

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 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: 001-37815

**Global Medical REIT Inc.**

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

46-4757266

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

2 Bethesda Metro Center, Suite 440  
Bethesda, MD

(Address of principal executive offices)

20814

(Zip Code)

Registrant's telephone number, including area code: **(202) 524-6851**

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class:</u>	<u>Trading Symbol:</u>	<u>Name of each exchange on which registered:</u>
Common Stock, par value \$0.001 per share	GMRE	NYSE
Series A Preferred Stock, par value \$0.001 per share	GMRE PrA	NYSE

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

The number of shares of the registrant's common stock outstanding at May 3, 2019 was 34,555,219.

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**GLOBAL MEDICAL REIT INC.**  
**Consolidated Balance Sheets**  
(in thousands, except par values)

	As of	
	March 31, 2019 (unaudited)	December 31, 2018
<b>Assets</b>		
Investment in real estate:		
Land	\$ 68,326	\$ 63,710
Building	533,430	518,451
Site improvements	6,982	6,880
Tenant improvements	16,206	15,357
Acquired lease intangible assets	43,987	43,152
	668,931	647,550
Less: accumulated depreciation and amortization	(35,771)	(30,625)
Investment in real estate, net	633,160	616,925
Cash and cash equivalents	1,844	3,631
Restricted cash	1,464	1,212
Tenant receivables	3,559	2,905
Escrow deposits	3,296	1,752
Deferred assets	10,358	9,352
Other assets	3,009	322
<b>Total assets</b>	<b>\$ 656,690</b>	<b>\$ 636,099</b>
<b>Liabilities and Stockholders' Equity</b>		
Liabilities:		
Credit facility, net of unamortized discount of \$3,682 and \$3,922 at March 31, 2019 and December 31, 2018, respectively	\$ 219,993	\$ 276,353
Notes payable, net of unamortized discount of \$766 and \$799 at March 31, 2019 and December 31, 2018, respectively	38,652	38,654
Accounts payable and accrued expenses	3,385	3,664
Dividends payable	8,985	6,981
Security deposits and other	4,122	4,152
Due to related parties, net	1,100	1,030
Derivative liability	5,520	3,487
Other liability	2,367	-
Acquired lease intangible liability, net	2,004	2,028
<b>Total liabilities</b>	<b>286,128</b>	<b>336,349</b>
Stockholders' equity:		
Preferred stock, \$0.001 par value, 10,000 shares authorized; 3,105 issued and outstanding at March 31, 2019 and December 31, 2018, respectively (liquidation preference of \$77,625 at March 31, 2019 and December 31, 2018, respectively)	74,959	74,959
Common stock, \$0.001 par value, 500,000 shares authorized; 34,555 shares and 25,944 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	35	26
Additional paid-in capital	322,359	243,038
Accumulated deficit	(51,390)	(45,007)
Accumulated other comprehensive loss	(5,743)	(3,721)
<b>Total Global Medical REIT Inc. stockholders' equity</b>	<b>340,220</b>	<b>269,295</b>
Noncontrolling interest	30,342	30,455
<b>Total stockholders' equity</b>	<b>370,562</b>	<b>299,750</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 656,690</b>	<b>\$ 636,099</b>

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

**GLOBAL MEDICAL REIT INC.**  
**Consolidated Statements of Operations**  
(unaudited and in thousands, except per share amounts)

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenue</b>		
Rental revenue	\$ 15,141	\$ 11,556
Other income	59	8
Total revenue	15,200	11,564
<b>Expenses</b>		
General and administrative	1,606	1,005
Operating expenses	1,323	1,105
Management fees – related party	1,334	1,081
Depreciation expense	3,867	2,906
Amortization expense	1,002	765
Interest expense	4,025	2,684
Acquisition fees	-	117
Total expenses	13,157	9,663
Net income	\$ 2,043	\$ 1,901
Less: Preferred stock dividends	(1,455)	(1,455)
Less: Net income attributable to noncontrolling interest	(60)	(35)
Net income attributable to common stockholders	\$ 528	\$ 411
Net income attributable to common stockholders per share – basic and diluted	\$ 0.02	\$ 0.02
Weighted average shares outstanding – basic and diluted	27,380	21,631

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

**GLOBAL MEDICAL REIT INC.**  
**Consolidated Statements of Comprehensive (Loss) Income**  
(unaudited and in thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Net income	\$ 2,043	\$ 1,901
Other comprehensive loss:		
Decrease in fair value of interest rate swap agreements	(2,022)	-
Total other comprehensive loss	(2,022)	-
Comprehensive income	21	1,901
Less: Preferred stock dividends	(1,455)	(1,455)
Less: Comprehensive loss (income) attributable to noncontrolling interest	142	(35)
Comprehensive (loss) income attributable to common stockholders	\$ (1,292)	\$ 411

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

**GLOBAL MEDICAL REIT INC.**  
**Consolidated Statement of Stockholders' Equity**  
(unaudited and in thousands)

	<u>Common Stock</u>		<u>Preferred Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Global Medical REIT Inc. Stockholders' Equity</u>	<u>Non- controlling Interest</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>						
Balances, December 31, 2018	25,944	\$ 26	3,105	\$ 74,959	\$ 243,038	\$ (45,007)	\$ (3,721)	\$ 269,295	\$ 30,455	\$ 299,750
Net income	-	-	-	-	-	1,983	-	1,983	60	2,043
Issuance of shares of common stock, net	8,554	9	-	-	78,745	-	-	78,754	-	78,754
LTIP Units and OP Units redeemed for common stock	57	-	-	-	576	-	-	576	(576)	-
Change in fair value of interest rate swap agreements	-	-	-	-	-	-	(2,022)	(2,022)	-	(2,022)
Stock-based compensation expense	-	-	-	-	-	-	-	-	771	771
Dividends to common stockholders	-	-	-	-	-	(6,911)	-	(6,911)	-	(6,911)
Dividends to preferred stockholders	-	-	-	-	-	(1,455)	-	(1,455)	-	(1,455)
Dividends to noncontrolling interest	-	-	-	-	-	-	-	-	(874)	(874)
OP Units issued to third parties	-	-	-	-	-	-	-	-	506	506
Balances, March 31, 2019	<u>34,555</u>	<u>\$ 35</u>	<u>3,105</u>	<u>\$ 74,959</u>	<u>\$ 322,359</u>	<u>\$ (51,390)</u>	<u>\$ (5,743)</u>	<u>\$ 340,220</u>	<u>\$ 30,342</u>	<u>\$ 370,562</u>

	<u>Common Stock</u>		<u>Preferred Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Global Medical REIT Inc. Stockholders' Equity</u>	<u>Non- controlling Interest</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>					
Balances, December 31, 2017	21,631	\$ 22	3,105	\$ 74,959	\$ 205,788	\$ (34,434)	\$ 246,335	\$ 12,678	\$ 259,013
Net income	-	-	-	-	-	1,866	1,866	35	1,901
Stock-based compensation expense	-	-	-	-	-	-	-	182	182
Dividends to common stockholders	-	-	-	-	-	(4,326)	(4,326)	-	(4,326)
Dividends to preferred stockholders	-	-	-	-	-	(1,455)	(1,455)	-	(1,455)
Dividends to noncontrolling interest	-	-	-	-	-	-	-	(414)	(414)
LTIP Units redeemed for cash	-	-	-	-	-	-	-	(158)	(158)
Balances, March 31, 2018	<u>21,631</u>	<u>\$ 22</u>	<u>3,105</u>	<u>\$ 74,959</u>	<u>\$ 205,788</u>	<u>\$ (38,349)</u>	<u>\$ 242,420</u>	<u>\$ 12,323</u>	<u>\$ 254,743</u>

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

**GLOBAL MEDICAL REIT INC.**  
**Consolidated Statements of Cash Flows**  
(unaudited and in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
Net income	\$ 2,043	\$ 1,901
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	3,867	2,906
Amortization of acquired lease intangible assets	1,002	765
Amortization of above market leases, net	219	113
Amortization of deferred financing costs and other	313	430
Stock-based compensation expense	771	182
Other	33	4
Changes in operating assets and liabilities:		
Tenant receivables	(654)	(549)
Deferred assets	(1,006)	(1,178)
Other assets	32	86
Accounts payable and accrued expenses	(634)	1,834
Security deposits and other	(30)	2,784
Accrued management fees due to related party	192	17
Net cash provided by operating activities	<u>6,148</u>	<u>9,295</u>
<b>Investing activities</b>		
Purchase of land, buildings, and other tangible and intangible assets and liabilities	(20,841)	(65,565)
Escrow deposits for purchase of properties	(1,472)	(798)
Loan repayments made to related parties	(122)	-
Capital expenditures on existing real estate investments	(9)	(133)
Pre-acquisition costs for purchase of properties	(211)	246
Net cash used in investing activities	<u>(22,655)</u>	<u>(66,250)</u>
<b>Financing activities</b>		
Net proceeds received from common equity offerings	78,944	-
Escrow deposits required by third party lenders	(72)	(72)
Borrowings repaid to related parties	-	(18)
Repayment of note payable from third party	(35)	-
Proceeds from credit facility	6,200	68,750
Repayment of credit facility borrowings	(62,800)	(4,500)
Payments of deferred financing costs	(29)	(753)
Redemption of LTIP Units	-	(158)
Dividends paid to common stockholders, and OP Unit and LTIP Unit holders	(5,781)	(4,552)
Dividends paid to preferred stockholders	(1,455)	(1,455)
Net cash provided by financing activities	<u>14,972</u>	<u>57,242</u>
Net (decrease) increase in cash and cash equivalents and restricted cash	(1,535)	287
Cash and cash equivalents and restricted cash—beginning of period	4,843	7,114
Cash and cash equivalents and restricted cash—end of period	<u>\$ 3,308</u>	<u>\$ 7,401</u>
<b>Supplemental cash flow information:</b>		
Cash payments for interest	\$ 3,714	\$ 2,245
<b>Noncash financing and investing activities:</b>		
Accrued dividend payable	\$ 8,985	\$ 5,710
Initial recognition of lease liability related to right of use asset	\$ 2,346	\$ -
OP Units issued for property acquisition	\$ 506	\$ -
Interest rate swap agreements fair value change recognized in other comprehensive loss	\$ 2,022	\$ -
Accrued common stock offering costs	\$ 190	\$ -
LTIP Units and OP Units redeemed for common stock	\$ 576	\$ -
Accrued pre-acquisition costs for purchase of properties and construction in process	\$ -	\$ 271

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

**GLOBAL MEDICAL REIT INC.**  
**Notes to the Unaudited Consolidated Financial Statements**  
**(in thousands, except per share amounts)**

**Note 1 – Organization**

Global Medical REIT Inc. (the “Company”) is a Maryland corporation engaged primarily in the acquisition of purpose-built healthcare facilities and the leasing of those facilities to strong healthcare systems and physician groups with leading market share. The Company is externally managed and advised by Inter-American Management, LLC (the “Advisor”), a Delaware limited liability company and an affiliate of the Company.

The Company holds its facilities and conducts its operations through a Delaware limited partnership subsidiary named Global Medical REIT L.P. (the “Operating Partnership”). The Company serves as the sole general partner of the Operating Partnership through a wholly-owned subsidiary of the Company named Global Medical REIT GP LLC, a Delaware limited liability company. As of March 31, 2019, the Company was the 89.82% limited partner of the Operating Partnership, with an aggregate of 10.18% of the Operating Partnership owned by holders of long-term incentive plan units (“LTIP Units”) and third-party limited partners who contributed properties or services to the Operating Partnership in exchange for limited partnership units (“OP Units”).

**Note 2 – Summary of Significant Accounting Policies**

**Basis of presentation**

The accompanying consolidated financial statements are unaudited and include the accounts of the Company, including the Operating Partnership and its wholly-owned subsidiaries. The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures required for annual consolidated financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, the accompanying consolidated financial statements do not include all of the information and footnotes required by GAAP for complete consolidated financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2018. In the opinion of management, all adjustments of a normal and recurring nature necessary for a fair presentation of the consolidated financial statements for the interim periods have been made.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company, including the Operating Partnership and its wholly-owned subsidiaries. The Company presents the portion of any equity it does not own but controls (and thus consolidates) as noncontrolling interest. Noncontrolling interest in the Company includes the LTIP Units that have been granted to the Company’s and Advisor’s directors, officers and employees and the OP Units held by third parties. Refer to Note 5 – “Stockholders’ Equity” and Note 7 – “Stock-Based Compensation” for additional information regarding the OP Units and LTIP Units.

The Company classifies noncontrolling interest as a component of consolidated equity on its Consolidated Balance Sheets, separate from the Company’s total stockholders’ equity. The Company’s net income or loss is allocated to noncontrolling interests based on the respective ownership or voting percentage in the Operating Partnership associated with such noncontrolling interests and is removed from consolidated income or loss on the Consolidated Statements of Operations in order to derive net income or loss attributable to common stockholders. The noncontrolling ownership percentage is calculated by dividing the aggregate number of LTIP Units and OP Units held by third parties by the total number of shares of common stock, LTIP Units and OP Units outstanding. Any future issuances of additional shares of common stock, LTIP Units or OP Units could change the noncontrolling ownership interest.

**Use of Estimates**

The preparation of the consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and footnotes. Actual results could differ from those estimates.

**Investment in Real Estate**

Real estate and related assets are recorded at cost and stated at cost less accumulated depreciation. Renovations, replacements and other expenditures that improve or extend the life of assets are capitalized and depreciated over their estimated useful lives. Expenditures for ordinary maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the buildings, which are generally between 23 and 50 years, tenant improvements, which are generally between one and 19 years, and site improvements, which are generally between three and 14 years.

## Leases

See Note 8 – “Leases” for policies and related disclosures with respect to the Company’s leases as both a lessor and a lessee in accordance with the new lease standard Accounting Standards Codification Topic 842 “Leases” (“ASC Topic 842”) that was implemented by the Company on January 1, 2019.

## Cash and Cash Equivalents and Restricted Cash

The Company considers all demand deposits, cashier’s checks, money market accounts, and certificates of deposit with a maturity of three months or less to be cash equivalents. Amounts included in restricted cash represent (1) certain security deposits received from tenants at the inception of their leases; (2) cash required to be held by a third-party lender as a reserve for debt service; and (3) funds held by the Company that were received from certain tenants that the Company collected to pay specific tenant expenses, such as real estate taxes and insurance, on the tenant’s behalf (“tenant reimbursements”). The following table provides a reconciliation of the Company’s cash and cash equivalents and restricted cash that sums to the total of those amounts at the end of the periods presented on the Company’s accompanying Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018:

	As of March 31,	
	2019	2018
Cash and cash equivalents	\$ 1,844	\$ 3,351
Restricted cash	1,464	4,050
Total cash and cash equivalents and restricted cash	<u>\$ 3,308</u>	<u>\$ 7,401</u>

## Tenant Receivables

The tenant receivables balance as of March 31, 2019 and December 31, 2018 was \$3,559 and \$2,905, respectively. The balance as of March 31, 2019 consisted of \$1,162 in funds owed from the Company’s tenants for rent that the Company had earned but had not yet received, and \$1,289 in tenant reimbursements owed to the Company. Additionally, the balance as of March 31, 2019 included a \$1,000 receivable for a loan that was made to one of the Company’s tenants and \$108 in miscellaneous receivables. The balance as of December 31, 2018 consisted of \$783 in funds owed from the Company’s tenants for rent that the Company had earned but had not yet received, and \$1,062 in tenant reimbursements owed to the Company. Additionally, the balance as of December 31, 2018 included a \$1,000 receivable for a loan that was made to one of the Company’s tenants and \$60 in miscellaneous receivables.

## Escrow Deposits

The escrow deposits balance as of March 31, 2019 and December 31, 2018 was \$3,296 and \$1,752, respectively. Escrow deposits include funds held in escrow to be used for the acquisition of properties in the future and for the payment of taxes, insurance, and other amounts as stipulated by the Company’s Cantor Loan, as hereinafter defined.

## Deferred Assets

The deferred assets balance as of March 31, 2019 and December 31, 2018 was \$10,358 and \$9,352, respectively. The balance as of March 31, 2019 consisted of \$10,072 in deferred rent receivables resulting from the recognition of revenue from leases with fixed annual rental escalations on a straight-line basis and \$286 of other deferred costs. The balance as of December 31, 2018 consisted of \$8,706 in deferred rent receivables resulting from the recognition of revenue from leases with fixed annual rental escalations on a straight-line basis and \$646 of other deferred costs.

## Other Assets

Other assets primarily includes the Company’s right of use asset and capitalized costs related to the Company’s property acquisitions. Costs that are incurred prior to the completion of the acquisition of a property are capitalized if all of the following conditions are met: (a) the costs are directly identifiable with the specific property, (b) the costs would be capitalized if the property were already acquired, and (c) acquisition of the property is probable. These costs are included with the value of the acquired property upon completion of the acquisition. The costs are charged to expense when it is probable that the acquisition will not be completed. The other assets balance was \$3,009 as of March 31, 2019, which consisted of \$2,337 for a right of use asset that was recorded in connection with the implementation of ASC Topic 842 on January 1, 2019 (refer to Note 8 – “Leases” for additional details), \$521 in capitalized costs related to property acquisitions and capital expenditures on investment in real estate, and \$151 in a prepaid asset. The other assets balance was \$322 as of December 31, 2018, which consisted of \$139 in capitalized costs related to property acquisitions and \$183 in a prepaid asset.

## Security Deposits and Other

The security deposits and other liability balance as of March 31, 2019 and December 31, 2018 was \$4,122 and \$4,152, respectively. The balance as of March 31, 2019 consisted of security deposits of \$3,284 and a tenant impound liability of \$838 related to amounts owed for specific tenant expenses. The balance as of December 31, 2018 consisted of security deposits of \$3,272 and a tenant impound liability of \$880 related to amounts owed for specific tenant expenses.

## Derivative Instruments - Interest Rate Swaps

As of March 31, 2019 and December 31, 2018, the Company had three interest rate swaps that were designated as cash flow hedges of interest rate risk. In accordance with the Company's risk management strategy, the purpose of the interest rate swaps is to manage interest rate risk for a portion of the Company's variable-rate debt. The interest rate swaps involve the Company's receipt of variable-rate amounts from three counterparties in exchange for the Company making fixed-rate payments over the life of the agreement. The Company accounts for derivative instruments in accordance with the provisions of ASC Topic 815, "Derivatives and Hedging" and ASU No. 2017-12, "Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities." As of March 31, 2019 and December 31, 2018, the Company's liability balance related to these interest rate swaps was \$5,520 and \$3,487, respectively. Refer to Note 4 – "Notes Payable and Credit Facility" for additional details.

## Other Liability

As of March 31, 2019 the Company had an other liability balance of \$2,367 that was recorded in connection with the implementation of ASC Topic 842 on January 1, 2019 (refer to Note 8 – "Leases" for additional details).

## Reclassification

The Company reclassified the line item "Expense Recoveries" on its Consolidated Statements of Operations for the three months ended March 31, 2018 to present this amount as a component of "Rental Revenue."

## Note 3 – Property Portfolio

### Summary of Properties Acquired During the Three Months Ended March 31, 2019

During the three months ended March 31, 2019 the Company completed two acquisitions. For both acquisitions, substantially all of the fair value was concentrated in a single identifiable asset or group of similar identifiable assets and, therefore, represent asset acquisitions. Accordingly, transaction costs for these acquisitions were capitalized.

A rollforward of the gross investment in land, building and improvements as of March 31, 2019 resulting from these acquisitions as well as other tenant improvements is as follows:

	Land	Building	Site & Tenant Improvements	Acquired Lease Intangibles	Gross Investment in Real Estate
Balances as of December 31, 2018	\$ 63,710	\$ 518,451	\$ 22,237	\$ 43,152	\$ 647,550
Facility Acquired – Date Acquired:					
Zachary – 2/28/19	-	3,336	512	835	4,683
Gilbert and Chandler – 3/19/19	4,616	11,643	-	-	16,259
Tenant improvements <sup>(1)</sup>	-	-	439	-	439
Total Additions <sup>(2)</sup> :	4,616	14,979	951	835	21,381
Balances as of March 31, 2019	\$ 68,326	\$ 533,430	\$ 23,188	\$ 43,987	\$ 668,931

(1) Represents tenant improvements that were completed and placed in service during the three months ended March 31, 2019 related to the Sherman facility that was acquired in June 2017.

(2) The Zachary facility acquisition included OP Units with a value of \$506 that were issued as part of the total consideration for that transaction. Additionally, an aggregate of \$34 of intangible liabilities were acquired from the acquisitions that occurred during the three months ended March 31, 2019. Accordingly, the total addition to gross investment in real estate funded with cash was \$20,841.

Depreciation expense was \$3,867 and \$2,906 for the three months ended March 31, 2019 and 2018, respectively.

As of March 31, 2019, the Company had aggregate capital improvement commitments and obligations to improve, expand, and maintain the Company's facilities of \$20,825. Many of these allowances are subject to contingencies that make it difficult to predict when such allowances will be utilized, if at all. In accordance with the terms of a number of the Company's leases, capital improvement obligations in 2019 could total up to approximately \$12,790.

The following is a summary of the acquisitions completed during the three months ended March 31, 2019.

#### Zachary Facility

On February 28, 2019, the Company assumed the following leasehold interests in the real property located in Zachary, Louisiana for a purchase price of \$4.6 million: (i) the interest, as ground lessee, in an existing ground lease of the facility with the fee owner as ground lessor, with approximately 46 years remaining in the initial term with no extension options; (ii) the interest arising under the ground lease in and to the long-term acute-care hospital located at the facility; and (iii) the interest, as landlord, in an existing lease of the facility with LTAC Hospital of Feliciana, LLC, as tenant, with approximately 16 years remaining in the initial term with three consecutive 10-year extension options. The following table presents the details of the tangible and intangible assets acquired and liabilities assumed:

Land and site improvements	\$	103
Building and tenant improvements		3,745
In-place leases		305
Above-market lease intangibles		117
Leasing costs		413
Below-market lease intangibles		(34)
Total purchase price	<u>\$</u>	<u>4,649</u>

#### Gilbert and Chandler Facilities

On March 19, 2019, the Company purchased the following facilities located in Gilbert, Arizona and Chandler, Arizona for a total purchase price of \$16.1 million: (i) a medical office building located in Gilbert, Arizona (the "Val Vista Facility"); (ii) a medical office building located in Gilbert, Arizona (the "Dobson Facility"); (iii) a medical office suite located in Chandler, Arizona (the "Pecos I Facility"); and (iv) a medical office suite located in Chandler, Arizona (the "Pecos II Facility"). Upon the closing of the acquisition, the Company assumed the seller's interest, as lessor, in the existing leases of: (v) the Pecos I Facility to Chandler Endoscopy Center LLC with approximately seven years remaining in its initial term with two consecutive five-year extension options; and (vi) the Pecos II Facility to Valley Heart Associates, P.C, with approximately four years remaining on its initial term with two consecutive five-year extension options. Also upon the closing of the acquisition, the Company (i) leased the Dobson Facility to East Valley Gastroenterology & Hepatology Associates, P.C., ("EVGHA"); (ii) leased a portion of the Val Vista Facility to EVGHA; and (iii) leased another portion of the Val Vista Facility to Premier Endoscopy Center, LLC. The Dobson Facility lease and the Val Vista Facility leases each have an initial term of 15 years with two consecutive five-year extension options.

#### Intangible Assets and Liabilities

The following is a summary of the carrying amount of intangible assets and liabilities as of the dates presented:

	<u>As of March 31, 2019</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
<b>Assets</b>			
In-place leases	\$ 22,058	\$ (4,714)	\$ 17,344
Above market ground lease	708	(33)	675
Above market leases	8,126	(1,368)	6,758
Leasing costs	<u>13,095</u>	<u>(2,028)</u>	<u>11,067</u>
	<u>\$ 43,987</u>	<u>\$ (8,143)</u>	<u>\$ 35,844</u>
<b>Liabilities</b>			
Below market leases	\$ 2,370	\$ (366)	\$ 2,004

	As of December 31, 2018		
	Cost	Accumulated Amortization	Net
<b>Assets</b>			
In-place leases	\$ 21,753	\$ (4,037)	\$ 17,716
Above market ground lease	707	(28)	679
Above market leases	8,009	(1,096)	6,913
Leasing costs	12,683	(1,703)	10,980
	<u>\$ 43,152</u>	<u>\$ (6,864)</u>	<u>\$ 36,288</u>
<b>Liability</b>			
Below market leases	\$ 2,336	\$ (308)	\$ 2,028

The following is a summary of the acquired lease intangible amortization:

	Three Months Ended March 31,	
	2019	2018
Amortization expense related to in-place leases	\$ 677	\$ 521
Amortization expense related to leasing costs	\$ 325	\$ 244
Decrease in rental revenue related to above market ground lease	\$ 5	\$ 4
Decrease in rental revenue related to above market leases	\$ 272	\$ 151
Increase in rental revenue related to below market leases	\$ 58	\$ 42

As of March 31, 2019, scheduled future aggregate net amortization of the acquired lease intangible assets and liabilities for each fiscal year ended December 31 is listed below:

	Net Decrease in Revenue	Net Increase in Expenses
2019 (nine months remaining)	\$ (557)	\$ 2,918
2020	(726)	3,873
2021	(729)	3,258
2022	(730)	2,949
2023	(708)	2,668
Thereafter	(1,979)	12,745
Total	<u>\$ (5,429)</u>	<u>\$ 28,411</u>

As of March 31, 2019 the weighted average amortization periods for asset lease intangibles and liability lease intangibles were 6.96 years and 8.53 years, respectively.

#### Note 4 – Notes Payable and Credit Facility

##### Summary of Notes Payable, Net of Discount

The Company's notes payable, net, includes two loans: (1) the Cantor Loan and (2) the West Mifflin Note, described in detail below. The following table sets forth the aggregate balances of these loans as of March 31, 2019 and December 31, 2018.

	March 31, 2019	December 31, 2018
Notes payable, gross	\$ 39,453	\$ 39,475
Less: Unamortized debt discount	(766)	(799)
Principal repayment	(35)	(22)
Notes payable, net	<u>\$ 38,652</u>	<u>\$ 38,654</u>

Amortization expense incurred related to the debt discount was \$33 and \$32 for the three months ended March 31, 2019 and 2018, respectively, and is included in the "Interest Expense" line item in the accompanying Consolidated Statements of Operations.

## Cantor Loan

On March 31, 2016, through certain of its wholly-owned subsidiaries, the Company entered into a \$32,097 portfolio commercial mortgage-backed securities loan (the “Cantor Loan”) with Cantor Commercial Real Estate Lending, LP (“CCRE”). The subsidiaries are GMR Melbourne, LLC, GMR Westland, LLC, GMR Memphis, LLC, and GMR Plano, LLC (the “GMR Loan Subsidiaries”). The Cantor Loan has cross-default and cross-collateral terms. The Cantor Loan has a maturity date of April 6, 2026 and accrues annual interest at 5.22%. The first five years of the term require interest-only payments and thereafter payments will include interest and principal, amortized over a 30-year schedule. Prepayment can only occur within four months prior to the maturity date, except that after the earlier of (a) two years after the loan is placed in a securitized mortgage pool, or (b) May 6, 2020, the Cantor Loan can be fully or partially defeased upon payment of amounts due under the Cantor Loan and payment of a defeasance amount that is sufficient to purchase U.S. government securities equal to the scheduled payments of principal, interest, fees, and any other amounts due related to a full or partial defeasance under the Cantor Loan.

