



GLOBAL
MEDICAL REIT

ANNUAL REPORT — 2016

WWW.GLOBALMEDICALREIT.COM

TO OUR STOCKHOLDERS



THE ROAD AHEAD

2016 was a transformative year for GMRE. In July, we successfully completed an initial public offering in which we raised gross proceeds of approximately \$150 million and were listed on the New York Stock Exchange. The success of the GMRE IPO provided validation of our original market opportunity and core strategy of acquiring licensed, purpose-built healthcare facilities and leasing them to leading clinical operators with a dominant market share under triple net leases. We believe we have an incredible opportunity in the large and growing healthcare market. By providing external capital to a range of physician operator/owners, we are able to create value for those partners while also building a durable, long-term investment for our stockholders.

Prior to our IPO, we began by deploying our seed capital, building our initial property portfolio investment to approximately \$93.2 million as of June 30, 2016. From the close of our IPO to December 31, 2016, we added nearly 421,000 square feet of leasable space increasing our gross property portfolio investment to just over \$200 million.

We fulfilled our goal of deploying our IPO proceeds by year-end, which has enabled us to enter 2017 with great momentum. We successfully negotiated a syndicated credit facility led by BMO Harris Bank. The initial agreement provided us with a secured revolving credit facility of \$75 million and an accordion feature for an additional \$125 million. As BMO proceeded with the syndication, they found robust demand from syndicate members. This ultimately allowed us to close an up-sized facility in March 2017 providing \$200 million of initial capacity with an accordion feature for an additional \$50 million. Securing this credit facility has allowed for continued acquisitions at a low cost of capital.

Looking back at our financial performance for 2016, we feel confident in GMRE's strategy and pace. In the third quarter of 2016, we declared our initial quarterly dividend. Following industry standards, we set this at a level above our initial Funds from Operations (FFO) rate while reserving a reasonable margin for growth over time. GMRE studied a range of comparable REITs and carefully considered our existing property

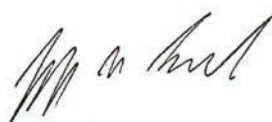
portfolio, acquisition pipeline, and capital formation opportunities when setting our dividend at 20 cents per share. Based on our IPO price of \$10, which was also the closing price on the day our dividend was declared, this represents an annual yield of 8 percent.

One crucial element in accelerating our acquisition pace has been additions we made to our deal team. During the second half of the year we added acquisition staff with a deep understanding of the healthcare space and extensive industry contact networks. GMRE is actively leveraging these assets to fill our pipeline with opportunities. Due to our visibility as a public company and continued success in closing transactions, the quantity and quality of inbound interest has never been higher. This interest has enabled us to remain selective when choosing to pursue acquisition opportunities.

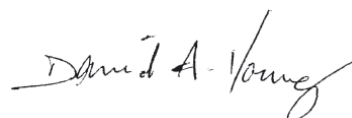
As our core mission, we seek to align ourselves with leading healthcare providers where we can provide value as a trusted, long-term real estate partner. Physicians depend on their facilities to operate their businesses yet find that partnering with a third-party owner such as GMRE allows them to unlock the capital tied up in their real estate so they can invest in the expansion of their core business, creating a “win-win” for both parties. We feel this is a very attractive and compelling solution for a wide variety of healthcare operators, resulting in a significant market opportunity for GMRE.

We would like to reiterate our optimism and enthusiasm as we continue to build GMRE. Beginning with the successful completion of our IPO and continuing with our subsequent syndicated credit facility, we have established a diversified capital structure which we are aggressively utilizing as we add to our property portfolio. We are targeting a very large market where our real estate offering has significant appeal, allowing us to create long term value for our shareholders. We thank you again for placing your trust in us and look forward to a mutually prosperous future.

Sincerely,



Jeff Busch
Chairman of the Board



David Young
Chief Executive Officer





OUR INVESTMENT IN HEALTH INFRASTRUCTURE

We bring significant healthcare industry experience and unparalleled flexibility by delivering real estate monetization solutions to healthcare providers for their new and existing facilities. We help free up the capital they need to grow and invest in their contemporary clinical and critical care businesses. GMRE's experienced management team combines expertise in real estate acquisitions, asset management and a thorough knowledge of the healthcare sector.

