interest entities, or VIEs, where the Company controls the operating activities. All material intercompany accounts, transactions, and balances have been eliminated.

Management must make judgments regarding the Company's level of influence or control over an entity and whether or not the Company is the primary beneficiary of a variable interest entity. Consideration of various factors

include, but is not limited to, the Company's ability to direct the activities that most significantly impact the entity's governing body, the size and seniority of the Company's investment, the Company's ability and the rights of other investors to participate in policy making decisions, the Company's ability to replace the manager and/or liquidate the entity. Management's ability to correctly assess its influence or control over an entity when determining the primary beneficiary of a VIE affects the presentation of these entities in the Company's Consolidated Financial Statements. If it is determined that the Company is the primary beneficiary of a VIE, the Company's Consolidated Financial Statements would include the operating results of the VIE rather than the results of the variable interest in the VIE. The Company would depend on the VIE to provide timely financial information and would rely on the interest control of the VIE to provide accurate financial information. Untimely or inaccurate financial information provided to the Company or deficiencies in the VIEs internal controls over financial reporting could impact the Company's Consolidated Financial Statements and its internal control over financial reporting.

Accounting for Acquisitions of Real Estate Properties

Real estate property acquisitions are accounted for as a business combination or an asset acquisition. An acquisition accounted for as a business combination is recorded at fair value and related closing costs are expensed as incurred. An acquisition accounted for as an asset acquisition is recorded at its purchase price, inclusive of acquisition costs, which is allocated among the acquired assets and assumed liabilities based upon their relative fair values at the date of acquisition. The Company adopted Accounting Standards Update ("ASU") No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, on January 1, 2017, and Company expects that substantially all of its acquisitions will be accounted for as asset acquisitions.

The allocation of real estate property acquisitions may include land and land improvements, building and building improvements, personal property, and identified intangible assets and liabilities (consisting of above- and below-market leases, in-place leases, and tenant relationships) based on the evaluation of information and estimates available at that date, and the allocation of the purchase price is based on these assessments. The acquisition date fair values of the tangible and intangible assets and acquired liabilities are estimated based on information obtained from multiple sources as a result of pre-acquisition due diligence, tax records, and other sources. Based on these estimates, we recognize the acquired assets and liabilities based on their estimated fair values. We expense transaction costs associated with business combinations in the period incurred. The fair value of tangible property assets acquired considers the value of the property as if vacant determined by comparable sales and other relevant data. The determination of fair value involves the use of significant judgment and estimation. We value land based on various inputs, which may include internal analysis of recently acquired properties, existing comparable properties within our portfolio, or third party appraisals or valuations based on comparable sales.

In recognizing identified intangible assets and liabilities of an acquired property, the value of above- or below-market leases is estimated based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between contractual amounts to be received pursuant to the leases and management's estimate of market lease rates measured over a period equal to the estimated remaining term of the lease. In the case of a below-market lease, we also evaluate any renewal options associated with that lease to determine if the intangible should include those periods. The capitalized above-market or below-market lease intangibles are amortized as a reduction from or an addition to rental income over the estimated remaining term of the respective leases.

In determining the value of in-place leases and tenant relationships, we consider current market conditions and costs to execute similar leases in arriving at an estimate of the carrying costs during the expected lease-up period from vacant to existing occupancy. In estimating carrying costs, we include real estate taxes, insurance, other property operating expenses, estimates of lost rental revenue during the expected lease-up periods, and costs to execute similar leases, including leasing commissions. The values assigned to in-place leases and tenant relationships are amortized over the estimated remaining term of the lease. If a lease terminates prior to its scheduled expiration, all unamortized costs related to that lease are written off.

Asset Impairments

The Company may need to assess the potential for impairment of identifiable, definite-lived, intangible assets and long-lived assets, including real estate properties, whenever events occur or a change in circumstances indicates that the carrying value might not be fully recoverable. Indicators of impairment may include significant under-performance of an asset relative to historical or expected operating results; significant changes in the Company's use of assets or the strategy for its overall business; plans to sell an asset before its depreciable life has ended; the expiration of a significant portion of leases in a property; or significant negative economic trends or negative industry trends for the Company or its operators. In addition, the Company's review for possible impairment may include those assets subject to purchase options and those impacted by casualties, such as tornadoes and hurricanes. If management determines that the carrying value of the Company's assets may not be fully recoverable based on the existence of any of the factors above, or others, management would measure and record an impairment charge based on the estimated fair value of the property or the estimated fair value less costs to sell the property.

Revenue Recognition

Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), also referred to as Topic 606, establishes a comprehensive model to account for revenues arising from contracts with customers. ASU 2014-09 applies to all contracts with customers, except those that are within the scope of other guidance, such as real estate leases and financial instruments. ASU 2014-09 requires companies to perform a five-step analysis of transactions to determine when and how revenue is recognized. The Company adopted ASU 2014-09 using the "modified retrospective" method effective January 1, 2018; as such, the Company has applied this guidance to only the financial statements for the years ended December 31, 2019 and 2018.

On January 1, 2019, the Company adopted the new leasing standard, Accounting Standards Codification Topic 842 ("ASC Topic 842"). The primary source of revenue for the Company is generated through its leasing arrangements with its tenants which is accounted for under ASC Topic 842, or through notes with its borrowers which is covered under the other accounting guidance. The Company's rental income and interest income are recognized based on contractual arrangements with its tenants and borrowers. From the inception of a lease, if collection of substantially all of the lease payments is probable for a tenant, then rental income is recognized as earned over the life of the lease agreement on a straight-line basis. Recognizing rental revenue on a straight-line basis for leases may result in recognizing revenue in amounts more or less than amounts currently due from tenants. If management determines that collection of substantially all of a lease's payments is not probable, it will revert to recognizing such lease payments on a cash basis and will reverse any recorded receivables related to that lease. In the event that management subsequently determines collection of substantially all of that lease's receivable is probable, management will reinstate and record all such receivables for the lease in accordance with the lease. The Company maintains a general allowance for receivables that the Company has determined are probable of collection, but in which other circumstances exist.

The Company recognizes operating expense recoveries in the period that applicable expenses are incurred. Other variable payments, such as late fees and sales tax are recognized based on the contractual terms of its leases. Income received but not yet earned is deferred until such time it is earned. Deferred revenue is included in other liabilities on the Consolidated Balance Sheets.

Allowance for Credit Losses

The Company evaluates collectability of its notes receivable and records allowances as necessary. A note is impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan as scheduled, including both contractual interest and principal payments. This assessment also includes an evaluation of the loan collateral. If a mortgage loan becomes past due, the Company will review the specific circumstances and may discontinue the accrual of interest on the loan. The loan is not returned to accrual status until the debtor has demonstrated the ability to continue debt service in accordance with the contractual terms. Loans placed on non-accrual status will be accounted for on a cash basis, in which income is recognized only upon the receipt of cash, or on a cost-recovery basis, in which all cash receipts reduce the carrying value of the loan, based on

the Company's expectation of future collectability. The Company had no notes on non-accrual status or available for sale at December 31, 2019, 2018 or 2017.

Use of Estimates in the Consolidated Financial Statements

Preparation of the Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying notes. Actual results may materially differ from those estimates.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk in the form of changing interest rates on its debt and mortgage note receivable. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. Management uses regular monitoring of market conditions and analysis techniques to manage this risk.

As of December 31, 2019, the Company's Revolving Credit Facility and Term Loans were based on variable interest rates while its notes receivable and mortgage note payable bore interest at a fixed rate. The Company has entered into interest rate swaps to fix the interest rates on its Term Loans.

The following table provides information regarding the sensitivity of certain of the Company's financial instruments, as described above, to market conditions and changes resulting from changes in interest rates. For purposes of this analysis, sensitivity is demonstrated based on hypothetical 10% changes in the underlying market interest rates.

	Outstanding Principal Balance at December 31, 2019	Calculated Annual Interest Expense	Impact on Earnings and Cash Flows	
			Assuming 10% Increase in Market Interest Rates	Assuming 10% Decrease in Market Interest Rates
<i>(Dollars in thousands)</i>				
Variable Rate Debt:				
Revolving Credit Facility	\$ 15,000	\$ 562	\$ (56)	\$ 56
A-1 Term Loan ⁽¹⁾	\$ 50,000	\$ 2,160	\$ —	\$ —
A-2 Term Loan ⁽¹⁾	\$ 50,000	\$ 2,286	\$ —	\$ —
A-3 Term Loan ⁽¹⁾	\$ 75,000	\$ 3,550	\$ —	\$ —

(1) The Company has interest rate swaps that fix the interest rates of the A-1 Term Loan, the A-2 Term Loan and the A-3 Term Loan; therefore, changes in the interest rates will not impact our earnings or cash flows.

	Outstanding Principal Balance at December 31, 2019	Fair Value			
		December 31, 2019	Assuming 10% Increase in Market Interest Rates	Assuming 10% Decrease in Market Interest Rates	December 31, 2018
<i>(Dollars in thousands)</i>					
Fixed Rate Receivables/Payable:					
Notes Receivable ⁽¹⁾	\$ 23,500	\$ 23,399	\$ 23,389	\$ 23,409	\$ 23,936
Mortgage Note Payable ⁽¹⁾	\$ 5,288	\$ 5,351	\$ 5,264	\$ 5,440	\$ 5,307

(1) Level 2 - Fair value based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets.

In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD-LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to USD-LIBOR. The Company has material contracts that are indexed to USD-LIBOR and is monitoring this activity and evaluating the related risks.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Community Healthcare Trust Incorporated
Franklin, Tennessee

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Community Healthcare Trust Incorporated (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedules listed in the accompanying index (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated February 25, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

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

financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Real Estate Acquisitions - Sale and Leaseback Transactions

As described in Notes 1 and 4 to the Company's consolidated financial statements, the Company acquired real estate properties for a total purchase price of approximately \$152 million during the year ended December 31, 2019. Certain of these acquisitions included a leaseback of the property to the seller or affiliates of the seller. The Company determined that the transactions which included a leaseback of the property to the seller or affiliates of the seller qualified as sale and leaseback transactions in accordance with Accounting Standards Codification ("ASC") Topic 842, *Leases*. Management evaluates various inputs and assumptions including lease terms, renewal options, discount rates, and repurchase rights to determine whether control, as defined by ASC Topic 842, of the underlying real estate property has transferred to the Company. If management determines that the control of the underlying real estate property has not transferred, the transaction is accounted for as a financing transaction rather than an acquisition of the real estate property.

For sale and leaseback transactions, we identified management's evaluation of whether control of the underlying real estate property was transferred from the seller/lessee as a critical audit matter. Management applies significant judgment in assessing relevant lease terms, provisions or other conditions included in the Company's lease and purchase agreements to determine whether or not the control of the real estate property has transferred to the Company. Auditing these assessments made by management involved especially challenging auditor judgment due to the extent of specialized skills or knowledge required.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of controls related to management's assessment of relevant lease terms, provisions or other conditions included in the Company's lease and purchase agreements to determine whether or not the control of the real estate property has transferred to the Company.
- Evaluating management's assessment of potential or implicit repurchase rights included in the lease and purchase agreements that could preclude transfer of control of the real estate property to the Company.
- Utilizing professionals with specialized skills and knowledge to assist in: (i) assessing management's application of ASC Topic 842 and (ii) evaluating relevant lease terms, provisions or other conditions included in the Company's lease and purchase agreements to assess the appropriateness of the conclusion that a transfer of control has occurred.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2015.

Nashville, Tennessee
February 25, 2020

COMMUNITY HEALTHCARE TRUST INCORPORATED
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)

	December 31,	
	2019	2018
ASSETS		
Real estate properties		
Land and land improvements	\$ 68,129	\$ 50,270
Buildings, improvements, and lease intangibles	534,503	394,527
Personal property	220	133
Total real estate properties	602,852	444,930
Less accumulated depreciation	(77,523)	(55,298)
Total real estate properties, net	525,329	389,632
Cash and cash equivalents	1,730	2,007
Restricted cash	293	385
Other assets, net	35,179	34,546
Total assets	\$ 562,531	\$ 426,570
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Debt, net	\$ 194,243	\$ 147,766
Accounts payable and accrued liabilities	3,606	3,196
Other liabilities	11,271	3,949
Total liabilities	209,120	154,911
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, \$0.01 par value; 50,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.01 par value; 450,000,000 shares authorized; 21,410,578 and 18,634,502 shares issued and outstanding at December 31, 2019 and 2018, respectively	214	186
Additional paid-in capital	447,916	337,180
Cumulative net income	17,554	9,178
Accumulated other comprehensive (loss) income	(4,808)	633
Cumulative dividends	(107,465)	(75,518)
Total stockholders' equity	353,411	271,659
Total liabilities and stockholders' equity	\$ 562,531	\$ 426,570

See accompanying notes to the consolidated financial statements.

COMMUNITY HEALTHCARE TRUST INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except share and per share amounts)

	Year Ended December 31,		
	2019	2018	2017
REVENUES			
Rental income	\$ 58,269	\$ 46,453	\$ 36,075
Mortgage interest	—	—	1,022
Other operating interest	2,580	2,104	179
	<u>60,849</u>	<u>48,557</u>	<u>37,276</u>
EXPENSES			
Property operating	12,235	9,944	8,682
General and administrative	7,719	5,634	3,953
Depreciation and amortization	22,225	19,539	17,732
	<u>42,179</u>	<u>35,117</u>	<u>30,367</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND OTHER ITEMS			
	18,670	13,440	6,909
Gain on sale of real estate	—	295	—
Interest expense	(9,301)	(6,299)	(3,948)
Impairment of note receivable	—	(5,000)	—
Income tax (expense) benefit	(1,430)	1,547	478
Interest and other income, net	437	420	71
INCOME FROM CONTINUING OPERATIONS	<u>8,376</u>	<u>4,403</u>	<u>3,510</u>
NET INCOME	<u>\$ 8,376</u>	<u>\$ 4,403</u>	<u>\$ 3,510</u>
INCOME PER COMMON SHARE			
Net income per common share – Basic	<u>\$ 0.37</u>	<u>\$ 0.19</u>	<u>\$ 0.19</u>
Net income per common share – Diluted	<u>\$ 0.37</u>	<u>\$ 0.19</u>	<u>\$ 0.19</u>
WEIGHTED AVERAGE COMMON SHARE OUTSTANDING-BASIC	<u>18,684,847</u>	<u>17,668,696</u>	<u>14,815,258</u>
WEIGHTED AVERAGE COMMON SHARE OUTSTANDING-DILUTED	<u>18,684,847</u>	<u>17,668,696</u>	<u>14,815,258</u>

See accompanying notes to the consolidated financial statements.