The Company secured the payment of the Cantor Loan with the assets, including property, facilities, and rents, held by the GMR Loan Subsidiaries and has agreed to guarantee certain customary recourse obligations, including findings of fraud, gross negligence, or breach of environmental covenants by the GMR Loan Subsidiaries. The GMR Loan Subsidiaries are required to maintain an aggregate monthly debt service coverage ratio of 1.35:1.00 for all of the collateral properties.

The note balance as of March 31, 2019 and December 31, 2018 was \$32,097. Interest expense incurred on this note was \$419 for both of the three months ended March 31, 2019 and 2018.

As of March 31, 2019, scheduled principal payments due for each fiscal year ended December 31 are listed below as follows:

2019	\$	-
2020		-
2021		282
2022		447
2023		471
Thereafter		30,897
Total	\$	<u>32,097</u>

## West Mifflin Note

On September 25, 2015, the Company, through its wholly-owned subsidiary GMR Pittsburgh LLC, as borrower, entered into a Term Loan and Security Agreement with Capital One to borrow \$7,378. The note bears interest at 3.72% per annum and all unpaid interest and principal is due on September 25, 2020. Interest is paid in arrears and interest payments began on November 1, 2015 and have continued on the first day of each calendar month thereafter. Principal payments began on November 1, 2018 and have continued on the first day of each calendar month thereafter based on an amortization schedule with the remaining principal balance due on the maturity date. The Company, at its option, may prepay the note at any time in whole (but not in part) with advanced written notice. The West Mifflin facility serves as collateral for the note. The note requires a quarterly fixed charge coverage ratio of at least 1:1, a quarterly minimum debt yield of 0.09:1.00, and annualized Operator EBITDAR (as defined in the note) measured on a quarterly basis of not less than \$6,000. The Operator is Associates in Ophthalmology, Ltd. and Associates Surgery Centers, LLC. The Company made principal payments of \$35 during the three months ended March 31, 2019. The note balance as of March 31, 2019 and December 31, 2018 was \$7,321 and \$7,356, respectively. Interest expense incurred on this note was \$66 and \$69 for the three months ended March 31, 2019 and 2018, respectively.

As of March 31, 2019, scheduled principal payments due for each fiscal year ended December 31 are listed below as follows:

2019 (nine months remaining)	\$	101
2020		7,220
Total	\$	<u>7,321</u>

## Credit Facility

The Company, the Operating Partnership, as borrower, and certain of its subsidiaries (such subsidiaries, the “Subsidiary Guarantors”) are parties to a syndicated credit facility with BMO Harris Bank N.A. (“BMO”), as Administrative Agent (the “Credit Facility”). The Credit Facility has overall capacity of \$350 million, consisting of a \$250 million revolving credit facility (the “Revolver”) and a \$100 million, five-year term loan (the “Term Loan”). The Revolver’s term ends in August 2022 with a one-year extension option. The Credit Facility includes an accordion feature to increase the capacity to an aggregate of \$500 million. On April 15, 2019, the Company exercised \$75 million of the \$150 million accordion feature of the Credit Facility. The partial exercise of the accordion feature increases the term loan component of the credit facility from \$100 million to \$175 million and the total borrowing capacity under the Credit Facility to \$425 million (See Note 11 – “Subsequent Events”).

The Subsidiary Guarantors and the Company are guarantors of the obligations under the Credit Facility. The amount available to borrow from time to time under the Credit Facility is limited according to a quarterly borrowing base valuation of certain properties owned by the Subsidiary Guarantors.

The Operating Partnership is subject to 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. The Operating Partnership must also maintain (i) a maximum consolidated leverage ratio as of the end of each fiscal quarter of less than (y) 0.65:1.00 for each fiscal quarter ending prior to October 1, 2019 and (z) thereafter, 0.60:1.00, (ii) a minimum fixed charge coverage ratio of 1.50:1.00, (iii) a minimum net worth of \$203,795 plus 75% of all net proceeds raised through equity offerings subsequent to March 31, 2018, and (iv) a ratio of total secured recourse debt to total asset value of not greater than 0.10:1.00.

On August 7, 2018, the Company hedged its interest rate risk on the Term Loan by entering into an interest rate swap, with a notional amount of \$100 million and a term of five years, which effectively fixed the LIBOR component on the Term Loan at 2.88%. Subsequently, on November 16, 2018, the Company entered into two additional interest rate swaps with separate counterparties for an aggregate notional amount of \$70 million, which effectively fixed the LIBOR component of \$70 million of our Credit Facility debt at 2.93%. For additional information related to the interest rate swaps see the “Derivative Instruments - Interest Rate Swaps” section herein.

During the three months ended March 31, 2019, the Company borrowed \$6,200 under the Credit Facility and repaid \$62,800 for a net amount repaid of \$56,600. During the three months ended March 31, 2018, the Company borrowed \$68,750 under the Credit Facility and repaid \$4,500 for a net amount borrowed of \$64,250. Interest expense incurred on the Credit Facility was \$3,238 and \$1,766, for the three months ended March 31, 2019 and 2018, respectively.

As of March 31, 2019 and December 31, 2018, the Company had the following outstanding borrowings under the Credit Facility:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Revolver	\$ 123,675	\$ 180,275
Term Loan	100,000	100,000
Less: Unamortized deferred financing costs	(3,682)	(3,922)
Credit Facility, net	<u>\$ 219,993</u>	<u>\$ 276,353</u>

Costs incurred related to the Credit Facility, net of accumulated amortization, are netted against the Company’s “Credit facility, net of unamortized discount” balance in the accompanying Consolidated Balance Sheets. The Company paid \$29 and \$753 related to modifications to the Credit Facility as well as fees related to adding properties to the borrowing base during the three months ended March 31, 2019 and 2018, respectively. Amortization expense incurred was \$269 and \$398 for the three months ended March 31, 2019 and 2018, respectively, and is included in the “Interest Expense” line item in the accompanying Consolidated Statements of Operations.

In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced that 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.

#### **Derivative Instruments - Interest Rate Swaps**

As of March 31, 2019, the Company had three interest rate swaps that are used to manage the interest rate risk and fix the LIBOR component of certain of its floating rate debt as follows: (i) on August 7, 2018 the Company executed an interest rate swap with BMO that was designated as a cash flow hedge on the Term Loan, with a notional amount of \$100 million, a fixed interest rate of 2.88%, and a maturity date of August 8, 2023; and (ii) on November 16, 2018 the Company executed separate interest rate swaps with SunTrust Bank (“SunTrust”) and Citizens Bank of Pennsylvania (“Citizens”) that were each designated as cash flow hedges. The swap with SunTrust has a notional amount of \$40 million and the swap with Citizens has a notional amount of \$30 million and both have a fixed interest rate of 2.93% and a maturity date of August 7, 2024.

In accordance with the provisions of ASC Topic 815, the Company records the swaps either as an asset or a liability measured at its fair value at each reporting period. When hedge accounting is applied, the change in the fair value of derivatives designated and that qualify as cash flow hedges is (i) recorded in accumulated other comprehensive loss in the equity section of the Company's Consolidated Balance Sheets and (ii) subsequently reclassified into earnings as interest expense for the period that the hedged forecasted transactions affect earnings. If specific hedge accounting criteria are not met, changes in the Company's derivative instruments' fair value are recognized currently as an adjustment to net income.

The Company's interest rate swaps are not traded on an exchange. The Company's interest rate swaps are recorded at fair value based on a variety of observable inputs including contractual terms, interest rate curves, yield curves, measure of volatility, and correlations of such inputs. The Company measures its derivatives at fair value on a recurring basis based on the expected size of future cash flows on a discounted basis and incorporating a measure of non-performance risk. The fair values are based on Level 2 inputs within the framework of ASC Topic 820, "Fair Value Measurement." The Company considers its own credit risk, as well as the credit risk of its counterparty, when evaluating the fair value of its derivative instruments.

The fair value of the Company's interest rate swaps was a liability of \$5,520 and \$3,487 as of March 31, 2019 and December 31, 2018, respectively. These amounts are included in the "Derivative Liability" line item on the Company's Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018.

The table below details the components of the loss presented on the accompanying Consolidated Statements of Comprehensive (Loss) Income recognized on the Company's interest rate swaps designated as cash flow hedges for the three months ended March 31, 2019 and 2018:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Amount of loss recognized in other comprehensive loss	\$ 2,204	\$ -
Amount of loss reclassified from accumulated other comprehensive loss into interest expense	(182)	-
<b>Total change in accumulated other comprehensive loss</b>	<b>\$ 2,022</b>	<b>\$ -</b>

During the next twelve months, the Company estimates that an additional \$928 will be reclassified as an increase to interest expense. Additionally, during the three months ended March 31, 2019, the Company recorded total interest expense in its Consolidated Statements of Operations of \$4,025.

#### **Weighted-Average Interest Rate and Term**

The weighted average interest rate and term of the Company's debt was 4.72% and 4.14 years at March 31, 2019, compared to 4.64% and 4.24 years as of December 31, 2018.

#### **Note 5 – Stockholders' Equity**

##### **Preferred Stock**

The Company's charter authorizes the issuance of 10,000 shares of preferred stock, par value \$0.001 per share. As of March 31, 2019 and December 31, 2018, there were 3,105 shares of Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock"), issued and outstanding. The Series A Preferred Stock has a liquidation preference of \$25 per share.

Preferred stock dividend activity for the three months ended March 31, 2019 is summarized in the following table:

<b>Date Announced</b>	<b>Record Date</b>	<b>Applicable Quarter</b>	<b>Payment Date</b>	<b>Quarterly Dividend</b>	<b>Dividends per Share</b>
December 13, 2018	January 15, 2019	Q4 2018	January 31, 2019	\$ 1,455	\$ 0.46875
March 6, 2019	April 15, 2019	Q1 2019	April 30, 2019	\$ 1,455 <sup>(1)</sup>	\$ 0.46875

<sup>(1)</sup>Two months of this amount, equal to \$970, was accrued at March 31, 2019.

The holders of the Series A Preferred Stock are entitled to receive dividend payments only when, as and if declared by the Board (or a duly authorized committee of the Board). Dividends will accrue or be payable in cash from the original issue date, on a cumulative basis, quarterly in arrears on each dividend payment date at a fixed rate per annum equal to 7.50% of the liquidation preference of \$25.00 per share (equivalent to \$1.875 per share on an annual basis). Dividends on the Series A Preferred Stock will be cumulative and will accrue whether or not (i) funds are legally available for the payment of those dividends, (ii) the Company has earnings or (iii) those dividends are declared by the Board. The quarterly dividend payment dates on the Series A Preferred Stock are January 31, April 30, July 31 and October 31 of each year. During each of the three month periods ended March 31, 2019 and 2018, the Company paid preferred dividends of \$1,455.

#### Common Stock

The Company has 500,000 authorized shares of common stock, \$0.001 par value. As of March 31, 2019 and December 31, 2018, there were 34,555 and 25,944 outstanding shares of common stock, respectively.

On March 18, 2019, the Company closed an underwritten public offering of its common stock and on March 25, 2019 the Company closed on part of the related over-allotment option granted to the underwriters. These transactions resulted in an aggregate of 8,233 shares of the Company's common stock being issued at a public offering price of \$9.75 per share, receiving net proceeds of \$75,918. This represented gross proceeds of \$80,269 less underwriting discounts and advisory fees of \$4,013 and expenses paid by the Company that were directly attributable to the offering of \$338.

On August 17, 2018, the Company, its Advisor, and the Operating Partnership entered into a Sales Agreement with a number of financial institutions, pursuant to which the Company may offer and sell, from time to time, up to \$50 million of its common stock (the "ATM Program"). During the three months ended March 31, 2019, pursuant to the ATM Program, the Company sold and issued 321 shares of its common stock at an average price of \$9.68 per share, receiving net proceeds of \$3,026. This represented gross proceeds of \$3,108 net of \$82 of commissions and expenses paid by the Company that were directly attributable to the issuance.

Common stock dividend activity for the three months ended March 31, 2019 is summarized in the following table:

<u>Date Announced</u>	<u>Record Date</u>	<u>Applicable Quarter</u>	<u>Payment Date</u>	<u>Dividend Amount<sup>(1)</sup></u>	<u>Dividends per Share</u>
December 13, 2018	December 26, 2018	Q4 2018	January 10, 2019	\$ 5,695	\$ 0.20
March 6, 2019	March 26, 2019	Q1 2019	April 10, 2019	\$ 7,688	\$ 0.20

<sup>(1)</sup>Includes distributions on granted LTIP Units and OP Units.

During the three months ended March 31, 2019 and 2018, the Company paid total dividends on its common stock, LTIP Units and OP Units in the aggregate amount of \$5,781 and \$4,552, respectively.

As of March 31, 2019 and December 31, 2018, the Company had an accrued dividend balance of \$327 and \$316 for dividends payable on the aggregate annual and long-term LTIP Units that are subject to retroactive receipt of dividends on the amount of LTIP Units ultimately earned. During the three months ended March 31, 2019, \$97 of dividends were accrued and \$86 of dividends were paid related to these units. During the three months ended March 31, 2018, \$165 of dividends were accrued and no dividends related to these units were paid.

The amount of the dividends paid to the Company's stockholders is determined by the Company's Board and is dependent on a number of factors, including funds available for payment of dividends, the Company's financial condition and capital expenditure requirements except that, in accordance with the Company's organizational documents and Maryland law, the Company may not make dividend distributions that would: (i) cause it to be unable to pay its debts as they become due in the usual course of business; (ii) cause its total assets to be less than the sum of its total liabilities plus senior liquidation preferences; or (iii) jeopardize its ability to maintain its qualification as a REIT.

#### OP Units

During the three months ended March 31, 2019, the Company issued an aggregate of 49 OP Units with a value of \$506 in connection with a facility acquisition. Additionally, during the three months ended March 31, 2019 two OP Unit holders redeemed an aggregate of 51 OP Units that were issued during 2017 for a facility acquisition. The Company redeemed such OP Units for shares of its common stock with a value of \$519. During the year ended December 31, 2018, the Company issued an aggregate of 1,899 OP Units with a value of \$16,363 in connection with three facility acquisitions. As of March 31, 2019 and December 31, 2018, there were 3,143 and 3,145 OP Units issued and outstanding, respectively, with an aggregate value of \$27,881 and \$27,894, respectively. The OP Unit value is based on the Company's closing share price on the date of the respective transaction and is included as a component of noncontrolling interest equity in the Company's Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018.

## Note 6 – Related Party Transactions

### Management Agreement

Upon completion of the Company's initial public offering on July 1, 2016, the Company and the Advisor entered into an amended and restated management agreement (the "Management Agreement"). Certain material terms of the Management Agreement are summarized in the section titled "*Business — Our Advisor and our Management Agreement*," contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on March 11, 2019.

### Management Fees and Accrued Management Fees

The Company's management fee to the Advisor is calculated in accordance with the terms of the Management Agreement which requires an annual base management fee equal to 1.5% of our stockholders' equity (as defined in the Management Agreement). For the three months ended March 31, 2019 and 2018, management fees of \$1,334 and \$1,081, respectively, were incurred and expensed by the Company. During the three months ended March 31, 2019 and 2018, the Company paid management fees to the Advisor in the amount of \$1,142 and 1,064, respectively. Accrued management fees due to the Advisor were \$1,335 and \$1,143 as of March 31, 2019 and December 31, 2018, respectively. No incentive management fee was incurred by the Company during the three months ended March 31, 2019 or 2018.

### Allocated General and Administrative Expenses

Effective May 8, 2017, the Company and the Advisor entered into an agreement pursuant to which, for a period of one year commencing on May 8, 2017, the Company agreed to reimburse the Advisor for \$125 of the annual salary of the General Counsel and Secretary of the Company for so long as he continues to be primarily dedicated to the Company in his capacity as its General Counsel and Secretary. This agreement expired in May 2018 and was not renewed. In the future, the Company may receive additional allocations of general and administrative expenses from the Advisor that are either clearly applicable to or were reasonably allocated to the operations of the Company. There were no allocated general and administrative expenses from the Advisor for the three months ended March 31, 2019. Other than via the terms of the reimbursement agreement noted above, there were no allocated general and administrative expenses from the Advisor for the three months ended March 31, 2018.

### Due to Related Parties, Net

A rollforward of the due (to) from related parties balance, net, as of March 31, 2019 is as follows:

	Due to Advisor – Mgmt. Fees	Due (to) from Advisor – Other Funds	Due (to) from Other Related Party	Total Due (To) From Related Parties, Net
Balance as of January 1, 2019	\$ (1,143)	52	61	\$ (1,030)
Management fee expense incurred <sup>(1)</sup>	(1,334)	-	-	(1,334)
Management fees paid to Advisor <sup>(1)</sup>	1,142	-	-	1,142
Loans to Advisor <sup>(2)</sup>	-	67	-	67
Loans to other related parties <sup>(2)</sup>	-	-	55	55
Balance as of March 31, 2019	\$ (1,335)	119	116	(1,100)

<sup>(1)</sup>Net amount accrued of \$192 consists of \$1,334 in management fee expense incurred, net of \$1,142 of accrued management fees that were paid to the Advisor. This represents a cash flow operating activity.

<sup>(2)</sup>Aggregate amount of \$122 represents amounts paid by the Company on behalf of several related party entities for miscellaneous purposes. This represents a cash flow investing activity.

## Note 7 – Stock-Based Compensation

### 2016 Equity Incentive Plan

The 2016 Equity Incentive Plan (the "Plan") is intended to assist the Company and its affiliates in recruiting and retaining employees of the Manager, members of the Board, executive officers of the Company, and individuals who provide services to those entities or affiliates of those entities.

The Plan is intended to permit the grant of both qualifying and non-qualified options and the grant of stock appreciation rights, restricted stock, unrestricted stock, awards of restricted stock units, performance awards and other equity-based awards (including LTIP Units) for up to an aggregate of 1,232 shares of common stock, subject to increase under certain provisions of the Plan. Based on the grants outstanding as of March 31, 2019, there are 37 units that remain available to be granted under the Plan. Units subject to awards under the Plan that are forfeited, cancelled, lapsed, settled in cash or otherwise expired (excluding shares withheld to satisfy exercise prices or tax withholding obligations) are available for grant.

#### Time-Based Grants

The time-based vesting LTIP unit activity under the Plan during the three months ended March 31, 2019 was as follows:

LTIP Units outstanding as of December 31, 2018	588
LTIP Units earned and granted via the 2018 performance program – Annual Awards <sup>(1)</sup>	108
LTIP Units granted on a discretionary basis related to the Annual Awards <sup>(2)</sup>	28
LTIP Units granted as 2019 long-term time based awards <sup>(3)</sup>	54
LTIP Units – other grant and forfeitures, net <sup>(4)</sup>	(4)
LTIP Units outstanding as of March 31, 2019	<u>774</u>

- (1) The 108 LTIP Units represents earned and granted units from the previously disclosed 2018 annual awards (the “Annual Awards”). On March 5, 2019 the Compensation Committee of the Board (the “Compensation Committee”) determined the extent to which the Company achieved the performance goals related to the 2018 Annual Awards and determined the number of LTIP Units that each grantee was entitled to receive. These grants vested 50% on March 5, 2019, the determination date, and 50% vest on March 5, 2020.
- (2) The 28 LTIP Units represents a discretionary grant by the Compensation Committee. These grants vested 50% on March 5, 2019, the grant date, and 50% vest on March 5, 2020.
- (3) The 54 LTIP Units represent grants approved by the Board on March 5, 2019. These grants are valued based on the Company’s share price at the date of grant of \$10.07 and vest in equal one-third increments on each of March 5, 2020, March 5, 2021, and March 5, 2022.
- (4) The decrease of four LTIP Units net represents 6 LTIP Units redeemed for the Company’s common stock with a value of \$57 and one LTIP Unit that was forfeited, partially offset by three LTIP Units that were granted on March 15, 2019 related to a new hire. These three LTIP Units vest in equal one-third increments on each of March 15, 2020, March 15, 2021, and March 5, 2022.

A detail of the vested and unvested LTIP units outstanding as of March 31, 2019 is as follows:

Total vested units	<u>463</u>
Unvested units:	
Granted to employees of the Advisor	290
Granted to the Company’s independent directors	21
Total unvested units	<u>311</u>
LTIP Units outstanding as of March 31, 2019	<u>774</u>

#### Performance Based Awards

For each of the past three years the Company’s Board has approved annual performance-based equity incentive awards in the form of LTIP Units and long-term performance-based LTIP awards (“Long-Term Awards”) to the executive officers of the Company and other employees of the Advisor who perform services for the Company. As described in detail below the Annual Awards have one-year performance periods and the Long-Term Awards have three-year performance periods. In addition to meeting specified performance metrics, vesting in both the Annual Awards and the Long-Term Awards is subject to service requirements.

A detail of the Annual Awards and Long-Term Awards under the 2017, 2018, and 2019 programs as of March 31, 2019 is as follows:

	2017 Program		2018 Program		2019 Program		Total
	Long-Term	Annual	Long-Term	Annual	Long-Term		
Net annual and long-term LTIP awards as of December 31, 2018 (at target)	96	161	110	-	-		367
LTIP Unit target grants via the 2019 Performance Program							
– Annual Awards and Long-Term Awards <sup>(1)</sup>	-	-	-	133	82		215
LTIP Units earned and granted via the 2018 Performance Program – Annual Awards <sup>(2)</sup>	-	(108)	-	-	-		(108)
LTIP Units granted on a discretionary basis via the 2018 Performance Program – Annual Awards <sup>(2)</sup>	-	(28)	-	-	-		(28)
LTIP Units not earned under the 2018 Performance Program – Annual Awards <sup>(3)</sup>	-	(25)	-	-	-		(25)
Net annual and long-term LTIP awards as of March 31, 2019 (at target)	<u>96</u>	<u>-</u>	<u>110</u>	<u>133</u>	<u>82</u>		<u>421</u>

(1) These target Annual Awards and Long-Term Awards were approved by the Board on March 5, 2019.

(2) These amounts represents grants from the 2018 program Annual Awards. Refer to the “Time-Based Grants” table above which presents these grants as earned and time-based.

(3) On March 5, 2019 the Compensation Committee determined the extent to which the Company achieved the performance goals and concluded that these target awards were not achieved.

The number of target LTIP Units comprising each 2019 program Annual Award target grant was based on the closing price of the Company’s common stock reported on the New York Stock Exchange (“NYSE”) on the date of grant. The number of target LTIP Units comprising each Long-Term Award target grant was based on the fair value of the Long-Term Awards as determined by an independent valuation consultant, in each case rounded to the nearest whole LTIP unit in order to eliminate fractional units.

*Annual Awards.* The Annual Awards are subject to the terms and conditions of LTIP Annual Award Agreements (“LTIP Annual Award Agreements”) between the Company and each grantee.

The Compensation Committee and Board established performance goals for fiscal year 2019, as set forth in Exhibit A to the 2019 LTIP Annual Award Agreements (the “Performance Goals”) that will be used to determine the number of LTIP Units earned by each grantee. As of March 31, 2019, management estimated that the Performance Goals would be met at a 100% level, and accordingly, applied 100% to the net target 2019 program Annual Awards to estimate the 2019 program Annual Awards expected to be earned at the end of the performance period. Cumulative stock-based compensation expense during the three months ended March 31, 2019 reflects management’s estimate that 100% of these awards will be earned. As soon as reasonably practicable following the last day of the 2019 fiscal year, the Compensation Committee and Board will determine the extent to which the Company has achieved each of the Performance Goals (expressed as a percentage) and, based on such determination, will calculate the number of LTIP Units that each grantee is entitled to receive. Each grantee may earn up to 150% of the number of his/her target LTIP Units. Any 2019 Annual Award LTIP Units that are not earned will be forfeited and cancelled.

*Vesting.* LTIP Units that are earned as of the end of the applicable performance period will be subject to vesting, subject to continued employment through each vesting date, in two installments as follows: 50% of the earned LTIP Units will become vested on the date in 2020 that the Board approves the number of LTIP Units to be awarded pursuant to the performance components set forth in the 2019 LTIP Annual Award Agreements and 50% of the earned LTIP Units become vested on the one year anniversary of the initial vesting date. Vesting may be accelerated under certain circumstances such as a “change-in-control” transaction or a “qualified termination” event.

*Distributions.* Distributions equal to the dividends declared and paid by the Company will accrue during the applicable performance period on the maximum number of LTIP Units that the grantee could earn and will be paid with respect to all of the earned LTIP Units at the conclusion of the applicable performance period, in cash or by the issuance of additional LTIP Units at the discretion of the Compensation Committee.

*Long-Term Awards.* The Long-Term Awards are subject to the terms and conditions of 2017, 2018 and 2019 LTIP Long-Term Award Agreements (collectively the “LTIP Long-Term Award Agreements”) between the Company and each grantee. The number of LTIP Units that each grantee is entitled to earn under the LTIP Long-Term Award Agreements will be determined following the conclusion of a three-year performance period based on the Company’s total stockholder return (“TSR”), which is determined based on a combination of appreciation in stock price and dividends paid during the performance period. Each grantee may earn up to 200% of the number of target LTIP Units covered by the grantee’s Long-Term Award. Any target LTIP Units that are not earned will be forfeited and cancelled. The number of LTIP Units earned under the Long-Term Awards will be determined as soon as reasonably practicable following the end of the applicable three-year performance period (2020, 2021, or 2022 depending on the program) based on the Company’s TSR on an absolute basis (as to 75% of the Long-Term Award) and relative to the SNL Healthcare REIT Index (as to 25% of the Long-Term Award).

*Vesting.* LTIP Units that are earned as of the end of the applicable three year performance period will be subject to forfeiture restrictions that will lapse (“vesting”), subject to continued employment through each vesting date as follows; 50% of the earned LTIP Units will vest upon the third anniversary of the respective grant dates and the remaining 50% will vest on the fourth anniversary of the respective grant dates. Vesting may be accelerated under certain circumstances such as a “change-in-control” transaction or a “qualified termination” event.

*Distributions.* Pursuant to the LTIP Long-Term Award Agreements, distributions equal to the dividends declared and paid by the Company will accrue during the applicable performance period on the maximum number of LTIP Units that the grantee could earn and will be paid with respect to all of the earned LTIP Units at the conclusion of the applicable performance period, in cash or by the issuance of additional LTIP Units at the discretion of the Compensation Committee.

#### Stock-Based Compensation Expense

In July 2018, the Company implemented the provisions of ASU 2018-07, “Improvements to Nonemployee Share-Based Payment Accounting” (“ASU 2018-07”). This standard simplifies several aspects of the accounting for non-employee transactions by stipulating that the existing accounting guidance for share-based payments to employees (accounted for under ASC Topic 718, “Compensation-Stock Compensation”) will also apply to non-employee share-based transactions (accounted for under ASC Topic 505, “Equity”).