PORTFOLIO HIGHLIGHT: CLERMONT, FL



On March 1, 2017, GMRE acquired HVI Seller's interest in the ground lease that covers and affects certain real property located in Clermont, Florida along with HVI Seller's right, title and interest arising under the Ground Lease in and to the medical building located upon the Land for a purchase price of \$5.225 million. The Ground Lease commenced in 2012 and has an initial term of seventy-five years. At close we acquired the rent interest in four subleases affecting the Clermont Facility; South Lake Hospital, Inc., Orlando Health, Inc., and Vascular Specialists of Central Florida.

ASSET TYPE	CLINIC/DIAGNOSTIC
GROSS LEASABLE AREA	Approx. 18,000 SQ.FT.
BUILDING AGE	3 YEARS AT PURCHASE
LESSEE CREDIT QUALITY	A2 & BAA1 AT PURCHASE
LEASED OCCUPANCY	100%
LEASE TERM REMAINING	5.3 YEAR AVG. (WEIGHTED)
TRANSACTION VALUE	\$5.225 MILLION
BUILDINGS ACQUIRED	1

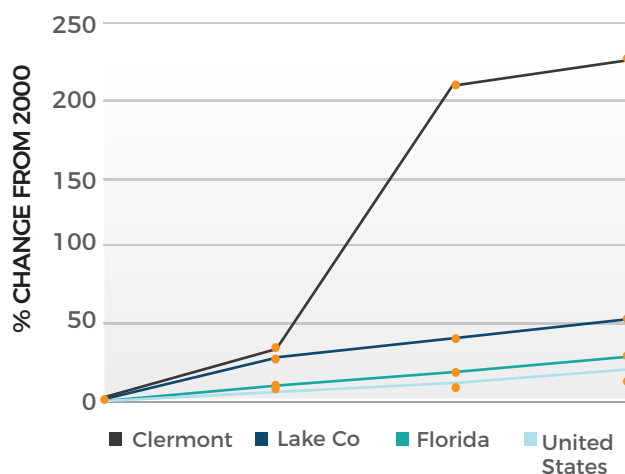
Market Dominant Tenant-Operator

- Anchor tenants are established entities with strong financial history (Orlando Health more than \$2B in revenue and South Lake more than \$160M)
- Primary tenants have long history of operations (Orlando Health established 1918 and South Lake 1947)
- Unique collaboration of healthcare providers, physicians groups, and hospital partners aiming to bring healthcare expertise to the Central Florida area

Stable and Beneficial Lease Structure

- Strong corporate credit
- 2.6% annual rent escalations (Blended)
- Leases include two five-year renewal options

POPULATION CHANGE (%) FROM 2000



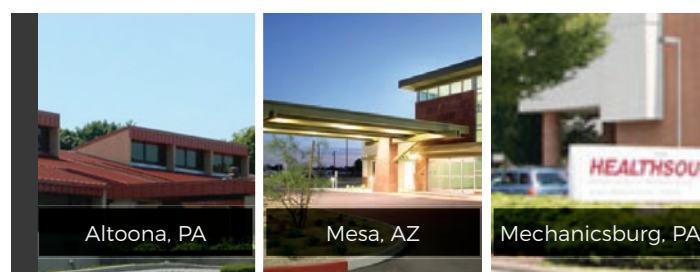
PORTFOLIO HIGHLIGHT:

HEALTHSOUTH PORTFOLIO, AZ & PA

On December 20, 2016, GMRE acquired three rehabilitation facilities operated by HealthSouth: the HealthSouth East Valley Rehabilitation Hospital located in Mesa, AZ for a purchase price of \$22,350,000, the HealthSouth Rehabilitation Hospital of Altoona located in Altoona, PA for a purchase price of \$21,545,000, and the HealthSouth Rehabilitation Hospital of Mechanicsburg located in Mechanicsburg, PA for a purchase price of \$24,198,000.