COMMUNITY HEALTHCARE TRUST INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

	Year Ended December 31,		
	2019	2018	2017
NET INCOME	\$ 8,376	\$ 4,403	\$ 3,510
Other comprehensive income:			
(Decrease) increase in fair value of cash flow hedges	(5,472)	182	(144)
Reclassification of amounts recognized as interest expense	31	193	402
Total other comprehensive (loss) income	(5,441)	375	258
COMPREHENSIVE INCOME	\$ 2,935	\$ 4,778	\$ 3,768

See accompanying notes to the consolidated financial statements.

COMMUNITY HEALTHCARE TRUST INCORPORATED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except per share amounts)

	Preferred Stock		Common Stock		Additional Paid in Capital	Cumulative Net Income	Accumulated Other Comprehensive Income (Loss)	Cumulative Dividends	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2016	—	\$ —	12,988,482	\$ 130	\$ 214,323	\$ 1,265	\$ —	\$ (21,711)	\$ 194,007
Issuance of common stock, net of issuance costs	—	—	4,887,500	49	108,508	—	—	—	108,557
Stock-based compensation	—	—	209,816	2	1,472	—	—	—	1,474
Unrecognized loss on cash flow hedges	—	—	—	—	—	—	(144)	—	(144)
Reclassification adjustment for losses included in net income (interest expense)	—	—	—	—	—	—	402	—	402
Net income	—	—	—	—	—	3,510	—	—	3,510
Dividends to common stockholders (\$1.565 per share)	—	—	—	—	—	—	—	(24,432)	(24,432)
Balance at December 31, 2017	—	\$ —	18,085,798	\$ 181	\$ 324,303	\$ 4,775	\$ 258	\$ (46,143)	\$ 283,374
Issuance of common stock, net of issuance costs	—	—	334,700	3	10,027	—	—	—	10,030
Stock-based compensation	—	—	214,004	2	2,850	—	—	—	2,852
Unrecognized gain on cash flow hedges	—	—	—	—	—	—	182	—	182
Reclassification adjustment for losses included in net income (interest expense)	—	—	—	—	—	—	193	—	193
Net income	—	—	—	—	—	4,403	—	—	4,403
Dividends to common stockholders (\$1.605 per share)	—	—	—	—	—	—	—	(29,375)	(29,375)
Balance at December 31, 2018	—	\$ —	18,634,502	\$ 186	\$ 337,180	\$ 9,178	\$ 633	\$ (75,518)	\$ 271,659
Issuance of common stock, net of issuance costs	—	—	2,554,247	26	106,902	—	—	—	106,928
Stock-based compensation	—	—	221,829	2	3,834	—	—	—	3,836
Unrecognized loss on cash flow hedges	—	—	—	—	—	—	(5,472)	—	(5,472)
Reclassification adjustment for losses included in net income (interest expense)	—	—	—	—	—	—	31	—	31
Net income	—	—	—	—	—	8,376	—	—	8,376
Dividends to common stockholders (\$1.645 per share)	—	—	—	—	—	—	—	(31,947)	(31,947)
Balance at December 31, 2019	—	\$ —	21,410,578	\$ 214	\$ 447,916	\$ 17,554	\$ (4,808)	\$ (107,465)	\$ 353,411

See accompanying notes to the consolidated financial statements.

COMMUNITY HEALTHCARE TRUST INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Year Ended December 31,		
	2019	2018	2017
OPERATING ACTIVITIES			
Net income	\$ 8,376	\$ 4,403	\$ 3,510
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	22,225	19,539	17,732
Other amortization	527	629	421
Stock-based compensation	3,836	2,852	1,474
Straight-line rent	(2,052)	(1,212)	(1,303)
Gain on sale of real estate property	—	(295)	—
Impairment of note receivable	—	5,000	—
Reduction in contingent purchase price	—	—	(5)
Deferred income tax expense (benefit)	1,430	(1,547)	(478)
Changes in operating assets and liabilities:			
Other assets	(1,761)	(2,162)	(1,023)
Accounts payable and accrued liabilities	(95)	(1,251)	402
Other liabilities	(124)	(1,515)	1,397
Net cash provided by operating activities	<u>32,362</u>	<u>24,441</u>	<u>22,127</u>
INVESTING ACTIVITIES			
Acquisitions of real estate	(150,001)	(45,185)	(133,505)
Disposition of real estate	—	3,176	—
Acquisition and funding of mortgage and other notes receivable	—	(2,201)	(13,750)
Funding of notes receivable	—	(4,833)	—
Proceeds from repayments on notes receivable	1,195	92	833
Capital expenditures on existing real estate properties	(4,372)	(4,557)	(1,132)
Net cash used in investing activities	<u>(153,178)</u>	<u>(53,508)</u>	<u>(147,554)</u>
FINANCING ACTIVITIES			
Net (repayments) borrowings on revolving credit facility	(28,000)	9,000	(17,000)
Term loan borrowings	75,000	40,000	60,000
Mortgage note repayments	(103)	—	—
Dividends paid	(31,947)	(29,375)	(24,432)
Proceeds from issuance of common stock	107,250	10,187	109,168
Equity issuance costs	(449)	(157)	(611)
Debt issuance costs	(1,304)	(326)	(743)
Settlement of contingent purchase price	—	—	(393)
Net cash provided by financing activities	<u>120,447</u>	<u>29,329</u>	<u>125,989</u>
(Decrease) increase in cash, cash equivalents and restricted cash	\$ (369)	\$ 262	\$ 562
Cash, cash equivalents and restricted cash, beginning of period	2,392	2,130	1,568
Cash, cash equivalents and restricted cash, end of period	<u>\$ 2,023</u>	<u>\$ 2,392</u>	<u>\$ 2,130</u>

	For the Year Ended December 31,		
	2019	2018	2017
Supplemental Cash Flow Information:			
Interest paid	\$ 8,846	\$ 5,564	\$ 3,125
Invoices accrued for construction, tenant improvement and other capitalized costs	\$ 385	\$ 71	\$ 209
Reclassification between accounts and notes receivable	\$ 47	\$ 861	\$ 615
Reclassification of registration statement costs incurred in prior year to equity issuance costs	\$ 322	\$ 147	\$ —
(Decrease) increase in fair value of cash flow hedges	\$ (5,472)	\$ 182	\$ 144
Fair value of property received in foreclosure	\$ —	\$ 4,541	\$ —
Notes, mortgage and interest receivable payments utilized to originate note receivable	\$ 23,500	\$ 18,167	\$ —
Interest accrued to notes receivable	\$ 29	\$ 235	\$ —
Assumption of mortgage note payable	\$ —	\$ 5,391	\$ —

See accompanying notes to the consolidated financial statements.

COMMUNITY HEALTHCARE TRUST INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

Note 1—Summary of Significant Accounting Policies

Business Overview

Community Healthcare Trust Incorporated (the “Company”, “we”, “our”) was organized in the State of Maryland on March 28, 2014. The Company is a fully-integrated healthcare real estate company that owns and acquires real estate properties that are leased to hospitals, doctors, healthcare systems or other healthcare service providers. As of December 31, 2019, the Company had investments of approximately \$602.9 million in 118 real estate properties located in 32 states, totaling approximately 2.6 million square feet in the aggregate. Square footage, property count, and occupancy percentage disclosures in the consolidated financial statements are unaudited.

Principles of Consolidation

Our Consolidated Financial Statements include the accounts of the Company, its wholly-owned subsidiaries, and may also include joint ventures, partnerships and variable interest entities, or VIEs, where the Company controls the operating activities. Management must make judgments regarding the Company's level of influence or control over an entity and whether or not the Company is the primary beneficiary of a VIE. Consideration of various factors include, but is not limited to, the Company's ability to direct the activities that most significantly impact the entity's governing body, the size and seniority of the Company's investment, and the Company's ability to replace the manager and/or liquidate the entity. Management's ability to correctly assess its influence or control over an entity when determining the primary beneficiary of a VIE affects the presentation of these entities in the Company's Consolidated Financial Statements. If it is determined that the Company is the primary beneficiary of a VIE, the Company's Consolidated Financial Statements would include the operating results of the VIE rather than the results of the variable interest in the VIE. Untimely or inaccurate financial information provided to the Company or deficiencies in the VIEs internal control over financial reporting could impact the Company's Consolidated Financial Statements and its own internal control over financial reporting. See Note 10 regarding VIEs identified by the Company related to its notes receivable.

All material intercompany accounts, transactions, and balances have been eliminated in the presentation of the Company's Consolidated Financial Statements.

Use of Estimates in the Consolidated Financial Statements

Preparation of the Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying notes. Actual results may materially differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Tenant reimbursements totaling approximately \$6.4 million and \$5.1 million, respectively, on the Company's Consolidated Statements of Income for the years ended December 31, 2018 and 2017 were reclassified into rental income. Also, bad debt expense totaling approximately \$0.1 million and \$0.1 million, respectively, on the Company's Consolidated Statements of Income for the years ended December 31, 2018 and 2017 were reclassified from general and administrative expenses into rental income.

Segment Reporting

The Company acquires and owns, or finances, healthcare-related real estate properties that are leased to hospitals, doctors, healthcare systems or other healthcare service providers. The Company is managed as one reporting unit, rather than multiple reporting units, for internal reporting purposes and for internal decision-making. Therefore, the Company discloses its operating results in a single segment.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents includes short-term investments with original maturities of three months or less when purchased. Restricted cash consists of amounts held by the lender of our mortgage note payable to provide for future real estate tax, insurance expenditures and tenant improvements related to one property. The carrying amount approximates fair value due to the short term maturity of these investments. The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the Company's Consolidated Balance Sheets and Consolidated Statements of Cash Flows:

<i>(Dollars in thousands)</i>	December 31,	
	2019	2018
Cash and cash equivalents	\$ 1,730	\$ 2,007
Restricted cash	293	385
Cash, cash equivalents and restricted cash	<u>\$ 2,023</u>	<u>\$ 2,392</u>

Real Estate Properties

Real estate property acquisitions are accounted for as a business combination or an asset acquisition. An acquisition accounted for as a business combination is recorded at fair value and related closing costs are expensed as incurred. An acquisition accounted for as an asset acquisition is recorded at its purchase price, inclusive of acquisition costs, which is allocated among the acquired assets and assumed liabilities based upon their relative fair values at the date of acquisition. The Company expects that substantially all of its acquisitions will be accounted for as asset acquisitions.

The allocation of real estate property acquisitions may include land and land improvements, building and building improvements, personal property, and identified intangible assets and liabilities (consisting of above- and below-market leases, in-place leases, and tenant relationships) based on the evaluation of information and estimates available at that date, and we allocate the purchase price based on these assessments. We make estimates of the acquisition date fair value of the tangible and intangible assets and acquired liabilities using information obtained from multiple sources as a result of pre-acquisition due diligence, tax records, and other sources. Based on these estimates, we recognize the acquired assets and liabilities at their estimated fair values. We expense transaction costs associated with business combinations in the period incurred. The fair value of tangible property assets acquired considers the value of the property as if vacant determined by comparable sales and other relevant data. The determination of fair value involves the use of significant judgment and estimation. We value land based on various inputs, which may include internal analysis of recently acquired properties, existing comparable properties within our portfolio, or third party appraisals or valuations based on comparable sales.

In recognizing identified intangible assets and liabilities of an acquired property, the value of above- or below-market leases is estimated based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between contractual amounts to be received pursuant to the leases and an estimate of market lease rates measured over the remaining term of the lease. In the case of a below-market lease, renewal options associated with that lease are evaluated to determine if the intangible should include those periods. The capitalized above-market or below-market lease intangibles are amortized as a reduction from or an addition to rental income over the estimated remaining term of the respective leases.

In determining the value of in-place leases and tenant relationships, current market conditions and costs to execute similar leases to arrive at an estimate of the carrying costs during the expected lease-up period from vacant to existing occupancy are considered. Estimated carrying costs include real estate taxes, insurance, other property operating expenses, estimates of lost rental revenue during the expected lease-up periods, and costs to execute similar leases, including leasing commissions. The values assigned to in-place leases and tenant relationships are amortized over the estimated remaining term of the lease. If a lease terminates prior to its scheduled expiration, all unamortized costs related to that lease are written off.

Long-lived Asset Impairments

The Company assesses the potential for impairment of identifiable, definite-lived, intangible assets and long-lived assets, including real estate properties, whenever events occur or a change in circumstances indicates that the carrying value might not be fully recoverable. Indicators of impairment may include significant under-performance of an asset relative to historical or expected operating results; significant changes in the Company's use of assets or the strategy for its overall business; plans to sell an asset before its depreciable life has ended; the expiration of a significant portion of leases in a property; or significant negative economic trends or negative industry trends for the Company or its operators. In addition, the Company's review for possible impairment may include those assets subject to purchase options and those impacted by casualties, such as tornadoes and hurricanes. If management determines that the carrying value of the Company's assets may not be fully recoverable based on the existence of any of the factors above, or others, management would measure and record an impairment charge based on the estimated fair value of the property or the estimated fair value less costs to sell the property. No impairments on long-lived assets were recorded during the years ended December 31, 2019, 2018 or 2017.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. In calculating fair value, a company must maximize the use of observable market inputs, minimize the use of unobservable market inputs and disclose in the form of an outlined hierarchy the details of such fair value measurements.

A hierarchy of valuation techniques is defined to determine whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

- *Level 1* – quoted prices for identical instruments in active markets.
- *Level 2* – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- *Level 3* – fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Our interest rate swaps are valued in the market using discounted cash flow techniques. These techniques incorporate Level 1 and Level 2 inputs. The market inputs are utilized in the discounted cash flow calculation considering the instrument's term, notional amount, discount rate and credit risk. Significant inputs to the derivative valuation model for interest rate swaps are observable in active markets and are classified as Level 2 in the hierarchy.

Our notes receivable were valued based on market rates for similar instruments in the market, a Level 2 input.