Under the provisions of ASU 2018-07 the Company’s prospective compensation expense for all unvested LTIP Units, Annual Awards, and Long-Term Awards is recognized using the adoption date fair value of the awards, with no remeasurement required. Compensation expense for future LTIP Unit grants, Annual Awards, and Long-Term Awards is based on the grant date fair value of the units/awards, with no subsequent remeasurement required.

As the Long-Term Awards involve market-based performance conditions, the Company utilizes a Monte Carlo simulation to provide a grant date fair value for expense recognition. The Monte Carlo simulation is a generally accepted statistical technique used, in this instance, to simulate a range of possible future stock prices for the Company and the members of the SNL Healthcare REIT Index (the “Index”) over the Performance Periods. The purpose of this modeling is to use a probabilistic approach for estimating the fair value of the performance share award for purposes of accounting under ASC Topic 718.

The assumptions used in the Monte Carlo simulation include beginning average stock price, valuation date stock price, expected volatilities, correlation coefficients, risk-free rate of interest, and expected dividend yield. The beginning average stock price is the beginning average stock price for the Company and each member of the Index for the five trading days leading up to the grant date of the Long-Term Award. The valuation date stock price is the closing stock price of the Company and each of the peer companies in the Index on the grant dates of the Long-Term Awards. The expected volatilities are modeled using the historical volatilities for the Company and the members of the Index. The correlation coefficients are calculated using the same data as the historical volatilities. The risk-free rate of interest is taken from the U.S. Treasury website and relates to the expected life of the remaining performance period on valuation or revaluation. Lastly, the dividend yield assumption is 0.0%, which is mathematically equivalent to reinvesting dividends in the issuing entity, which is part of the Company’s award agreement assumptions.

Below are details regarding certain of the assumptions for the Long-Term Awards using Monte Carlo simulations:

	<b>2019 Long-Term Awards</b>	<b>2018 Long-Term Awards</b>	<b>2017 Long-Term Awards</b>
Share price	\$ 10.07	\$ 8.86	\$ 8.86
Target awards	82	110	96
Volatility	31.7%	33.8%	33.8% - 35.4%
Risk-free rate	2.5%	2.6%	2.4% - 2.6%
Dividend assumption	reinvested	reinvested	reinvested
Expected term in years	3	2.7	1.7 – 2.7

The Company incurred stock compensation expense of \$771 and \$182 for the three months ended March 31, 2019 and 2018, respectively, related to the grants awarded under the Plan. Compensation expense is included within “General and Administrative” expense in the Company’s Consolidated Statements of Operations.

As of March 31, 2019, total unamortized compensation expense related to these awards of approximately \$5.0 million is expected to be recognized over a weighted average remaining period of 1.93 years.

#### **Note 8 – Leases**

On January 1, 2019, the Company adopted ASC Topic 842, which supersedes Accounting Standards Codification Topic 840 “Leases” (“ASC Topic 840”). Information in this note with respect to the Company’s leases and lease-related costs as both lessee and lessor and lease-related receivables as lessor is presented under ASC Topic 842 as of and for the three months ended March 31, 2019 and under ASC Topic 840 as of and for the year ended December 31, 2018.

The Company adopted ASC Topic 842 using the modified retrospective approach whereby the cumulative effect of adoption was recognized on the adoption date and prior periods were not restated. There was no net cumulative effect adjustment to accumulated deficit as of January 1, 2019 as a result of this adoption. ASC Topic 842 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The Company operates as both a lessor and a lessee. As a lessor, the Company is required under ASC Topic 842 to account for leases using an approach that is substantially similar to ASC Topic 840’s guidance for operating leases and other leases such as sales-type leases and direct financing leases. In addition, ASC Topic 842 requires lessors to capitalize and amortize only incremental direct leasing costs. As a lessee, the Company is required under the new standard to apply a dual approach, classifying leases, such as ground leases, as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. ASC Topic 842 also requires lessees to record a right of use asset and a lease liability for all leases with a term of greater than a year regardless of their classification. The Company has also elected the practical expedient not to recognize right of use assets and lease liabilities for leases with a term of a year or less.

On adoption of the standard, we elected the package of practical expedients provided for in ASC Topic 842, including:

- No reassessment of whether any expired and existing contracts were or contained leases;
- No reassessment of the lease classification for any expired and existing leases; and
- No reassessment of initial direct costs for any existing leases.

The package of practical expedients was made as a single election and was consistently applied to all existing leases as of January 1, 2019. We also elected the practical expedient provided to lessors in a subsequent amendment to ASC Topic 842 that removed the requirement to separate lease and nonlease components, provided certain conditions were met.

#### **Information as Lessor Under ASC Topic 842** *(As of and for the three months ended March 31, 2019)*

To generate positive cash flow, as a lessor, the Company leases its facilities to tenants in exchange for fixed monthly payments that cover rent, property taxes, insurance and certain cost recoveries, primarily common area maintenance (“CAM”). The Company’s leases were determined to be operating leases and have a portfolio average lease years remaining of approximately 10 years. Payments from the Company’s tenants for CAM are considered nonlease components that are separated from lease components and are generally accounted for in accordance with the revenue recognition standard. However, the Company qualified for and elected the practical expedient related to combining the components because the lease component is classified as an operating lease and the timing and pattern of transfer of CAM income, which is not the predominant component, is the same as the lease component. As such, consideration for CAM is accounted for as part of the overall consideration in the lease. Payments from customers for property taxes and insurance are considered noncomponents of the lease and therefore no consideration is allocated to them because they do not transfer a good or service to the customer. Fixed contractual payments from the Company’s leases are recognized on a straight-line basis over the terms of the respective leases. This means that, with respect to a particular lease, actual amounts billed in accordance with the lease during any given period may be higher or lower than the amount of rental revenue recognized for the period. Straight-line rental revenue is commenced when the tenant assumes control of the leased premises. Accrued straight-line rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements.

Some of the Company’s leases are subject to annual changes in the Consumer Price Index (“CPI”). Although increases in CPI are not estimated as part of the Company’s measurement of straight-line rental revenue, for leases with base rent increases based on CPI, the amount of rent revenue recognized is adjusted in the period the changes in CPI are measured and effective. Additionally, some of the Company’s leases have extension options.

Initial direct costs, primarily commissions, related to the leasing of our facilities are capitalized when material as incurred. Capitalized leasing costs are amortized on a straight-line basis over the remaining useful life of the respective leases. All other costs to negotiate or arrange a lease are expensed as incurred.

Lease-related receivables, which include accounts receivable and accrued straight-line rents receivable, are reduced for credit losses, if applicable. To date the Company's receivables have not had any credit losses. Such amounts would be recognized as a reduction to rental and other revenues. The Company regularly evaluates the collectability of its lease-related receivables. The Company's evaluation of collectability primarily consists of reviewing past due account balances and considering such factors as the credit quality of our tenant, historical trends of the tenant and changes in tenant payment terms. If the Company's assumptions regarding the collectability of lease-related receivables prove incorrect, the Company could experience credit losses in excess of what was recognized in rental and other revenues.

The Company recognized \$15.1 million of rental and other revenues related to operating lease payments, \$1.3 million of which was for variable lease payments related to expense recoveries for the three months ended March 31, 2019. The aggregate annual minimum cash to be received by the Company on the noncancelable operating leases related to its portfolio as of March 31, 2019 is as follows for the subsequent years ended December 31:

2019 (nine months remaining)	\$ 39,378
2020	53,430
2021	51,951
2022	50,927
2023	49,785
Thereafter	346,029
Total	<u>\$ 591,500</u>

**Information as Lessor Under ASC Topic 840** (As of and for the year ended December 31, 2018)

The Company adopted the provisions of ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09") effective January 1, 2018 using the modified retrospective transition method. Rental income from leasing arrangements is specifically excluded from the standard. The Company analyzed its remaining revenue streams and concluded there were no changes in revenue recognition with the adoption of the new standard.

The Company's operations consist of rental revenue earned from tenants under leasing arrangements which provide for minimum rent and escalations. These leases were accounted for as operating leases. For operating leases with contingent rental escalators, revenue was recorded based on the contractual cash rental payments due during the period. Revenue from leases with fixed annual rental escalators were recognized on a straight-line basis over the initial lease term, subject to a collectability assessment. If the Company determined that collectability of rents was not reasonably assured, future revenue recognition was limited to amounts contractually owed and paid, and, when appropriate, an allowance for estimated losses was established.

The Company consistently assessed the need for an allowance for doubtful accounts, including an allowance for operating lease straight-line rent receivables, for estimated losses resulting from tenant defaults, or the inability of tenants to make contractual rent and tenant recovery payments. The Company also monitored the liquidity and creditworthiness of its tenants and operators on a continuous basis. This evaluation considered industry and economic conditions, property performance, credit enhancements and other factors. For operating lease straight-line rent amounts, the Company's assessment was based on amounts estimated to be recoverable over the term of the lease. As of December 31, 2018, no allowance was recorded as it was not deemed necessary.

The Company's real estate assets are leased to tenants under operating leases. The minimum rental amounts under the leases were generally subject to scheduled fixed increases. The aggregate annual minimum cash to be received by the Company on its noncancelable operating leases as of December 31, 2018 were as follows:

2019	\$ 50,527
2020	51,450
2021	49,926
2022	48,862
2023	47,743
Thereafter	330,180
Total	<u>\$ 578,688</u>

**Information as Lessee Under ASC Topic 842 (As of and for the three months ended March 31, 2019)**

The Company has four facilities subject to operating ground leases with a weighted average remaining term of 24 years. Rental payments on these leases are adjusted periodically based on either the CPI or on a pre-determined schedule. The monthly payments on a pre-determined schedule are recognized on a straight-line basis over the terms of the respective leases. Changes in the CPI are not estimated as part of our measurement of straight-line rental expense. Upon initial adoption of ASC Topic 842, the Company recognized a lease liability of \$2.2 million (included in "Other Liabilities") and a related right of use asset of \$2.2 million (included in "Other Assets") on our Consolidated Balance Sheets equal to the present value of the minimum lease payments required under each ground lease. During the three months ended March 31, 2019, the Company recorded an additional \$0.1 million right of use asset and recognized an additional lease liability of \$0.1 million. We used a weighted average discount rate of approximately 4.42%, which was derived from our assessment of the credit quality of the Company and adjusted to reflect secured borrowing, estimated yield curves and long-term spread adjustments over appropriate tenors. Some of our ground leases contain extension options and, where we determined it was reasonably certain that an extension would occur, they were included in our calculation of the right of use asset and liability. We recognized approximately \$51 thousand of ground lease expense, which was paid in cash, during the three months ended March 31, 2019.

The following table sets forth the undiscounted cash flows of our scheduled obligations for future minimum payments on operating ground leases at March 31, 2019 and a reconciliation of those cash flows to the operating lease liability at March 31, 2019:

2019 (nine months remaining)	\$ 83
2020	116
2021	116
2022	116
2023	120
2024	4,473
Thereafter	5,024
Discount	(2,657)
Lease liability	<u>\$ 2,367</u>

**Information as Lessee Under ASC Topic 840 (As of and for the year ended December 31, 2018)**

The Company acquired an interest, as ground lessee, in the ground lease related to the Omaha and Clermont facilities at their dates of acquisition. In connection with the acquisition of the Moline facility, the Company acquired the seller's interest, as ground lessee, in an existing ground lease that has approximately 10 years remaining in the initial term, with 12 consecutive five-year renewal options. In connection with the acquisition of the Silvis facility, the Company acquired the seller's interest, as ground lessee, in an existing ground lease that has approximately 67 years remaining in the initial term, with no renewal options.

The aggregate minimum cash payments to be made by the Company on these land leases as of December 31, 2018, were as follows:

2019	\$ 109
2020	109
2021	109
2022	109
2023	113
Thereafter	2,121
Total	<u>\$ 2,670</u>

**Note 9 – Rent Concentration**

The Company's facilities with a concentration of rental revenue of 5% or greater is as follows for the periods below:

Facility	Three Months Ended March 31,	
	2019	2018
Encompass	10%	13%
Belpre	10	-
OCOM	8	11
Sherman	6	7
Austin	6	8
East Dallas	5	-
Great Bend	-	6
Aggregate of all other facilities	55	55
Total	<u>100%</u>	<u>100%</u>

**Note 10 – Commitments and Contingencies****Litigation**

The Company is not presently subject to any material litigation nor, to its knowledge, is any material litigation threatened against the Company, which if determined unfavorably to the Company, would have a material adverse effect on the Company's financial position, results of operations, or cash flows.

**Environmental Matters**

The Company follows a policy of monitoring its properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist at its properties, the Company is not currently aware of any environmental liability with respect to its properties that would have a material effect on its financial position, results of operations, or cash flows. Additionally, the Company is not aware of any material environmental liability or any unasserted claim or assessment with respect to an environmental liability that management believes would require additional disclosure or the recording of a loss contingency.

**Note 11 – Subsequent Events**

On April 15, 2019, the Company closed on the acquisition of four inpatient rehabilitation facilities for an aggregate purchase price of \$94 million.

On April 15, 2019, the Company exercised \$75 million of the \$150 million accordion feature of its Credit Facility. The partial exercise of the accordion feature increases the term loan component of the Credit Facility from \$100 million to \$175 million and the total borrowing capacity under the Credit Facility to \$425 million.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion should be read in conjunction with our financial statements included herein, including the notes to those financial statements, included elsewhere in this Quarterly Report on Form 10-Q (this "Report"). Some of the comments we make in this section are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section below entitled "Forward-Looking Statements." Certain risk factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2018, that was filed with the U.S. Securities and Exchange Commission (the "SEC" or the "Commission") on March 11, 2019. Unless otherwise indicated all dollar and share amounts in the following discussion are presented in thousands.*

### Forward-Looking Statements

This Report contains "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")). In particular, statements pertaining to our trends, liquidity, capital resources, and the healthcare industry and healthcare real estate opportunity, among others, contain forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology including, but not limited to, "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans 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;
- decreased rental rates or increased vacancy rates, including expected rent levels on acquired properties;
- difficulties in identifying healthcare facilities to acquire and completing such acquisitions;
- adverse economic or real estate conditions or developments, either nationally or in the markets in which our facilities are located;
- our failure to generate sufficient cash flows to service our outstanding obligations;
- fluctuations in interest rates and increased operating costs;
- our failure to effectively hedge our interest rate risk;
- our ability to satisfy our short and long-term liquidity requirements;
- our ability to deploy the debt and equity capital we raise;
- our ability to raise additional equity and debt capital on terms that are attractive or at all;
- our ability to make distributions on shares of our common and preferred stock;
- expectations regarding the timing and/or completion of any acquisition;
- general volatility of the market price of our common and preferred stock;
- changes in our business or our investment or financing strategy;
- changes in our management internalization plans;
- our dependence upon key personnel whose continued service is not guaranteed;
- the ability of our external manager, Inter-American Management, LLC's (the "Advisor"), to identify, hire and retain highly qualified personnel in the future;
- the degree and nature of our competition;
- changes in healthcare laws, governmental regulations, tax rates and similar matters;
- changes in current healthcare and healthcare real estate trends;
- changes in expected trends in Medicare, Medicaid and commercial insurance reimbursement trends;
- competition for investment opportunities;
- our failure to successfully integrate acquired healthcare facilities;
- our expected tenant improvement expenditures;
- changes in accounting policies generally accepted in the United States of America ("GAAP");
- lack of or insufficient amounts of insurance;
- other factors affecting the real estate industry generally;

- changes in the tax treatment of our distributions;
- our failure to qualify and maintain our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes;
- our ability to qualify for the safe harbors from the “100% Prohibited Transactions Tax” under the REIT rules with respect to our property dispositions; and
- limitations imposed on our business and our ability to satisfy complex rules relating to REIT qualification for U.S. federal income tax purposes.

See Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2018 for further discussion of these and other risks, as well as the risks, uncertainties and other factors discussed in this Report and identified in other documents we may file with the SEC from time to time. You should carefully consider these risks before making any investment decisions in our company. New risks and uncertainties may also emerge from time to time that could materially and adversely affect us. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to 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 Report, except as required by applicable law. You should not place undue reliance on any forward-looking statements that are based on information currently available to us or the third parties making the forward-looking statements.

## Overview

Global Medical REIT Inc. (the “Company,” “us,” “we,” or “our”) is an externally-managed, Maryland corporation engaged primarily in the acquisition of purpose-built healthcare facilities and the leasing of those facilities to strong healthcare systems and physician groups with leading market share. The Company is externally managed and advised by the Advisor.

We elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2016. We conduct our business through an umbrella partnership real estate investment trust, or UPREIT, structure in which our properties are owned by wholly-owned subsidiaries of our operating partnership, Global Medical REIT L.P. (the “Operating Partnership”). Our wholly-owned subsidiary, Global Medical REIT GP, LLC, is the sole general partner of our Operating Partnership and, as of March 31, 2019, we owned approximately 89.82% of the outstanding operating partnership units (“OP Units”) of our Operating Partnership.

## Executive Summary

The following table summarizes certain financial information during the periods presented:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>(in thousands, except per share amounts)</b>		
Rental revenue	\$ 15,141	\$ 11,556
Interest expense	\$ 4,025	\$ 2,684
General and administrative expense	\$ 1,606	\$ 1,005
Preferred stock dividends	\$ 1,455	\$ 1,455
Net income attributable to common stockholders per share	\$ 0.02	\$ 0.02
FFO per share <sup>(1)</sup>	\$ 0.17	\$ 0.18
AFFO per share <sup>(1)</sup>	\$ 0.17	\$ 0.16
Dividends per common share	\$ 0.20	\$ 0.20
Weighted average common shares	27,380	21,631
Weighted average OP Units	3,145	1,246
Weighted average LTIP Units	681	507
Total weighted average shares and units outstanding	<u>31,206</u>	<u>23,384</u>

(1) See “—Non-GAAP Financial Measures,” for a description of our non-GAAP financial measures and a reconciliation of our non-GAAP financial measures.

	As of	
	March 31, 2019	December 31, 2018
	(dollars in thousands)	
Total investment in real estate, gross	\$ 668,931	\$ 647,550
Total debt, net of unamortized discount	\$ 258,645	\$ 315,007
Weighted average interest rate	4.72%	4.64%
Total stockholders' equity (including noncontrolling interest)	\$ 370,562	\$ 299,750
Net rentable square feet	2,131	2,079

### Our Properties

As of March 31, 2019, our portfolio consisted of gross investment in real estate of \$668.9 million, which was comprised of 52 facilities with an aggregate of approximately 2.1 million rentable square feet and approximately \$52.1 million of annualized base rent.

### Capital Raising Activity

During the three months ended March 31, 2019, we raised \$83.9 million of equity through a combination of common stock and OP Unit issuances at an average offering price of \$9.75 per share. Our first quarter 2019 equity issuances included the following:

- we closed an underwritten public offering of our common stock and part of the related over-allotment option granted to the underwriters, which resulted in the issuance of 8.2 million shares of our common stock at a public offering price of \$9.75 per share, generating gross proceeds of \$80.3 million;
- we issued 0.3 million shares of our common stock at an average offering price of \$9.68 per share, generating gross proceeds of \$3.1 million, pursuant to our "at-the-market" offering program; and
- we issued 49 thousand OP Units with a value of \$506 in connection with a facility acquisition.

### Recent Developments

On April 15, 2019, the Company closed on the acquisition of four inpatient rehabilitation facilities for an aggregate purchase price of \$94 million, an initial capitalization rate of approximately 7.3%, and an estimated second-year capitalization rate of 7.6%, assuming scheduled lease increases. The portfolio is leased to leading healthcare providers under long-term, triple-net leases and is expected to provide total annual rent of \$6.9 million.

On April 15, 2019, the Company exercised \$75 million of the \$150 million accordion feature of its credit facility. The partial exercise of the accordion feature increases the term loan component of the credit facility from \$100 million to \$175 million and the total borrowing capacity under the credit facility to \$425 million.

### Trends Which May Influence Our Results of Operations

We believe the following trends may positively impact our results of operations:

- *Growing healthcare expenditures* – According to the U.S. Department of Health and Human Services, overall healthcare expenditures are expected to grow at an average rate of 5.5% per year through 2027. We believe the long-term growth in healthcare expenditures will correlate with the long-term leases at our properties and help maintain or increase the value of our healthcare real estate portfolio;
- *An aging population* – According to the 2010 U.S. Census, the segment of the population consisting of people 65 years or older comprise the fastest growing segment of the overall U.S. population. We believe this segment of the U.S. population will utilize many of the services provided at our healthcare facilities such as orthopedics, cardiac, gastroenterology and rehabilitation;
- *A continuing shift towards outpatient care* – According to the American Hospital Association, patients are demanding more outpatient operations. We believe this shift in patient preference from inpatient to out patient facilities will benefit our tenants as most of our properties consist of medical office buildings that provide an alternative to inpatient facilities such as acute-care hospitals;
- *Physician practice group and hospital consolidation* – We believe the trend towards physician group consolidation will serve to strengthen the credit quality of our tenants if our tenants merge or are consolidated with larger health systems;
- *A highly fragmented healthcare real estate market* – Despite the move toward consolidation with respect to healthcare services, we believe the healthcare real estate market continues to be highly fragmented, which will provide us with significant acquisition opportunities;

· *Increased supply of attractive acute-care hospital acquisition opportunities* –We believe many hospital systems are moving towards investing more in out-patient facilities and divesting acute-care hospitals. Although not the primary focus of our investment strategy, we believe that the current supply and demand forces in the hospital market could provide opportunities to purchase high-quality, acute-care hospitals in desirable markets at attractive, risk-adjusted returns.

We believe the following trends may negatively impact our results of operations:

· *Changes in third party reimbursement methods and policies*– As the price of healthcare services continues to increase, we believe third-party payors, such as Medicare and commercial insurance companies, will continue to scrutinize and reduce the types of healthcare services eligible for, and the amounts of, reimbursement under their health insurance plans. Additionally, many employer-based insurance plans have continued to increase the percentage of insurance premiums for which covered individuals are responsible. If these trends continue, our tenants may experience lower patient volumes as well as higher patient credit risks, which could negatively impact their business as well as their ability to pay rent to us.

#### **Qualification as a REIT**

We elected to be taxed as REIT commencing with our taxable year ended December 31, 2016. Subject to a number of significant exceptions, a corporation that qualifies as a REIT generally is not subject to U.S. federal corporate income taxes on income and gains that it distributes to its stockholders, thereby reducing its corporate-level taxes. In order to qualify as a REIT, a substantial percentage of our assets must be qualifying real estate assets and a substantial percentage of our income must be rental revenue from real property or interest on mortgage loans. We believe that we have organized and have operated in such a manner as to qualify for taxation as a REIT, and we intend to continue to operate in such a manner. However, we cannot provide assurances that we will continue to operate in a manner so as to qualify or remain qualified as a REIT.

#### **Critical Accounting Policies**

The preparation of financial statements in conformity with GAAP requires us to use judgment in the application of accounting policies, including making estimates and assumptions. We base estimates on the best information available to us at the time, our experience and on various other assumptions believed to be reasonable under the circumstances. These estimates affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, it is possible that different accounting would have been applied, resulting in a different presentation of our financial statements. From time to time, we re-evaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Commission on March 11, 2019, for further information regarding the critical accounting policies that affect our more significant estimates and judgments used in the preparation of our consolidated financial statements included in Part I, Item 1 of this Report.

#### **Consolidated Results of Operations**

The major factor that resulted in variances in our results of operations for each revenue and expense category for the three months ended March 31, 2019 compared to the same period in 2018 was the increase in the size of our property portfolio. Our total investments in real estate, net of accumulated depreciation and amortization, was \$633.2 million and \$519.9 million as of March 31, 2019 and 2018, respectively.

*Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018*

	<b>Three Months Ended March 31,</b>		<b>\$ Change</b>
	<b>2019</b>	<b>2018</b>	
	<b>(in thousands)</b>		
<b>Revenue</b>			
Rental revenue	\$ 15,141	\$ 11,556	\$ 3,585
Other income	59	8	51
Total revenue	<u>15,200</u>	<u>11,564</u>	3,636
<b>Expenses</b>			
General and administrative	1,606	1,005	601
Operating expenses	1,323	1,105	218
Management fees – related party	1,334	1,081	253
Depreciation expense	3,867	2,906	961
Amortization expense	1,002	765	237
Interest expense	4,025	2,684	1,341
Acquisition fees	-	117	(117)
Total expenses	<u>13,157</u>	<u>9,663</u>	3,494
Net income	<u>\$ 2,043</u>	<u>\$ 1,901</u>	\$ 142

**Revenue**

***Total Revenue***

Total revenue for the three months ended March 31, 2019 was \$15.2 million, compared to \$11.6 million for the same period in 2018, an increase of \$3.6 million. The increase was primarily the result of rental revenue earned from the facilities that we acquired subsequent to March 31, 2018, as well as from the recognition of a full three months of rental revenue in 2019 from acquisitions that were completed during the three months ended March 31, 2018. Additionally, included in rental revenue is \$1.3 million in revenue that was recognized from expense recoveries during the three months ended March 31, 2019, compared to \$1.1 million for the same period in 2018.

**Expenses**

***General and Administrative***

General and administrative expenses for the three months ended March 31, 2019 was \$1.6 million, compared to \$1.0 million for the same period in 2018, an increase of \$0.6 million. The increase primarily related to an increase in non-cash LTIP compensation expense which was \$0.8 million for the three months ended March 31, 2019, compared to \$0.2 million for the same period in 2018.

***Operating Expenses***

Operating expenses for the three months ended March 31, 2019 was \$1.3 million, compared to \$1.1 million for the same period in 2018, an increase of \$0.2 million. The increase resulted from \$1.3 million of reimbursable property operating expenses incurred during the three months ended March 31, 2019, compared to \$1.1 million for the same period in 2018.

***Management Fee Expenses – related party***

Management fee expense for the three months ended March 31, 2019 was \$1.3 million, compared to \$1.1 million for the same period in 2018, an increase of \$0.2 million. The increase resulted from our larger stockholders' equity balance as of March 31, 2019, which is used to calculate the management fee, resulting from a full three months impact during 2019 from our common stock and OP Unit issuances that occurred late in 2018.

***Depreciation Expense***

Depreciation expense for the three months ended March 31, 2019 was \$3.9 million, compared to \$2.9 million for the same period in 2018, an increase of \$1.0 million. The increase resulted primarily from depreciation expense incurred on the facilities that we acquired subsequent to March 31, 2018, as well as from the recognition of a full three months of depreciation expense in 2019 from acquisitions that were completed during the three months ended March 31, 2018.

### ***Amortization Expense***

Amortization expense for the three months ended March 31, 2019 was \$1.0 million, compared to \$0.8 million for the same period in 2018, an increase of \$0.2 million. The increase resulted primarily from amortization expense incurred on intangible assets acquired subsequent to March 31, 2018, as well as from the recognition of a full three months of amortization expense in 2019 from intangible assets recorded during the three months ended March 31, 2018.

### ***Interest Expense***

Interest expense for the three months ended March 31, 2019 was \$4.0 million, compared to \$2.7 million for the same period in 2018, an increase of \$1.3 million. This increase was primarily due to higher average borrowings during the three months ended March 31, 2019, compared to the same period last year, the proceeds of which were used to finance our property acquisitions during that time period, as well as from higher interest rates compared to the same period in 2018.