At closing GMRE assumed existing triple-net lease agreements with a combined average remaining initial lease term of approximately six years and subject to consecutive five-year renewal options by the tenant. The Mesa lease is guaranteed by HealthSouth Corporation, who is also the Tenant/ Operator of the

ASSET TYPE	INPATIENT REHABILITATION
GROSS LEASABLE AREA	200,746 SQ.FT.
ASSET QUALITY	CLASS A-/B+ ASSETS
EBITDARM / RENT	6X AVERAGE AT PURCHASE
LEASED OCCUPANCY	100%
LEASE EXPIRATION	5/2021(PA) & 11/2024(AZ)
TRANSACTION VALUE	68.1 MILLION
BUILDINGS ACQUIRED	3



Altoona, PA and Mechanicsburg, PA facilities. The aggregate annual rent for the Portfolio is currently \$5,183,517, subject to annual rent escalations of between 2% and 4% dependent on location. Information about HealthSouth, including its audited historical financial statements, can be obtained from its Annual Report on Form 10-K and other reports and filings available on its website www.healthsouth.com or on the SEC website at www.sec.gov.

Healthcare Facilities that serve contemporary healthcare trends

- Although each facility has a different overall layout, the buildings are purpose-built to provide a compliment to care
- Sustainable design elements such as the use of sunshade devices on windows
- Centrally located nursing stations
- Comforts amenities such as ample lounge areas and parking for family visits
- Care enhancement services like on-site pharmacies to properly obtain and administer prescriptions to patients

Strategy to Outperform

Creating attractive returns by leveraging management expertise and differentiated investment strategy

Our investments align with contemporary trends in the delivery of best healthcare practices. Our healthcare facilities are leased to established providers that, through clinical expertise and strong management, operate sustainable and dominant practices.



Attractive Acquisition Dynamics

- Less crowded market segment
- Deal sourcing through relationships
- Origination of new, preferential leases
- Targeting large addressable market



Out-sized Current Returns

- Annual rent increases
- Low impact of tenant improvements
- Insulation from operating cost increases



Low Volatility Portfolio

- Aggregate portfolio carries very strong rent coverage
- Single tenant focus mitigates need to consistently re-lease space

OUR PROPERTIES

Our portfolio of medical facilities



Portfolio Differentiators

- Average asset age of our facilities well below peers while the bulk of lease maturities occur in 2023 or after

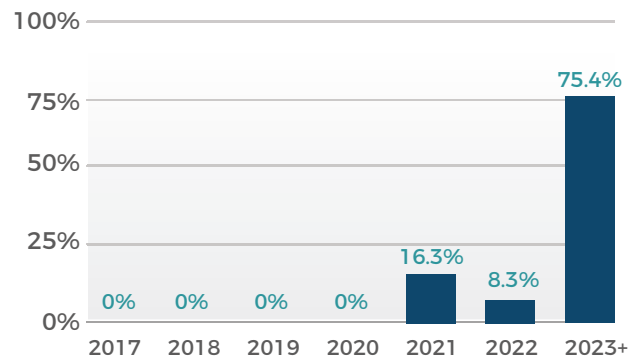
100%
LEASED

Market Dominant Tenants

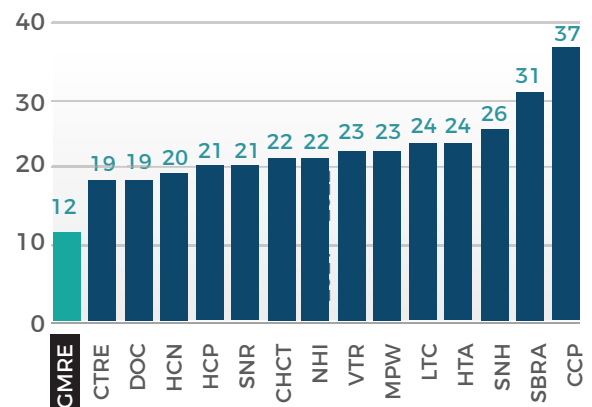


GMRE focuses its portfolio acquisitions on sale/leaseback transactions with tenant operators that are market leaders in their respective geographies and demographics. GMRE is positioned as a long-term real estate partner with capital contributions providing a variety of benefits for our tenants.

LEASE MATURITY - SQ. FT. EXPIRING



AVERAGE ASSET AGE



GMRE BRINGS IN-DEPTH HEALTHCARE INDUSTRY EXPERIENCE AND UNPARALLELED FLEXIBILITY BY DELIVERING REAL ESTATE MONETIZATION TO HEALTHCARE PROVIDERS FOR THEIR NEW AND EXISTING FACILITIES. GMRE HELPS FREE UP THE CAPITAL NEEDED TO GROW AND INVEST IN CONTEMPORARY CLINICAL AND CRITICAL CARE FACILITIES.