Our mortgage note payable was valued based on market rates for similar instruments in the market, a Level 2 input.

Lease Accounting

As a lessor, we make a determination with respect to each of our leases whether they should be accounted for as sales-type, direct-financing, or operating leases. Additionally, for each of our real estate transactions involving the leaseback of the related property to the seller or affiliates of the seller, we determine whether these transactions qualify as sale and leaseback transactions under the accounting guidance in Accounting Standards Codification ("ASC") 842, *Leases*. For these transactions, we consider various inputs and assumptions including, but not necessarily limited to, lease terms, renewal options, discount rates, and other rights and provisions in the purchase and sale agreement, lease and other documentation to determine whether control has been transferred to the Company or remains with the lessee. A transaction involving a sale leaseback will be treated as a purchase of a real estate property if it is considered to transfer control of the underlying asset from the lessee. A lease will be classified as direct-financing if risks and rewards are conveyed without the transfer of control. Otherwise, the lease is treated as an operating lease. These criteria also include estimates and assumptions regarding the fair value of the leased facilities, minimum lease payments, effective cost of funds, the economic useful life of the facilities, the existence of a purchase option, and certain other terms in the lease agreements. The lease accounting guidance requires accounting for a transaction as a financing in a sale leaseback when the seller-lessee is provided an option to purchase the property from the landlord at the tenant's option. We expect that most of our leases will be accounted for as operating leases.

Payments received under operating leases are accounted for in the Consolidated Statements of Income as rental income for actual cash rent collected plus or minus straight-line adjustments, such as lease escalators. The Company has elected not to separate lease and nonlease components, such as common area maintenance, unless certain conditions are not met. As such, tenant reimbursements are combined with rental income on the Consolidated Statements of Income.

The Company is the lessee under one ground lease and has recorded a right of use asset and related operating lease liability, each totaling approximately \$0.1 million at December 31, 2019. The right of use lease asset is included in other assets and the operating lease liability is included in other liabilities on the Company's Consolidated Balance Sheet.

Revenue Recognition

Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), also referred to as Topic 606, establishes a comprehensive model to account for revenues arising from contracts with customers. ASU 2014-09 applies to all contracts with customers, except those that are within the scope of other guidance, such as real estate leases and financial instruments. ASU 2014-09 requires companies to perform a five-step analysis of transactions to determine when and how revenue is recognized. The Company adopted ASU 2014-09 using the "modified retrospective" method effective January 1, 2018; as such, the Company has applied this guidance to only the financial statements for the years ended December 31, 2019 and 2018.

On January 1, 2019, the Company adopted the new leasing standard, Accounting Standards Codification Topic 842 ("ASC Topic 842"). The primary source of revenue for the Company is generated through its leasing arrangements with its tenants which is accounted for under ASC Topic 842, or through notes with its borrowers which is covered under the other accounting guidance. The Company's rental income and interest income are recognized based on contractual arrangements with its tenants and borrowers. From the inception of a lease, if collection of substantially all of the lease payments is probable for a tenant, then rental income is recognized as earned over the life of the lease agreement on a straight-line basis. Recognizing rental revenue on a straight-line basis for leases may result in recognizing revenue in amounts more or less than amounts currently due from tenants. If management determines that collection of substantially all of a lease's payments is not probable, it will revert to recognizing such lease payments on a cash basis and will reverse any recorded receivables related to that lease. In the event that management subsequently determines collection of substantially all of that lease's receivable is probable, management will reinstate and record all such receivables for the lease in accordance with the lease. The Company

maintains a general allowance for receivables that the Company has determined are probable of collection, but in which other circumstances exist.

The Company recognizes operating expense recoveries in the period that applicable expenses are incurred. Other variable payments, such as late fees and sales tax are recognized based on the contractual terms of its leases. Income received but not yet earned is deferred until such time it is earned. Deferred revenue is included in other liabilities on the Consolidated Balance Sheets.

Allowance for Credit Losses

The Company evaluates collectability of its notes receivable and records allowances as necessary. A note is impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan as scheduled, including both contractual interest and principal payments. This assessment also includes an evaluation of the loan collateral. If a mortgage loan becomes past due, the Company will review the specific circumstances and may discontinue the accrual of interest on the loan. The loan is not returned to accrual status until the debtor has demonstrated the ability to continue debt service in accordance with the contractual terms. Loans placed on non-accrual status will be accounted for on a cash basis, in which income is recognized only upon the receipt of cash, or on a cost-recovery basis, in which all cash receipts reduce the carrying value of the loan, based on the Company's expectation of future collectability. The Company had no notes on non-accrual status or available for sale at December 31, 2019, 2018 or 2017.

Stock-Based Compensation

The Company's 2014 Incentive Plan, as amended (the "2014 Incentive Plan") is intended to attract and retain qualified persons upon whom, in large measure, our sustained progress, growth and profitability depend, to motivate the participants to achieve long-term company goals and to more closely align the participants' interests with those of our other stockholders by providing them with a proprietary interest in our growth and performance. The three distinct programs under the 2014 Incentive Plan are the Amended and Restated Alignment of Interest Program, the Amended and Restated Executive Officer Incentive Program and the Non-Executive Officer Incentive Program. Our executive officers, officers, employees, consultants and non-employee directors are eligible to participate in the 2014 Incentive Plan. The 2014 Incentive Plan increases, on an annual basis, the number of shares of common stock available for issuance to an amount equal to 7% of the total number of shares of the Company's common stock outstanding on December 31 of the immediately preceding year. The 2014 Incentive Plan is administered by the Company's compensation committee, which interprets the 2014 Incentive Plan and has broad discretion to select the eligible persons to whom awards will be granted, as well as the type, size and terms and conditions of each award, including the number of shares subject to awards and the expiration date of, and the vesting schedule or other restrictions (including, without limitation, restrictive covenants) applicable to, awards. The Company recognizes share-based payments to its directors and employees in its Consolidated Statements of Income on a straight-line basis over the shorter of the requisite service period, retirement eligibility date, or other period as deemed appropriate based on the fair value of the award on the measurement date.

Intangible Assets

Intangible assets with indefinite lives are not amortized, but are tested at least annually for impairment. At December 31, 2019 and 2018, the Company had no indefinite lived intangibles.

Intangible assets with finite lives are amortized over their respective lives to their estimated residual values and are reviewed for impairment only when impairment indicators are present. Identifiable intangible assets of the Company are generally comprised of in-place and above-market lease intangible assets and below-market lease intangible liabilities, as well as deferred financing costs. In-place lease intangible assets are amortized to depreciation expense on a straight-line basis over the applicable lives of the leases. Above- and below-market lease intangibles are amortized to rental income on a straight-line basis over the applicable lives of the leases. Deferred financing costs are amortized to interest expense over the term of the related credit facility or other debt instrument using the straight-line method, which approximates amortization under the effective interest method.

Income Taxes

The Company has elected to be taxed as a real estate investment trust ("REIT"), as defined under the Internal Revenue Code of 1986, as amended (the "Code"). The Company and one subsidiary have also elected for that subsidiary to be treated as a taxable REIT subsidiary ("TRS"), which is subject to federal and state income taxes. No provision has been made for federal income taxes for the REIT; however, the Company has recorded income tax expense or benefit for the TRS to the extent applicable. The Company also evaluates the realizability of its deferred tax assets and will record valuation allowances if it is determined that more likely than not the asset will not be recovered. The Company intends at all times to qualify as a REIT under the Code. The Company must distribute at least 90% per annum of its REIT taxable income to its stockholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with generally accepted accounting principles) and meet other requirements to continue to qualify as a REIT. See further discussion in Note 14.

Effective January 1, 2018, under legislation from the Tax Cuts and Jobs Act of 2017, the maximum U.S. federal corporate income tax rate was reduced from 35% to 21%. Accordingly, to the extent that the activities of our taxable REIT subsidiary generates taxable income in future periods, it may be subject to lower U.S. federal income tax rates.

The Company classifies interest and penalties related to uncertain tax positions, if any, in the Consolidated Statements of Income as a component of general and administrative expenses. No such amounts were recognized during 2019, 2018 or 2017.

The Company is subject to audit by the Internal Revenue Service and by state taxing authorities for the years ended December 31, 2018, 2017, and 2016.

Sales and Use Taxes

The Company must pay sales and use taxes to certain state tax authorities based on rental income collected from tenants in properties located in those states. The Company is generally reimbursed for those taxes by those tenants. The Company accounts for the payments to the taxing authority and subsequent reimbursement from the tenant on a net basis, included in rental income on the Company's Consolidated Statements of Income.

Concentration of Credit Risks

Our credit risks primarily relate to cash and cash equivalents, mortgage notes, if any, other notes receivable and our interest rate swaps, which are discussed below. Cash and cash equivalents are primarily held in bank accounts and overnight investments. We maintain our bank deposit accounts with large financial institutions in amounts that often exceed federally-insured limits. We have not experienced any losses in such accounts.

Derivative Financial Instruments

In the normal course of business, we are subject to risk from adverse fluctuations in interest rates. We have chosen to manage this risk through the use of derivative financial instruments, or interest rate swaps. Counterparties to these contracts are major financial institutions. We are exposed to credit loss in the event of nonperformance by these counterparties. We do not use derivative instruments for trading or speculative purposes. Our objective in managing exposure to market risk is to limit the impact on cash flows. To qualify for hedge accounting, our interest rate swaps must effectively reduce the risk exposure that they are designed to hedge. In addition, at inception of a qualifying cash flow hedging relationship, the underlying transaction or transactions must be, and are expected to remain, probable of occurring in accordance with our related assertions. All of our hedges are cash flow hedges and are recognized at their fair value in the Consolidated Balance Sheets. Changes in the fair value of the derivatives are recognized in accumulated other comprehensive income.

Earnings per Share

Basic earnings per common share is computed by dividing net income by the weighted average common shares outstanding less issued and outstanding non-vested shares of common stock. Diluted earnings per common share is calculated by including the effect of dilutive securities.

Our unvested restricted common stock outstanding contains non-forfeitable rights to dividends, and accordingly, these awards are deemed to be participating securities. These participating securities, under the 2-class method, are included in the earnings allocation in computing both basic and diluted earnings per common share.

New Accounting Pronouncements

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, companies will be required to use a new current expected credit loss ("CECL") model that generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, companies will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. Companies will have to disclose significantly more information, including information they use to track credit quality by year of origination for most financing receivables. Companies will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. This standard is effective for the Company on January 1, 2020 with early adoption permitted. In November 2018, the FASB amended the ASU to clarify that receivables arising from leases would not be within the scope of the ASU but rather would be accounted for under the leasing standard. The Company does not expect a material impact to its Consolidated Financial Statements upon adoption of this standard on January 1, 2020. However, this standard could impact the Company's financial statements and results of operations in future periods.

Note 2—Real Estate Investments

As of December 31, 2019, the Company had investments of approximately \$602.9 million in 118 real estate properties. The following table summarizes the Company's investments.

<i>(Dollars in thousands)</i>	Number of Facilities	Land and Land Improvements	Buildings, Improvements, and Lease Intangibles	Personal Property	Total	Accumulated Depreciation
<i>Medical office buildings:</i>						
Florida	5	\$ 4,665	\$ 29,402	\$ —	\$ 34,067	\$ 5,736
Ohio	6	3,665	26,578	—	30,243	6,560
Texas	3	3,164	15,650	—	18,814	5,066
Illinois	3	1,918	15,019	—	16,937	3,484
Kansas	3	2,468	16,212	—	18,680	4,626
Iowa	1	2,241	9,062	—	11,303	3,026
Other states	20	8,118	50,907	—	59,025	6,590
	41	26,239	162,830	—	189,069	35,088
<i>Physician clinics:</i>						
Kansas	2	610	6,920	—	7,530	1,793
Illinois	6	2,888	9,728	—	12,616	991
Florida	5	506	10,322	—	10,828	1,202
Other states	9	2,903	21,743	—	24,646	4,261
	22	6,907	48,713	—	55,620	8,247
<i>Surgical centers and hospitals</i>						
Louisiana	1	1,683	21,353	—	23,036	1,644
Michigan	2	637	8,624	—	9,261	2,717
Illinois	2	2,389	8,222	—	10,611	1,990
Florida	1	271	7,069	—	7,340	1,159
Arizona	2	576	5,389	—	5,965	1,859
Other states	7	2,144	17,935	—	20,079	4,765
	15	7,700	68,592	—	76,292	14,134
<i>Specialty centers</i>						
Illinois	3	3,489	24,733	—	28,222	3,315
Other states	24	5,911	41,803	—	47,714	8,928
	27	9,400	66,536	—	75,936	12,243
<i>Behavioral facilities:</i>						
Massachusetts	1	3,835	23,303	—	27,138	349
West Virginia	1	2,138	22,897	—	25,035	1,317
Illinois	1	1,300	18,803	—	20,103	1,685
Washington	1	2,725	25,064	—	27,789	224
Other states	5	2,538	18,894	—	21,432	1,220
	9	12,536	108,961	—	121,497	4,795
<i>Inpatient rehabilitation facilities:</i>						
Texas	3	4,824	61,751	—	66,575	886
	3	4,824	61,751	—	66,575	886
<i>Long-term acute care hospitals:</i>						
Indiana	1	523	14,405	—	14,928	1,739
	1	523	14,405	—	14,928	1,739
<i>Corporate property</i>	—	—	2,715	220	2,935	391
Total real estate investments	118	\$ 68,129	\$ 534,503	\$ 220	\$ 602,852	\$ 77,523

Notes to Consolidated Financial Statements - Continued

Depreciation expense was \$13.4 million, \$10.1 million and \$7.6 million, respectively, for the years ended December 31, 2019, 2018 and 2017, which is included in depreciation and amortization expense on the Company's Consolidated Statements of Income. Depreciation and amortization of real estate assets and liabilities in place as of December 31, 2019, is recognized on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives at December 31, 2019 are as follows:

Land improvements	2 - 20 years
Buildings	20 - 50 years
Building improvements	3.0 - 39.8 years
Tenant improvements	2.1 - 14.4 years
Lease intangibles	1.2 - 13.7 years
Personal property	3 -10 years

Note 3—Real Estate Leases

The Company's properties are generally leased pursuant to non-cancelable, fixed-term operating leases with expiration dates through 2034. The Company's leases generally require the lessee to pay minimum rent, with fixed rent renewal terms or increases based on a Consumer Price Index and may also include additional rent, which may include taxes (including property taxes), insurance, maintenance and other operating costs associated with the leased property. The real estate properties were 89.8% leased at December 31, 2019 with a weighted average remaining lease term of approximately 7.7 years.