The weighted average interest rate of our debt for the three months ended March 31, 2019 was 4.67%. Additionally, the weighted average interest rate and term of our debt was 4.72% and 4.14 years at March 31, 2019.

### ***Acquisition Fees***

There were no acquisition fees incurred for the three months ended March 31, 2019, compared to \$0.1 million for the same period in 2018, a decrease of \$0.1 million. The decrease results from the fact that based on new accounting guidance that was implemented on January 1, 2018, all of the Company's acquisitions during the three months ended March 31, 2019 were asset acquisitions and therefore transaction costs were capitalized.

### ***Net Income***

Net income for three months ended March 31, 2019 was \$2.0 million, compared to \$1.9 million of net income for the same period in 2018, an increase of \$0.1 million. The increase resulted primarily from an increase in rental revenue over the current three-month period partially offset by the increase in expenses for that period.

### **Assets and Liabilities**

As of March 31, 2019 and December 31, 2018, our principal assets consisted of investments in real estate, net, of \$633.2 million and \$616.9 million, respectively, and our liquid assets consisted primarily of cash and cash equivalents and restricted cash of \$3.3 million and \$4.8 million, respectively.

The increase in our investments in real estate, net, to \$633.2 million as of March 31, 2019 compared to \$616.9 million as of December 31, 2018, was the result of the two acquisitions that we completed during the three months ended March 31, 2019.

The decrease in our cash and cash equivalents and restricted cash balance to \$3.3 million as of March 31, 2019, compared to \$4.8 million as of December 31, 2018, was primarily due to the net repayment of outstanding credit facility borrowings of \$56.6 million during the current period, \$20.8 million of cash used for the acquisitions that we completed during the current period, and \$7.2 million of dividends paid during the current period. These cash outflows were partially offset during the current period by net proceeds from common stock offerings of \$78.9 million and cash provided by our operating activities.

The decrease in our total liabilities to \$286.1 million as of March 31, 2019 compared to \$336.3 million as of December 31, 2018, was primarily the result of lower net borrowings outstanding from our credit facility of \$220.0 million as of March 31, 2019 compared to \$276.3 million as of December 31, 2018, partially offset by increases in liabilities in the current period related to our dividends payable, derivative liability, and our recording of the right of use liability resulting from the new lease standard that we implemented on January 1, 2019.

## Liquidity and Capital Resources

### General

Our short-term liquidity requirements include:

- Interest expense and scheduled principal payments on outstanding indebtedness;
- General and administrative expenses;
- Operating expenses;
- Management fees; and
- Property acquisitions and tenant improvements.

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

As of March 31, 2019, we had \$3.3 million of cash and cash equivalents and restricted cash and had borrowing capacity under our credit facility as described below. Our primary sources of cash include rent and reimbursements we collect from our tenants, borrowings under our credit facility, secured term loans and net proceeds received from equity issuances.

On March 18, 2019, we closed an underwritten public offering of our common stock and on March 25, 2019 we closed on part of the related over-allotment option granted to the underwriters. These transactions resulted in the issuance of 8.2 million shares of our common stock at a public offering price of \$9.75 per share, generating net proceeds of \$75.9 million.

During the three months ended March 31, 2019, we issued 0.3 million shares of our common stock at an average offering price of \$9.68 per share pursuant to our “at-the-market” offering program, generating net proceeds of \$3.0 million.

The Company is authorized to issue one million shares of common stock to stockholders under its Dividend Reinvestment and Stock Purchase Plan. As of March 31, 2019 and December 31, 2018, we had not issued any shares under the plan.

The Company’s credit facility has an overall capacity of \$350 million and consists of a \$250 million revolving credit facility (the “Revolver”) and a \$100 million, five-year term loan (the “Term Loan”). The term of the Company’s credit facility expires in August 2022, subject to a one-year extension option. The facility includes an accordion feature to increase the capacity to an aggregate of \$500 million. On April 15, 2019, the Company exercised \$75 million of the \$150 million accordion feature of its credit facility. The partial exercise of the accordion feature increased the term loan component of the credit facility from \$100 million to \$175 million and the total borrowing capacity under the credit facility to \$425 million. As of March 31, 2019, the Company had outstanding borrowings of \$220.0 million under the credit facility, net of unamortized discount.

In August 2018, the Company hedged its interest rate risk on the Term Loan by entering into an interest rate swap with a notional amount of \$100 million and a term of five years, which effectively fixed the LIBOR component of the interest rate on the Term Loan at 2.88%. Additionally, on November 16, 2018 the Company entered into two additional interest rate swaps, which effectively fixed the LIBOR component of the interest rate on \$70 million of its outstanding Revolver debt at 2.93%.

With the exception of funds required to make additional property acquisitions, we believe we will be able to satisfy our short-term liquidity requirements through our existing cash and cash equivalents and cash flow from operating activities. In order to continue acquiring healthcare properties, we will need to continue to have access to debt and equity financing or have the ability to issue OP Units.

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, capital and tenant improvements at our properties, scheduled debt maturities, general and administrative expenses, operating expenses, management fees, distributions, and the cost of internalization. We expect to satisfy our long-term liquidity needs through cash flow from operations, debt financing, sales of additional equity securities, and, in connection with acquisitions of additional properties, the issuance of OP Units, and proceeds from select property dispositions and joint venture transactions.

### Cash Flow Information

Net cash provided by operating activities for the three months ended March 31, 2019 was \$6.1 million, compared with \$9.3 million for the same period in 2018. The decrease during the 2019 period was primarily due to a decrease in our security deposits and other liability balance for the three months ended March 31, 2019 compared to the same period in 2018.

Net cash used in investing activities for the three months ended March 31, 2019 was \$22.7 million, compared with \$66.3 million for the same period in 2018. The decrease during the 2019 period was primarily the result of less real estate investment activity in the 2019 period compared to the same period in 2018.

Net cash provided by financing activities for the three months ended March 31, 2019 was \$15.0 million, compared with \$57.2 million for the same period in 2018. The decrease during the 2019 period was primarily due to the fact that the comparable period last year had net borrowings under the credit facility compared to net repayments during the current period. The credit facility repayments during the 2019 period were funded by the net proceeds from common stock offerings during the 2019 period. We did not have any equity offerings during the comparable 2018 period.

#### **Common Stock Dividends**

Common stock dividend activity for the three months ended March 31, 2019 is summarized in the following table:

<b>Date Announced</b>	<b>Record Date</b>	<b>Applicable Quarter</b>	<b>Payment Date</b>	<b>Dividend Amount<sup>(1)</sup></b>	<b>Dividends per Share</b>
December 13, 2018	December 26, 2018	Q4 2018	January 10, 2019	\$ 5,695	\$ 0.20
March 6, 2019	March 26, 2019	Q1 2019	April 10, 2019	\$ 7,688	\$ 0.20

<sup>(1)</sup>Includes distributions on granted LTIP Units and OP Units.

During the three months ended March 31, 2019 and 2018, the Company paid total dividends on its common stock, LTIP Units and OP Units in the aggregate amount of \$5.8 million and \$4.6 million, respectively.

The amount of the dividends paid to the Company's stockholders is determined by the Company's Board and is dependent on a number of factors, including funds available for payment of dividends, the Company's financial condition and capital expenditure requirements except that, in accordance with the Company's organizational documents and Maryland law, the Company may not make dividend distributions that would: (i) cause it to be unable to pay its debts as they become due in the usual course of business; (ii) cause its total assets to be less than the sum of its total liabilities plus senior liquidation preferences; or (iii) jeopardize its ability to maintain its qualification as a REIT.

#### **Preferred Stock Dividends**

The holders of the Series A Preferred Stock are entitled to receive dividend payments only when, as and if declared by the Board of Directors (the "Board") (or a duly authorized committee of the Board). Dividends will accrue or be payable in cash from the original issue date, on a cumulative basis, quarterly in arrears on each dividend payment date at a fixed rate per annum equal to 7.50% of the liquidation preference of \$25.00 per share (equivalent to \$1.875 per share on an annual basis). Dividends on the Series A Preferred Stock will be cumulative and will accrue whether or not (i) funds are legally available for the payment of those dividends, (ii) the Company has earnings or (iii) those dividends are declared by the Board.

The quarterly dividend payment dates on the Series A Preferred Stock are January 31, April 30, July 31 and October 31 of each year. During each of the three month periods ended March 31, 2019 and 2018, the Company paid preferred dividends of \$1,455.

#### **Non-GAAP Financial Measures**

Funds from operations ("FFO") and adjusted funds from operations ("AFFO") are non-GAAP financial measures within the meaning of the rules of the SEC. The Company considers FFO and AFFO to be important supplemental measures of its operating performance and believes FFO is frequently used by securities analysts, investors, and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. In accordance with the National Association of Real Estate Investment Trusts' ("NAREIT") definition, FFO means net income or loss computed in accordance with GAAP before non-controlling interests of holders of OP Units and LTIP Units, excluding gains (or losses) from sales of property and extraordinary items, less preferred stock dividends, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs and above market lease amortization expense), and after adjustments for unconsolidated partnerships and joint ventures. The Company did not incur any gains or losses from the sales of property or record any adjustments for unconsolidated partnerships and joint ventures during the three months ended March 31, 2019 and 2018. Because FFO excludes real estate-related depreciation and amortization (other than amortization of deferred financing costs and above market lease amortization expense), the Company believes that FFO provides a performance measure that, when compared period-over-period, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from the closest GAAP measurement, net income or loss.

AFFO is a non-GAAP measure used by many investors and analysts to measure a real estate company's operating performance by removing the effect of items that do not reflect ongoing property operations. Management calculates AFFO by modifying the NAREIT computation of FFO by adjusting it for certain cash and non-cash items and certain recurring and non-recurring items. For the Company these items include recurring acquisition and disposition costs, loss on the extinguishment of debt, recurring straight line deferred rental revenue, recurring stock-based compensation expense, recurring amortization of above market leases and deferred financing costs, recurring capital expenditures, recurring lease commissions, recurring tenant improvements, and other items.

Management believes that reporting AFFO in addition to FFO is a useful supplemental measure for the investment community to use when evaluating the operating performance of the Company on a comparative basis. The Company's FFO and AFFO computations may not be comparable to FFO and AFFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, that interpret the NAREIT definition differently than the Company does or that compute FFO and AFFO in a different manner.

A reconciliation of FFO and AFFO for the three months ended March 31, 2019 and 2018 is as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>(unaudited, in thousands except per share)</b>		
<b>Net income</b>	<b>\$ 2,043</b>	<b>\$ 1,901</b>
Less: Preferred stock dividends	(1,455)	(1,455)
Depreciation and amortization expense	4,869	3,671
<b>FFO</b>	<b>\$ 5,457</b>	<b>\$ 4,117</b>
Amortization of above market leases, net <sup>(1)</sup>	219	113
Straight line deferred rental revenue	(1,366)	(1,173)
Stock-based compensation expense	771	182
Amortization of deferred financing costs and other	313	430
Acquisition fees	-	117
<b>AFFO</b>	<b>\$ 5,394</b>	<b>\$ 3,786</b>
<b>Net income attributable to common stockholders per share – basic and diluted</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>
<b>FFO per share</b>	<b>\$ 0.17</b>	<b>\$ 0.18</b>
<b>AFFO per share</b>	<b>\$ 0.17</b>	<b>\$ 0.16</b>
Weighted Average Shares and Units Outstanding – basic and diluted	31,206	23,384
<b>Reconciliation of Weighted Average Shares and Units Outstanding:</b>		
Weighted Average Common Shares	27,380	21,631
Weighted Average OP Units	3,145	1,246
Weighted Average LTIP Units	681	507
Weighted Average Shares and Units Outstanding – basic and diluted	31,206	23,384

<sup>(1)</sup>The Company adopted the 2018 NAREIT FFO White Paper Restatement during the first quarter of 2019. Accordingly, amortization of above market leases is no longer included as a reconciling item in determining FFO.

## **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect or change on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term “off-balance sheet arrangement” generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

## **Inflation**

Historically, inflation has had a minimal impact on the operating performance of our healthcare facilities. Many of our triple-net 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 the consumer price index or other measures). However, some of these contractual rent increases may be less than the actual rate of inflation. Most of our triple-net lease agreements require the tenant-operator to pay an allocable share of operating expenses, including common area maintenance costs, real estate taxes and insurance. This requirement reduces our exposure to increases in these costs and operating expenses resulting from inflation.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business and investment objectives, we expect that the primary market risk to which we will be exposed is interest rate risk.

We may be exposed to the effects of interest rate changes primarily as a result of debt used to acquire healthcare facilities, including borrowings under the Credit Facility. The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market interest rates. The range of changes chosen reflects our view of changes which are reasonably possible over a one-year period.

As of March 31, 2019, we had \$53.7 million of unhedged borrowings outstanding under the Revolver (before the netting of unamortized deferred financing costs) that bears interest at a variable rate. See the “Management’s Discussion and Analysis of Financial Condition and Results of Operation —Liquidity and Capital Resources” for a detailed discussion of our credit facility. At March 31, 2019, LIBOR on our outstanding floating-rate borrowings was 2.51%. Assuming no increase in the amount of our variable interest rate debt, if LIBOR increased 100 basis points, our cash flow would decrease by approximately \$0.5 million annually. Assuming no increase in the amount of our variable rate debt, if LIBOR were reduced 100 basis points, our cash flow would increase by approximately \$0.5 million annually.

Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve our objectives, we may borrow at fixed rates or variable rates. On August 7, 2018 we hedged our interest rate risk on our Term Loan by entering into an interest rate swap, with a notional amount of \$100 million and a term of five years, which effectively fixed the LIBOR component of the interest rate on the Term Loan at 2.88%. On November 16, 2018, we entered into two additional interest rate swaps with an aggregate notional amount of \$70 million, and a term of approximately five years, which effectively fixed the LIBOR component of the interest rate on this debt at 2.93%. We may enter into additional derivative financial instruments, including interest rate swaps and caps, in order to mitigate our interest rate risk on a related financial instrument. We will not enter into derivative transactions for speculative purposes.

In addition to changes in interest rates, the value of our investments is subject to fluctuations based on changes in local and regional economic conditions and changes in the creditworthiness of tenants/operators and borrowers, which may affect our ability to refinance our debt if necessary.

## **Item 4. Controls and Procedures.**

### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms, and that information is accumulated and communicated to management, including the principal executive and financial officer as appropriate, to allow timely decisions regarding required disclosures. Our principal executive officer and principal financial officer evaluated the effectiveness of disclosure controls and procedures as of March 31, 2019 pursuant to Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this Report, the Company’s disclosure controls and procedures were effective to ensure that information required to be included in our periodic SEC filings is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms.

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

#### **Changes in Internal Control over Financial Reporting**

No changes were made to our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **PART II OTHER INFORMATION**

#### **Item 1. Legal Proceedings**

We are not involved in any pending legal proceeding or litigation and, to the best of our knowledge, no governmental authority is contemplating any proceeding to which we are a party or to which any of our properties is subject, which would reasonably be likely to have a material adverse effect on our financial condition or results of operations. From time to time, we may become involved in litigation relating to claims arising out of our operations in the normal course of business. There can be no assurance that these matters that arise in the future, individually or in the aggregate, will not have a material adverse effect on our financial condition or results of operations in any future period.

#### **Item 1A. Risk Factors**

During the three months ended March 31, 2019, there were no material changes to the risk factors that were disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 11, 2019.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On March 1, 2019, the Company issued 33,333 shares of its common stock to the Rao V. Movva Estate Trust Dated September 12, 1996 (the "Rao Movva Trust") in connection with the Rao Movva Trust's redemption of 33,333 OP Units issued to it by the Operating Partnership on November 10, 2017 in connection with the Rao Movva Trust's contribution of certain assets to the Operating Partnership. Pursuant to the terms of the Operating Partnership's partnership agreement, OP Units may be redeemed by the holder after a one-year holding period for either cash or shares of common stock of the Company, such form of redemption consideration to be determined at the sole discretion of the Company. The issuance of these shares of common stock was effected in reliance upon the exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, based on the fact that the issuance was not a "public offering" as defined in Section 4(a)(2) due to the insubstantial number of persons involved in the transaction, manner of the issuance and number of securities issued.

On March 1, 2019, the Company issued 17,777 shares of its common stock to the Vedavathi Movva Estate Trust Dated September 16, 1996 (the "Vedavathi Movva Trust") in connection with the Vedavathi Movva Trust's redemption of 17,777 OP Units issued to it by the Operating Partnership on November 10, 2017 in connection with the Vedavathi Movva Trust's contribution of certain assets to the Operating Partnership. Pursuant to the terms of the Operating Partnership's partnership agreement, OP Units may be redeemed by the holder after a one-year holding period for either cash or shares of common stock of the Company, such form of redemption consideration to be determined at the sole discretion of the Company. The issuance of these shares of common stock was effected in reliance upon the exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, based on the fact that the issuance was not a "public offering" as defined in Section 4(a)(2) due to the insubstantial number of persons involved in the transaction, manner of the issuance and number of securities issued.

#### **Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits****(a) Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
<a href="#"><u>3.1</u></a>	<a href="#"><u>Articles of Restatement of Global Medical REIT Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Report on Form 10-Q as filed with the SEC on August 8, 2018).</u></a>
<a href="#"><u>3.2</u></a>	<a href="#"><u>Second Amended and Restated Bylaws of Global Medical REIT Inc., adopted as of December 14, 2017 (incorporated herein by reference to Exhibit 3.2(i) to the Company's Current Report on Form 8-K as filed with the SEC on December 15, 2017).</u></a>
<a href="#"><u>10.1*</u></a>	<a href="#"><u>Purchase and Sale Agreement, dated March 12, 2019, by and among GMR Surprise, LLC, GMR Las Vegas, LLC, GMR Oklahoma Northwest, LLC and GMR South Bend, LLC, as buyers, and CHP Surprise AZ Rehab Owner, LLC, CHP Las Vegas NV Rehab Owner, LLC, CHP Oklahoma City OK Rehab Owner, LLC and CHP Mishawaka IN Rehab Owner, LLC, as sellers.</u></a>
<a href="#"><u>31.1*</u></a>	<a href="#"><u>Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>31.2*</u></a>	<a href="#"><u>Certification of Principal Financial and Accounting Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>32.1*</u></a>	<a href="#"><u>Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Schema
101.CAL *	XBRL Taxonomy Calculation Linkbase
101.DEF *	XBRL Taxonomy Definition Linkbase
101.LAB *	XBRL Taxonomy Label Linkbase
101.PRE *	XBRL Taxonomy Presentation Linkbase

\* Filed herewith

**SIGNATURES**

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

**GLOBAL MEDICAL REIT INC.**

Dated: May 9, 2019

By: /s/ Jeffrey M. Busch  
Jeffrey M. Busch  
Chief Executive Officer (Principal Executive Officer)

Dated: May 9, 2019

By: /s/ Robert J. Kiernan  
Robert J. Kiernan  
Chief Financial Officer (Principal Financial and Accounting Officer)

**PURCHASE AND SALE AGREEMENT**

**Between**

**CHP SURPRISE AZ REHAB OWNER, LLC  
CHP LAS VEGAS NV REHAB OWNER, LLC,  
CHP OKLAHOMA CITY OK REHAB OWNER, LLC,  
CHP MISHAWAKA IN REHAB OWNER, LLC,  
each, a Delaware limited liability company  
(collectively, "Seller")**

**and**

**GMR SURPRISE, LLC,  
GMR LAS VEGAS, LLC,  
GMR OKLAHOMA NORTHWEST, LLC,  
GMR SOUTH BEND, LLC  
each, a Delaware limited liability company  
(collectively, "Buyer")**

**Properties:**

**9175 West Oquendo Road, Las Vegas, NV  
13060 West Bell Road, Surprise, AZ  
60205 Bodnar Boulevard, Mishawaka, IN  
5401 West Memorial Road, Oklahoma City, OK**

**March 12, 2019**

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## PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT (this “**Agreement**”) is entered into effective as of the 12<sup>th</sup> day of March, 2019 (the “**Effective Date**”), by and between CHP SURPRISE AZ REHAB OWNER, LLC (the “**Arizona Property Seller**”), CHP MISHAWAKA IN REHAB OWNER, LLC (the “**Indiana Property Seller**”), CHP LAS VEGAS NV REHAB OWNER, LLC (the “**Nevada Property Seller**”), and CHP OKLAHOMA CITY OK REHAB OWNER, LLC (the “**Oklahoma Property Seller**”), each, a Delaware limited liability company (each, a “**Seller**” and collectively, the “**Sellers**”); and GMR SURPRISE, LLC (the “**Arizona Property Buyer**”), GMR SOUTH BEND, LLC (the “**Indiana Property Buyer**”), GMR LAS VEGAS, LLC (the “**Nevada Property Buyer**”), and GMR OKLAHOMA NORTHWEST, LLC (the “**Oklahoma Property Buyer**”), each, a Delaware limited liability company (each, a “**Buyer**,” and collectively, “**Buyers**”). First American Title Insurance Company (“**Escrow Agent**”) joins in this Agreement for the limited purposes set forth herein.

### BACKGROUND

A. This Agreement is made with reference to the following property (collectively, the “**Property**”):

(1) Each Seller’s fee interest in those certain real properties located at (i) 13060 West Bell Road, Surprise, AZ (the “**Arizona Property**”), (ii) 60205 Bodnar Boulevard, Mishawaka, IN (the “**Indiana Property**”), (iii) 9175 West Oquendo Road, Las Vegas, NV (the “**Nevada Property**”), and (iv) 5401 West Memorial Road, Oklahoma City, OK (the “**Oklahoma Property**,” and together with the Nevada Property, the Arizona Property, the Indiana Property, collectively, the “**Properties**”), which land is more particularly described on *Exhibit “A”* attached hereto and incorporated herein by this reference, together with all easements, rights and privileges appurtenant thereto, if any (collectively, the “**Land**”);

(2) All of each Seller’s right, title and interest in and to the medical office building located upon the Land (the “**Building**”), together with all improvements, structures, fixtures and parking areas located on the Land, if any, and appurtenant thereto (the Building and such improvements, structures, fixtures and parking areas being hereinafter collectively referred to as the “**Improvements**,” and the Land and the Improvements being hereinafter collectively referred to as the “**Real Property**”);

(3) All of each Seller’s right, title and interest in and to the tenant leases relating to the Improvements and other occupancy agreements with tenants occupying or using all or any portion of the Real Property (collectively with all amendments thereto, the “**Leases**”), any and all security deposits, letters of credit, advance rental, letters of credit or like payments, if any, held by such Seller (collectively, the “**Security Deposits**”), and all guaranties of the Leases, if any, held by such Seller;

(4) All of each Seller’s right, title and interest in and to all fixtures, equipment, appliances, and other personal property of every nature and description attached or pertaining to, or otherwise used in connection with, the Real Property, owned by such Seller and located within the Real Property but expressly excluding any of the foregoing owned or leased by any tenant and any personal property owned or leased by a third party (the “**Personal Property**”), it being agreed that Personal Property owned or leased by tenant and/or a third party shall include but not be limited to all accounting software or related items, computers, network equipment, furniture, artwork and medical equipment; and

(5) All of each Seller's right, title and interest in and to all intangible rights and property used or useful in connection with the foregoing, if any, including, without limitation, all books, records, files, development rights, contract rights, guaranties, licenses, plans, drawings, customer lists, manuals, engineering data, procedures, systems, computer programs, models, blueprints, plans, design specifications, equipment lists, parts lists, descriptions, data, art work, advertising material, permits and warranties and all of such Seller's rights, title and interest, if any, in and to any service marks, logos or any trade names as well as all of such Seller's rights and remedies under all construction, design and related agreements relating exclusively to the Building (collectively, the "**Intangible Property**").

B. Sellers are prepared to sell, transfer and convey the Properties to Buyers, and Buyers are prepared to purchase and accept the same from Sellers, all for the Purchase Price and on the other terms and conditions hereinafter set forth.

#### TERMS AND CONDITIONS

In consideration of the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree:

**1. Sale and Purchase.** Sellers hereby agree to sell, transfer and convey the Properties to Buyers, and Buyers hereby agree to purchase and accept the Properties from Sellers, in each case for the Purchase Price and subject to the other terms and conditions set forth in this Agreement.

**2. Purchase Price.** The purchase price for the Properties (the "**Purchase Price**") shall be Ninety-Four Million and 00/100 Dollars (\$94,000,000.00) and allocated with respect to each Property as follows; *provided*, that if the Earn-Out Sale (as defined below) takes place as set forth below, then the Purchase Price shall increase to Ninety-Five Million and 00/100 Dollars (\$95,000,000.00):

<b>Property:</b>	<b>Allocated Purchase Price:</b>
(i) Indiana Property	\$ 16,000,000.00
(ii) Nevada Property	\$ 21,500,000.00
(iii) Oklahoma Property	\$ 28,000,000.00
(iv) Arizona Property	\$ 28,500,000.00

The Purchase Price shall be subject to an increase to \$95,000,000 upon the consummation of the Earn-Out Sale (as defined below). If the Earn-Out Sale occurs on or before May 31, 2019, Sellers shall receive an earn-out in the amount of One Million Dollars (\$1,000,000) (the "**Earn-Out Amount**"), which Buyers shall pay in a single lump-sum payment upon the expiration of the Survival Period in Section 17.1, subject to Seller's satisfaction of the conditions set forth on Schedule 2 attached hereto and by this reference made a part hereof. Buyers' obligation with respect to the foregoing earn-out shall expressly survive Closing.

The Purchase Price, subject to the terms and conditions hereinafter set forth, shall be paid to Sellers by Buyers as follows:

**2.1. Deposit.** Within three (3) Business Days (as defined below) following the mutual execution and delivery of this Agreement by Buyers and Sellers, Buyers shall deliver to Escrow Agent a deposit in the amount of One Million Five Hundred Thousand and 00/100 Dollars (\$1,500,000.00) (together with any interest thereon, the "**Deposit**"). The Deposit shall be delivered to Escrow Agent in immediately available funds, to be held in escrow and delivered in accordance with this Agreement at the following address: First American Title Insurance Company, 420 S. Orange Avenue, Suite 250, Orlando, FL 32801, attention: Metta Grier, Senior Commercial Closer, telephone: (407) 541-3224, e-mail: [mgrier@firstam.com](mailto:mgrier@firstam.com), to work in conjunction with Brian Serikaku, Senior Escrow Officer, telephone: (213) 271-1774, facsimile: (877) 398-1603, e-mail: [bmserikaku@firstam.com](mailto:bmserikaku@firstam.com).

**2.2. Payment at Closing.** At the consummation of the transaction contemplated hereby (the "**Closing**"), Buyers shall deliver to Escrow Agent cash or immediately available funds in an amount equal to the Purchase Price, less the Deposit. The Purchase Price, subject to adjustments and apportionments as set forth herein, shall be paid at the Closing by wire transfer of immediately available federal funds, transferred to the order or account of Sellers or such other person as Sellers may designate in writing, subject to the terms of the Post-Closing Escrow Agreement (as defined in [Section 17.1](#), below).

The delivery and recording of documents and the disbursement of funds shall be effectuated through the Escrow Agent at the Closing and pursuant to the closing instructions from the parties hereto, which closing instructions shall not modify or diminish the parties' respective obligations hereunder.