RECOGNIZE
OPPORTUNITY



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

FORM 10-K/A
Amendment No. 2 to

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

For the fiscal year ended **December 31, 2016**

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: **333-177592**

Global Medical REIT Inc.

(Exact name of registrant as specified in its charter)

<u>Maryland</u> (State or other jurisdiction of incorporation or organization)	<u>46-4757266</u> (I.R.S. Employer Identification No.)
<u>4800 Montgomery Lane #450, Bethesda, MD</u> (Address of principal executive offices)	<u>20814</u> (Zip Code)

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

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

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, \$0.001 par value per share	New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by a check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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. Check one:

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>
	Emerging growth company <input checked="" type="checkbox"/>

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

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

Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$0 as of June 30, 2016.

As of March 27, 2017 there were 17,605,675 shares of the registrant's common stock, par value of \$0.001 per share outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement filed in connection with the registrant's 2017 Annual Meeting of Stockholders are incorporated by reference into Part III of the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the United States Securities and Exchange Commission on March 27, 2017.

EXPLANATORY NOTE

Global Medical REIT Inc. is filing this Amendment No. 2 on Form 10-K/A (this “Amendment”) to include Exhibits 31.3 and 31.4, which were inadvertently omitted from our Amendment No. 1 on Form 10-K/A filed with the United States Securities and Exchange Commission on May 5, 2017. This Amendment is being filed to amend our Annual Report on Form 10-K for the year ended December 31, 2016, originally filed with the United States Securities and Exchange Commission on March 27, 2017 (the “Original Filing”), to voluntarily include Item 1A. Risk Factors and to correct the reference to our definitive Proxy Statement filed in connection with our 2017 Annual Meeting of Stockholders, portions of which are incorporated by reference into the Original Filing as set forth on the cover page of this Amendment.

PART I

ITEM 1A. RISK FACTORS

The following summarizes the material risks of purchasing or owning our securities. Additional unknown risks may also impair our financial performance and our business operations. Our business, financial condition and/or results of operations and cash flows may be materially adversely affected by the nature and impact of these risks. In such case, the market value of our securities could be detrimentally affected, and investors may lose part or all of the value of their investment. You should carefully consider the risks and uncertainties described below.

We have grouped these risk factors into the following general categories:

- *Risks related to our business and our healthcare facilities;*
- *Risks related to the healthcare industry;*
- *Risks related to the real estate industry;*
- *Risks related to financings;*
- *Risks related to our formation and structure;*
- *Risks related to our relationship with our advisor and other conflicts of interest; and*
- *Risks related to our qualification and operation as a REIT.*

Risks Related to Our Business and Our Healthcare Facilities

We have a limited history of operations and cannot assure you that our business objectives will be met.

We re-incorporated as a Maryland corporation in January 2014 and changed the focus of our business to our current business strategy. We acquired our first healthcare facility in June 2014. We have a limited history of operations of our healthcare facilities and our distributions to date have been primarily from invested cash. You should consider our prospects in light of the risks, uncertainties and difficulties frequently encountered by companies like ours that do not have a substantial operating history, many of which may be beyond our control. Such risks, uncertainties and difficulties include, among other things:

- we may acquire healthcare facilities that are not accretive;
- our tenant-operators may not be successful in their operations and may default under our triple-net leases;
- we may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms;
- agreements for the acquisition of healthcare facilities are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and we may spend significant time and money on potential acquisitions that we do not consummate;
- the process of acquiring or pursuing the acquisition of additional healthcare facilities may divert the attention of our management team from our existing business operations;
- we may be unable to quickly and efficiently integrate new acquisitions into our existing operations; and
- we may acquire healthcare facilities without recourse, or with only limited recourse, for liabilities, whether known or unknown, such as cleanup of environmental contamination, claims by tenant-operators, vendors or other persons against the former owners of the healthcare facilities and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the healthcare facilities.

We cannot guarantee in light of these risks, uncertainties and difficulties that we will succeed in achieving our goals and our failure to do so could have an adverse effect on our ability to pay distributions to our stockholders.

Our healthcare facilities are concentrated in medical hospitals, acute and post-acute care and other single-tenant-operator licensed healthcare-related facilities, making us more vulnerable economically to specific industry related risks than if our investments were diversified across different industries.