Future Minimum Lease Payments

Future minimum lease payments under the non-cancelable operating leases due the Company for the years ending December 31, as of December 31, 2019, are as follows (in thousands):

2020	\$	53,936
2021		50,917
2022		47,554
2023		42,642
2024		39,795
2025 and thereafter		239,900
	\$	<u>474,744</u>

Revenue Concentrations

The Company's real estate portfolio is leased to a diverse tenant base. At December 31, 2019, 2018 and 2017, the Company had no customers that accounted for more than 10% of its consolidated revenues.

The Company's portfolio is currently located in 32 states with approximately 40.7% of its consolidated revenues for the year ended December 31, 2019 derived from properties located in Texas (16.6%), Illinois (14.0%), and Ohio (10.1%).

Purchase Option Provisions

Certain of the Company's leases, entered into prior to 2019, provide the lessee with a purchase option or a right of first refusal to purchase the leased property. The purchase option provisions generally allow the lessee to purchase the leased property at fair value or at an amount greater than the Company's gross investment in the leased property at the time of the purchase. Since the Company's initial public offering, only one of the Company's tenants has exercised a purchase option. The purchase option was exercised and the property was sold during the year ended

December 31, 2018. See Note 4 for details. At December 31, 2019, the Company had gross investments of approximately \$13.9 million in seven real estate properties with purchase options exercisable at December 31, 2019.

Straight-line rental income

Rental income is recognized as earned over the life of the lease agreement on a straight-line basis when collection of rental payments over the term of the lease is probable. Straight-line rent included in rental income was approximately \$2.1 million, \$1.3 million, and \$1.3 million, respectively, for the years ended December 31, 2019, 2018 and 2017.

Deferred revenue

Income received but not yet earned is deferred until such time it is earned. Deferred revenue, included in other liabilities on the Consolidated Balance Sheets, was approximately \$2.0 million and \$1.6 million, respectively, at December 31, 2019 and 2018.

Note 4—Real Estate Acquisitions and Dispositions

2019 Real Estate Acquisitions

During the year ended December 31, 2019, the Company acquired 15 real estate properties as detailed in the table below. Upon acquisition, the properties were 99.5% leased in the aggregate with lease expirations through 2034. Amounts reflected in revenues and net income for these properties were approximately \$8.5 million and \$6.1 million, respectively, and transaction costs totaling approximately \$1.2 million were capitalized for the year ended December 31, 2019 relating to these property acquisitions.

Location	Property Type ⁽¹⁾	Date Acquired	Purchase Price	Cash Consideration	Real Estate	Other ⁽²⁾	Square Footage
			<i>(000's)</i>	<i>(000's)</i>	<i>(000's)</i>	<i>(000's)</i>	<i>(Unaudited)</i>
Humble, TX	IRF	02/22/19	\$ 28,459	\$ 28,462	\$ 28,517	\$ (55)	55,646
York, PA	PC	02/25/19	4,265	4,280	4,349	(69)	27,100
Gurnee, IL	MOB	05/30/19	3,819	3,755	3,857	(102)	22,943
Kissimmee, FL	MOB	06/20/19	1,059	1,089	1,092	(3)	4,902
Worcester, MA	BF	04/30/19	27,000	25,863	27,138	(1,275)	81,972
Warwick, RI	MOB	07/22/19	6,059	6,094	6,115	(21)	21,252
Longview, TX	IRF	07/25/19	19,000	18,473	19,035	(562)	38,817
Marysville, WA	BF	08/6/19	27,500	27,607	27,789	(182)	70,100
Butler, PA	MOB	10/9/19	2,777	2,835	2,869	(34)	10,116
Bay City, MI	MOB	10/10/19	4,300	4,282	4,281	1	25,500
Lancaster, PA	MOB	10/21/19	2,326	2,398	2,406	(8)	10,753
Camp Hill, PA	SC	10/28/19	1,661	1,718	1,720	(2)	8,400
Harrisburg, PA	SC	10/28/19	1,977	2,040	2,042	(2)	9,040
Manteca, CA	MOB	10/31/19	2,772	2,789	2,811	(22)	10,832
Temple, TX	IRF	11/1/19	19,000	18,316	19,023	(707)	38,817
			\$ 151,974	\$ 150,001	\$ 153,044	\$ (3,043)	436,190

⁽¹⁾ IRF - Inpatient Rehabilitation Facility; PC - Physician Clinic; MOB - Medical Office Building; BF - Behavioral Facility; SC - Specialty Center

⁽²⁾ Includes items including, but not limited to, other assets, liabilities assumed, and security deposits.

Notes to Consolidated Financial Statements - Continued

The following table summarizes the estimated relative fair values of the assets acquired and liabilities assumed in the property acquisitions for the year ended December 31, 2019.

	Estimated Fair Value	Weighted Average Useful Life
	<i>(In thousands)</i>	<i>(In years)</i>
Land and land improvements	\$ 17,526	11.2
Building and building improvements	\$ 131,519	41.5
Intangibles:		
At-market lease intangibles	\$ 4,120	5.8
Below-market lease intangibles	(121)	6.7
Total intangibles	<u>3,999</u>	
Accounts receivable and other assets assumed	52	
Accounts payable, accrued liabilities and other liabilities assumed ⁽¹⁾	(2,975)	
Prorated rent, interest and operating expense reimbursement amounts collected	(120)	
Total cash consideration	<u>\$ 150,001</u>	

⁽¹⁾ Includes security deposits received.

2018 Real Estate Acquisitions

The Company's acquisitions for 2018 included the following, all of which we accounted for as asset acquisitions:

During the fourth quarter of 2018, the Company acquired 11 real estate properties totaling approximately 143,000 square feet for an aggregate purchase price of approximately \$24.1 million, including cash consideration of approximately \$18.5 million and the assumption of mortgage debt on one of the properties of \$5.4 million. See Note 5 for more details on mortgage debt. Upon acquisition, the properties were 96.6% leased in the aggregate with lease expirations ranging from 2019 through 2028. Amounts reflected in revenues and net income for the year ended December 31, 2018 for these properties were approximately \$389,397 and \$70,390, respectively. Transaction costs totaling approximately \$0.5 million related to these acquisitions were capitalized in the period and included in real estate assets.

During the third quarter of 2018, the Company acquired two real estate properties totaling approximately 37,000 square feet for an aggregate purchase price and cash consideration of approximately \$6.7 million. Upon acquisition, the properties were 93.4% leased in the aggregate with lease expirations ranging from 2021 through 2023. Amounts reflected in revenues and net income for the year ended December 31, 2018 for these properties were approximately \$314,083 and \$43,597, respectively. Transaction costs totaling approximately \$0.1 million related to these acquisitions were capitalized in the period and included in real estate assets.

During the second quarter of 2018, the Company acquired three real estate properties totaling approximately 68,000 square feet for an aggregate purchase price of approximately \$11.7 million, including cash consideration of approximately \$7.7 million and \$4.5 million fair value of real estate received in foreclosure. Upon acquisition, two of the properties were 100% leased in the aggregate with lease expirations ranging from 2020 through 2026, and one property previously secured a mortgage note receivable held by the Company. Amounts reflected in revenues and net income for the year ended December 31, 2018 for these properties were approximately \$0.8 million and \$0.4 million, respectively. Transaction costs totaling approximately \$0.2 million related to these acquisitions were capitalized in the period and included in real estate assets.

During the first quarter of 2018, the Company acquired three real estate properties totaling approximately 38,000 square feet for an aggregate purchase price and cash consideration of approximately \$12.7 million. Upon acquisition, the properties were 100% leased in the aggregate with lease expirations ranging from 2018 through 2033. Amounts reflected in revenues and net income for the year ended December 31, 2018 for these properties

Notes to Consolidated Financial Statements - Continued

were approximately \$1.0 million and \$0.5 million, respectively. Transaction costs totaling approximately \$0.1 million related to these acquisitions were capitalized in the period and included in real estate assets.

The following table summarizes the estimated relative fair values of the assets acquired and liabilities assumed in the property acquisitions for the year ended December 31, 2018.

	Estimated Fair Value	Estimated Useful Life
	<i>(In thousands)</i>	<i>(In years)</i>
Land and land improvements	\$ 6,301	2 - 15
Building and building improvements	39,912	20 - 40
Intangibles:		
At-market lease intangibles	8,870	1.8 - 7.2
Above-market lease intangibles	171	7.1
Below-market lease intangibles	(51)	2.8
Total intangibles	<u>8,990</u>	
Accounts receivable and other assets assumed	6,931	
Accounts payable, accrued liabilities and other liabilities assumed ⁽¹⁾	(510)	
Mortgage note receivable repaid	(10,633)	
Mortgage debt assumed	(5,391)	
Prorated rent, interest and operating expense reimbursement amounts collected	(415)	
Total cash consideration	<u>\$ 45,185</u>	

⁽¹⁾ Includes security deposits received.

2018 Real Estate Disposition

During the fourth quarter of 2018, the Company disposed of a 61,000 square foot physician clinic in Alabama, received net proceeds of approximately \$3.2 million, and recognized a gain of approximately \$0.3 million. The Company disposed of the property pursuant to the tenant's exercise of its purchase option on the property.

Note 5—Debt, net

The table below details the Company's debt as of December 31, 2019 and December 31, 2018.

<i>(Dollars in thousands)</i>	Balance as of		Maturity Dates
	12/31/2019	12/31/2018	
Revolving Credit Facility	\$ 15,000	\$ 43,000	3/23
A-1 Term Loan, net	49,833	49,759	3/22
A-2 Term Loan, net	49,775	49,722	3/24
A-3 Term Loan, net	74,433	—	3/26
Mortgage Note Payable	5,202	5,285	5/24
	<u>\$ 194,243</u>	<u>\$ 147,766</u>	

The Company's second amended and restated credit facility (the "Credit Facility") is by and among Community Healthcare OP, LP, the Company, the lenders from time to time party thereto, and SunTrust Bank, as Administrative Agent. The Company's material subsidiaries are guarantors of the obligations under the Credit Facility. The Company entered into a third amendment to its Credit Facility (the "Third Amendment") on March 29, 2019, which

added a \$75.0 million term loan (the "A-3 Term Loan"), which matures on March 29, 2026, extended the maturity of the revolving credit facility (the "Revolving Credit Facility") to March 29, 2023, improved pricing on the Credit Facility, and adjusted certain financial covenants. The Company paid approximately \$1.3 million in fees and expenses related to the Third Amendment, of which \$0.7 million was related to the Revolving Credit Facility and was recorded as deferred financing costs, included in Other Assets, and \$0.6 million was related to the A-3 Term Loan and was recorded as deferred financing costs, included in Debt, net, on the Company's Consolidated Balance Sheets.

The Credit Facility, as amended, provides for a \$150.0 million Revolving Credit Facility and \$175.0 million in term loans (the "Term Loans"). The Credit Facility, through the accordion feature, allows borrowings up to a total of \$525.0 million including the ability to add and fund additional term loans. The Revolving Credit Facility matures on March 29, 2023 and includes one 12-month option to extend the maturity date of the Revolving Credit Facility, subject to the satisfaction of certain conditions. The Term Loans include a five-year term loan facility in the aggregate principal amount of \$50.0 million (the "A-1 Term Loan"), which matures on March 29, 2022, a seven-year term loan facility in the aggregate principal amount of \$50.0 million (the "A-2 Term Loan"), which matures on March 29, 2024 and the new seven-year, \$75.0 million A-3 Term Loan, which matures on March 29, 2026.

Amounts outstanding under the Revolving Credit Facility, as amended, bear annual interest at a floating rate that is based, at the Company's option, on either: (i) LIBOR plus 1.25% to 1.90% or (ii) a base rate plus 0.25% to 0.90% in each case, depending upon the Company's leverage ratio. In addition, the Company is obligated to pay an annual fee equal to 0.25% of the amount of the unused portion of the Revolving Credit Facility if amounts borrowed are greater than 33.3% of the borrowing capacity under the Revolving Credit Facility and 0.35% of the unused portion of the Revolving Credit Facility if amounts borrowed are less than or equal to 33.3% of the borrowing capacity under the Revolving Credit Facility. The Company had \$15.0 million outstanding under the Revolving Credit Facility with a borrowing capacity remaining of approximately \$135.0 million at December 31, 2019.

Amounts outstanding under the Term Loans, as amended, bear annual interest at a floating rate that is based, at the Company's option, on either: (i) LIBOR plus 1.25% to 2.30% or (ii) a base rate plus 0.25% to 1.30%, in each case, depending upon the Company's leverage ratio. In addition, the Company is obligated to pay an annual fee equal to 0.35% of the amount of the unused portion of the Term Loans. The Company has entered into interest rate swaps to fix the interest rates on the Term Loans. See Note 6 for more details on the interest rate swaps. At December 31, 2019, the Company had drawn the full \$175.0 million under the Term Loans which had a fixed weighted average interest rate under the swaps of approximately 4.569%.

The Company's ability to borrow under the Credit Facility is subject to its ongoing compliance with a number of customary affirmative and negative covenants, including limitations with respect to liens, indebtedness, distributions, mergers, consolidations, investments, restricted payments and asset sales, as well as financial maintenance covenants. The Company was in compliance with its financial covenants under its Credit Facility as of December 31, 2019.

In 2018, we acquired a building and assumed a \$5.4 million mortgage note payable, secured by the building. The mortgage note amortizes monthly at a fixed interest rate of 4.98% and matures May 1, 2024. The Company's unamortized loan costs related to the mortgage note was approximately \$0.1 million at December 31, 2019.