**2.3. Independent Consideration.** Sellers and Buyers acknowledge and agree that One Hundred Dollars (\$100.00) of the Deposit shall be paid to Sellers if this Agreement is terminated for any reason (the "**Independent Contract Consideration**"), in addition to any other rights Sellers may have hereunder. Moreover, Sellers and Buyers acknowledge and agree that the Independent Contract Consideration has been bargained for and agreed to as additional consideration for Sellers' execution and delivery of this Agreement and is non-refundable to Buyers.

**2.4. Allocation.** Sellers and Buyers acknowledge that the Purchase Price shall be allocated between the Land and the Personal Property for title insurance and transfer tax purposes as [set forth in Paragraph 2 above, or otherwise as] may be mutually determined by Buyers and Sellers in their reasonable discretion prior to the expiration of the Inspection Period. Otherwise, the Parties shall be free to allocate the Purchase Price as they reasonably see fit.

**3. Inspection Period.** No later than three (3) Business Days after the Effective Date, Sellers shall, to the extent the items are in Sellers' possession or are readily available to Sellers, deliver to Buyers accurate and complete copies of all of the information set forth on *Exhibit "K"* with respect to each Property (collectively, the "**Property Information**"). All Property Information shall be delivered to Attention: Alfonzo Leon, Chief Investment Officer, Global Medical REIT, address: 2 Bethesda Metro Center, Suite 440, Bethesda, MD 20814, telephone: (202) 524-6853, facsimile: (202) 380-0891, e-mail: [AlfonzoL@globalmedicalreit.com](mailto:AlfonzoL@globalmedicalreit.com).

**3.1. Entry.** During the Inspection Period (as defined below), subject to the terms of the Leases affecting the Property, Buyers and their agents and representatives shall be permitted reasonable access to the Properties at reasonable times, at their own risk and following not less than two (2) Business Days prior written notice to Sellers, which notice may be by e-mail to Matt Ragsdale at [matt.ragsdale@cnl.com](mailto:matt.ragsdale@cnl.com) with a copy to Michael Tetrick at [mike.tetrick@cnl.com](mailto:mike.tetrick@cnl.com) and Tracey Bracco at [tracey.bracco@cnl.com](mailto:tracey.bracco@cnl.com), for the sole purpose of conducting such inspections; provided, however, that it is expressly understood and agreed by the Buyers that in no event shall Buyers be entitled to conduct any Phase II environmental inspection without Sellers' prior written consent. In cooperation with the Sellers, Buyers will schedule and conduct Inspections so as not to unreasonably interfere with the Properties and the businesses conducted thereon. During the course of their assessment of the Properties, Buyers agree that Buyers shall speak only with such personnel as any applicable Seller may approve in advance, which approval shall not be unreasonably withheld, conditioned or delayed. Buyers may conduct inspections to the extent permitted by the Leases. In cooperation with the Buyers, the Sellers will use commercially reasonable efforts to schedule interviews and inspections with tenants of the Properties identified by the Buyers. Any applicable Seller shall have the right to accompany a Buyer while a Buyer is at any of the Properties conducting Inspections or at any time when a Buyer is conducting interviews, wherever located. Buyers shall cooperate with the applicable Seller in complying with the terms and conditions of any such Leases during such interviews and/or Inspections.

All inspections shall be conducted in a competent and professional manner, in accordance with applicable industry standards and at Buyers' sole cost and expense. Buyers shall use commercially reasonable efforts to ensure that all parties involved in conducting the Inspections conduct themselves with the level of skill and care generally exercised by recognized professionals in those fields and in full compliance with applicable laws, regulations, orders, and ordinances. If Buyers intend to take any sample from any Properties in connection with any physical investigations permitted herein, then Buyers shall give reasonable advance notice to the applicable Seller to enable such Seller to have the opportunity to simultaneously obtain a similar sample in order to allow such Seller, if it so chooses, to perform its own analysis. Buyers shall, immediately after any entry, inspection or test, restore the applicable Property, in all material respects and at its sole cost, to the condition which existed immediately prior thereto (to the extent practicable), including replacing paving and landscaping. The foregoing restoration obligations of Buyers shall survive the Closing or earlier termination of this Agreement.

Buyers hereby agree to indemnify, save, insure, pay, defend, protect, and hold harmless Sellers from and against any and all damage or loss, including reasonable out of pocket attorneys' fees and court costs that are sustained or incurred as a result of, and all death, personal injury, or property damage caused by or related to Buyers or any the inspections conducted pursuant to this Agreement. Notwithstanding anything in this Agreement to the contrary, Buyers shall not have any liability hereunder to the extent arising out of (i) the discovery of any pre- existing condition at any of the Properties, (ii) the gross negligence or intentional misconduct of Sellers or any of their respective agents, employees, contractors, consultants, representatives, members and officers, or (iii) any punitive or special damages. The indemnity obligation of this Section 3.1 shall survive the Closing or any earlier termination of this Agreement.

In addition to, and without limiting, Buyers' obligations under this Section 3.1, Buyers agree to not disclose the results of any inspections or of any other analyses of the Properties and the businesses conducted thereon that are obtained or conducted by or on behalf of Buyer to any governmental authority unless expressly required to do so by applicable law, in which event Buyers shall:

(a) promptly notify Sellers in advance of such planned disclosure and the reasons therefor, and provide Sellers the opportunity to comment in advance upon any communications, filings, reports, correspondence or other writings to be provided to any governmental authority and to participate in any meetings or communications with such governmental authority relating in any way to such disclosures;

(b) make good-faith efforts to take into account, in any communications, filings, reports, correspondence, writings or meetings with or submitted to any governmental authority, any comments provided or positions advocated by Sellers in any way to such disclosures;

(c) concurrently provide Sellers with copies of all material reports, documents or information submitted or reported to any governmental authority in connection with such disclosures; and

(d) promptly provide Sellers with copies of all material correspondence received from a governmental authority relating to such disclosures.

**3.2. Inspection Period.** The term "**Inspection Period**," as used herein, shall mean the period commencing on the Effective Date and ending at 5:00 p.m. Eastern time on March 15, 2019.

**3.2.1.** If Buyers approve of all due diligence matters and elect to proceed with the closing of the transaction, then on or prior to the expiration of the Inspection Period, Buyers shall provide Sellers with written notice thereof (the "**Approval Notice**"), in which event the contingency provided for in this Section 3.2 shall no longer be applicable, and this Agreement shall continue in full force and effect.

**3.2.2.** Buyers may terminate this Agreement in their sole discretion for any reason or no reason either by giving written notice of such election to Sellers at any time prior to the expiration of the Inspection Period or by failing to provide Sellers with the Approval Notice prior to the expiration of the Inspection Period (which shall be deemed Buyers' disapproval of Buyers' due diligence). In either case, the Deposit shall automatically be refunded and returned forthwith to Buyers without any action or approval required on the Sellers' part and, except as expressly set forth herein, neither party shall have any further liability or obligation to the other hereunder.

**3.3. Title and Survey Matters.** Sellers shall use commercially reasonable efforts to cause Escrow Agent (in its capacity as title company issuing the title policy described below, (“**Title Company**”)) to furnish to Buyers and Sellers, within five (5) Business Days following the Effective Date, a preliminary title report (each, a “**Title Report**”) with respect to each Property together with copies of all instruments listed as exceptions to title. Buyers will have until the end of the Inspection Period to give written notice to Sellers specifying Buyers’ objections to each Title Report, title exceptions listed therein, and the applicable survey (collectively, “**Title Objections**”), if any. If Buyers timely notify Sellers in writing of the Title Objections, Sellers shall have three (3) Business Days after receipt of such notice (the “**Title Cure Period**”) to elect (but shall have no obligation whatsoever) to cure any Title Objection, and if so elected, shall either (a) satisfy the Title Objections at Sellers’ sole cost and expense and cause the Title Company to revise the applicable Title Report to reflect such satisfaction, or (b) provide Buyers and the Title Company with satisfactory evidence that Sellers can and will cure such Title Objections prior to or at the Closing; *provided, however*, Sellers shall be obligated to remove, pay and/or satisfy prior to or at the Closing any monetary liens created by the action or inaction of a Seller against each Property (each, a “**Monetary Lien**”). Failure by Sellers to timely respond in writing to any Title Objections shall be deemed Sellers’ decision not to cure any Title Objections. If Sellers elect not to satisfy any of the Title Objections or otherwise fails to satisfy the Title Objections within the Title Cure Period, Buyers shall have the option, exercisable within two (2) Business Days after the expiration of the Title Cure Period, to either (i) waive the unsatisfied Title Objections, in which event the unsatisfied Title Objections will become Permitted Exceptions (hereinafter defined), or (ii) terminate this Agreement in which event the Deposit shall automatically be refunded and returned forthwith to Buyers and, except as expressly set forth herein, neither party shall have any further liability or obligation to the other hereunder. If Buyers fail to notify Sellers in writing within two (2) Business Days after the expiration of the Title Cure Period that Buyers have elected to terminate this Agreement pursuant to this Section 3.3, then Buyers shall be deemed to have waived all unsatisfied Title Objections. If, after the expiration of the Inspection Period, Title Company amends or adds any exception to the Title Report other than at the request of Buyers (including any liens against the Property for a liquidated amount that Sellers are not obligated hereunder to satisfy at the Closing), the Title Company will notify Buyers and Sellers immediately. Within two (2) Business Days after Buyers receive notice from Title Company (and the Closing Date shall be extended if needed so that the Closing shall not occur prior to the end of such two (2) Business Day period), together with a copy of such intervening lien or matter, Buyers shall notify Sellers in writing of any objections thereto (a “**Supplemental Title Objection**”). If Buyers fail to notify Sellers of such Supplemental Title Objection within such two (2) Business Day period, Buyers shall be deemed to have waived any objection and approved all such exceptions. If the Supplemental Title Objection is material and adverse to any Property, is not caused by Buyers and Sellers do not agree to remove such matter (other than any Monetary Lien), then Buyers may within two (2) Business Days after the Supplemental Title Objection, elect either (i) to terminate this Agreement in which event the Deposit shall automatically be refunded and returned forthwith to Buyers and, except as expressly set forth herein, neither party shall have any further liability or obligation to the other hereunder, or (ii) request an extension of the Closing Date of up to ten (10) days to allow the parties to continue to negotiate in good faith a cure reasonably acceptable to both parties to any such Supplemental Title Objection. If Sellers have not received written notice from Buyers that Buyers have elected to terminate this Agreement within such two (2) Business Day period of time or request such an extension of the Closing Date, then Buyers shall be deemed to have waived any unsatisfied Supplemental Title Objection. “**Permitted Exceptions**” shall mean any title or survey item, other than Monetary Liens: (i) not raised as Title Objections by Buyers, or (ii) raised as Title Objections by Buyers but thereafter waived or deemed waived.

Buyers shall have the right, but are not obligated, to obtain a current survey of the Properties which shall be at Buyers' sole expense. Sellers shall not have any obligation to provide affidavits of no change or the like with respect to the Properties.

**3.4. Owner's Association Estoppel Certificates.** Within three (3) Business Days following the Effective Date, Seller shall request and thereafter use commercially reasonable efforts to obtain estoppel certificates as to the declaration of covenants and restrictions in effect with respect to the Indiana Property and the Oklahoma Property, which estoppel certificates shall: (i) be executed by the applicable owner's association entitled to enforce such document; and (ii) be substantially in the form that Sellers provided separately to Buyers and that had been delivered to Sellers in connection their acquisition of the Properties in 2014.

**4. Representations, Warranties and Covenants of Sellers.**

**4.1. Representations and Warranties.** Each Seller represents and warrants to Buyers as follows:

**4.1.1. Authority.** Seller has all requisite power and authority to enter into this Agreement and perform its obligations hereunder. The execution, delivery and performance of this Agreement and all documents contemplated hereby by Seller has been duly and validly authorized by all necessary action on the part of Seller, and all required consents and approvals have been duly obtained (other than waiver of the Oklahoma ROFR, as defined in Section 4.1.29 below) and will not result in a breach of any of the terms or provisions of, or constitute a default under any indenture, agreement or instrument to which such Seller is a party. This Agreement is a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to the effect of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws affecting the rights of creditors generally.

**4.1.2. No Conflict.** Neither the execution, delivery or performance of this Agreement nor compliance herewith (i) conflicts or will conflict with or results or will result in a breach of or constitutes or will constitute a default under (a) any agreement or instrument to which Seller is a party or by which all or any part of the applicable Property is bound or (b) any law or any order, writ, injunction or decree of any court or governmental authority, (ii) results in the creation or imposition of any lien, charge or encumbrance upon its property pursuant to any such agreement or instrument, or (iii) violates any restriction, requirement, covenant or condition to which all or any part of the applicable Property is bound.

**4.1.3. OFAC Compliance.** Sellers are currently in compliance with and shall at all times during the term of this Agreement (including any extension thereof) remain in compliance with the regulations of Office of Foreign Assets Control ("OFAC") (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action relating thereto.

**4.1.4.** No Governmental Authority Required. To Seller's knowledge, no authorization, consent or approval of any governmental authority (including, without limitation, courts) is required for the execution and delivery by Seller of this Agreement or the performance of its obligations hereunder. The Seller has not entered into any agreements with any governmental agencies that would preclude the execution and delivery by Seller of this Agreement or the performance of its obligations hereunder.

**4.1.5.** Credit of the Property. Seller has not (i) made a general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by Seller's creditors, (iii) suffered the appointment of a receiver to take possession of all or substantially all of Seller's assets, (iv) suffered the attachment or other judicial seizure of all, or substantially all, of Seller's assets, (v) admitted in writing its inability to pay its debts as they come due or (vi) made an offer of settlement, extension or composition to its creditors generally.

**4.1.6.** Governmental Commitments. Seller has not entered into any material commitments or agreements with any governmental authorities or agencies affecting the applicable Property.

**4.1.7.** Leases. Seller has delivered or made available to Buyers true and complete copies of the Leases with respect to the applicable Property. The list of Leases set forth on *Exhibit "B"* (the "**Capital Leases**") attached hereto is true, correct and complete. Each of the Leases is in full force and effect. Seller is "**landlord**" or "**lessor**" under the Leases and is entitled to assign to Buyer, without the consent of any party, the Leases. Seller has no ownership interest in, or any other affiliation with, any tenant. Other than the Capital Leases, there are no other leases. There are no rights to renew, extend or terminate the Leases or expand any tenant lease premises, except as shown in the Leases. There is no Lease which provides that a tenant pays rent in the form of percentage rent. No rent or other payments have been collected in advance for more than one (1) month and no rents or other deposits are held by Seller, except the security deposits described in the Leases and rent for the current month. Neither Seller nor, to Seller's knowledge, any tenant is in default under its respective Lease, and there exists no condition or circumstance or written notice of any condition or circumstance which, with the passage of time, would constitute a default under any of the Leases by any party. No tenant has asserted any written claim of offset or other defense in respect of its or Seller's obligations under its respective Lease. To Seller's knowledge, no tenant has (i) filed for bankruptcy or taken any similar debtor-protection measure, (ii) defaulted under its Lease, (iii) discontinued operations at the Property or (iv) given notice of its intention to do any of the foregoing.

**4.1.8.** No Condemnation. Seller has not received any written notice of any pending or contemplated condemnation, eminent domain or similar proceeding with respect to all or any portion of the applicable Real Property and, to Seller's knowledge, no such proceedings are threatened.

4.1.9. Contracts. There are no construction, management, commission, brokerage, leasing, service, equipment, supply, maintenance or concession agreements entered into by or on behalf of Seller in effect with respect to the applicable Real Property or the Personal Property which cannot be terminated upon thirty (30) days' prior written notice, without penalty, except as set forth in *Exhibit "C"* (collectively, the "**Contracts**"). Seller has delivered or made available to Buyers true and complete copies of the Contracts. Seller has not, within the last year, received any written notice of any default under any contract that has not been cured or waived. To Seller's knowledge, neither Seller nor any counterparty is in material default under any Contracts, and no event exists which, with the passage of time or the giving of notice or both, will become a material default thereunder on the part of Seller or any counterparty.

4.1.10. Tenant Improvement Allowances. Except with respect to the capital expenditure reserve account and other restricted accounts set forth in Schedule 10.1.5, there are no tenant improvement allowances, tenant improvement obligations of Landlord, leasing commissions and/or rent concessions with respect to any of the Leases, and as set forth in Section 17.1, Seller shall remain solely liable for any such allowances, obligations, commission or concessions that to the extent not disclosed to Buyers on Schedule 10.1.5.

4.1.11. Correction of Conditions. Seller has not received any written notice from any association, declarant or easement holder requiring the correction of any condition with respect to the applicable Property, or any part thereof, by reason of a violation of any other restrictions or covenants recorded against such Property. To Seller's knowledge, Seller is not in default under any such document. To Seller's knowledge, no other party subject to any such document is in default.

4.1.12. Compliance. Seller has not received any written notice from any governmental agency requiring the correction of any condition with respect to the applicable Property, or any part thereof, by reason of a violation of any applicable federal, state, county or municipal law, code, rule or regulation (including, but not limited to, those respecting the Americans With Disabilities Act), which has not been cured or waived. To Seller's knowledge, Seller and such Property are in compliance with all applicable federal, state, county and municipal laws, codes, rules and/or regulations, including without limitation all applicable licenses, except to the extent where any such non-compliance would not have a material adverse effect on such property. Seller has not received written notice from any governmental agency or other body of any existing violations of any federal, state, county or municipal laws, ordinances, orders, codes, regulations or requirements affecting such Property which have not been cured.

4.1.13. Zoning. To Seller's knowledge, the applicable Property is properly zoned for its current use. Seller has not received written notice of any proceeding to alter or restrict the zoning or other use restrictions applicable to such Property.

4.1.14. Intentionally Omitted.

4.1.15. Property Permits. Seller has not received any written notice of an intention to revoke or suspend any certificate of occupancy, license, or permit issued in connection with the applicable Property.

4.1.16. Intentionally Omitted.

4.1.17. Intentionally Omitted.

4.1.18. Hazardous Materials. To Seller's knowledge, there are no Hazardous Materials (as defined below) stored on, incorporated into, located on, present in or used on the applicable Property in violation of, and requiring remediation under, any laws, ordinances, statutes, codes, rules or regulations, other than by tenants in compliance with applicable law. For purposes of this Agreement, the term "**Hazardous Materials**" shall mean any substance which is or contains: (i) any "**hazardous substance**" as now or hereafter defined in Section 101(14) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. § 9601, *et seq.*) ("**CERCLA**") or any regulations promulgated under CERCLA; (ii) any "**hazardous waste**" as now or hereafter defined in the Resource Conservation and Recovery Act (42 U.S.C. § 6901, *et seq.*) ("**RCRA**") or regulations promulgated under RCRA; (iii) any substance regulated by the Toxic Substances Control Act (15 U.S.C. § 2601, *et seq.*); (iv) gasoline, diesel fuel or other petroleum hydrocarbons; (v) asbestos and asbestos containing materials, in any form, whether friable or non-friable; (vi) polychlorinated biphenyls; (vii) radon gas; or (viii) any additional substances or materials which are now or hereafter classified or considered to be hazardous or toxic under any laws, ordinances, statutes, codes, rules, regulations, agreements, judgments, orders and decrees now or hereafter enacted, promulgated, or amended, of the United States, the state, the county, the city or any other political subdivision in which such Property is located and any other political subdivision, agency or instrumentality exercising jurisdiction over the owner of such Property, such Property or the use of such Property relating to pollution, the protection or regulation of human health, natural resources or the environment, or the emission, discharge, release or threatened release of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or waste into the environment (including, without limitation, ambient air, surface water, ground water or land or soil).

4.1.19. Litigation. No Seller has (i) been served or threatened in writing with any court filing in any litigation with respect to any Property in which Seller is named a party which has not been resolved, settled or dismissed and which could result in a material or adverse impact on the Property or Seller's title to the Property or (ii) received written notice of any claim, charge or complaint from any governmental authority pursuant to any administrative, arbitration, or similar adjudicatory proceeding with respect to any Property which has not been resolved, settled or dismissed.

4.1.20. FIRPTA. Seller is not a "**foreign person**" as defined in Section 1445(f)(3) of the Internal Revenue Code.

4.1.21. Intentionally Omitted.

4.1.22. Intentionally Omitted.

4.1.23. Intentionally Omitted.

4.1.24. Intentionally Omitted.

**4.1.25. On-Site Employees.** There are no on-site employees of Seller or its affiliates at the applicable Property, and upon the Closing Date, Buyers shall have no obligation to employ or continue to employ any individuals employed by Seller or its affiliates in connection with such Property.

**4.1.26. Licenses and Permits.** To Sellers' knowledge, Sellers have made, or will make, available to Purchasers a true and complete copy of the licenses and permits relating to Seller's ownership of the Properties that are in Seller's possession.

**4.1.27. Intentionally Omitted.**

**4.1.28. Information.** To Seller's knowledge, all information given by Seller to Buyers in this Agreement or in connection with the transactions contemplated hereunder shall be true and accurate in every material respect as of the date given.

**4.1.29. No Other Options.** That certain *Lease Agreement* dated as of October 17, 2011 (as amended and assigned, the "**Oklahoma Property Lease**") between the predecessor-in-interest to Oklahoma Property Owner, as landlord, and Mercy Rehabilitation Hospital, LLC, an Oklahoma limited liability company, as tenant (the "**Oklahoma Property Tenant**"), provides the Oklahoma Property Tenant with a right of first refusal to purchase the Oklahoma Property as set forth in more detail therein (the "**Oklahoma Property ROFR**"). To Seller's knowledge, other than the Oklahoma Property ROFR (which affects the Oklahoma Property only), this Agreement and the Permitted Exceptions, the applicable Property is not subject to any outstanding agreement(s) of sale or options, rights of first refusal or other rights of purchase. Sellers shall use their commercially reasonable efforts to cause the Oklahoma Property ROFR to be waived prior to the expiration of the Inspection Period. If the Oklahoma Property Tenant exercises its right to acquire the Oklahoma Property after the expiration of the Inspection Period, then the Parties shall proceed to closing on all Properties other than the Oklahoma Property and Sellers shall promptly upon written demand reimburse Buyers for all reasonable, provable out-of-pocket costs (including without limitation reasonable attorneys' fees) incurred in connection with the Oklahoma Property in an amount not to exceed Fifty Thousand and 00/100 (\$50,000). In addition, the Parties shall cooperate in good faith to take all actions and execute all documents necessary or reasonably requested to effectuate the removal of the Oklahoma Property from this Agreement and to ensure continued compliance with all filing and reporting requirements in accordance with federal laws and regulations, including, but not limited to, regulations promulgated by the Securities and Exchange Commission.

**4.2. Change of Facts.** Seller shall promptly notify Buyers, in writing, of any event or condition known to Seller which occurs prior to the Closing, which causes a material adverse change in the facts relating to, or the truth of, any of the representations or warranties.

**4.3. Seller's Knowledge.** As used herein, "to Seller's knowledge" shall mean the actual, present knowledge of John Starr.

**4.4. Survivability of Representations and Warranties.** The representations and warranties of Sellers and Buyers set forth in this Agreement are remade as of the Closing Date and shall not be deemed to be merged into or waived by the instruments of Closing and shall survive for six (6) months after the Closing Date.

**4.5. Limitations Regarding Representations and Warranties.** EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, IT IS UNDERSTOOD AND AGREED THAT SELLERS ARE NOT MAKING AND HAVE NOT AT ANY TIME MADE ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT TO THE APPLICABLE PROPERTY, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OR REPRESENTATIONS AS TO HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

BUYERS ACKNOWLEDGE AND AGREE THAT UPON CLOSING SELLERS SHALL SELL AND CONVEY TO BUYERS AND BUYERS SHALL ACCEPT THE PROPERTIES “**AS IS, WHERE IS, WITH ALL FAULTS**”, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, AND/OR IN THE TRANSACTION DOCUMENTS REFERENCED HEREIN.

**5. Representations of Buyers.** Each Buyer represents and warrants that:

**5.1. Authority.** Buyer is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Buyer has been duly authorized.

**5.2. No Conflict.** The execution and delivery of this Agreement and the consummation of the transactions contemplated hereunder on the part of Buyer does not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree or judgment, conflict with or result in the breach of any material terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding upon Buyer or which otherwise affects Buyer, which will not be discharged, assumed or released at the Closing. No action by any federal, state or municipal or other governmental department, commission, board, bureau or instrumentality is necessary to make this Agreement a valid instrument binding upon Buyer in accordance with its terms.

**5.3. OFAC Compliance.** Buyer is currently in compliance with and shall at all times during the term of this Agreement (including any extension thereof) remain in compliance with the regulations of OFAC (including those named on OFAC’s Specially Designated Nationals and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action relating thereto.

**6. Conditions Precedent.**

**6.1. Conditions Precedent to Buyers’ Obligations.** All of Buyers’ obligations hereunder are expressly conditioned on the satisfaction at or before the time of Closing hereunder, or at or before such earlier time as may be expressly stated below, of each of the following conditions (each a “**Buyer Closing Condition**” and, collectively, the “**Buyer Closing Conditions**”):

**6.1.1. Accuracy of Representations.** All of the representations and warranties of Sellers contained in this Agreement shall have been true and correct in all material respects when made, and shall be true and correct in all material respects on the Closing Date with the same effect as if made on and as of such date (except to the extent such representations and warranties relate to a specific date, in which case, such representations and warranties shall be true and correct in all respects as of such specific date).

**6.1.2. Performance.** Sellers shall have performed, observed and complied with all material covenants, agreements and conditions required by this Agreement to be performed, observed and complied with on their part prior to or as of Closing hereunder.

**6.1.3. Documents and Deliveries.** All instruments and documents required on Sellers' part to effectuate this Agreement and the transactions contemplated hereby shall be delivered at the Closing and shall be in form and substance consistent with the requirements herein.

**6.1.4. Intentionally Deleted.**

**6.1.5. Title Policy.** On the Closing Date, the Title Company shall be unconditionally obligated and prepared, subject to the payment of the applicable title insurance premium and other related charges, to issue to Buyers a 2006 ALTA Owner's Policy of Title Insurance, insuring the fee simple title to each Real Property in the applicable Buyer with liability in the allocated amount of the Purchase Price (as set forth in Section 2.4), subject only to the Permitted Exceptions.

**6.1.6. Intentionally Omitted.**

**6.1.7. Tenant Estoppel Certificates.** Buyers shall have received from Sellers no later than five (5) days prior to the Closing, estoppel certificates from each of the tenants at the Properties either (a) substantially in the form of *Exhibit "L"* attached hereto or (b) in such form as is permitted by such tenant's Lease (in either case, an "**Estoppel Certificate**" or "**Estoppel Certificates**"). Further, Buyers shall have the right to review and approve all Estoppel Certificates before such Estoppel Certificates are sent to any tenant for execution. All Estoppel Certificates received shall be dated not more than thirty (30) days prior to the Closing. Sellers shall use commercially reasonable efforts to obtain the foregoing Estoppel Certificates.

**6.1.8. Subordination and Non-Disturbance Agreements (SNDAs).** In addition, upon request by Buyers' lender, Sellers shall request from the tenants at the Property, and promptly deliver to Buyers to the extent received, a subordination, non-disturbance and attornment agreement (an "**SNDA**") in such form requested by the Buyers' lender.