We acquire and own medical hospital, acute care and other single-tenant-operator licensed healthcare-related facilities. We are subject to risks inherent in concentrating investments in real estate, and the risks resulting from a lack of diversification become even greater as a result of our business strategy to concentrate our investments in the healthcare sector. Any adverse effects that result from these risks could be more pronounced than if we diversified our investments outside of licensed healthcare facilities. Given our concentration in this sector, our tenant-operator base is especially concentrated and dependent upon the healthcare industry generally, and any industry downturn could adversely affect the ability of our tenant-operators to make lease payments and our ability to maintain current rental and occupancy rates. Our tenant-operator mix could become even more concentrated if a significant portion of our tenant-operators practice in a particular medical field or are reliant upon a particular healthcare delivery system. Accordingly, a downturn in the healthcare industry generally, or a particular healthcare delivery system specifically, may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

The bankruptcy, insolvency or weakened financial condition of any of our significant tenant-operators could seriously harm our operating results, financial condition and cash flows.

We will receive substantially all of our revenue as rent payments from tenant-operators under triple-net leases of our healthcare facilities. Until we grow our asset base significantly, we will be dependent on a relatively small number of tenant-operators, some of which will account for a significant percentage of our rental revenue. For the three months ended March 31, 2017, our HealthSouth facilities comprised 30% of our rental revenue, our Omaha and Plano facilities each comprised 9% of our rental revenue, and our Tennessee facilities comprised 8% of our rental revenue. No other facilities comprised greater than 6% of our rental revenue during the three months ended March 31, 2017. We have no control over the success or failure of our tenant-operators' businesses and, at any time, any of our tenant-operators may experience a downturn in its business that may weaken its financial condition. Additionally, private or governmental payors may lower the reimbursement rates paid to our tenant-operators for their healthcare services. For example, the Patient Protection and Affordable Care Act of 2010 (the "Affordable Care Act") provides for significant reductions to Medicare and Medicaid payments. As a result, our tenant-operators may fail to make rent payments when due or declare bankruptcy. Any lessee failure to make rent payments when due or tenant-operator bankruptcy could result in the termination of the tenant-operator's lease and, particularly in the case of a large tenant-operator, or a significant number of tenant-operators, may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock. In addition, to the extent a tenant-operator vacates specialized space in one of our healthcare facilities (such as imaging space, ambulatory surgical space, or inpatient hospital space), re-leasing the vacated space could be more difficult than re-leasing more generic office space, as there are fewer users for such specialized healthcare space in a typical market than for more traditional office space. Tenant-operators also may not lease space at the quantity or rental rate levels projected.

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

Adverse economic or other conditions in the geographic markets in which we conduct business could negatively affect our occupancy levels and rental rates and therefore our operating results, financial condition and cash flows.

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

We may have difficulty finding suitable replacement tenant-operators in the event of a tenant-operator default or non-renewal of our leases, especially for our healthcare facilities located in smaller markets, which could negatively affect our operating results, financial condition and cash flows.

We cannot predict whether our tenant-operators will renew existing leases beyond their current terms. Nearly all of our healthcare facilities are subject to triple-net leases which have multi-year terms. As of March 31, 2017, none of our existing leases expire before 2021. However, if any of our leases are not renewed, we would attempt to lease those healthcare facilities to another tenant-operator. In case of non-renewal, we generally have advance notice before expiration of the lease term to arrange for repositioning of the healthcare facilities and our tenant-operators are required to continue to perform all of their obligations (including the payment of all rental amounts) for the non-renewed assets until such expiration. However, following expiration of a lease term or if we exercise our right to replace a tenant-operator in default, rental payments on the related healthcare facilities could decline or cease altogether while we reposition the healthcare facilities with a suitable replacement tenant. We also might not be successful in identifying suitable replacement tenant-operators or entering into triple-net leases with new tenant-operators on a timely basis or on terms as favorable to us as our current triple-net leases, or at all, and we may be required to fund certain expenses and obligations (e.g., real estate taxes, debt costs and maintenance expenses) to preserve the value of, and avoid the imposition of liens on, our healthcare facilities while they are being repositioned. Our ability to reposition our healthcare facilities with a suitable tenant-operator could be significantly delayed or limited by state licensing, receivership, certificate of need or other laws, as well as by the Medicare and Medicaid change-of-ownership rules. We could also incur substantial additional expenses in connection with any licensing, receivership or change-of-ownership proceedings. In addition, our ability to locate suitable replacement tenant-operators could be impaired by the specialized healthcare uses or contractual restrictions on use of the healthcare facilities, and we may be required to spend substantial amounts to adapt the healthcare facilities to other uses. Any such delays, limitations and expenses could adversely impact our ability to collect rent, obtain possession of leased healthcare facilities or otherwise exercise remedies for tenant-operator default and could have a material adverse effect on us.