Note 6—Derivative Financial Instruments

Risk Management Objective of Using Derivatives

The Company may use derivative financial instruments, including interest rate swaps, caps, options, floors and other interest rate derivative contracts, to hedge all or a portion of the interest rate risk associated with its borrowings. The principal objective of such arrangements is to minimize the risks and/or costs associated with the Company's operating and financial structure as well as to hedge specific anticipated transactions. The Company does not intend to utilize derivatives for speculative or other purposes other than interest rate risk management. The use of derivative financial instruments carries certain risks, including the risk that the counterparties to these contractual arrangements

are not able to perform under the agreements. To mitigate this risk, the Company only enters into derivative financial instruments with counterparties with high credit ratings and with major financial institutions with which the Company and its affiliates may also have other financial relationships. The Company does not anticipate that any of the counterparties will fail to meet their obligations.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps and/or caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of variable-rate amounts if interest rates rise above the cap strike rate on the contract.

As of December 31, 2019, the Company had seven outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk for notional amounts totaling \$175.0 million. The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of December 31, 2019 and 2018.

<i>(in thousands)</i>	Asset Derivatives Fair Value at December 31,			Liability Derivatives Fair Value at December 31,		
	2019	2018	Balance Sheet Classification	2019	2018	Balance Sheet Classification
Interest rate swaps	\$ —	\$ 902	Other assets	\$ 4,808	\$ 269	Other Liabilities

The changes in the fair value of derivatives designated and that qualify as cash flow hedges are recorded in accumulated other comprehensive (loss) income ("AOCI") and are subsequently reclassified to interest expense in the period that the hedged forecasted transaction affects earnings.

Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the Company's Term Loans. During the next twelve months, the Company estimates that an additional \$1.1 million will be reclassified from other comprehensive income ("OCI") as an increase to interest expense.

The table below details the location in the financial statements of the gain or loss recognized on interest rate derivatives designated as cash flow hedges for the for the year ended December 31, 2019 and 2018.

<i>(Dollars in thousands)</i>	For the Year Ended December 31,	
	2019	2018
Amount of unrealized (loss) gain recognized in OCI on derivative	\$ (5,472)	\$ 182
Amount of loss reclassified from accumulated OCI into interest expense	\$ 31	\$ 193
Total Interest Expense presented in the Consolidated Statements of Income in which the effects of the cash flow hedges are recorded	\$ 9,301	\$ 6,299

Credit-risk-related Contingent Features

As of December 31, 2019, the fair value of derivatives in a net liability position including accrued interest but excluding any adjustment for nonperformance risk related to these agreements was \$5.0 million. As of December 31, 2019, the Company has not posted any collateral related to these agreements and was not in breach of any agreement provisions. If the Company terminated these interest rate swaps, it would pay or receive the approximate aggregate termination value of the swaps at the time of the termination, which was approximately \$5.0 million at December 31, 2019.

Note 7—Stockholders' Equity***Common Stock***

The following table provides a reconciliation of the beginning and ending common stock balances for the years ended December 31, 2019, 2018 and 2017:

	For the Year Ended December 31,		
	2019	2018	2017
Balance, beginning of period	18,634,502	18,085,798	12,988,482
Issuance of common stock	2,554,247	334,700	4,887,500
Restricted stock issued	221,829	214,004	209,816
Balance, end of period	21,410,578	18,634,502	18,085,798

ATM Program

On November 5, 2019, the Company entered into an Amended and Restated Sales Agency Agreement ("2019 Amended and Restated Sales Agreement") for its at-the-market offering program ("ATM Program") with Sandler O'Neill & Partners, L.P., Evercore Group L.L.C., SunTrust Robinson Humphrey, Inc., BB&T Capital Markets, a division of BB&T Securities, LLC, Fifth Third Securities, Inc. and Janney Montgomery Scott LLC, as sales agents (collectively, the "Agents"), under which the Company may issue and sell shares of its common stock, having an aggregate gross sales price of up to \$360.0 million. The shares of common stock may be sold from time to time through or to one or more of the Agents, as may be determined by the Company in its sole discretion, subject to the terms and conditions of the agreement and applicable law. This 2019 Amended and Restated Sales Agreement amended and replaced the Company's agreement dated August 7, 2018 (the "2018 Sales Agreement") with the Agents, under which the Company could sell shares of its common stock, having an aggregate gross sales price of up to \$100.0 million.

During 2019, the Company sold, through its ATM Program, 2,674,347 shares of common stock in the aggregate (1,321,362 shares of common stock were sold under the 2018 Agreement and 1,352,985 shares of common stock were sold under the 2019 Amended and Restated Sales Agreement) at an average sales price of \$42.84 per share and received net proceeds of approximately \$106.8 million after deducting commissions and offering expenses paid by the Company. Of the shares sold during 2019, 120,100 shares of common stock settled in January 2020 for net proceeds of approximately \$5.0 million. As of December 31, 2019, the Company had approximately \$298.1 million remaining that may be issued under the ATM Program.

Equity Offerings

In July 2017, the Company completed a public offering of 4,887,500 shares of its common stock, including 637,500 shares of common stock issued in connection with the exercise in full of the underwriters' option to purchase additional shares, and received net proceeds of approximately \$108.6 million after deducting underwriting discount and commissions and offering expenses paid by the Company.

Automatic Shelf Registration Statement

On November 5, 2019, the Company filed an automatic shelf registration statement on Form S-3 with the SEC. The registration statement is for an indeterminate number of securities and is effective for three years. Under this registration statement, the Company has the capacity to offer and sell from time to time various types of securities, including common stock, preferred stock, depository shares, rights, debt securities, warrants and units.

Dividends Declared

During 2019, the Company declared and paid dividends totaling \$1.645 per common share as shown in the table below.

Declaration Date	Record Date	Date Paid	Amount Per Share
February 7, 2019	February 22, 2019	March 1, 2019	\$0.4075
May 1, 2019	May 17, 2019	May 31, 2019	\$0.4100
August 1, 2019	August 16, 2019	August 30, 2019	\$0.4125
October 31, 2019	November 15, 2019	November 29, 2019	\$0.4150

During 2018, the Company declared and paid dividends totaling \$1.605 per common share.

Note 8—Income Per Common Share

The following table sets forth the computation of basic and diluted income per common share.

	Year Ended December 31,		
	2019	2018	2017
<i>(Dollars in thousands, except per share data)</i>			
Net income	\$ 8,376	\$ 4,403	\$ 3,510
Participating securities' share in earnings	(1,411)	(1,061)	(731)
Net income, less participating securities' share in earnings	<u>\$ 6,965</u>	<u>\$ 3,342</u>	<u>\$ 2,779</u>
Weighted Average Common Shares Outstanding			
Weighted average common shares outstanding	19,526,517	18,311,177	15,268,612
Unvested restricted shares	(841,670)	(642,481)	(453,354)
Weighted average common shares outstanding—Basic	<u>18,684,847</u>	<u>17,668,696</u>	<u>14,815,258</u>
Weighted average common shares—Basic	18,684,847	17,668,696	14,815,258
Dilutive potential common shares	—	—	—
Weighted average common shares outstanding —Diluted	<u>18,684,847</u>	<u>17,668,696</u>	<u>14,815,258</u>
Basic Income per Common Share	<u>\$ 0.37</u>	<u>\$ 0.19</u>	<u>\$ 0.19</u>
Diluted Income per Common Share	<u>\$ 0.37</u>	<u>\$ 0.19</u>	<u>\$ 0.19</u>

Note 9—Incentive Plan**2014 Incentive Plan**

The 2014 Incentive Plan authorizes the Company to award shares equal to 7% of the total number of shares of the Company's common stock outstanding on December 31 of the immediately preceding year, or 1,304,415 shares of common stock (the "Plan Pool"), for 2019, to its employees and directors. The 2014 Incentive Plan will continue until terminated by the Company's Board of Directors or March 31, 2024. As of December 31, 2019, the Company had issued a total of 725,210 restricted shares under the Incentive Pool for compensation-related awards to its employees and directors, with 579,205 authorized shares remaining which had not been issued. Shares issued under the 2014 Incentive Plan are generally subject to long-term, fixed vesting periods of 3 to 8 years. If an employee or director voluntarily terminates his or her relationship with the Company or is terminated for cause before the end of the vesting period, the shares are forfeited, at no cost to the Company. Once the shares have been granted, the recipient of the shares has the right to receive dividends and the right to vote the shares.

Alignment of Interest Program

The Amended and Restated Alignment of Interest Program (the "Alignment of Interest Program"), amended in late 2016 by the Company's Board of Directors, authorizes the Company to issue 500,000 shares of the Company's common stock to its employees and directors in lieu of the employee's or director's cash compensation (the "Program Pool"), at their election. As of December 31, 2019, the Company had issued a total of 222,738 restricted shares under the Program Pool in lieu of cash compensation to its employees and directors, with 277,262 authorized shares remaining which had not been issued.

The Company's Alignment of Interest Program is designed to provide the Company's employees and directors with an incentive to remain with the Company and to incentivize long-term growth and profitability. Under the Alignment of Interest Program, employees may elect to defer up to 100% of their base salary and other compensation and directors may elect to defer up to 100% of their director fees, subject to the 2014 Incentive Plan's long-term, fixed vesting periods. The number of shares granted will be increased through a Company match depending on the length of the vesting period selected by the employee or director. Employees may select vesting periods of 3 years, 5 years, or 8 years, with a 30%, 50%, and 100% Company match, respectively. Directors may select vesting periods of 1 year, 2 years, or 3 years, with a 20%, 40%, or 60% Company match, respectively.

Officer Incentive Programs

The Company has an Amended and Restated Executive Officer Incentive Program and a Non-Executive Officer Incentive Program (the "Officer Incentive Programs") under the Incentive Plan which are designed to provide incentives to the Company's officers that are designed to reward its officers for individual, as well as Company performance in the form of cash or restricted stock. Company performance will be based on performance targets, which may include targets such as funds from operations ("FFO"), dividend payout percentages, as well as the Company's relative total stockholder return performance over one-year and three-year periods, measured against the Company's peer group, as determined by the Company's Board of Directors each year. The officers may elect, in the year prior to an award, to receive awards under the Officer Incentive Programs in cash or restricted stock, as allowed within the applicable Officer Incentive Programs, as well as a vesting period as discussed under the Alignment of Interest Program above. Shares of common stock issued under the Officer Incentive Programs are issued under either the Plan Pool or Program Pool.

Summary

A summary of the activity under the Incentive Plan and related information for the years ended December 31, 2019, 2018, and 2017 is included in the table below.

<i>(dollars in thousands, except per share amounts)</i>	Year Ended December 31,		
	2019	2018	2017
Stock-based awards, beginning of year	709,487	512,115	302,299
Stock in lieu of compensation	72,391	69,767	80,580
Stock awards	149,438	144,237	129,236
Total Granted	221,829	214,004	209,816
Vested	(21,424)	(16,632)	—
Stock-based awards, end of year	909,892	709,487	512,115
Weighted average grant date fair value, per share, of:			
Stock-based awards, beginning of year	\$ 23.50	\$ 21.20	\$ 19.36
Stock-based awards granted during the year	\$ 37.14	\$ 28.70	\$ 23.84
Stock-based awards vested during the year	\$ 19.00	\$ 19.65	\$ —
Stock-based awards, end of year	\$ 26.75	\$ 23.50	\$ 21.20
Grant date fair value of shares granted during the year	\$ 8,240	\$ 6,142	\$ 5,002

The Company had nonvested stock-based compensation that had not yet been recognized of approximately \$16.6 million and \$12.2 million, respectively, at December 31, 2019 and 2018. The vesting periods for the non-vested shares granted during 2019 ranged from 3 to 8 years with a weighted-average amortization period remaining as of December 31, 2019 of approximately 6.5 years. Compensation expense recognized during the years ended December 31, 2019, 2018, and 2017 from the amortization of the value of shares over the vesting period was approximately \$3.8 million, \$2.9 million and \$1.5 million, respectively.

Note 10—Other Assets

Other assets on the Company's Consolidated Balance Sheets as of December 31, 2019 and 2018 are detailed in the table below.

<i>(Dollars in thousands)</i>	December 31,	
	2019	2018
Notes receivable	\$ 23,500	\$ 24,110
Accounts and interest receivable	3,021	2,158
Straight-line rent receivables	5,267	3,254
Prepaid assets	488	487
Deferred financing costs, net	693	318
Leasing commissions, net	875	790
Deferred tax assets, net	595	2,024
Fair value of interest rate swaps	—	902
Above-market lease intangible assets, net	144	168
Right-of-use asset	139	—
Other	457	335
	\$ 35,179	\$ 34,546

The Company's notes receivable include the following notes receivable. Interest on these notes is included in Other operating interest on the Company's Consolidated Statements of Income.

- At December 31, 2019, the Company held a \$20.0 million term loan and a \$3.5 million revolver note each of which is secured by all assets and ownership interests in seven long-term acute care hospitals and one inpatient rehabilitation hospital owned by the borrower. The notes mature on December 31, 2025 and bear interest at 9% per annum.
- At December 31, 2018, the Company held a \$23.0 million loan secured by all assets and ownership interests in seven long-term acute care hospitals and one inpatient rehabilitation hospital that, along with a series of other investments by the management of the company, provided funding to acquire certain assets. This loan bore interest at 9%, was interest only until May 2021, and matured on May 1, 2031. The Company refinanced this loan, and interest that had accrued to the loan per the loan agreement, with a newly formed company owned by the borrower's management team and entered into a term loan and revolver loan discussed in the paragraph above.
- At December 31, 2018, the Company also held notes with a tenant totaling \$0.9 million. These notes bore interest at 9% per annum and matured on December 31, 2019.

At December 31, 2019, the Company identified the borrower and guarantor of its notes totaling \$23.5 million as VIEs, but management determined that the Company was not the primary beneficiary of the VIEs because we lack the ability, either directly or through related parties, to have any material impact in the activities that impact the borrower's or guarantor's economic performance. We are not obligated to provide support beyond our stated

commitment to the borrower, and accordingly our maximum exposure to loss as a result of this relationship is limited to the amount of our outstanding notes receivable as noted above.

Note 11—Intangible Assets and Liabilities

The Company has deferred financing costs and various real estate acquisition lease intangibles included in its Consolidated Balance Sheets as of December 31, 2019 and 2018 as detailed in the table below. The Company did not have any indefinite lived intangible assets or liabilities as of December 31, 2019 and 2018.