**6.2. Conditions Precedent to Seller's Obligations.** All of Sellers' obligations hereunder are expressly conditioned on the satisfaction at or before the time of Closing hereunder, or at or before such earlier time as may be expressly stated below, of each of the following conditions (each a "**Seller Closing Condition**" and, collectively, the "**Seller Closing Conditions**");

**6.2.1. Accuracy of Representations.** All of the representations and warranties of Buyers contained in this Agreement shall have been true and correct in all material respects when made, and shall be true and correct in all material respects on the Closing Date with the same effect as if made on and as of such date, except as the same may be modified as a result of matters permitted by the terms of this Agreement (except to the extent such representations and warranties relate to a specific date, in which case, such representations and warranties shall be true and correct in all respects as of such specific date).

**6.2.2. Performance.** Buyers shall have performed, observed and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, observed and complied with on its part prior to or as of Closing hereunder.

**6.2.3. Documents and Deliveries.** All instruments and documents required on Buyers' part to effectuate this Agreement and the transactions contemplated hereby shall be delivered at the Closing and shall be in form and substance consistent with the requirements herein.

**7. Failure of Conditions.**

**7.1. Failure of a Buyer Closing Condition.**

**7.1.1.** In the event a Buyer Closing Condition is not satisfied by the Closing Date, then Buyers shall have the option, at Buyers' sole discretion, to (i) waive the applicable Buyer Closing Condition and proceed with Closing but preserving its other rights and remedies hereunder, (ii) extend the Closing Date for periods of up to one (1) calendar month each (each, an "**Extension Period**") in order to allow the parties sufficient time to diligently pursue all actions reasonably necessary to satisfy such Buyer Closing Condition, and each Extension Period shall be automatically exercised unless, at least ten (10) calendar days prior to the then scheduled Closing Date, Buyers provide Sellers and Escrow Agent with written notice that the Buyer Closing Condition has been satisfied, or (iii) decline to proceed to the Closing. In the latter event, except as expressly set forth herein, all obligations, liabilities and rights of the parties under this Agreement shall terminate, and the Deposit shall be returned to Buyers.

**7.1.2.** Notwithstanding the foregoing, in the event that a Buyer Closing Condition is not satisfied as a result of a breach by Sellers, Buyers shall have the rights and remedies set forth in Section 12.2 herein.

**7.2. Failure of a Seller Closing Condition.** In the event a Seller Closing Condition is not satisfied by the Closing Date, then Seller shall have the option, at Seller's sole discretion, to (i) waive the applicable Seller Closing Condition and proceed with Closing, or (ii) decline to proceed to the Closing. In the latter event, if a Seller Closing Condition is not satisfied as a result of a breach by Buyers, Sellers shall have the rights and remedies set forth in Section 12.1 herein.

**8. Pre-Closing Matters.** From and after the expiration of the Inspection Period and until the Closing or earlier termination of this Agreement, except as otherwise set forth below:

**8.1. Leasing Matters.** Sellers shall not, without the written consent of Buyers, which shall be at Buyers' sole and absolute discretion (i) effect any material change in any Lease, (ii) renew or extend the term of any Lease, unless the same is an extension or expansion permitted pursuant to the terms of an existing Lease, or (iii) enter into any new Lease or cancel or terminate any Lease. When seeking consent to a new or modified Lease, Sellers shall provide notice of the identity of the tenant, a term sheet or letter of intent containing material business terms (including, without limitation, rent, expense base, concessions, tenant improvement allowances, brokerage commissions, and expansion and extension options) and whatever credit and background information with respect to such tenant as Sellers customarily obtain in connection with similar leases of the applicable Property. Buyers shall be deemed to have consented to any proposed Lease or Lease modification if it has not responded to Sellers within three (3) Business Days after receipt of such information. Sellers shall deliver to Buyers copies of executed versions of any such documents within three (3) Business Days after the full execution and delivery thereof.

**8.2. Adjustment of New Leasing Expenses.** Any tenant improvement costs, rent abatements, rent concessions or brokerage commissions under Leases or renewals, or any other tenant inducement provided by Sellers to any tenant, entered into after the Effective Date in accordance with the terms of this Agreement shall be paid by Sellers prior to the Closing or shall be credited to Buyers at the Closing, if not paid by Sellers as of Closing.

**8.3. Adjustments of Leasing Expenses.** Any tenant improvement costs, rent abatements, concessions or commissions under Leases or renewals, or any other tenant inducement provided by Sellers to any tenant, entered into prior to the Effective Date, whether payable prior to or after the Closing, shall be Sellers' responsibility and credited to Buyers at the Closing if not paid by Sellers prior to the Closing. To the extent that any tenant terminates its Lease and pays a termination penalty pursuant to the terms of its Lease, the termination penalty shall be paid to Buyers and if paid to Sellers prior to the Closing, shall be credited to Buyers at the Closing.

**8.4. Termination for Default.** Notwithstanding anything in this Agreement to the contrary, prior to the expiration of the Inspection Period, Sellers may cancel or terminate any Lease or commence collection, unlawful detainer or other remedial action against any tenant with Buyers' consent, not to be unreasonably withheld, upon the occurrence of a default by the tenant under said Lease. Sellers shall deliver to Buyers copies of all default notices and correspondence delivered to or received from any of the tenants in connection with the Leases after the Effective Date of this Agreement.

**8.5. Operation of Property.** From and after the date of this Agreement and until the Closing or earlier termination of this Agreement, Sellers shall continue enforcement of its rights and performance of its obligations as landlord/lessor under the Leases in the ordinary course of business.

**8.6. Contracts.** Buyers shall give notice to Sellers on or before the expiration of the Inspection Period of any Contracts listed on *Exhibit "C"* which Buyers elect to continue after the Closing (collectively, the "**Assigned Contracts**"). The Assigned Contracts shall be assigned to and assumed by Buyers at the Closing and Sellers shall take such steps as are reasonably necessary to terminate all Contracts other than the Assigned Contracts. From and after the Effective Date of this Agreement through the end of the inspection period, (i) Sellers shall not enter into any new Contracts which are not terminable with thirty (30) days or less or require a termination fee or penalty prior notice without Buyers' consent and (ii) Sellers shall provide Buyers with copies of any new Contracts. From and after the expiration of the Inspection Period, Sellers shall not enter into any new Contracts without the prior written consent of Buyers, which consent shall not be unreasonably withheld, conditioned or delayed. Buyers shall be deemed to have consented to any proposed new Contract if Buyers have not responded within three (3) Business Days after Sellers' request for consent thereto and such Contract shall be deemed and become part of the Assigned Contracts to be assigned to Buyers at the Closing.

**8.7. No Contracting for Sale of Property.** Except as may be necessitated by the Oklahoma Property ROFR, Sellers shall not enter into any contract or other written agreement for sale of any Property with any other party and shall not take any action which materially and negatively impacts the marketability and/or value of any Property. Notwithstanding any provisions herein to the contrary, Buyers shall have any and all rights and remedies available at law and equity in the event Sellers do not comply with the preceding sentence.

**8.8. No Liens on Property.** Sellers shall not voluntarily create any liens, easements or other conditions affecting any portion of the Properties without the prior written consent of Buyers, which shall not be unreasonably withheld, conditioned or delayed.

**9. Closing; Deliveries.**

**9.1. Time of Closing.** The Closing shall take place on a mutually agreeable date, which shall be no later than April 12, 2019 (such date, the "**Closing Date**") through an escrow closing with the Escrow Agent, unless otherwise agreed to in writing by both Sellers and Buyers. If any date on which the Closing would occur by operation of this Agreement is not a Business Day, the Closing shall occur on the next Business Day; *provided*, that if the next Business Day is a Monday, then the Closing shall occur on the next successive Business Day. As used in this Agreement, "**Business Day**" shall mean any day which is not a Saturday, a Sunday or a federal or state legal holiday.

**9.2. Sellers' Deliveries.** On or prior to the Closing Date, Sellers shall deliver to Escrow Agent the following:

**9.2.1.** One (1) original deed (the "**Deed**") for each Real Property from the applicable Seller, substantially in the form attached hereto as *Exhibit "E"* (as modified to comply with the applicable laws of the county and state where each such Real Property is located), duly executed and acknowledged by Seller.

9.2.2. Original affidavits of property value, tax clearance or other matters (each a **'Property Value Affidavit'**) duly executed and acknowledged by the applicable Seller where required;

9.2.3. Two (2) originals of a bill of sale (the **'Bill of Sale'**) for the Personal Property from each Seller with respect to the applicable Property, substantially in the form attached hereto as **Exhibit "F,"** duly executed by such Seller.

9.2.4. Two (2) originals of an assignment and assumption of Leases, Contracts and Security Deposits (the **'Assignment and Assumption of Leases, Contracts and Security Deposits'**) from each Seller with respect to the applicable Property, substantially in the form attached hereto as **Exhibit "G,"** duly executed by such Seller.

9.2.5. Two (2) originals of an assignment of the Intangible Property (the **'Assignment of Intangible Property'**) from each Seller with respect to the applicable Property, substantially in the form attached hereto as **Exhibit "H,"** duly executed by such Seller.

9.2.6. Any customary certificates and affidavits, including, but not limited to, a "gap" indemnity and an owner's affidavit sufficient for Title Company to issue, without extra charge, an owner's policy of title insurance free of any exceptions for unfilled mechanics' or materialmen's liens for work performed by Sellers (but not any tenants) prior to the Closing, or for rights of parties in possession other than pursuant to the Leases.

9.2.7. One (1) original of a Non-Foreign Affidavit as required by the Foreign Investors in Real Property Tax Act (**'FIRPTA'**), as amended, in the form of **Exhibit "I,"** duly executed by each Seller.

9.2.8. One (1) original of a certification by each Seller substantially in the form attached hereto as **Exhibit "J"** that all representations and warranties made by such Seller in Section 4 of this Agreement are true and correct in all material respects on the Closing Date, except as may be set forth in such certificate.

9.2.9. Keys or combinations to all locks at the Properties, to the extent in Sellers' possession. Buyers hereby acknowledge and agree that Sellers shall be permitted to make the items described in this Section 9.2.9 available to Buyers at the Properties in lieu of delivering them to Escrow Agent.

9.2.10. Originals of the Leases and copies of lease files at the Real Properties, and originals of any Assigned Contracts, in each case to the extent in Sellers' possession. Buyers hereby acknowledge and agree that Sellers shall be permitted to make the items described in this Section 9.2.10 available to Buyers at the Properties in lieu of delivering them to Escrow Agent.

9.2.11. Original letters of credit, if any, along with appropriate transfer forms and any fees associated therewith.

9.2.12. All other instruments and documents reasonably required to effectuate this Agreement and the transactions contemplated thereby.

**9.3. Buyers' Deliveries.** On or prior to the Closing Date, Buyers shall deliver to Escrow Agent the following:

**9.3.1.** A wire transfer of the Purchase Price in the amount required under Section 2.2 hereof (subject to the adjustments provided for in this Agreement).

**9.3.2.** A certification by each Buyer substantially in the form attached hereto as *Exhibit "J"* that all representations and warranties made by such Buyer in Section 5 of this Agreement are true and correct in all material respects on the Closing Date, except as may be set forth in such certificate.

**9.3.3.** One (1) original of each Property Value Affidavit, duly executed by the applicable Buyer, to the extent required.

**9.3.4.** Two (2) originals of each Bill of Sale, duly executed by the applicable Buyer.

**9.3.5.** Two (2) originals of each Assignment and Assumption of Leases, Contracts and Security Deposits, duly executed by the applicable Buyer.

**9.3.6.** Two (2) originals of each Assignment of Intangible Property, duly executed by the applicable Buyer.

**9.3.7.** All other instruments and documents reasonably required to effectuate this Agreement and the transactions contemplated thereby.

**10. Apportionments; Taxes; Expenses.**

**10.1. Apportionments.**

**10.1.1. Taxes and Operating Expenses.** Buyers and Sellers acknowledge that the Lease for each Property is triple-net and, as such, the respective tenants under the Leases are responsible for maintenance of the Properties and the direct payment of taxes and insurance. As such, no pro-rations for taxes, insurance or common area maintenance charges shall be necessary.

**10.1.2. Rents.** Except for delinquent rent, all rent under the Leases shall be prorated to the Closing Date on a collected basis. Delinquent rent shall not be prorated but shall remain the property of Sellers. Payments received from tenants from and after the Closing Date shall be applied first to rents then due for the current period and then to amounts owed to Buyers with respect to periods following the Closing, and then to rents delinquent as of the Closing Date. Buyers shall use reasonable efforts to collect delinquent rents for the benefit of Sellers, and shall cooperate with Sellers in the collection of any delinquent amounts, but shall not be required to terminate any Leases or evict any tenants.

**10.1.3. Charges under Assigned Contracts.** The unpaid monetary obligations of Sellers with respect to any of the Assigned Contracts shall be prorated on a per diem basis as of the Closing Date.

**10.1.4. Security Deposits.** The Security Deposits (together with any accrued interest thereon as may be required by law or contract) shall be transferred or credited to Buyers as of the Closing Date, and to the extent Sellers have any Security Deposits held in the form of a letter of credit, such letters of credit shall, at Sellers' expense (to the extent not the responsibility of the tenant under the applicable Lease), be transferred to Buyers as of Closing.

**10.1.5. Capital Expenditure Reserve Accounts.** Schedule 10.1.5 sets forth a list of each capital expenditure reserve account or other restricted account described in the Leases held by the Sellers. No later than three (3) Business Days prior to the anticipated Closing Date, the Sellers shall deliver to Buyers an updated version of this schedule, which shall provide the Sellers best estimates of the amount contained in each such account as of the Closing Date. Buyers shall receive a credit in an amount equal to the amount held as of Closing in the capital expenditure reserve accounts described on Schedule 10.1.5. The Buyers acknowledge that, effective as of the Closing, the Buyers shall be responsible for payment of all unpaid invoices that relate to any capital expenditures, goods delivered or services performed in connection with the Properties which are payable from the capital expenditure reserve accounts in accordance with the terms of the Leases without regard to when such services were performed or such goods were delivered.

**10.1.6. Bankruptcy Distributions.** Any portion of bankruptcy distributions (whether or not any Seller has filed its proof of claim as of the date hereof) or payments pursuant to (i) settlement agreements (whether prepared by Sellers' in-house counsel or outside counsel), (ii) arrearage payment plans by letters signed by Sellers or its agent(s), (iii) lease termination agreements, (iv) promissory notes, or (v) judgments (whether already obtained by Sellers or which result from lawsuits or proceedings filed prior to the Closing) providing for the payment of specified sums, either in a lump sum or in installments, in all cases which are applicable to the time period prior to the Closing Date but payable after the Closing Date and actually received by Buyers, shall be payable to Sellers.

**10.1.7. Survival.** The provisions of this Section 10.1 shall survive the Closing for ninety (90) days, to the extent any monies may be payable pursuant to this Section 10.1 to either party subsequent to the transfer of title to the Properties to Buyers.

## **10.2. Closing Costs.**

**10.2.1.** Buyers and Seller shall each pay their own legal fees related to the preparation of this Agreement and, except as otherwise provided herein, all documents required to settle the transaction contemplated hereby. Except as otherwise provided herein, Buyers shall pay all costs associated with their investigation of the Properties, including the cost of appraisals, architectural, engineering, credit and environmental reports.

**10.2.2.** Sellers shall pay: (i) one-half (1/2) of Escrow Agent's fees, costs and expenses, (ii) the premium for the Standard Title Policy for the Arizona, Indiana and Nevada Properties, (iii) all costs associated with the cure or removal of any title objections by Buyers that Sellers are obligated or agree to remove or cure ("**Curative Costs**"), and (iv) all transfer taxes and recording fees, if any.

**10.2.3.** Buyers shall pay: (i) one-half (½) of Escrow Agent's fees, costs and expenses, (ii) the cost of the Surveys and (iii) the cost of the Standard Title Policy for the Oklahoma Property, ALTA Extended Title Policy Coverage and any endorsements to the Title Policies if required by Buyers.

**10.2.4.** All Closing costs not described above shall be borne by Sellers and Buyers, respectively, in the matter customarily borne by sellers and buyers, respectively, of real property in the county in which each Real Property is located

**11. Damage or Destruction; Condemnation; Insurance.** If at any time prior to the Closing Date there is damage or destruction to any Property, the cost for repair of which exceeds Two Hundred Fifty Thousand Dollars (\$250,000) and the Property cannot be restored to its original condition prior to the Closing, or if more than five percent (5%) of the rentable area of the Building is condemned or taken by eminent domain proceedings by any public authority, then, at Buyers' option, this Agreement shall terminate, the Deposit shall be returned to Buyers, and except as expressly set forth herein, neither party shall have any further liability or obligation to the other hereunder.

If there is any damage or destruction or condemnation or taking, regardless of the cost of any repair, and if Buyers elect not to terminate this Agreement as herein provided (to the extent Buyers are entitled to do so), then (1) in the case of a taking, all condemnation proceeds paid or payable to Sellers shall belong to Buyers and shall be paid over and assigned to Buyers at the Closing, and Sellers shall be paid at the Closing for the reasonable expenses incurred by Sellers in connection with such taking; and (2) in the case of a casualty, Sellers shall assign to Buyers all rights to any insurance proceeds paid or payable under the applicable insurance policies, less any costs of collection and any sums expended in restoration, and Sellers' deductible shall be a credit to Buyers against the Purchase Price, and the parties shall proceed with the Closing without any reduction in the Purchase Price payable to Sellers.

## **12. Remedies.**

**12.1. Buyer Default.** In the event Buyers breach or fail, without legal excuse, to complete the purchase of the Properties or to perform their obligations under this Agreement and such failure continues for five (5) Business Days following receipt of written notice regarding same (other than the failure of Buyers to deliver "Buyer's Deliveries" pursuant to Section 9.3 hereunder, for which there shall be no grace or cure period), then Sellers shall, as their exclusive remedy therefor, be entitled to receive the Deposit, plus all interest earned and accrued thereon, as liquidated damages (and not as a penalty) in lieu of, and as full compensation for, all other rights or claims of Sellers against Buyers by reason of such default. Thereupon this Agreement shall terminate and the parties shall be relieved of all further obligations and liabilities hereunder, except as expressly set forth herein. Buyers and Sellers acknowledge that the damages to Sellers resulting from Buyers' breach would be difficult, if not impossible, to ascertain with any accuracy, and that the liquidated damage amount set forth in this Section represents both parties' best efforts to approximate such potential damages. Sellers hereby expressly waive (a) any right to an action for specific performance of any provisions of this Agreement and (b) to the greatest extent permitted by law, any and all other rights and remedies available at law and equity.

**12.2. Seller Default.** If the sale of the Properties is not consummated due to a breach or default under this Agreement on the part of Sellers and such failure continues for five (5) Business Days following receipt of written notice regarding same, Buyers may, in their sole and absolute discretion, may elect, as its sole and exclusive remedy, to (a) terminate this Agreement by providing written notice to Seller, in which case the Deposit shall be refunded to Purchaser, Seller shall promptly upon written request reimburse Buyer for all out-of-pocket, third-party expenses actually incurred in connection with this transaction (including, without limitation, all title, escrow, legal and inspection fees and any other expenses incurred by Buyers in connection with the performance of their due diligence review of the Properties) in an amount not to exceed One Hundred Fifty Thousand and 00/100 Dollars (\$150,000.00), and the Parties shall have no further rights or obligations under this Agreement, except those which expressly survive such termination, or (b) waive such default and proceed to Closing without any reduction in or setoff against the Purchase Price, or (c) obtain a court order for specific performance. IN NO EVENT SHALL SELLER'S DIRECT OR INDIRECT MEMBERS, PARTNERS, SHAREHOLDERS, OWNERS OR AFFILIATES, ANY OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF THE FOREGOING, OR ANY AFFILIATE OR CONTROLLING PERSON THEREOF HAVE ANY LIABILITY FOR ANY CLAIM, CAUSE OF ACTION OR OTHER LIABILITY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE PROPERTY, WHETHER BASED ON CONTRACT, COMMON LAW, STATUTE, EQUITY OR OTHERWISE.

**13. Possession.** Possession of the Properties shall be tendered to Buyers at the Closing, subject to the rights of tenants under the Leases and to the other matters permitted pursuant to this Agreement.

**14. Notices.** All notices and other communications provided for herein shall be in writing and shall be sent to the address set forth below (or such other address as a party may hereafter designate for itself by notice to the other parties as required hereby) of the party for whom such notice or communication is intended:

If to Buyers:

Global Medical REIT Inc.  
2 Bethesda Metro Center, Suite 440  
Bethesda, MD 20814  
Attention: Alfonzo Leon  
Email: [AlfonzoL@globalmedicalreit.com](mailto:AlfonzoL@globalmedicalreit.com)  
Phone: (202) 524-6853

With a copy to:

Cox, Castle & Nicholson LLP  
2029 Century Park East, 21 st Floor  
Los Angeles, California 90067  
Attention: David Lari  
Email: [dlari@coxcastle.com](mailto:dlari@coxcastle.com)  
Phone: (310) 284-2292

If to Sellers:

CHP Partners, LP  
c/o CNL Healthcare Properties, Inc.  
450 South Orange Avenue, 14<sup>th</sup> Floor  
Orlando, Florida 32801  
Attention: Tracey B. Bracco, Esq.  
Email: [tracey.bracco@cnl.com](mailto:tracey.bracco@cnl.com)  
Phone: (407) 650-1000

With a copy to:

Lowndes, Drosdick, Doster, Kantor & Reed, P.A.  
215 North Eola Drive  
Orlando, Florida 32801  
Attention: John D. Ruffier, Esquire  
Email: [john.ruffier@lowndes-law.com](mailto:john.ruffier@lowndes-law.com)  
Phone: (407) 418-6414

If to Escrow Agent:

First American Title Insurance Company  
420 S. Orange Avenue, Suite 250  
Orlando, FL 32801  
Attention: Metta Grier  
Email: [mgrier@firstam.com](mailto:mgrier@firstam.com)  
Phone: (407) 541-3224

Any such notice or communication shall be sufficient if sent by registered or certified mail, return receipt requested, postage prepaid; by hand delivery; by overnight courier service; or by e-mail (*provided* that such e-mail delivery is confirmed by the sender, by delivery service or by mail in the manner previously described within 24 hours after such transmission is sent). Any such notice or communication shall be effective when delivered or when delivery is refused.

**15. Advisors.** Buyers and Sellers each represent to the other that it has not dealt with any advisor or agent in connection with this transaction other than KeyBanc Capital Markets and HFF Securities, to whom Seller shall pay a commission pursuant to a separate agreement if, as and when the Closing and funding occur, but not otherwise. Each party hereby indemnifies and holds harmless the other party from all loss, cost and expense (including reasonable attorneys' fees) arising out of a breach of its representation or undertaking set forth in this Section 15. The provisions of this Section 15 shall survive Closing or the termination of this Agreement without limit.

**16. Escrow Agent.** Escrow Agent shall hold the Deposit in accordance with the terms and provisions of this Agreement, subject to the following:

**16.1. Obligations.** Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties or obligations shall be read into this Agreement against Escrow Agent.

**16.2. Reliance.** Escrow Agent may act in reliance upon any writing or instrument or signature which it, in good faith, believes, and any statement or assertion contained in such writing or instrument, and may assume that any person purporting to give any writing, notice, advice or instrument in connection with the provisions of this Agreement has been duly authorized to do so. Escrow Agent shall not be liable in any manner for the sufficiency or correctness as to form, manner and execution, or validity of any instrument deposited in escrow, nor as to the identity, authority, or right of any person executing the same, and Escrow Agent's duties under this Agreement shall be limited to those provided in this Agreement. Upon receipt by Escrow Agent from either Buyers or Sellers of any notice or request (the "**Escrow Demand**") to perform any act or disburse any portion of the monies held by Escrow Agent under the terms of this Agreement, Escrow Agent shall give written notice to the other party (the "**Notified Party**"). If within seven (7) days after the giving of such notice, Escrow Agent does not receive any written objection to the Escrow Demand from the Notified Party, Escrow Agent shall comply with the Escrow Demand. If Escrow Agent does receive written objection from the Notified Party in a timely manner, Escrow Agent shall take no further action until the dispute between the parties has been resolved.

**16.3. Indemnification.** Unless Escrow Agent discharges any of its duties under this Agreement in a negligent manner or is guilty of willful misconduct with regard to its duties under this Agreement, Sellers and Buyers shall indemnify Escrow Agent and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or other expenses, fees, or charges of any character or nature, which it may incur or with which it may be threatened by reason of its acting as Escrow Agent under this Agreement; and in such connection Sellers and Buyers shall indemnify Escrow Agent against any and all expenses including reasonable attorneys' fees and the cost of defending any action, suit or proceeding or resisting any claim in such capacity.

**16.4. Disputes.** If the parties (including Escrow Agent) shall be in disagreement about the interpretation of this Agreement, or about their respective rights and obligations, or the propriety of any action contemplated by Escrow Agent, or the application of the Deposit, Escrow Agent shall hold the Deposit until the receipt of written instructions from both Buyers and Sellers or a final order of a court of competent jurisdiction. Escrow Agent shall be indemnified for all costs and reasonable attorneys' fees in its capacity as Escrow Agent in connection with any such interpleader action and shall be fully protected in suspending all or part of its activities under this Agreement until a final judgment in the interpleader action is received.

**16.5. Counsel.** Escrow Agent may consult with counsel of its own choice and have full and complete authorization and protection in accordance with the opinion of such counsel. Escrow Agent shall otherwise not be liable for any mistakes of fact or errors of judgment, or for any acts or omissions of any kind, unless caused by its negligence or willful misconduct.

**16.6. Interest.** All deposits into the escrow shall be held by the Escrow Agent in an interest bearing account. All interest earned on the Deposit shall be deemed to be part of the Deposit and shall accrue to the benefit of Buyers except to the extent the Deposit becomes payable to Sellers pursuant to Section 12.1. In such event the interest earned on the Deposit shall accrue to the benefit of Seller.

## 17. Indemnification.

**17.1. Survival.** The representations and warranties, covenants and obligations (including without limitations obligations of defense and indemnification) of Sellers and Purchasers shall survive Closing or termination of this Agreement until the date which is six (6) months after the Closing Date (the “**Survival Period**”). Each party shall have the right to bring an action against the other on the breach of a representation or warranty or covenant hereunder or in the documents delivered by Seller at the Closing, but only on the following conditions: (i) the party bringing the action for breach first learns of the breach after Closing and files such action within the Survival Period, and (ii) neither party shall have the right to bring a cause of action for a breach of a representation or warranty or covenant unless the damage to such party on account of such breach (individually or when combined with damages from other breaches) equals or exceeds Twenty-Five Thousand and No/100 Dollars (\$25,000). If the threshold set forth in the immediately preceding sentence is met, Seller shall be liable to indemnify Purchaser for the entire amount of Buyer’s damages including the initial \$25,000.00. Neither party shall have any liability after Closing for the breach of a representation or warranty or covenant hereunder of which the other party hereto had actual knowledge as of Closing. Notwithstanding any other provision of this Agreement, any agreement contemplated by this Agreement, or any rights which Purchaser might otherwise have at law, equity, or by statute, whether based on contract or some other claim, Purchaser agrees that any liability of Seller to Purchaser will be limited to Five Hundred Thousand and No/100 Dollars (\$500,000); *provided*, that Seller’s liability with respect to any undisclosed tenant improvement allowances, tenant improvement obligations of Landlord, leasing commissions and/or rent concessions with respect to any of the Leases shall not be subject to any such limitation. The provisions of this Section 17.1 shall survive the Closing. Any breach of a representation or warranty or covenant that occurs prior to Closing shall be governed by Article 12.