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

We may be unable to successfully enter into definitive purchase agreements for or close the acquisition of the properties in our investment pipeline.

There is no assurance that we will successfully enter into definitive purchase agreements for the facilities in our investment pipeline. We could determine through a market analysis, a review of historical and projected financial statements of the property or the operator, a review of current insurance or other due diligence that the prospective facility does not meet our investment standards. We also may be unable to come to an agreement. Additionally, there is no assurance that we will successfully close an acquisition once a purchase agreement has been signed. After a purchase agreement has been signed, we typically have a due diligence period of 45 to 60 days. If we identify problems with the property or the operator during our due diligence review, we may terminate the purchase agreement and not close.

We may be unable to successfully acquire healthcare facilities and expand our operations into new or existing markets.

We intend to explore acquisitions of healthcare facilities in new and existing geographic markets. These acquisitions could divert management's attention from our existing healthcare facilities, and we may be unable to retain key employees or attract highly qualified new employees. In addition, we may not possess familiarity with the dynamics and prevailing conditions of any new geographic markets which could adversely affect our ability to successfully expand into or operate within those markets. For example, new markets may have different insurance practices, reimbursement rates and local real estate, zoning and development regulations than those with which we are familiar. Our expansion into new markets could result in unexpected costs or delays and other adverse consequences. We may not be successful in identifying suitable healthcare facilities with suitable tenant-operators which meet our acquisition criteria or in consummating acquisitions on satisfactory terms or at all for a number of reasons, including, among other things, unsatisfactory results of our due diligence investigations, failure to obtain financing for the acquisition on favorable terms or at all, and our misjudgment of the value of the opportunities. If we are unsuccessful in expanding into new or our existing markets, it could adversely affect our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

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

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

Some of our healthcare facilities are subject to ground leases and some of the healthcare facilities that we acquire in the future may be subject to ground leases or other restrictions on the use of the space. If we are required to undertake significant capital expenditures to procure new tenant-operators, then our business, results of operations and cash flows may suffer.

Two of our healthcare facilities, representing approximately 6% of our total leasable square feet as of March 31, 2017 and 10% of our rental revenue for the three months ended March 31, 2017, are subject to ground leases that contain certain restrictions. These restrictions include limits on our ability to re-let our healthcare facilities to tenant-operators not affiliated with the healthcare delivery system that owns the underlying healthcare facility, rights of purchase and rights of first offer and refusal with respect to sales of the healthcare facility and limits on the types of medical procedures that may be performed. In addition, lower than expected rental rates upon re-letting could impede our growth. We may not be able to re-let space on terms that are favorable to us or at all. Further, we may be required to undertake significant capital expenditures to renovate or reconfigure space to attract new tenant-operators. If we are unable to promptly re-let our healthcare facilities, if the rates upon such re-letting are significantly lower than expected or if we are required to undertake significant capital expenditures in connection with re-letting, our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock may be adversely affected.

Our healthcare facilities and our tenant-operators may be unable to compete successfully.

Our healthcare facilities often face competition from nearby hospitals and other healthcare facilities that provide comparable services. Similarly, our tenant-operators face competition from other medical practices and service providers at nearby hospitals and other healthcare facilities. From time to time and for reasons beyond our control, managed care organizations may change their lists of preferred hospitals or in-network physicians. Physicians also may change hospital affiliations. If competitors of our tenant-operators or competitors of the associated healthcare delivery systems with which our healthcare facilities are strategically aligned have greater geographic coverage, improve access and convenience to physicians and patients, provide or are perceived to provide higher quality services, recruit physicians to provide competing services at their facilities, expand or improve their services or obtain more favorable managed care contracts, our tenant-operators may not be able to successfully compete. Any reduction in rental revenues resulting from the inability of our tenant-operators or the associated healthcare delivery systems with which our healthcare facilities are strategically aligned to compete in providing medical services and/or receiving sufficient rates of reimbursement for healthcare services rendered may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