<i>(Dollars in thousands)</i>	Gross Balance at December 31,		Accumulated Amortization at December 31,		Weighted Average	Balance Sheet Classification
	2019	2018	2019	2018	Remaining Life (Years)	
Deferred financing costs-Revolving Credit Facility	\$ 2,395	\$ 1,726	\$ 1,703	\$ 1,408	3.3	Other assets
Deferred financing costs-Term Loans	1,378	743	419	224	5.1	Debt, net
Deferred financing costs-Mortgage Note Payable	108	108	22	2	4.3	Debt, net
Above-market lease intangibles	262	262	118	94	6.0	Other assets
Below-market lease intangibles	(1,453)	(1,331)	(682)	(493)	4.8	Other liabilities
At-market lease intangibles	64,859	60,740	40,779	31,937	4.0	Real estate properties
	<u>\$ 67,549</u>	<u>\$ 62,248</u>	<u>\$ 42,359</u>	<u>\$ 33,172</u>	4.0	

For the years ended December 31, 2019, 2018 and 2017, the Company recognized approximately \$9.2 million, \$9.9 million, and \$10.5 million, respectively, of intangible amortization expense.

Expected future amortization, net, for the next five years of the Company's intangible assets and liabilities, in place as of December 31, 2019 are included in the table below.

<i>(in thousands)</i>	Amortization, net
2020	\$ 7,607
2021	6,050
2022	4,491
2023	2,793
2024	2,174

Note 12—Commitments and Contingencies

Tenant Improvements

The Company may provide tenant improvement allowances in new or renewal leases for the purpose of refurbishing or renovating tenant space. The Company may also assume tenant improvement obligations included in leases acquired in its real estate acquisitions. As of December 31, 2019 and 2018, the Company had \$3.6 million and \$2.8 million, respectively, in commitments for tenant improvements.

Capital Improvements

The Company has entered into contracts with various vendors for various capital improvement projects related to its portfolio. As of December 31, 2019 and 2018, the Company had commitments of approximately \$1.7 million and \$0.4 million, respectively, in commitments for capital improvement projects.

Legal Proceedings

The Company is not aware of any pending or threatened litigation that, if resolved against the Company, would have a material adverse effect on the Company's Consolidated Financial Statements.

Note 13—Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate the fair value.

Cash and cash equivalents and restricted cash - The carrying amount approximates the fair value.

Notes receivable - The fair value is estimated using cash flow analyses which are based on an assumed market rate of interest and are classified as Level 2 in the hierarchy.

Borrowings under our Credit Facility - The carrying amount approximates the fair value because the borrowings are based on variable market interest rates.

Derivative financial instruments - The fair value is estimated using discounted cash flow techniques. These techniques incorporate primarily Level 2 inputs. The market inputs are utilized in the discounted cash flow calculation considering the instrument's term, notional amount, discount rate and credit risk. Significant inputs to the derivative valuation model for interest rate swaps are observable in active markets and are classified as Level 2 in the hierarchy.

Mortgage note payable - The fair value is estimated using cash flow analyses which are based on an assumed market rate of interest or at a rate consistent with the rates on mortgage notes assumed by the Company and are classified as Level 2 in the hierarchy.

The table below details the fair values and carrying values for our mortgage note and notes receivable and interest rate swaps at December 31, 2019 and 2018 using Level 2 inputs.

<i>(Dollars in thousands)</i>	December 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes receivable	\$ 23,500	\$ 23,399	\$ 24,110	\$ 23,936
Interest rate swap asset	\$ —	\$ —	\$ 902	\$ 902
Interest rate swap liability	\$ 4,808	\$ 4,808	\$ 269	\$ 269
Mortgage note payable	\$ 5,288	\$ 5,351	\$ 5,391	\$ 5,307

Note 14—Other Data**Taxable Income**

The Company has elected to be taxed as a REIT, as defined under the Code. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its taxable income to its stockholders. The Company and one subsidiary have also elected for that subsidiary to be treated as a TRS, which is subject to federal and state income taxes. All entities other than the TRS are collectively referred to as "the REIT" within this Note 14.

The Tax Cuts and Jobs Act ("TCJA") was enacted on December 22, 2017. The TCJA reduced the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018. The REIT generally will not be subject to federal

Notes to Consolidated Financial Statements - Continued

income tax on taxable income it distributes currently to its stockholders. Accordingly, no provision for federal income taxes for the REIT has been made in the accompanying Consolidated Financial Statements; however, the Company may record income tax expense or benefit for the TRS to the extent applicable. If the REIT fails to qualify as a REIT for any taxable year, then it will be subject to federal income taxes at regular corporate rates, including any applicable alternative minimum tax, and may not be able to qualify as a REIT for four subsequent taxable years. Even if the REIT continues to qualify as a REIT, it may be subject to certain state and local taxes on its income and property and to federal income and excise tax on its undistributed taxable income.

Income tax expense (benefit) and state income tax payments, net of refunds, are as follows for the years ended December 31, 2019, 2018, and 2017.

<i>(Dollars in thousands)</i>	Year Ended December 31,		
	2019	2018	2017
Current	\$ 62	\$ 64	\$ 171
Deferred	1,430	(1,547)	(478)
Total	\$ 1,492	\$ (1,483)	\$ (307)
Income tax payments, net of refunds	<u>\$ 77</u>	<u>\$ 166</u>	<u>\$ 37</u>

Income tax expense (benefit) primarily relates to permanent differences between federal, state and local taxable income resulting from certain state and local jurisdictions wholly or partially disallowing the deduction for dividends paid allowed at the federal level and temporary differences resulting from the bases of assets and liabilities of the Company's TRS for financial reporting purposes and the bases of those assets and liabilities for income tax purposes.

The tax effect of temporary differences included in the net deferred tax assets at December 31, 2019 and 2018 are as follows:

<i>(Dollars in thousands)</i>	December 31,	
	2019	2018
Deferred tax assets (liabilities):		
Net operating losses	\$ 108	\$ 201
Impairment of note receivable	1,321	1,321
Deferred compensation	1,774	1,060
Valuation allowance	(1,322)	—
Other, net	(1,286)	(557)
Total net deferred tax assets	<u>\$ 595</u>	<u>\$ 2,025</u>

We believe that it is more likely than not that the benefit from the impairment of note receivable and certain other deductible temporary differences will not be realized. In recognition of this assessment, we have provided a valuation allowance of \$1.3 million on the deferred tax assets related to these deductions. If our assumptions change and we determine that it is more likely than not that we will be able to realize these deductions, the tax benefits related to any reversal of the valuation allowance on deferred tax assets as of December 31, 2019, will be accounted for as a reduction of income tax expense.

On a tax-basis, the Company's gross real estate assets totaled approximately \$599.9 million and \$442.1 million, respectively, as of December 31, 2019 and 2018 (unaudited).

Notes to Consolidated Financial Statements - Continued

The following table reconciles the Company's net income to taxable income for the years ended December 31, 2019, 2018 and 2017.

<i>(Dollars in thousands)</i>	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 8,376	\$ 4,403	\$ 3,510
Reconciling items to taxable income:			
Depreciation and amortization	9,598	9,888	10,722
Gain on sale of real estate	—	(183)	—
Impairment of note receivable	—	5,000	—
Straight-line rent	(2,052)	(1,212)	(1,303)
Receivable allowance	87	(23)	138
Stock-based compensation	1,623	1,331	749
Deferred rent	437	484	332
Contingent liability fair value adjustments	—	—	(5)
Deferred income taxes	1,430	(1,547)	(478)
Other	116	(426)	(176)
	<u>11,239</u>	<u>13,312</u>	<u>9,979</u>
Taxable income (1)	<u>\$ 19,615</u>	<u>\$ 17,715</u>	<u>\$ 13,489</u>
Dividends paid (2)	<u>\$ 30,537</u>	<u>\$ 28,314</u>	<u>\$ 23,703</u>

(1) Before REIT dividends paid deduction.

(2) Net of dividends paid on restricted stock included as a reconciling item.

Characterization of Distributions (unaudited)

Earnings and profits (as defined under the Code), the current and accumulated amounts of which determine the taxability of distributions to stockholders, vary from net income attributable to common stockholders and taxable income because of different depreciation recovery periods, depreciation methods, and other items. Distributions in excess of earnings and profits generally constitute a return of capital. The following table shows the characterization of the distributions on the Company's common stock for the years ended December 31, 2019, 2018 and 2017. No preferred shares have been issued by the Company and no dividends have been paid to date relating to preferred shares.

	2019		2018		2017	
	Per Share	%	Per Share	%	Per Share	%
Common stock:						
Ordinary income	\$ 1.030	62.6%	\$ 0.989	61.6%	\$ 0.914	58.4%
Return of capital	0.615	37.4%	0.605	37.7%	0.651	41.6%
Capital gain	—	—%	0.011	0.7%	—	—%
Common stock distributions	<u>\$ 1.645</u>	<u>100.0%</u>	<u>\$ 1.605</u>	<u>100.0%</u>	<u>\$ 1.565</u>	<u>100.0%</u>

Note 15—Subsequent Events

2020 Real estate acquisitions

Subsequent to December 31, 2019, the Company acquired three real estate properties totaling approximately 56,000 square feet for an aggregate purchase price of approximately \$11.7 million and cash consideration of approximately

\$11.8 million. Upon acquisition, the properties were 96.1% leased in the aggregate with lease expirations through 2026.

Dividend Declared

On February 6, 2020, the Company's Board of Directors declared a quarterly common stock dividend in the amount of \$0.4175 per share. The dividend is payable on February 28, 2020 to stockholders of record on February 18, 2020.

Restricted Stock Issuances

On January 15, 2020, pursuant to the 2014 Incentive Plan and the Alignment of Interest Program, the Company granted 100,188 shares of restricted common stock to its employees, in lieu of salary, that will cliff vest in three to eight years. Of the shares granted, 50,245 shares of restricted stock were granted in lieu of compensation from the Program Pool and 49,943 shares of restricted stock were awards granted from the Plan Pool. Also, on January 15, 2020, pursuant to the 2014 Incentive Plan and the Non-Executive Officer Incentive Program, the Company granted 3,717 shares of restricted stock to certain employees that will cliff vest in five years.

Note 16—Selected Quarterly Financial Data (unaudited)

Quarterly financial information for the years ended December 31, 2019 and 2018 is summarized below.

	Quarter Ended			
	March 31	June 30	September 30	December 31
<i>(Dollars in thousands, except per share data)</i>				
2019				
Revenues	\$ 13,441	\$ 14,316	\$ 16,259	\$ 16,833
Expenses ⁽¹⁾	(10,089)	(10,058)	(11,160)	(10,872)
Other non-operating ⁽¹⁾⁽²⁾	(1,902)	(2,192)	(2,452)	(3,748)
Net income	\$ 1,450	\$ 2,066	\$ 2,647	\$ 2,213
Net income per basic common share	\$ 0.06	\$ 0.09	\$ 0.12	\$ 0.09
Net income per diluted common share	\$ 0.06	\$ 0.09	\$ 0.12	\$ 0.09

	Quarter Ended			
	March 31	June 30	September 30	December 31
<i>(Dollars in thousands, except per share data)</i>				
2018				
Revenues	\$ 11,429	\$ 12,402	\$ 12,605	\$ 12,194
Expenses	(8,473)	(8,640)	(9,015)	(9,062)
Other non-operating ⁽³⁾	(1,084)	(1,345)	(1,591)	(5,017)
Net income (loss)	\$ 1,872	\$ 2,417	\$ 1,999	\$ (1,885)
Net income (loss) per basic common share	\$ 0.09	\$ 0.12	\$ 0.10	\$ (0.12)
Net income (loss) per diluted common share	\$ 0.09	\$ 0.12	\$ 0.10	\$ (0.12)

⁽¹⁾ The reclassification of income tax (expense) benefit from expenses to other non-operating are reflected in the quarters ended March 31, 2019, June 30, 2019 and September 30, 2019 of (\$17), (\$10) and \$18, respectively.

⁽²⁾ Other non-operating for the quarter ended December 31, 2019 includes the \$1.3 million impairment of the deferred tax asset related to the impaired note receivable (see Note 3 below).

⁽³⁾ Other non-operating for the quarter ended December 31, 2018 includes an impairment charge on a note receivable for \$5.0 million and a related income tax benefit of \$1.3 million.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosure.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

Limitations on the Effectiveness of Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There have been no changes in our system of internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

The management of Community Healthcare Trust Incorporated is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15 (f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019 using the principles and other criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on that assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2019. The Company's independent registered public accounting firm, BDO USA, LLP, has also issued an attestation report on the effectiveness of the Company's internal control over financial reporting included herein.

Report of
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Community Healthcare Trust Incorporated
Franklin, Tennessee

Opinion on Internal Control over Financial Reporting

We have audited Community Healthcare Trust Incorporated's (the "Company's") internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria") In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedules listed in the accompanying index and our report dated February 25, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ BDO USA, LLP

Nashville, Tennessee
February 25, 2020

ITEM 9B. OTHER INFORMATION

None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item will be contained in the Company's Definitive Proxy Statement for its 2020 Annual Stockholders Meeting, to be filed with the SEC within 120 days after December 31, 2019, and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be contained in the Company's Definitive Proxy Statement for its 2020 Annual Stockholders Meeting, to be filed with the SEC within 120 days after December 31, 2019, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be contained in the Company's Definitive Proxy Statement for its 2020 Annual Stockholders Meeting, to be filed with the SEC within 120 days after December 31, 2019, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this items will be contained in the Company's Definitive Proxy Statement for its 2020 Annual Stockholders Meeting, to be filed with the SEC within 120 days after December 31, 2019, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this items will be contained in the Company's Definitive Proxy Statement for its 2020 Annual Stockholders Meeting, to be filed with the SEC within 120 days after December 31, 2019, and is incorporated herein by reference.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents of Community Healthcare Trust Incorporated are included in this Annual Report on Form 10-K.