**17.2. Seller’s Indemnification.** From and after the Closing, Sellers shall reimburse, indemnify, defend and hold harmless Buyers and Buyers’ employees, agents, representatives, contractors and invitees (the “**Buyer Indemnified Parties**”) from and against any and all damage, loss or liability resulting from: (a) any Seller’s default in the performance of any representation, warranty or covenant by Sellers under this Agreement, (b) non-contractual claims of third-parties relating to the use, operation or ownership of the Properties attributable to periods at or before the Closing, (c) breaches prior to the Closing by any Seller of its obligations under any contract assigned to Buyers in accordance with this Agreement, (d) any obligations with respect to any contract relating to or affecting the Properties not assumed by Buyers, whether allocable to a period prior to or after the Closing and (e) Sellers’ failure to pay any expenses required under this Agreement.

**17.3. Buyers’ Indemnification.** From and after the Closing, Buyers shall reimburse, indemnify, defend and hold Sellers and Sellers’ employees, agents, representatives, contractors and invitees harmless from and against any and all damage, loss or liability resulting from: (a) any non-contractual claims of third-parties relating to Buyers’ use, operation or ownership of the Properties, in each case, first arising from and after the Closing, (b) breaches by any Buyer on or after the Closing of its obligations under any Assigned Contract and (c) Buyers’ failure to pay the expenses required under this Agreement; *provided, however*, that the foregoing indemnity does not apply to any loss, liability, cost, claim, damage or injury to the extent caused by acts or omissions of Sellers or is otherwise subject to Seller’s indemnity obligations pursuant to Section 17.2.

**17.4. Indemnification Procedure; Notice of Indemnification Claim.** If any of Seller's Indemnitees or Purchaser's Indemnitees (as the case may be) (each, an "**Indemnitee**") is entitled to defense or indemnification under any other provision in this Agreement (each, an "**Indemnification Claim**"), the Party required to provide defense indemnification to such Indemnitee (the "**Indemnitor**") shall not be obligated to defend, indemnify and hold harmless such Indemnitee unless and until such Indemnitee provides written notice to such Indemnitor promptly after such Indemnitee has actual knowledge of any facts or circumstances on which such Indemnification Claim is based or a Third-Party Claim is made on which such Indemnification Claim is based, describing in reasonable detail such facts and circumstances or Third-Party Claim with respect to such Indemnification Claim. As used herein, the term "**Third-Party Claim**" shall mean a pending or threatened claim or demand asserted by a third party against an Indemnitee.

**17.4.1. Resolution of Indemnification Claim Not Involving Third-Party Claim** If the Indemnification Claim does not involve a Third-Party Claim and is disputed by the Indemnitor, the dispute shall be resolved by litigation or other means of alternative dispute resolution as the Parties may agree in writing.

**17.4.2. Resolution of Indemnification Claim Involving Third-Party Claim** If the Indemnification Claim involves a Third-Party Claim, the Indemnitor shall have the right (but not the obligation) to assume the defense of such Third-Party Claim, at its cost and expense, and shall use good faith efforts consistent with prudent business judgment to defend such Third-Party Claim, provided that (i) the counsel for the Indemnitor who shall conduct the defense of the Third-Party Claim shall be reasonably satisfactory to the Indemnitee (unless selected by Indemnitor's insurance company, in which case Indemnitee shall have no such approval rights), (ii) the Indemnitee, at its cost and expense, may participate in, but shall not control, the defense of such Third-Party Claim, and (iii) the Indemnitor shall not enter into any settlement or other agreement which requires any performance by the Indemnitee, other than the payment of money which shall be paid by the Indemnitor. The Indemnitee shall not enter into any settlement agreement with respect to the Indemnification Claim, without the Indemnitor's prior written consent. If the Indemnitor elects not to assume the defense of such Third-Party Claim, the Indemnitee shall have the right to retain the defense of such Third-Party Claim and shall use good faith efforts consistent with prudent business judgment to defend such Third-Party Claim in an effective and cost-efficient manner.

**17.4.3. Accrual of Indemnification Obligation** Notwithstanding anything to the contrary in this Agreement, the Indemnitee shall have no right to indemnification against the Indemnitor for any Indemnification Claim which (i) does not involve a Third-Party Claim but is disputed by Indemnitor until such time as such dispute is resolved by written agreement or by a final, non-appealable order of court of competent jurisdiction or (ii) which involves a Third-Party Claim until such time as such Third-Party Claim is concluded, including any appeals with respect thereto in the case of a claim in litigation.

**17.5. Guarantor Guaranty.** CHP Partners, LP, a Delaware limited partnership (“**Guarantor**”) is an affiliate of Sellers and, as a result thereof, Guarantor receives a direct financial benefit from the transactions contemplated by this Agreement. In consideration of the foregoing benefit, the Purchase Price and other good and valuable consideration paid to Seller at Closing pursuant to this Agreement and as a further inducement for Purchaser to enter into this Agreement, Guarantor, hereby absolutely, unconditionally and irrevocably guarantees the full and timely performance of the indemnification obligations, covenants and conditions of Seller set forth in Section 17.2 above. The provisions of this Section 17.5 shall expressly survive the Closing.

**18. Miscellaneous.**

**18.1. Assignability.** No Party shall assign this Agreement or any interest therein to any person, without the prior written consent of the other Parties which consent may be withheld in the other Parties’ sole discretion, except however, Buyers shall have the right to designate any wholly-owned or commonly-controlled subsidiary or affiliate of Buyers by providing written notice to Sellers no later than five (5) Business Days prior to Closing.

**18.2. Governing Law; Bind and Inure.** This Agreement shall be governed by the law of the State of Maryland without regard to its conflicts of laws principles and shall bind and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, assigns and personal representatives.

**18.3. Recording.** Neither this Agreement nor any notice or memorandum hereof shall be recorded in any public land record. A violation of this prohibition shall constitute a material breach entitling the non-breaching party to terminate this Agreement.

**18.4. Time of the Essence.** Time is of the essence of this Agreement.

**18.5. Further Assurances.** Each party will, whenever and as often as it shall be requested to do so by the other party, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered any and all such further conveyances, assignments, approvals, consents and any and all other documents and do any and all other acts as may be necessary to carry out the intent and purpose of this Agreement. The provisions of this Section 18.5 shall survive the Closing.

**18.6. Exclusivity.** Until the Closing Date or the date that this Agreement is terminated, Sellers shall not enter into any contract, or enter into or continue any negotiations, to sell the Properties to any person or entity other than Buyers, nor will Sellers solicit proposals from, or furnish any non-public information to, any person or entity other than Sellers’ agents, attorneys and lenders and Buyers regarding the possible sale of the Property, except for such disclosures as must be made in connection with obtaining the Oklahoma Property ROFR Waiver.

**18.7. Intentionally Omitted.**

**18.8. Headings.** The headings preceding the text of the paragraphs and subparagraphs hereof are inserted solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

**18.9. Counterparts; Electronic Signatures.** This Agreement may be executed and delivered in any number of counterparts, each of which so executed and delivered shall be deemed to be an original and all of which shall constitute one and the same instrument. Facsimile and electronically transmitted signatures shall for all purposes be treated as originals.

**18.10. Exhibits.** All Exhibits which are referred to herein and which are attached hereto or bound separately and initialed by the parties are expressly made and constitute a part of this Agreement.

**18.11. Use of Proceeds to Clear Title.** To enable Sellers to make conveyance as herein provided, Sellers shall, at the time of Closing, direct the Escrow Agent to use the Purchase Price or any portion thereof to clear the title of any or all encumbrances or interests; *provided* that provision reasonably satisfactory to Buyers' attorney is made for prompt recording of all instruments so procured in accordance with conveyancing practice in the jurisdiction in which the applicable Property is located.

**18.12. Submission not an Offer or Option.** The submission of this Agreement or a summary of some or all of its provisions for examination or negotiation by Buyers or Sellers does not constitute an offer by Sellers or Buyers to enter into an agreement to sell or purchase the Properties, and neither party shall be bound to the other with respect to any such purchase and sale until a definitive agreement satisfactory to Buyers and Sellers in their sole discretion is executed and delivered by both Sellers and Buyers.

**18.13. Entire Agreement; Amendments.** This Agreement and the Exhibits and Schedules hereto set forth all of the promises, covenants, agreements, conditions and undertakings between the parties hereto with respect to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, except as contained herein. This Agreement may not be changed orally but only by an agreement in writing, duly executed by or on behalf of the party or parties against whom enforcement of any waiver, change, modification, consent or discharge is sought.

**18.14. Attorneys' Fees.** In the event of any litigation arising out of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs.

**18.15. Waiver of Jury Trial.** Each party to this Agreement hereby expressly AND IRREVOCABLY waives any right to trial by jury of any claim, demand, action or cause of action (each, an "Action") (a) arising out of this Agreement, including any present or future amendment thereof or (b) in any way connected with or related or incidental to the dealings of the parties or any of them with respect to this Agreement (as hereafter amended) or any other instrument, document or agreement executed or delivered in connection herewith, or the transactions related hereto or thereto, in each case whether such Action is now existing or hereafter arising, and whether sounding in contract or tort or otherwise and regardless of which party asserts such Action; and each party hereby agrees and consents that any such Action shall be decided by court trial without a jury, and that any party to this Agreement may file an original counterpart or a copy of this Section 18.15 with any court as written evidence of the consent of the parties to the waiver of any right they might otherwise have to trial by jury. THIS WAIVER IS GIVEN KNOWINGLY AND VOLUNTARILY AFTER CONSULTATION WITH COUNSEL.

**18.16. No Waiver.** No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver, nor shall a waiver in any instance constitute a waiver in any subsequent instance. No waiver shall be binding unless executed in writing by the party making the waiver.

**18.17. Rules of Construction.** Article and Section captions used in this Agreement are for convenience only and shall not affect the construction of this Agreement. All references to “**Article**” or “**Sections**” without reference to a document other than this Agreement, are intended to designate articles and sections of this Agreement, and the words “**herein**,” “**hereof**,” “**hereunder**,” and other words of similar import refer to this Agreement as a whole and not to any particular Article or Section, unless specifically designated otherwise. The use of the term “**including**” shall mean in all cases “**including but not limited to**,” unless specifically designated otherwise. No rules of construction against the drafter of this Agreement shall apply in any interpretation or enforcement of this Agreement, any documents or certificates executed pursuant hereto, or any provisions of any of the foregoing.

**18.18. Confidentiality.** Neither Party shall make public disclosure with respect to this transaction either before or after the Closing except:

(a) as may be required by law, including without limitation disclosure required under Freedom of Information Act (“**FOIA**”) request, securities laws, or by the Securities and Exchange Commission, or by the rules of any stock exchange, or in connection with any filing or registration;

(b) to such attorneys, accountants, present or prospective sources of financing, partners, directors, officers, employees and representatives of either Party or of such Party’s advisors who need to know such information for the purpose of evaluating and consummating the transaction, including the financing of the transaction; and

(c) either party may issue a press release (the “**Press Release**”) upon full execution of this Agreement by all parties announcing the transactions proposed herein including the purchase price or as may be permitted specifically by the terms of this Agreement.

**18.19. Joint and Several Liability.** All entities constituting “**Seller**” hereunder shall be jointly and severally liable for the faithful performance of the terms and conditions hereof, and of any other document executed in connection herewith, to be performed by Sellers. All entities constituting “**Buyer**” hereunder shall be jointly and severally liable for the faithful performance of the terms and conditions hereof, and of any other document executed in connection herewith, to be performed by Buyers.

**18.20. Section 1031 Exchange.** Either party may consummate the purchase or sale of the Property as part of a so-called like kind exchange (an “Exchange”) pursuant to Section 1031 of the Code, provided that (i) the Closing shall not be delayed or affected by reason of an Exchange nor shall the consummation or accomplishment of any Exchange be a condition precedent or condition subsequent to a party’s obligations under this Agreement; (ii) any party desiring an Exchange shall effect its Exchange through an assignment of this Agreement, or its rights under this Agreement, to a qualified intermediary and the other party shall not be required to take an assignment of the purchase agreement for the relinquished or replacement property or be required to acquire or hold title to any real property for purposes of consummating such Exchange; and (iii) the party desiring an Exchange shall pay any additional costs that would not otherwise have been incurred by Buyers or Sellers had such party not consummated its purchase or sale through an Exchange. Neither party shall by this agreement or acquiescence to an Exchange desired by the other party (1) have its rights under this Agreement affected or diminished in any manner or (2) be responsible for compliance with or be deemed to have warranted to the other party that such party’s Exchange in fact complies with Section 1031 of the Code. In connection with such cooperation, Sellers agree, upon request of Buyers to “direct deed” for actual interests in the property to designees of Buyers.

**18.21. REIT Status.**

**18.21.1. Buyers’ REIT Status.** Sellers acknowledges that Buyers are subsidiaries of a publicly registered company (“GMR”) and that GMR is a real estate investment trust (“REIT”). Sellers further acknowledges that as a REIT, GMR is subject to certain filing and reporting requirements in accordance with federal laws and regulations, including, but not limited to, regulations promulgated by the Securities and Exchange Commission. Accordingly, and notwithstanding any provision of this Agreement or the provisions of any other existing agreement between the parties hereto to the contrary, Buyers may publicly file, disclose, report or publish any and all information related to this transaction that may be reasonably interpreted as being required by federal law or regulation. Sellers further agree that they shall fully cooperate with Buyers in complying with any and all laws, regulations, ordinances, requirements and restrictions in maintaining its status as a REIT. The provisions of this Section 18.21.1 shall survive the Closing.

**18.21.2. Sellers’ REIT Status.** Buyers acknowledges that Sellers are subsidiaries of a publicly registered company (“CHP”) and that CHP is a REIT. Sellers further acknowledges that as a REIT, CHP is subject to certain filing and reporting requirements in accordance with federal laws and regulations, including, but not limited to, regulations promulgated by the Securities and Exchange Commission. Accordingly, and notwithstanding any provision of this Agreement or the provisions of any other existing agreement between the parties hereto to the contrary, Sellers may publicly file, disclose, report or publish any and all information related to this transaction that may be reasonably interpreted as being required by federal law or regulation. Buyers further agree that they shall fully cooperate with Sellers in complying with any and all laws, regulations, ordinances, requirements and restrictions in maintaining its status as a REIT. The provisions of this Section 18.21.2 shall survive the Closing.

*[Signature Page Follows]*

*Signature Page to  
Purchase Agreement*

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

**SELLER:**

CHP SURPRISE AZ REHAB OWNER, LLC, a  
Delaware limited liability company

By: /s/ John F. Starr  
Name: John F. Starr  
Its: Senior Vice President

CHP MISHAWAKA IN REHAB OWNER, LLC, a  
Delaware limited liability company

By: /s/ John F. Starr  
Name: John F. Starr  
Its: Senior Vice President

CHP LAS VEGAS NV REHAB OWNER, LLC, a  
Delaware limited liability company

By: /s/ John F. Starr  
Name: John F. Starr  
Its: Senior Vice President

CHP OKLAHOMA CITY OK REHAB OWNER, LLC  
a Delaware limited liability company

By: /s/ John F. Starr  
Name: John F. Starr  
Its: Senior Vice President

*Signature Page to  
Purchase Agreement*

The undersigned, CHP Partners, LP, a Delaware limited partnership and the parent of the Sellers under this Agreement, hereby joins in this Agreement for the sole and exclusive purposes of guaranteeing the indemnification obligations of the Sellers as set forth in Section 17.5 above and for no other purposes whatsoever:

**GUARANTOR:**

**CHP PARTNERS, LP,**  
a Delaware limited partnership

By: **CHP GP, LLC,**  
a Delaware limited liability company,  
its sole General Partner

By: **CNL HEALTHCARE PROPERTIES, INC.,**  
a Maryland corporation,  
its Managing Member

By: /s/ John F. Starr  
John F. Starr  
Chief Operating Officer

*Signature Page to  
Purchase Agreement*

**BUYER:**

**GMR SURPRISE, LLC,  
GMR SOUTH BEND, LLC,  
GMR LAS VEGAS, LLC,  
GMR OKLAHOMA NORTHWEST, LLC,**  
each, a Delaware limited liability company

By: **Global Medical REIT L.P.,**  
a Delaware limited partnership,  
its Sole Member

By: **Global Medical REIT GP LLC,**  
a Delaware limited liability company,  
its General Partner

By: **Global Medical REIT, Inc.,**  
a Maryland corporation,  
its sole Member

By: /s/ Robert Kiernan  
Name: Robert Kiernan  
Title: CFO

**CONSENT OF ESCROW AGENT**

The undersigned Escrow Agent hereby agrees to (i) accept the foregoing Agreement, (ii) be Escrow Agent under said Agreement and (iii) be bound by said Agreement in the performance of its duties as Escrow Agent; *provided, however*, the undersigned shall have no obligations, liability or responsibility under (i) this Consent or otherwise unless and until said Agreement, fully signed by the parties, has been delivered to the undersigned or (ii) any amendment to said Agreement unless and until the same shall be accepted by the undersigned in writing.

DATED: March 12, 2019

FIRST AMERICAN TITLE  
INSURANCE COMPANY

By: /s/ Metta Grier  
Name: Metta Grier  
Its: Sr Commercial Closer

**List of Exhibits**

<i>Exhibit "A"</i>	Description of Land
<i>Exhibit "B"</i>	List of Leases
<i>Exhibit "C"</i>	List of Contracts
<i>Exhibit "D"</i>	Intentionally Deleted
<i>Exhibit "E"</i>	Form of Deed
<i>Exhibit "F"</i>	Form of Bill of Sale
<i>Exhibit "G"</i>	Form of Assignment and Assumption of Leases, Contracts and Security Deposits
<i>Exhibit "H"</i>	Form of Assignment of Intangible Property
<i>Exhibit "I"</i>	Form of Non-Foreign Affidavit
<i>Exhibit "J"</i>	Form of Certificate of Representations and Warranties
<i>Exhibit "K"</i>	Property Information
<i>Exhibit "L"</i>	Tenant Estoppel Certificate
<i>Schedule 2</i>	Earn Out Conditions
<i>Schedule 10.1.5</i>	Capital Expenditure Reserve Accounts

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*List of Exhibits*

*Exhibit "A-1"*

**DESCRIPTION OF THE LAND**  
*(Arizona Property)*

The Land referred to herein below is situated in the County of Maricopa, State of Arizona, and is described as follows:

LOT 6A, OF RE-PLAT OF LOT 6 OF THE RE-PLAT OF LOT 2 & 6 OF BELL & DYSART COMMERCE CENTER, AS SHOWN IN BOOK 1183 OF MAPS, PAGE 23, RECORDS OF MARICOPA COUNTY, ARIZONA.

*Exhibit "A-2"*

**DESCRIPTION OF THE LAND**  
*(Indiana Property)*

Land referred to herein below is situated in the County of St Joseph, State of Indiana, and is described as follows:

PARCEL I:

LOT NUMBERED THREE (3) AS SHOWN ON THE PLAT OF THE ELM ROAD MEDICAL CAMPUS, RECORDED ON NOVEMBER 16, 2007, AS DOCUMENT NUMBER 0745026 IN THE OFFICE OF THE RECORDER OF ST. JOSEPH COUNTY.

PARCEL II:

EASEMENT RIGHTS FOR USE AND ENJOYMENT OF COMMON AREAS, PUBLIC UTILITIES AND INGRESS AND EGRESS IN AND TO THE PRIVATE ROADWAY EASEMENTS KNOWN AS BODNAR BOULEVARD AND TROYER TRAIL AS SHOWN ON THE RECORDED PLAT OF ELM ROAD MEDICAL CAMPUS, RECORDED NOVEMBER 16, 2007 AS DOCUMENT NUMBER 0745026 IN THE OFFICE OF THE RECORDER OF ST. JOSEPH COUNTY.

PARCEL III:

RIGHTS AND EASEMENTS TO USE THE COMMON AREAS AS CONTAINED WITHIN THE DECLARATION OF PROTECTIVE COVENANTS & RESTRICTIONS FOR ELM ROAD MEDICAL CAMPUS, RECORDED DECEMBER 21, 2007 AS DOCUMENT 0749133, AS AMENDED BY AMENDMENT TO DECLARATION RECORDED JANUARY 18, 2008 AS DOCUMENT 0802055, AS AMENDED BY THE FIRST AMENDMENT TO THE DECLARATION OF PROTECTIVE COVENANTS & RESTRICTIONS FOR ELM ROAD MEDICAL CAMPUS, RECORDED DECEMBER 4, 2009 AS DOCUMENT 0939788, AS LAST AMENDED BY THE SECOND AMENDMENT TO THE DECLARATION OF PROTECTIVE COVENANTS AND RESTRICTIONS FOR ELM ROAD MEDICAL CAMPUS RECORDED APRIL 1, 2013 AS DOCUMENT NO. 1309386.

*Exhibit "A-3"*

**DESCRIPTION OF THE LAND**  
*(Nevada Property)*

THE WEST HALF (W ½) OF THE NORTHWEST QUARTER (NW ¼) OF THE SOUTHEAST QUARTER (SE ¼) OF THE NORTHWEST QUARTER (NW ¼) OF SECTION 32, TOWNSHIP 21 SOUTH, RANGE 60 EAST, M.D.M, CLARK COUNTY, NEVADA.

EXCEPTING THEREFROM THE NORTH 30 FEET AND THE WEST 30 FEET TOGETHER WITH THAT CERTAIN SPANDREL AREA IN THE NORTHWEST CORNER THEREOF AS CONVEYED TO THE COUNTY OF CLARK BY GRANT, BARGAIN, SALE DEED RECORDED DECEMBER 05, 2005 IN BOOK 20051205 AS DOCUMENT NO. 05274 OF OFFICIAL RECORDS, CLARK COUNTY, NEVADA.

*Exhibit "A-4"*

**DESCRIPTION OF THE LAND**  
*(Oklahoma Property)*

**Tract 1:**

A TRACT OF LAND BEING PART OF THE SOUTH HALF (S/2) OF THE SOUTHEAST QUARTER (SE/4) OF THE SOUTHWEST QUARTER (SW/4) OF SECTION 10, TOWNSHIP THIRTEEN (13) NORTH, RANGE FOUR (4) WEST OF THE INDIAN MERIDIAN, OKLAHOMA CITY, OKLAHOMA COUNTY, OKLAHOMA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A FOUND CUT X IN THE PAVEMENT BEING THE SOUTHWEST CORNER OF SAID SECTION TEN (10); THENCE NORTH 00°16'02" WEST ALONG THE WEST LINE OF SAID SECTION TEN (10) A DISTANCE OF 771.00 FEET; THENCE NORTH 89°39'11" EAST A DISTANCE OF 1422.90 FEET TO THE TRUE POINT OF BEGINNING, THENCE N 89°39'11" EAST A DISTANCE OF 854.04 FEET; THENCE SOUTH 12°23'21" WEST A DISTANCE OF 137.34 FEET; THENCE SOUTH 30°28'4" WEST A DISTANCE OF 165.43 FEET TO A POINT ON THE NORTH RIGHT OF WAY OF THE JOHN KILPATRICK TURNPIKE; THENCE ON A CURVE TO THE LEFT IN A SOUTHWESTERLY DIRECTION ALONG THE NORTH RIGHT OF WAY OF THE JOHN KILPATRICK TURNPIKE AN ARC LENGTH OF 98.27 FEET, HAVING A RADIUS OF 21,810.92 FEET AND A CHORD BEARING OF SOUTH 89°25'25" WEST AND A CHORD LENGTH OF 98.27 FEET; THENCE SOUTH 77°41'28" WEST ALONG THE NORTH RIGHT OF WAY OF THE JOHN KILPATRICK TURNPIKE A DISTANCE OF 255.80 FEET; THENCE ON A CURVE TO THE LEFT IN A SOUTHWESTERLY DIRECTION ALONG THE NORTH RIGHT OF WAY OF THE JOHN KILPATRICK TURNPIKE AN ARC LENGTH OF 392.71 FEET, HAVING A RADIUS OF 21,760.92 FEET AND A CHORD BEARING OF SOUTH 88°07'00" WEST AND A CHORD LENGTH OF 392.70 FEET; THENCE NORTH 00°00'00" EAST A DISTANCE OF 339.98 FEET, TO THE TRUE POINT OF BEGINNING, CONTAINING 5.81 ACRES MORE OR LESS. SAID LEGAL WAS WRITTEN BY J. STEVEN FOX ON SEPTEMBER 27, 2011 USING OKLAHOMA STATE PLANE NORTH AS A BASIS OF BEARING.

**Tract 2:**

The nonexclusive easements, if any, appurtenant to Tract 1 that are created by or pursuant to that certain Declaration of Covenants, Conditions and Restrictions for Gaillardia Commercial Development dated effective as of October 15, 2004 and recorded October 15, 2004 at Book 9496, Page 126, in the records of the County Clerk of Oklahoma County, Oklahoma.

**Tract 3:**

The nonexclusive easements appurtenant to Tract 1 that are created by or pursuant to that certain Reciprocal Easement Agreement by and between MacArthur Memorial, LLC, an Oklahoma limited liability company, and Oliver Real Estate Holdings, LLC, an Oklahoma limited liability company, dated November 14, 2006 and recorded December 4, 2006 at Book 10321, Page 1212, in the records of the County Clerk of Oklahoma County, Oklahoma.

**Tract 4:**

The nonexclusive easements appurtenant to Tract 1 that are created by or pursuant to that certain Declaration of Reciprocal Easement Declaration by MacArthur Memorial, LLC, an Oklahoma limited liability company, dated May 12, 2010, recorded May 14, 2010 at Book 11366, Page 286, in the records of the County Clerk of Oklahoma County, Oklahoma, and re-recorded May 21, 2010 at Book 11370, Page 1239, in the records of the County' Clerk of Oklahoma County, Oklahoma.

*Exhibit "B"*

**LIST OF LEASES**  
*(Listed by Property)*

Oklahoma City Inpatient Rehabilitation Hospital

Lease Agreement dated October 17, 2011 by and between TST Oklahoma City, LLC and Mercy Rehabilitation Hospital, LLC

Guaranty of Lease dated October 17, 2011 given by Centerre Healthcare Corporation to guarantee the financial commitments and obligations of Mercy Rehabilitation Hospital, LLC related to certain premises leases to Tenant by TST Oklahoma City, LLC

Confirmation of Commencement Date dated October 17, 2011 by and between TST Oklahoma City, LLC and Mercy Rehabilitation Hospital, LLC

Assignment and Assumption of Leases and Deposits dated July 14, 2015 by and between TST Oklahoma City, LLC and CHP Oklahoma City OK Rehab Owner, LLC

South Bend Inpatient Rehabilitation Hospital

Built to Suite Facility Lease Agreement dated February 27, 2009 by and between Elm Road MOB II, LLC and Saint Joseph Regional Medical Center-South Bend Campus, Inc.