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

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

- Our joint venture partners may make management, financial and operating decisions with which we disagree or that are not in our best interest;
- We may be prevented from taking actions that are opposed by our joint venture partners;
- Our ability to transfer our interest in a joint venture to a third party may be restricted;
- Our joint venture partners might become bankrupt or fail to fund their share of required capital contributions which may delay construction or development of a healthcare related facility or increase our financial commitment to the joint venture;
- Our joint venture partners may have business interests or goals with respect to the healthcare related facility that conflict with our business interests and goals which could increase the likelihood of disputes regarding the ownership, management or disposition of the healthcare related facility;
- Disputes may develop with our joint venture partners over decisions affecting the healthcare related facility or the joint venture which may result in litigation or arbitration that would increase our expenses and distract our officers and/or directors from focusing their time and effort on our business and possibly disrupt the daily operations of the healthcare related facility; and
- We may suffer losses as a result of the actions of our joint venture partners with respect to our joint venture investments.

Joint venture investments involve risks that may not be present with other methods of ownership. In addition to those risks identified above, our partner might at any time have economic or other business interests or goals that are or become inconsistent with our interests or goals; that we could become engaged in a dispute with our partner, which could require us to expend additional resources to resolve such disputes and could have an adverse impact on the operations and profitability of the joint venture; and that our partner may be in a position to take action or withhold consent contrary to our instructions or requests. In addition, our ability to transfer our interest in a joint venture to a third party may be restricted. Although currently not applicable to our existing joint venture arrangements, in the future, in certain instances, we or our partner may have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partner's interest, at a time when we otherwise would not have initiated such a transaction. Our ability to acquire our partner's interest may be limited if we do not have sufficient cash, available borrowing capacity or other capital resources. In such event, we may be forced to sell our interest in the joint venture when we would otherwise prefer to retain it. Joint ventures may require us to share decision-making authority with our partners, which could limit our ability to control the healthcare facilities in the joint ventures. Even when we have a controlling interest, certain major decisions may require partner approval, such as the sale, acquisition or financing of a healthcare facility.

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

Our tenant-operators are required to maintain comprehensive liability, fire, flood, earthquake, wind (as deemed necessary or as required by our lenders), and extended coverage insurance with respect to our healthcare facilities. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to earthquakes, riots, acts of war or terrorism. Should an uninsured loss occur, or if there is a significant deductible to be paid and our tenant-operator is unable to fund such loss or deductible, we could lose both our investment in and anticipated profits and cash flows from a healthcare related facility. As a result, our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock may be adversely affected.

Environmental compliance costs and liabilities associated with owning, leasing, developing and operating our healthcare facilities may affect our financial condition, results of operations, and cash flows.

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

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

Costs associated with complying with the Americans with Disabilities Act of 1990 may result in unanticipated expenses.

Under the Americans with Disabilities Act of 1990, or the ADA, all places of public accommodation are required to meet certain U.S. federal requirements related to access and use by disabled persons. A number of additional U.S. federal, state and local laws may also require modifications to our healthcare facilities, or restrict certain further renovations of the buildings, with respect to access thereto by disabled persons. Noncompliance with the ADA could result in the imposition of fines, an award of damages to private litigants and/or an order to correct any non-complying feature which could result in substantial capital expenditures. Our leases provide that our tenant-operators shall maintain our healthcare facilities in compliance with such laws, however, we have not conducted a detailed audit or investigation of all of our healthcare facilities to determine such compliance, and we cannot predict the ultimate cost of compliance with the ADA or other legislation. If one or more of our healthcare facilities is not in compliance with the ADA or other related legislation, then our tenant-operators would be required to incur additional costs to bring the facility into compliance. These costs, if substantial, could have an adverse economic effect on our tenant-operators which could adversely affect our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock may be adversely affected.