(a) Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 31, 2019 and 2018

Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017

Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018 and 2017

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2019, 2018 and 2017

Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017

Notes to the Consolidated Financial Statements

(b) Financial Statement Schedules:

Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2019, 2018 and 2017 99

Schedule III - Real Estate and Accumulated Depreciation as of December 31, 2019 100

Schedule IV - Mortgage Loans on Real Estate as of December 31, 2019 101

All other schedules are omitted because they are either not applicable, not required or because the information is included in the Consolidated Financial Statements or notes included in this Annual Report on Form 10-K.

c) Exhibits

Exhibit Number	Description
1.1	<u>Underwriting Agreement, dated as of July 20, 2017, among the Company, Community Healthcare OP, LP, Sandler O'Neill & Partners, L.P., Evercore Group L.L.C., SunTrust Robinson Humphrey, Inc. and each of the Underwriters party thereto (1)</u>
3.1	<u>Corporate Charter of Community Healthcare Trust Incorporated, as amended (2)</u>
3.2	<u>Bylaws of Community Healthcare Trust Incorporated, as amended (3)</u>
4.1	<u>Description of Common Stock of Community Healthcare Trust Incorporated (4)</u>
4.2	<u>Form of Certificate of Common Stock of Community Healthcare Trust Incorporated (5)</u>
10.1	<u>Agreement of Limited Partnership of Community Healthcare OP, LP(6)</u>
10.2	<u>Form of Indemnification Agreement (7)</u>
10.3 †	Community Healthcare Trust Incorporated 2014 Incentive Plan, as amended (8)
10.4 †	<u>Amended and Restated Community Healthcare Trust Incorporated Alignment of Interest Program (9)</u>
10.5 †	<u>Amended and Restated Community Healthcare Trust Incorporated Executive Officer Incentive Program (10)</u>
10.6 *	<u>Community Healthcare Trust Incorporated Amended and Restated Non-Executive Officer Incentive Program</u>
10.7 †	<u>Employment Agreement between Community Healthcare Trust Incorporated and Timothy G. Wallace (11)</u>
10.8 †	<u>First Amendment to Employment Agreement between Community Healthcare Trust Incorporated and Timothy G. Wallace (12)</u>
10.9 †	<u>Second Amendment to Employment Agreement between Community Healthcare Trust Incorporated and Timothy G. Wallace (13)</u>
10.10 †	<u>Third Amendment to Employment Agreement between Community Healthcare Trust Incorporated and Timothy G. Wallace (14)</u>
10.11 †	<u>Fourth Amendment to Employment Agreement between Community Healthcare Trust Incorporated and Timothy G. Wallace (15)</u>

Exhibit Number	Description
10.12 †	<u>Employment Agreement between Community Healthcare Trust Incorporated and W. Page Barnes (16)</u>
10.13 †	<u>First Amendment to Employment Agreement between Community Healthcare Trust Incorporated and W. Page Barnes (17)</u>
10.14 †	<u>Second Amendment to Employment Agreement between Community Healthcare Trust Incorporated and W. Page Barnes (18)</u>
10.15 †	<u>Third Amendment to Employment Agreement between Community Healthcare Trust Incorporated and W. Page Barnes (19)</u>
10.16 †	<u>Amended and Restated Employment Agreement, dated March 11, 2019, between Community Healthcare Trust Incorporated and W. Page Barnes (20)</u>
10.17 †	<u>First Amendment to Amended and Restated Employment Agreement between Community Healthcare Trust Incorporated and W. Page Barnes (21)</u>
10.18 †	<u>Employment Agreement between Community Healthcare Trust Incorporated and Leigh Ann Stach (22)</u>
10.19 †	<u>First Amendment to Employment Agreement between Community Healthcare Trust Incorporated and Leigh Ann Stach (23)</u>
10.20 †	<u>Second Amendment to Employment Agreement between Community Healthcare Trust Incorporated and Leigh Ann Stach (24)</u>
10.21 †	<u>Third Amendment to Employment Agreement between Community Healthcare Trust Incorporated and Leigh Ann Stach (25)</u>
10.22 †	<u>Amended and Restated Employment Agreement, dated May 1, 2019, between Community Healthcare Trust Incorporated and Leigh Ann Stach (26)</u>
10.23 †	<u>First Amendment to Amended and Restated Employment Agreement between Community Healthcare Trust Incorporated and Leigh Ann Stach (27)</u>
10.24 †	<u>Employment Agreement, dated March 11, 2019, between Community Healthcare Trust Incorporated and David H. Dupuy (28)</u>
10.25 †	<u>First Amendment to Employment Agreement between Community Healthcare Trust Incorporated and David H. Dupuy (29)</u>
10.26	<u>Form of Restricted Stock Agreement (30)</u>
10.27	<u>Form of Officer Compensation Reduction Election Form (31)</u>
10.28	<u>Form of Director Compensation Reduction Election Form (32)</u>
10.29	<u>Second Amended and Restated Credit Agreement dated as of March 29, 2017, by and among Community Healthcare OP, LP, the Lenders from time to time party hereto, and SunTrust Bank, as Administrative Agent (33)</u>
10.30	<u>Sales Agency Agreement, dated August 7, 2018, by and among Community Healthcare Trust Incorporated and Sandler O'Neil & Partners, L.P., Evercore Group L.L.C., SunTrust Robinson Humphrey, Inc., BB&T Capital Markets, a division of BB&T Securities, LLC, Fifth Third Securities, Inc. and Janney Montgomery Scott LLC, as sales agents (34)</u>
10.31	<u>Amended and Restated Sales Agency Agreement, dated November 5, 2019, by and among Community Healthcare Trust Incorporated and Sandler O'Neil & Partners, L.P., Evercore Group L.L.C., SunTrust Robinson Humphrey, Inc., BB&T Capital Markets, a division of BB&T Securities, LLC, Fifth Third Securities, Inc. and Janney Montgomery Scott LLC, as sales agents (35)</u>
21 *	<u>Subsidiaries of the Registrant</u>
23 *	<u>Consent of BDO USA, LLP, independent registered public accounting firm</u>
31.1 *	<u>Certification of the Chief Executive Officer of Community Healthcare Trust Incorporated pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Rule 302 of the Sarbanes-Oxley Act of 2002</u>
31.2 *	<u>Certification of the Chief Financial Officer of Community Healthcare Trust Incorporated pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Rule 302 of the Sarbanes-Oxley Act of 2002</u>
32.1 **	<u>Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Extension Schema Document
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document

Exhibit Number	Description
101.LAB *	XBRL Taxonomy Extension Labels Linkbase Document
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Filed as Exhibit 1.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on July 26, 2017 (File No. 001-37401) and incorporated herein by reference.
- (2) Filed as Exhibit 3.1 to Amendment No. 2 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on May 6, 2015 (Registration No. 333-203210) and incorporated herein by reference.
- (3) Filed as Exhibit 3.2 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on April 2, 2015 (Registration No. 333-203210) and incorporated herein by reference.
- (4) Included under the heading "Description of Capital Stock" in the prospectus forming part of the Company's Registration Statement on Form S-11 of the Company, initially filed with the Securities and Exchange Commission on April 2, 2015 (Registration No. 333-203210) and incorporated herein by reference.
- (5) Filed as Exhibit 4.1 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on April 2, 2015 (Registration No. 333-203210) and incorporated herein by reference.
- (6) Filed as Exhibit 10.1 to Amendment No. 1 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on April 28, 2015 (Registration No. 333-203210) and incorporated herein by reference.
- (7) Filed as Exhibit 10.2 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on April 2, 2015 (Registration No. 333-203210) and incorporated herein by reference.
- (8) The 2014 Incentive Plan filed as Exhibit 10.3 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on April 2, 2015 (Registration No. 333-203210), and, as to Amendment No. 1 to the 2014 Incentive Plan, as Exhibit 10.12 to Amendment No. 2 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on May 6, 2015 (Registration No. 333-203210), and, as to Amendment No. 2 to the 2014 Incentive Plan, as Exhibit 10.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on July 17, 2017, and, as to the Amendment No. 3 to the 2014 Incentive Plan, as Exhibit 10.2 to the Form 8-K of the Company filed with the Securities and Exchange Commission on July 17, 2017, each of which is incorporated herein by reference.
- (9) Filed as Exhibit 4.5 to the Registration Statement on Form S-8 of the Company filed with the Securities and Exchange Commission on December 7, 2016 (Registration Statement No. 333-214951) and incorporated herein by reference.
- (10) Filed as Exhibit 10.2 to the Form 8-K of the Company filed with the Securities and Exchange Commission on November 4, 2016 (File No. 001-37401) and incorporated herein by reference.
- (11) Filed as Exhibit 10.6 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on April 2, 2015 (Registration No. 333-203210) and incorporated herein by reference.
- (12) Filed as Exhibit 10.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 18, 2017 (File No. 001-37401) and incorporated herein by reference.
- (13) Filed as Exhibit 10.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 2, 2018 (File No. 001-37401) and incorporated herein by reference.
- (14) Filed as Exhibit 10.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 3, 2019 (File No. 001-37401) and incorporated herein by reference.
- (15) Filed as Exhibit 10.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 3, 2020 (File No. 001-37401) and incorporated herein by reference.
- (16) Filed as Exhibit 10.7 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on April 2, 2015 (Registration No. 333-203210) and incorporated herein by reference.
- (17) Filed as Exhibit 10.2 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 18, 2017 (File No. 001-37401) and incorporated herein by reference.
- (18) Filed as Exhibit 10.2 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 2, 2018 (File No. 001-37401) and incorporated herein by reference.
- (19) Filed as Exhibit 10.2 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 3, 2019 (File No. 001-37401) and incorporated herein by reference.
- (20) Filed as Exhibit 10.2 to the Form 8-K of the Company filed with the Securities and Exchange Commission on March 11, 2019 (File No. 001-37401) and incorporated herein by reference.
- (21) Filed as Exhibit 10.3 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 3, 2020 (File No. 001-37401) and incorporated herein by reference.
- (22) Filed as Exhibit 10.8 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on April 2, 2015 (Registration No. 333-203210) and incorporated herein by reference.

- (23) Filed as Exhibit 10.3 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 18, 2017 (File No. 001-37401) and incorporated herein by reference.
- (24) Filed as Exhibit 10.3 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 2, 2018 (File No. 001-37401) and incorporated herein by reference.
- (25) Filed as Exhibit 10.3 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 3, 2019 (File No. 001-37401) and incorporated herein by reference.
- (26) Filed as Exhibit 10.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on May 3, 2019 (File No. 001-37401) and incorporated herein by reference.
- (27) Filed as Exhibit 10.4 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 3, 2020 (File No. 001-37401) and incorporated herein by reference.
- (28) Filed as Exhibit 10.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on March 11, 2019 (File No. 001-37401) and incorporated herein by reference.
- (29) Filed as Exhibit 10.2 to the Form 8-K of the Company filed with the Securities and Exchange Commission on January 3, 2020 (File No. 001-37401) and incorporated herein by reference.
- (30) Filed as Exhibit 10.9 to Amendment No. 1 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on April 28, 2015 (Registration No. 333-203210) and incorporated herein by reference.
- (31) Filed as Exhibit 10.10 to Amendment No. 1 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on April 28, 2015 (Registration No. 333-203210) and incorporated herein by reference.
- (32) Filed as Exhibit 10.11 to Amendment No. 1 to the Registration Statement on Form S-11 of the Company filed with the Securities and Exchange Commission on April 28, 2015 (Registration No. 333-203210) and incorporated herein by reference.
- (33) Filed as Exhibit 10.1 to the Form 10-Q of the Company filed with the Securities and Exchange Commission on May 9, 2017 (File No. 001-37401) and incorporated herein by reference, and, as to the First Amendment to the Second Amended and Restated Credit Agreement dated February 15, 2018, filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 8, 2018 (File No. 001-37401), and, as to the Second Amendment to the Second Amended and Restated Credit Agreement dated March 27, 2018, filed as Exhibit 99.1 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 8, 2018 (File No. 001-37401), and, as to the Third Amendment to the Second Amended and Restated Credit Agreement dated March 29, 2019, filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 7, 2019 (File No. 001-37401), each of which is incorporated herein by reference.
- (34) Filed as Exhibit 10.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on August 7, 2018 (File No. 001-37401) and incorporated herein by reference.
- (35) Filed as Exhibit 10.1 to the Form 8-K of the Company filed with the Securities and Exchange Commission on November 5, 2019 (File No. 001-37401) and incorporated herein by reference.

* Filed herewith.

** Furnished herewith.

† Denotes executive compensation plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Franklin, State of Tennessee, on February 25, 2020.

Date: February 25, 2020

COMMUNITY HEALTHCARE TRUST INCORPORATED

By: /s/ Timothy G. Wallace

Timothy G. Wallace

Chairman of the Board and Chief Executive Officer
and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Company and in the capacities and on the date indicated.