Lease Amendment dated March 28, 2013 by and between Elm Road MOB II, LLC and Saint Joseph Regional Medical Center-South Bend Campus, Inc.

General Assignment and Assumption Agreement dated March 28, 2013 by and between Elm Road MOB II, LLC and TST Mishawaka IRF, LLC

Assignment and Assumption of Leases and Deposits dated July 15, 2014 by and between TST Mishawaka IRF, LLC and CHP Mishawaka IN Rehab Owner, LLC

Cobalt Rehabilitation Hospital of Surprise

Lease Agreement dated December 30, 2015 by and between CHP Surprise AZ Rehab Owner, LLC and Cobalt Rehabilitation Hospital IV, LLC

Las Vegas Inpatient Rehabilitation Hospital

Lease Agreement dated January 30, 2006 by and between LVRH Properties, LLC and Las Vegas Rehabilitation Hospital

Addendum to Lease dated January 30, 2006 by and between LVRH Properties, LLC and Las Vegas Rehabilitation Hospital, LLC

Amendment No 1 to the Lease dated January 30, 2009 by and between LVRH Properties, LLC and Las Vegas Rehabilitation Hospital

Amendment No 2 to Lease dated May 2, 2009 by and between LVRH Properties, LLC and Las Vegas Rehabilitation Hospital

Amendment No 3 to Lease dated March 12, 2009 by and between LVRH Properties, LLC and Las Vegas Rehabilitation Hospital

Amendment No 4 to Lease dated June 30, 2009 by and between LVRH Properties, LLC and Las Vegas Rehabilitation Hospital

Lease Assignment and Amendment dated June 1, 2010 by and between LVRH Properties, LLC, Las Vegas Rehabilitation Hospital, LLC and HealthSouth Rehabilitation Hospital of Desert Canyon, LLC

Guaranty of Lease dated June 1, 2010 by and between HealthSouth Corporation in favor of LVRH Properties, LLC

Assignment and Assumption of Agreement dated April 8, 2011 by and between LVRH Properties, LLC and TST Las Vegas, LLC

Assignment and Assumption of Leases and Deposits dated July 15, 2014 by and between TST Las Vegas, LLC and CHP Las Vegas NV Rehab Owner, LLC

Letter regarding Guaranty of Lease dated January 24, 2018 from Encompass Health Corporation to CHP Las Vegas NV Rehab Owner, LLC

*Exhibit "C"*

**LIST OF CONTRACTS**  
*(Listed by Property)*

Arizona Property - None

Indiana Property - Accounting Services Agreement dated July 15, 2014 by and between CHP Mishawaka IN Rehab Owner, LLC and Holladay Property Services Midwest, Inc.

Nevada Property - Accounting Services Agreement dated July 15, 2014 by and between CHP Las Vegas NV Rehab Owner, LLC and Holladay Property Services Midwest, Inc.

Oklahoma Property - Accounting Services Agreement dated July 15, 2014 by and between CHP Oklahoma City OK Rehabilitation Hospital and Holladay Property Services Midwest, Inc.

*Exhibit "D"*

**[Intentionally Deleted]**

*Exhibit "D" – Page 1*

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*Exhibit "E"*

**FORM OF DEED**

[Adapt to local form; Subject to review by Buyer's local counsel]

This instrument was prepared  
by and should be returned to:

[\_\_\_\_\_] ]  
[\_\_\_\_\_] ]  
[\_\_\_\_\_] ]  
[\_\_\_\_\_] ]

**LIMITED WARRANTY DEED**

**THIS LIMITED WARRANTY DEED**, made and executed as of the \_\_\_\_ day of \_\_\_\_\_ 20\_\_ by [\_\_\_\_\_] , a [\_\_\_\_\_] , having a mailing address at [\_\_\_\_\_] (hereinafter referred to as the "**Grantor**") to and in favor of [\_\_\_\_\_] , a Delaware limited liability company, whose address is c/o CNL Healthcare Properties, Inc., 450 South Orange Avenue, Orlando, Florida 32801, Attention: General Counsel and Senior Vice President (hereinafter referred to as the "**Grantee**");

**WITNESSETH:**

That the Grantor, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged by these presents does grant, bargain, sell, alien, remise, release, convey, and confirm unto the Grantee that certain piece, parcel or tract of land situated in [\_\_\_\_\_] County, [\_\_\_\_\_] , more particularly described as follows, to wit: **SEE EXHIBIT "A"** (hereinafter referred to as the "**Subject Property**");

TOGETHER WITH all the tenements, hereditaments, easements and appurtenances, including riparian rights, if any, thereto belonging or in anywise appertaining;

TO HAVE AND TO HOLD the Subject Property in fee simple forever;

AND the Grantor does hereby covenant with and warrant to the Grantee that the Grantor is lawfully seized of the Subject Property in fee simple; that the Grantor has good right and lawful authority to sell and convey the Subject Property; and that the Grantor fully warrants the title to the Subject Property and will defend the same against the lawful claims of all persons claiming by, through or under the Grantor, but against none other;

THE conveyance made herein, however, is expressly made SUBJECT TO ad valorem real property taxes and assessments for the year 20\_\_ and thereafter, not yet due and payable, and the easements and restrictions described on EXHIBIT "B" attached hereto, the reference to which shall not operate to reimpose or modify the same.

IN WITNESS WHEREOF, the Grantor has caused these presents to be executed and delivered in manner and form sufficient to bind it as of the day and year first above written.

Signed, sealed and delivered in the presence of:

[\_\_\_\_\_,] a [\_\_\_\_\_]

\_\_\_\_\_  
Name: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(CORPORATE SEAL)

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by [\_\_\_\_\_], as [\_\_\_\_\_] of [\_\_\_\_\_], a \_\_\_\_\_, on behalf of the \_\_\_\_\_. He is personally known to me or has produced \_\_\_\_\_ as identification.

(NOTARY SEAL)

\_\_\_\_\_

Signature of Notary Public

Typed or Printed Name of Notary

Commission No.:

My Commission Expires:

**Exhibit "F"**

**Form of  
BILL OF SALE**  
(\_\_\_\_\_ Property)

\_\_\_\_\_, a \_\_\_\_\_ ("Seller"), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby grants, bargains, sells, transfers and delivers to GMR \_\_\_\_\_, LLC a Delaware limited liability company ("Buyer"), all of the fixtures, equipment, furniture, furnishings, appliances, supplies and other personal property of every nature and description attached or pertaining to, or otherwise used in connection with the real property described on Exhibit A (the "**Real Property**") attached hereto and located within the Real Property (collectively, the "**Personal Property**"), but specifically excluding from the Personal Property any accounting software or related items, all property leased by Seller or owned by tenants or others, if any, to have and to hold the Personal Property unto Buyer, its successors and assigns, forever.

Seller grants, bargains, sells, transfers and delivers the Personal Property in its "**AS IS**" condition, WITH ALL FAULTS, IF ANY, and makes no representations or warranties, direct or indirect, oral or written, express or implied, as to title, encumbrances and liens, merchantability, condition or fitness for a particular purpose or any other warranty of any kind, all of which representations and warranties are expressly hereby disclaimed and denied.

Capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Purchase Agreement.

*[Signatures appear on following page]*

Signature Page to  
Bill of Sale

**SELLER:**

\_\_\_\_\_,  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**BUYER:**

**GMR \_\_\_\_\_, LLC,**  
a Delaware limited liability company

*[\*GMR entity TBD\*]*

By: **Global Medical REIT L.P.,**  
a Delaware limited partnership,  
its Sole Member

By: **Global Medical REIT GP LLC,**  
a Delaware limited liability company,  
its General Partner

By: **Global Medical REIT, Inc.,**  
a Maryland corporation,  
its sole Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTACH:**

Exhibit A – Real Property Description

*Exhibit "G"*

**Form of  
ASSIGNMENT AND ASSUMPTION OF LEASES, CONTRACTS AND  
SECURITY DEPOSITS**  
(\_\_\_\_\_ *Property*)

DATE: \_\_\_\_\_, 20\_\_

ASSIGNOR: \_\_\_\_\_, a \_\_\_\_\_

ASSIGNEE: GMR \_\_\_\_\_, LLC, a Delaware limited liability company

**RECITALS:**

WHEREAS, Assignor and Assignee have entered into that certain Purchase and Sale Agreement dated as of \_\_\_\_\_, 20\_\_ (the "**Purchase Agreement**"), wherein Assignor agreed to sell and Assignee agreed to buy certain real property described in Exhibit A attached hereto and the improvements located thereon (the "**Property**"); and

WHEREAS, Assignee desires to assume and Assignor desires to assign to Assignee all of Assignor's interest (i) as landlord, under the leases described in Exhibit B attached hereto and incorporated herein pertaining to the Property, including any security deposits, letters of credit, advance rentals, or like payments held by Assignor in connection with the Leases, and all guaranties of such leases (collectively, the "**Leases**"), and (ii) as owner, under the service contracts (the "**Contracts**") described in Exhibit C attached hereto and incorporated herein pertaining to the Property.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. **Assignment.** Assignor conveys and assigns to Assignee all of Assignor's right, title and interest in and to the Leases and the Contracts, together with the right to receive any and all sums and proceeds arising out of said Leases and Contracts, from and after the date of conveyance of the Property by Assignor to Assignee (the "**Conveyance Date**").

2. **Assumption.** Assignee assumes and agrees to be bound by all of Assignor's liabilities and obligations pursuant to the Leases and the Contracts, if any, and agrees to perform and observe all of the covenants and conditions contained in the Leases and the Contracts, from and after the Conveyance Date.

3. **Indemnification.** Assignee covenants and agrees to indemnify and hold harmless Assignor for, from and against any actions, suits, proceedings or claims, and all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred in connection therewith, arising out of any breach of any of the Leases or the Contracts by Assignee to the extent occurring from and after the Conveyance Date. Assignor covenants and agrees to indemnify and hold harmless Assignee for, from and against any actions, suits, proceedings or claims, and all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred in connection therewith, arising out of any breach of any of the Leases or the Contracts by Assignor to the extent occurring prior to the Conveyance Date.

4. **Binding Effect.** This Assignment shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns.

5. **Construction; Definitions.** This Assignment shall be construed according to \_\_\_\_\_ law, without regard to its conflicts of laws principles. Capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Purchase Agreement.

6. **Counterparts.** This Assignment may be executed in counterparts, which taken together shall constitute one original instrument.

DATED as of the day and year first above written.

*[Signatures Appear on Following Page]*

*Signature Page to  
Assignment and Assumption of Leases,  
Contracts and Security Deposits*

**SELLER:**

\_\_\_\_\_,  
a \_\_\_\_\_,

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**BUYER:**

**GMR \_\_\_\_\_, LLC,**  
a Delaware limited liability company

*[\*GMR entity TBD\*]*

By: **Global Medical REIT L.P.,**  
a Delaware limited partnership,  
its Sole Member

By: **Global Medical REIT GP LLC,**  
a Delaware limited liability company,  
its General Partner

By: **Global Medical REIT, Inc.,**  
a Maryland corporation,  
its sole Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTACH:**

Exhibit A - Property Description  
Exhibit B - Leases  
Exhibit C – Contracts

*Exhibit "H"*

**Form of  
ASSIGNMENT OF INTANGIBLE PROPERTY**  
(\_\_\_\_\_ *Property*)

DATE: \_\_\_\_\_, 20\_\_

ASSIGNOR: \_\_\_\_\_, a \_\_\_\_\_

ASSIGNEE: GMR \_\_\_\_\_, LLC, a Delaware limited liability company

**RECITALS:**

A. Assignor presently owns the real property described in Exhibit A to this Assignment and the improvements and personal property located thereon (the "**Property**").

B. Assignor and Assignee have entered into that certain Purchase and Sale Agreement dated as of \_\_\_\_\_, 20\_\_ (the "**Purchase Agreement**"), wherein Assignor agreed to sell and Assignee agreed to buy the Property;

C. Assignor desires to sell the Property to Assignee, and in connection therewith, Assignor desires to assign to Assignee and Assignee desires to acquire Assignor's interest, if any, in and to the following described rights, interests and property inuring to the benefit of Assignor and relating to the Property.

FOR VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, Assignor agrees as follows:

1. Assignment. Assignor assigns, transfers, sets over, and conveys to Assignee, to the extent the same are assignable, all of Assignor's right, title, and interest, if any, in and to (i) any warranties and/or guaranties, express or implied, from contractors, builders, manufacturers, and/or suppliers inuring to the benefit of Assignor and relating to the Property, (ii) any licenses, permits and approvals relating to the Property, (iii) any service marks, logos and trade names, (iv) all plans, drawings and specifications and (v) any development rights.

2. Binding Effect. This Assignment shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

3. Construction; Definitions. This Assignment shall be construed according to \_\_\_\_\_ law, without regard to its conflicts of laws principles. Capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Purchase Agreement.

DATED as of the day and year first above written.

ASSIGNOR:

\_\_\_\_\_,  
a \_\_\_\_\_

By:

Name: \_\_\_\_\_

Its: \_\_\_\_\_

ASSIGNEE:

**GMR \_\_\_\_\_, LLC,**  
a Delaware limited liability company

*[\*GMR entity TBD\*]*

By: **Global Medical REIT L.P.,**  
a Delaware limited partnership,  
its Sole Member

By: **Global Medical REIT GP LLC,**  
a Delaware limited liability company,  
its General Partner

By: **Global Medical REIT, Inc.,**  
a Maryland corporation,  
its sole Member

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ATTACH:

Exhibit A - Property Description

*Exhibit "I"*

**NON-FOREIGN AFFIDAVIT**

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by \_\_\_\_\_, a \_\_\_\_\_ ("Seller"), the undersigned hereby certifies the following:

1. Seller is not a foreign person, foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);

2. Seller's U.S. taxpayer identification number is \_\_\_\_\_; and

3. Seller's address is \_\_\_\_\_.

The undersigned understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both. Under penalties of perjury, the undersigned declares that it has examined this certification and to its knowledge and belief it is true, correct, and complete, and further declares that it has authority to sign this document.

Date: As of \_\_\_\_\_, 20\_\_

\_\_\_\_\_,  
a \_\_\_\_\_

By:

Name: \_\_\_\_\_  
Its: \_\_\_\_\_

*Exhibit "J"*

**Form of  
CERTIFICATE OF REPRESENTATIONS AND WARRANTIES**

**[Letterhead of Party Giving Certificate (Seller or Buyer)]**

\_\_\_\_\_, 20\_\_

[Name of Party Receiving Certificate (Seller or Buyer)]

[Address of Party Receiving Certificate]

[City, State]

Ladies and Gentlemen:

The undersigned hereby certifies that all of the representations and warranties made by it in Section \_\_\_\_ of the Purchase and Sale Agreement dated as of \_\_\_\_\_, 20\_\_ (the "**Purchase Agreement**") between the undersigned, as [insert Seller or Buyer], and you, as [insert Seller or Buyer], are true and correct as of the date hereof in all material respects, except as follows: [insert "**none**" or exceptions], which shall survive the date hereof for the period and subject to the limitations provided in the Purchase Agreement, and thereafter shall be null and void. The undersigned further ratifies and confirms the continued applicability of, and the understandings and agreements of the undersigned set forth in, such Section \_\_\_\_.

Very truly yours,

\_\_\_\_\_,  
a \_\_\_\_\_

By:

Name: \_\_\_\_\_

Its: \_\_\_\_\_

*Exhibit "K"*

**PROPERTY INFORMATION**

- I. Existing Title Policy
2. Underlying Title Documents
3. Existing Survey, site plan
4. [Intentionally Omitted]
5. Property Level Operating Statements (Year to Date)
6. Current Year Budget
7. Broker's Sale Package
8. General Ledger Report
9. CAM Reconciliation/CAM Budget:
  - a) Current Year CAM Estimates; and
  - b) Back up documentation to support CAM Reconciliation:
    - 1) Operating Expense Recovery Schedule;
    - 2) Schedule of Tenant Reimbursements (*i.e.* electricity sub-metered) previously billed; and
    - 3) Tenant ledgers (to show what was actually billed).
10. Tenant Financial Reports, certified personal financial statement of any lease guarantors
11. Tenant Contact List
12. Service Contracts
13. Utility Bills, list of all accounts with service providers, past two years
14. Property Tax Bills (Current year and Previous 2 years), special assessment info if any
15. Property Insurance -, both Tenant Certificates and Property Casualty and Liability including loss run reports, and if applicable, Elevation Certification for Flood Insurance
16. Personal Property Inventory
17. Aged Receivables Report

18. Existing Environmental Reports
19. Site/Floor/Building Plans (as-builts), CAD files if applicable
20. BOMA square footage calculations
21. Existing Seismic Report (if applicable)
22. Certificate of Occupancy (shell and all suites)
23. Property photos; interior and exterior, aerials
24. REA (Declarations) (if any)
25. Schedule of Litigation (if any)
26. Building Permits and Warranties (roof, mechanical, construction)
27. Zoning Compliance Letter, note violations, if any
28. Property Management Contract
29. Development Agreement (if any)
30. Association Documents, shared parking agreements, shared services, if any, applicable budgets
31. Lease Abstracts, if available
32. Tenant Leases (including all amendments, exhibits and correspondence)
33. List of open base building and tenant improvement construction, architectural or consultant agreements
34. Existing licenses and permits (including, without limitation, all licenses, permits, consents, authorizations, approvals, registrations and certificates issued by any governmental authorities or agencies affecting the applicable Properties which are held by Sellers or by affiliates of Sellers (or by property manager(s) for the benefit of Sellers)

SELLERS TO PROVIDE BUYERS WITH CURRENT FINANCIALS, ALL ORIGINAL TENANT LEASES (INCLUDING ALL AMENDMENTS, EXHIBITS AND CORRESPONDENCE) WITHIN ONE (1) BUSINESS DAY FOLLOWING THE CLOSE OF ESCROW.

*Exhibit "L"*

**Form of  
TENANT ESTOPPEL CERTIFICATE**

From: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
**("Tenant")**

To: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
**("Buyer")**

\_\_\_\_\_  
\_\_\_\_\_  
**("Landlord")**

\_\_\_\_\_  
\_\_\_\_\_  
**("Buyer's Lender")**

Lease: Lease dated \_\_\_\_\_, \_\_\_\_\_, between  
\_\_\_\_\_, a  
\_\_\_\_\_,  
and \_\_\_\_\_, a  
\_\_\_\_\_, as amended, modified or supplemented by  
\_\_\_\_\_[list all amendments, addenda, letter  
agreements and the like] (as so amended, modified and supplemented, the "**Lease**").

Premises: Suite(s) \_\_\_\_\_, consisting of a total of \_\_\_\_\_ rentable square feet, (the "**Premises**") located in the building known as \_\_\_\_\_,  
having an address of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the "**Building**").

Tenant hereby certifies to Landlord and Buyer as follows:

1. Tenant is the current Tenant under the Lease. The Lease is in full force and effect and is the only lease, agreement or understanding between Landlord and Tenant affecting the Premises and any rights to parking. The Lease has not been modified, altered or amended, except as follows: [commencement agreements, modifications, assignments or amendments to the Lease and all letter agreements or, if none, state "**None**".]

2. The initial term of the Lease commenced on \_\_\_\_\_, 20\_\_\_\_, and the current term will expire on \_\_\_\_\_, \_\_\_\_\_. The Tenant has an outstanding option to renew the Lease (which has not been waived or lapsed) for \_\_\_\_\_ (\_\_\_\_\_) additional \_\_\_\_\_ following the expiration date of the current term. Tenant has accepted and is presently occupying the Premises.

3. The base rent under the Lease is currently \$ \_\_\_\_\_ per month. [Tenant's current estimated operating expense rent is \$ \_\_\_\_\_ per month.] Tenant's pro rata share of operating expenses for the Building is \_\_\_\_\_. Tenant has fully paid all rent and other sums payable under the Lease on or before the date of this Certificate and Tenant has not paid any rent more than one month in advance.

4. Tenant is not in default under any of the provisions of the Lease, and no event has occurred and no circumstance exists which, with the passage of time or the giving of notice by Landlord, or both, would constitute such a default.

5. To Tenant's knowledge, Landlord is not in default under any of the provisions of the Lease, and no event has occurred and no circumstance exists which, with the passage of time or the giving of notice by Tenant, or both, would constitute such a default.

6. All construction to be performed and the improvements to be installed by Landlord on the Premises as a condition to Tenant's acceptance of the Premises, if any, have been completed and fully accepted by Tenant. All amounts to be paid by Landlord to Tenant for work performed by Tenant pursuant to any tenant improvement allowance have been paid in full. Any and all other leasing incentives, amounts which the Lease expressly requires to be paid by Landlord to Tenant or amounts to be credited against Tenant rent due under the Lease for any reason (exclusive of operating expense adjustments as may be applicable under the Lease) have been fully paid or credited as applicable, and no such amounts remain outstanding or remain to be credited.

7. All construction to be performed and the improvements to be installed by Tenant on the Premises, if any, have been completed. All amounts to be paid by Tenant for such construction and/or improvements have been paid in full.

8. As of the date of this Certificate, Tenant has no defenses, offsets or credits against the payment of rent and other sums due or to become due under the Lease or against the performance of any other of Tenant's obligations under the Lease.

9. Tenant has paid to Landlord a security deposit in the amount of \$ \_\_\_\_\_ [alternatively: Landlord is holding a letter of credit to secure Tenant's obligation under the Lease is the amount of \$ \_\_\_\_\_]. [The obligations of Tenant are guaranteed by \_\_\_\_\_, in accordance with the terms of the guaranty dated \_\_\_\_\_.]

10. Tenant has not subleased, assigned, pledged, hypothecated, or otherwise encumbered all or any portion of its interest in the Lease.

11. Tenant has no existing right of refusal, right of offer, or expansion rights, except \_\_\_\_\_ (all other rights, if any, having been waived or deemed waived). Tenant has no purchase option or other right to purchase the Premises or the Building.

12. There are no actions, voluntary or involuntary, pending against the Tenant under the bankruptcy laws of the United States or any state thereof.

13. The Premises is being operated as an inpatient rehabilitation facility, having \_\_\_ number of beds or Residents.

14. As of the date hereof, Tenant holds the following licenses: \_\_\_\_\_ (collectively, the "Current Licenses"). The Premises is in full compliance with the Current Licenses, and Tenant has not received any written notice from a governmental authority (including, without limitation, \_\_\_\_\_) alleging any violation under any Current Licenses that has not been previously remedied or stating any intention to cancel, terminate, suspend, or not renew any of the Current Licenses. There are no open or outstanding plans of correction with respect to the Premises.

15. [ADD TO ESTOPPEL FOR OKLAHOMA FACILITY ONLY] All obligations of Landlord under that certain Development Agreement dated of October 17, 2011, by and among TST Oklahoma City, LLC, as Owner and predecessor-in-interest to Landlord, The Sanders Trust, as Developer, and Tenant (the "Development Agreement") have been satisfied. Tenant acknowledges that upon its acquisition of the Building, Buyer will not assume the Development Agreement, will not be a party to the Development Agreement and will not have any of the obligations of Owner thereunder.

16. Tenant understands that this Certificate is required in connection with Buyer's acquisition of the Building, and Tenant agrees that Landlord, Buyer, Buyer's Lender and their respective assigns (including any parties providing financing for the Building) will, and shall be entitled to, rely on the truth of this Certificate. Tenant agrees that such parties will, and shall be entitled to, rely on the representations in this Certificate as being true and correct and continuing to be made, unless Tenant notifies Landlord and Buyer of a change in this Certificate prior to the closing.

17. The party executing this document on behalf of Tenant represents that he/she has been authorized to do so on behalf of Tenant.

EXECUTED on this \_\_\_ day of \_\_\_\_\_, 20\_\_.

TENANT

\_\_\_\_\_  
a \_\_\_\_\_

By:

Name: \_\_\_\_\_  
Its: \_\_\_\_\_

*Schedule 2*

**EARN OUT CONDITIONS**

The Earn-Out relates to and shall be applicable to the Purchase Price allocated to the Arizona Property. If the Earn-Out Sale occurs on or before May 31, 2019, Sellers shall receive an earn-out in the amount of One Million Dollars (\$1,000,000) (the “**Earn-Out Amount**”), which Buyers shall pay in a single lump-sum payment upon the expiration of the Survival Period in Section 17.1, subject to a right of offset against any amounts subject to claims brought by Buyers against Sellers under Section 17.1 prior to such date. Buyer shall deliver written notice to Seller evidencing completion of any Earn-Out Sale prior to 11:59 PM Eastern on May 31, 2019.

As used herein, the term “**Earn-Out Sale**” shall mean the proposed merger or acquisition, direct or indirect, of the current tenant occupying the Arizona Property by a reputable operator with (or having a guarantor with) an EBITDAR at the time of the acquisition of no less than \$25,000,000 as determined on a rolling twelve-month basis.

As used herein, the term “**EBITDAR**” shall mean, for any period, such entity’s net operating income, adjusted to add thereto, (i) interest expense; (ii) income tax expense; (iii) depreciation and amortization expense; and (iv) rental expense. Buyer shall use commercially reasonable efforts to approve any Earn-Out Sale prior to May 31, 2019.

*Schedule 10.1.5*

**CAPITAL EXPENDITURE RESERVE ACCOUNTS**

Cobalt Rehabilitation Hospital of Surprise - \$96,743.54 (see attached detail)

South Bend Inpatient Rehabilitation Hospital - \$270,295.16 (see attached detail)

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*Schedule 10.1.5*

**Capital Expenditure Reserve Accounts**

<b>Property Owner</b>	<b>Property Name</b>	<b>Bank</b>	<b>Statement Date</b>	<b>Balance</b>
CHP Surprise AZ Rehab Owner, LLC	Cobalt Rehabilitation Hospital of Surprise	Mutual of Omaha Bank	1/31/2019	\$ 96,743.54
CHP Mishiwaka IN Rehab Owner, LLC	South Bend Inpatient Rehabilitation Hospital	Key Bank	2/28/2019	\$ 270,295.16

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*Schedule 10.1.5*

## CERTIFICATIONS

I, Jeffrey M. Busch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2019 of Global Medical REIT Inc. (the “registrant”)
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.

Dated: May 9, 2019

/s/ Jeffrey M. Busch  
Jeffrey M. Busch, Chief Executive Officer  
(Principal Executive Officer)

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## CERTIFICATIONS

I, Robert J. Kiernan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2019 of Global Medical REIT Inc. (the “registrant”)
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.

Dated: May 9, 2019

/s/ Robert J. Kiernan

Robert J. Kiernan, Chief Financial Officer  
(Principal Financial and Accounting Officer)

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**Section 1350 Certification of Chief Executive Officer and Chief Financial Officer**

In connection with the Quarterly Report on Form 10-Q of Global Medical REIT Inc. (the "Company") for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey M. Busch, Chief Executive Officer of the Company and I, Robert J. Kiernan, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2019

/s/ Jeffrey M. BuschJeffrey M. Busch, Chief Executive Officer  
(Principal Executive Officer)

Dated: May 9, 2019

/s/ Robert J. KiernanRobert J. Kiernan, Chief Financial Officer  
(Principal Financial and Accounting Officer)

*This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.*

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