Signature	Title	Date
<u>/s/ Timothy G. Wallace</u> Timothy G. Wallace	Chairman of the Board and Chief Executive Officer and President (Principal Executive Officer)	February 25, 2020
<u>/s/ David H. Dupuy</u> David H. Dupuy	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 25, 2020
<u>/s/ W. Page Barnes</u> W. Page Barnes	Executive Vice President and Chief Operating Officer (Principal Operating Officer)	February 25, 2020
<u>/s/ Leigh Ann Stach</u> Leigh Ann Stach	Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 25, 2020
<u>/s/ Alan Gardner</u> Alan Gardner	Director	February 25, 2020
<u>/s/ Claire Gulmi</u> Claire Gulmi	Director	February 25, 2020
<u>/s/ Robert Hensley</u> Robert Hensley	Director	February 25, 2020
<u>/s/ R. Lawrence Van Horn</u> R. Lawrence Van Horn	Director	February 25, 2020

Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2019, 2018 and 2017
(Dollars in thousands)

Description	Balance at Beginning of Period	Additions			Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts	Uncollectible Accounts Written-off	
2019 Accounts receivable allowance	\$ 270	\$ 216	\$ (129)	\$ —	\$ 357
2018 Accounts receivable allowance	\$ 293	\$ 73	\$ —	\$ (96)	\$ 270
2017 Accounts receivable allowance	\$ 154	\$ 67	\$ 151	\$ (79)	\$ 293

Schedule III - Real Estate and Accumulated Depreciation at December 31, 2019
(Dollars in thousands)

Property Type	Number of Properties	State	Land and Land Improvements			Buildings, Improvements, and Lease Intangibles			Personal Property	Total Property (1)	Accumulated Depreciation (2)	Encumbrances (Principal balance)	Date Acquired	Original Date Constructed
			Initial Investment	Capitalized Subsequent to Acquisition	Total	Initial Investment	Capitalized Subsequent to Acquisition	Total						
			Costs	Costs	Costs	Costs	Costs	Costs						
Medical office buildings	41	AL, CA, CT, FL, GA, IA, IL, KS, KY, MI, MS, NJ, NY, OH, PA, RI, TN, TX, VA	\$ 25,661	\$ 578	\$ 26,239	\$ 154,388	\$ 8,442	\$ 162,830	\$ —	\$ 189,069	\$ 35,088	\$ 5,288	2015 - 2019	1950 - 2009
Physician clinics	22	AZ, CT, FL, IL, KS, OH, PA, TN, TX, VA, WI	6,849	58	6,907	47,796	917	48,713	—	55,620	8,247	—	2015 - 2019	1912 - 2013
Surgical centers and hospitals	15	AZ, CO, FL, IL, LA, MI, OH, PA, SC, TX	7,540	160	7,700	67,912	680	68,592	—	76,292	14,135	—	2015 - 2018	1970 - 2004
Specialty centers	27	AL, CA, CO, GA, IL, KY, MD, NC, NV, OH, OK, PA, TN, TX, VA	9,341	59	9,400	65,960	576	66,536	—	75,936	12,242	—	2015 - 2019	1945 - 2015
Behavioral facilities	9	IL, IN, LA, MA, MS, OH, WA, WV	12,536	—	12,536	108,941	20	108,961	—	121,497	4,795	—	2015 - 2019	1920 - 2001
Inpatient rehabilitation facilities	3	TX	4,824	—	4,824	61,751	—	61,751	—	66,575	886	—	2019	2012-2019
Long-term acute care hospitals	1	IN	523	—	523	14,405	—	14,405	—	14,928	1,739	—	2017	1978
Total Real Estate	118		67,274	855	68,129	521,153	10,635	531,788	—	599,917	77,132	5,288		
Corporate property	—		—	—	—	2,011	704	2,715	220	2,935	391	—		
Total Properties	118		\$ 67,274	\$ 855	\$ 68,129	\$ 523,164	\$ 11,339	\$ 534,503	\$ 220	\$ 602,852	\$ 77,523	\$ 5,288		
(1) Total properties as of December 31, 2019 have an estimated aggregate total cost of \$599.9 million (unaudited) for federal income tax purposes.														
(2) Depreciation is provided for on a straight-line basis on land improvements over 2 years to 20 years, buildings over 20 years to 50 years, building improvements over 3 years to 39.8 years, tenant improvements over 2.1 years to 14.4 years, lease intangibles over 1.2 years to 13.7 years, and personal property over 3 years to 10 years.														
(3) A reconciliation of Total Property and Accumulated Depreciation for the years ended December 31, 2019, 2018, and 2017 is provided below.														
<i>(Dollars in thousands)</i>														
Beginning Balance			\$ 444,930	\$ 55,298	\$ 388,486	\$ 36,136	\$ 252,736	\$ 18,404						
Additions during the period:														
Acquisitions			153,165	68	55,083	1,212	134,618	17,467						
Other improvements			4,757	22,157	4,557	18,424	1,132	265						
Retirements/dispositions:														
Real estate			—	—	(3,196)	(474)	—	—						
Ending Balance			\$ 602,852	\$ 77,523	\$ 444,930	\$ 55,298	\$ 388,486	\$ 36,136	\$ 388,486	\$ 55,298	\$ 388,486	\$ 36,136	\$ 388,486	\$ 36,136

Schedule IV - Mortgage Loans on Real Estate as of December 31, 2019
(Dollars in thousands)

Description of Collateral	Interest Rate	Maturity Date	Periodic Payment Terms	Original Face Amount	Carrying Amount	Principal amount of loans subject to delinquent principal or interest
				\$ —	\$ —	\$ —
Total Mortgage Loans				\$ —	\$ —	\$ —

(1) A rollforward of Mortgage loans on real estate for the years ended December 31, 2019, 2018 and 2017 is provided below.

	Year Ended December 31,		
	2019	2018	2017
Balance at beginning of period	\$ —	\$ 10,633	\$ 10,786
Additions during the period:			
New or acquired mortgages, net	—	—	—
Amortization/write-off of loan and commitment fees	—	—	122
	—	—	122
Deductions during the period:			
Repayment upon settlement of bankruptcy ^(a)	—	(10,633)	—
Scheduled principal payments	—	—	(275)
	—	(10,633)	(275)
Balance at end of period	\$ —	\$ —	\$ 10,633

(a) Mortgage note was repaid upon settlement of the bankruptcy with a borrower.

COMMUNITY HEALTHCARE TRUST

INCORPORATED

AMENDED AND RESTATED NON-EXECUTIVE OFFICER INCENTIVE PROGRAM

1. **Purpose.** The Community Healthcare Trust Incorporated 2014 Incentive Plan (the "Plan") was adopted to promote the interests of Community Healthcare Trust Incorporated (the "Company" or "CHCT") and its stockholders by

- strengthening the Company's ability to attract, motivate, and retain select Eligible Persons upon whose judgment, initiative, and efforts the financial success and growth of the business of the Company largely depend;
- offering such Eligible Persons additional incentives to put forth maximum efforts for the success of the business; and
- affording such select Eligible Persons an opportunity to acquire a proprietary interest in the Company through stock ownership and other performance-based rights.

This Amended and Restated Non-Executive Officer Incentive Program (the "Program") is being adopted to be utilized in conjunction with the Plan and is intended to further the purposes of the Plan by providing incentives to certain of the Company's non-executive officer Eligible Persons that are designed to reward individual performance and the achievement of specific Company-level financial goals.

1. **Definitions.** Whenever the following capitalized terms are used in this Program, they shall have the meanings specified below:

"**AFFO**" means adjusted funds from operations, as reported to the public by the Company in its earnings and results of operations news releases and in its periodic reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Other capitalized terms used herein, but not defined, shall have the meanings attributed to such terms in the Plan.

2. **Participation.** The Participants in this Program are the Eligible Persons who are not executive officers of CHCT or its Affiliates or Subsidiaries, who have not been named by the Committee to participate in the Executive Officer Incentive Program and that have been named to participate in this program by the Chief Executive Officer ("CEO") of the Company, subject to the advice and consent of the Committee.

3. **Awards.** Awards shall be in cash or restricted stock as outlined below and may be granted to each Participant upon the CEO's determination and in his/her discretion, subject to the advice and consent of the Committee. Awards shall generally be of the following types:

"Individual Performance Awards" ("IPA") shall be in cash, at the discretion of the CEO and shall be for the purposes of: (i) rewarding a Participant's individual efforts in contributing to the success of the Company and the Participant's demonstration of competency within his or her job description and requisite skill sets and (ii) retaining the Participant as an employee of the Company. The Company anticipates that Participants will have the opportunity to earn an IPA each year. The Company will target an IPA appropriate for each Participant's position with a maximum IPA for each Participant of up to 50% of such Participant's Base Salary.

"Company Performance Awards" ("CPA") shall be in cash and based on specific Company performance targets. The CEO may determine, in his/her discretion, the specific financial and/or operating metrics to be targeted, which may include, but are not limited to AFFO, payout percentages, etc. The measurement period shall be for such date or dates as the CEO may determine. The Company anticipates that Participants will have the opportunity to earn Company Performance Awards each year. The Company will target a CPA appropriate for each Participant's position, using a maximum of two performance metrics during any given measurement period, with a maximum combined award for all such metrics of up to 50% of such Participant's Base Salary.

"Restricted Stock Awards." (RSA) shall be in restricted stock and each Participant shall be eligible for an RSA of up to 15% of each such Participant's Base Salary. Participants shall have the opportunity to earn an RSA each year in the form of Restricted Stock Awards with a five-year cliff vesting period and shall not be eligible for the Company's Alignment of Interest Program. The "Determination Date" shall be January 15 of each year or, if such

date is not a trading day, then the trading day immediately preceding January 15. The number of shares shall be determined as of the Determination Date by dividing the total of the Participant's RSA by the average closing price of the common stock for the 10 trading days immediately preceding the Determination Date. In the event of termination of a Participant's employment for any reason, such Participant will forfeit any unvested RSA restricted stock.

The CEO shall, subject to the advice and consent of the Committee, have the discretion to alter the administration of awards under this Program at any time prior to the grant of any such award, in accordance with Section 4.3 of the Plan.

4. **Alignment of Interest Program Restricted Stock Election Awards.** At the election of the Participant, the Participant may use any **cash** Awards received under this Program to purchase restricted stock, of the Company in accordance with the terms and provisions of the Plan and the Company's Alignment of Interest Program ("AIP Stock"). In the event of termination of a Participant's employment, the disposition of any unvested AIP Stock will be determined in accordance with such Participant's Award Agreement. If a Participant voluntarily terminates his or her employment or is terminated for Cause (as such term is defined in the Plan), such Participant will forfeit any unvested AIP Stock. If a Participant's employment is terminated by the Company without Cause, or by reason of Participant's death, Disability or retirement (upon attainment of eligibility to retire in accordance with any applicable Company policy then in effect) all unvested AIP Stock will continue to vest pursuant to the Restricted Stock Agreement such AIP Stock is subject to.

5. **Amendments.** The CEO, with advice and consent of the Committee, may from time to time amend or modify this Program, provided that no such action shall adversely affect Awards previously granted hereunder.

6. **Survival.** This Program shall continue in effect as long as the Plan is in effect or until terminated by the CEO with advice and consent of the Committee.

Subsidiaries of the Registrant

Subsidiary	State of Incorporation
Community Healthcare OP, LP	Delaware
Community Healthcare Trust, LLC	Delaware
Community Healthcare Trust Services, Inc.	Tennessee
CHCT Alabama, LLC	Delaware
CHCT Arizona, LLC	Delaware
CHCT California, LLC	Delaware
CHCT Colorado, LLC	Delaware
CHCT Connecticut, LLC	Delaware
CHCT Connecticut II, LLC	Delaware
CHCT Florida, LLC	Delaware
CHCT Georgia, LLC	Delaware
CHCT Idaho, LLC	Delaware
CHCT Illinois, LLC	Delaware
CHCT Indiana, LLC	Delaware
CHCT Iowa, LLC	Delaware
CHCT Kansas, LLC	Delaware
CHCT Kentucky, LLC	Delaware
CHCT Lending, LLC	Delaware
CHCT Louisiana, LLC	Delaware
CHCT Maryland, LLC	Delaware
CHCT Massachusetts, LLC	Delaware
CHCT Michigan, LLC	Delaware
CHCT Mississippi, LLC	Delaware
CHCT Nevada, LLC	Delaware
CHCT New Jersey, LLC	Delaware
CHCT New York, LLC	Delaware
CHCT North Carolina, LLC	Delaware
CHCT Ohio, LLC	Delaware
CHCT Oklahoma, LLC	Delaware
CHCT Pennsylvania, LLC	Delaware
CHCT South Carolina, LLC	Delaware
CHCT Tennessee, LLC	Delaware
CHCT Texas, LLC	Delaware
CHCT Virginia, LLC	Delaware
CHCT Washington, LLC	Delaware
CHCT West Virginia, LLC	Delaware
CHCT Wisconsin, LLC	Delaware

Consent of Independent Registered Public Accounting Firm

Community Healthcare Trust Incorporated
Franklin, Tennessee

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-234523) and Form S-8 (No. 333-235833, 333-229121, 333-222399, 333-218366, 333-214951 and 333-206286) of Community Healthcare Trust Incorporated of our reports dated February 25, 2020, relating to the consolidated financial statements and financial statement schedules, and the effectiveness of Community Healthcare Trust Incorporated's internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP

Nashville, Tennessee
February 25, 2020

Community Healthcare Trust Incorporated
Annual Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Timothy G. Wallace, certify that:

1. I have reviewed this Annual Report on Form 10-K of Community Healthcare Trust Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

/s/ Timothy G. Wallace

Timothy G. Wallace

Chief Executive Officer and President

Community Healthcare Trust Incorporated
Annual Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David H. Dupuy, certify that:

1. I have reviewed this Annual Report on Form 10-K of Community Healthcare Trust Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

/s/ David H. Dupuy

David H. Dupuy

Executive Vice President and Chief Financial
Officer

Community Healthcare Trust Incorporated
Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Community Healthcare Trust Incorporated (the "Company") for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy G. Wallace, Chief Executive Officer and President of the Company, and I, David H. Dupuy, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2020

/s/ Timothy G. Wallace

Timothy G. Wallace

Chief Executive Officer and President

/s/ David H. Dupuy

David H. Dupuy

Executive Vice President and Chief Financial
Officer

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SHAREHOLDER INFORMATION

CORPORATE ADDRESS

Community Healthcare Trust Incorporated
3326 Aspen Grove Drive, Suite 150
Franklin, Tennessee 37067
(615) 771-3052
Email: Investorrelations@chct.reit
Website: www.chct.reit

STOCK EXCHANGE INFORMATION

The Common Stock of the Company is listed on the New York Stock Exchange under the symbol "CHCT".

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BDO USA, LLP
414 Union Street, Suite 1800
Nashville, Tennessee 37219

BOARD OF DIRECTORS

Timothy G. Wallace
Chairman of the Board
Chief Executive Officer and
President of Community Healthcare Trust Incorporated

Alan Gardner
Lead Independent Director
Retired
Former Senior Relationship Manager
in healthcare corporate banking
at Wells Fargo

Robert Hensley
Audit Committee Chair
Senior Advisor at Alvarez and Marsal, LLC

Claire Gulmi
Compensation Committee Chair
Former Executive Vice President and Chief Financial Officer at
Envision Healthcare

R. Lawrence Van Horn
Corporate Governance Committee Chair
Associate Professor of Economics and Management and
Executive Director of Health Affairs
at Vanderbilt University Owen Graduate School
of Management

TRANSFER AGENT

American Stock Transfer & Trust Company, LLC
Operations Center
6201 15th Avenue
Brooklyn, NY 11219
1-800-937-5449

ANNUAL SHAREHOLDERS MEETING

The Annual Meeting of the Shareholders will be held at 8:00 a.m., May 7, 2020, at the Company's corporate offices in Franklin, Tennessee.

EXECUTIVE OFFICERS

Timothy G. Wallace
Chief Executive Officer and President

David H. Dupuy
Executive Vice President and Chief Financial Officer

W. Page Barnes
Executive Vice President and Chief Operating Officer

Leigh Ann Stach
Executive Vice President and Chief Accounting Officer