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

We receive substantially all of our revenues by leasing our healthcare facilities under long-term triple-net leases in which the rental rate is generally fixed with annual escalations. Leases in the future may contain escalators contingent upon the achievement of specified revenue parameters or based on changes in the Consumer Price Index. If, as a result of weak economic conditions or other factors, the revenues generated by our triple-net leased healthcare facilities do not meet the specified parameters or the Consumer Price Index does not increase, our growth and profitability will be hindered by these triple-net leases.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial condition, results of operations and cash flows.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber-incident include operational interruption, damage to our relationship with our tenant-operators, and private data exposure. We have implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber-incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

Risks Related to the Healthcare Industry

The healthcare industry is heavily regulated, and new laws or regulations, changes to existing laws or regulations, loss of licensure or failure to obtain licensure could adversely impact our company, financial condition, results of operations and cash flows and could result in the inability of our tenant-operators to make rent payments to us.

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

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

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

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

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

On January 20, 2017, newly-sworn-in President Trump issued an executive order aimed at seeking the prompt repeal of the Affordable Care Act, and directed the heads of all executive departments and agencies to minimize the economic and regulatory burdens of the Affordable Care Act to the maximum extent permitted by law. In addition, there have been and continue to be numerous Congressional attempts to amend and repeal the Affordable Care Act. We cannot predict whether any of these attempts to amend or repeal the Affordable Care Act will be successful. The future of the Affordable Care Act is uncertain and any changes to existing laws and regulations, including the Affordable Care Act's repeal, modification or replacement, could have a long-term financial impact on the delivery of and payment for healthcare. We and our tenants may be adversely affected by the law or its repeal, modification or replacement.

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

The healthcare industry is currently experiencing, among other things:

- changes in the demand for and methods of delivering healthcare services;
- changes in third party reimbursement methods and policies;
- consolidation and pressure to integrate within the healthcare industry through acquisitions and joint ventures; and
- increased scrutiny of billing, referral and other practices by U.S. federal and state authorities.

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

Reductions in reimbursement from third-party payors, including Medicare and Medicaid, could adversely affect the profitability of our tenant-operators and hinder their ability to make rent payments to us or renew their lease, which could impact our financial condition, results of operations and cash flows.

Sources of revenue for our tenant-operators typically include the U.S. federal Medicare program, state Medicaid programs, private insurance payors and health maintenance organizations. Healthcare providers continue to face increased government and private payor pressure to control or reduce healthcare costs and significant reductions in healthcare reimbursement, including reduced reimbursements and changes to payment methodologies under the Affordable Care Act. The Congressional Budget Office, or CBO, estimates the reductions required by the Affordable Care Act over the next ten years following enactment of the act will include \$415 billion in cuts to Medicare fee-for-service payments, the majority of which will come from hospitals, and that some hospitals will become insolvent as a result of the reductions. In some cases, private insurers rely on all or portions of the Medicare payment systems to determine payment rates which may result in decreased reimbursement from private insurers. The Affordable Care Act will likely increase enrollment in plans offered by private insurers who choose to participate in state-run exchanges, but the Affordable Care Act also imposes new requirements for the health insurance industry, including prohibitions upon excluding individuals based upon pre-existing conditions which may increase private insurer costs and, thereby, cause private insurers to reduce their payment rates to providers. At this time, it is difficult to predict the full effects of the Affordable Care Act and its impact on our business, our revenues and financial condition and those of our tenant-operators due to the law's complexity, lack of implementing regulations or interpretive guidance, gradual implementation and possible amendment. The Affordable Care Act could adversely affect the reimbursement rates received by our tenant-operators, the financial success of our tenant-operators and strategic partners and consequently us.

If the United States economy enters a recession or slower growth, this could negatively affect state budgets, thereby putting pressure on states to decrease spending on state programs including Medicaid. The need to control Medicaid expenditures may be exacerbated by the potential for increased enrollment in state Medicaid programs due to unemployment and declines in family incomes. Historically, states have often attempted to reduce Medicaid spending by limiting benefits and tightening Medicaid eligibility requirements. Many states have adopted, or are considering the adoption of, legislation designed to enroll Medicaid recipients in managed care programs and/or impose additional taxes on hospitals to help finance or expand the states' Medicaid systems. Potential reductions to Medicaid program spending in response to state budgetary pressures could negatively impact the ability of our tenant-operators to successfully operate their businesses.

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

Our tenant-operators and our company are subject to fraud and abuse laws, the violation of which by a tenant-operator may jeopardize the tenant-operator's ability to make rent payments to us, which could impact our financial condition, results of operations and cash flows.

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

These laws include without limitation:

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

Violations of these laws may result in criminal and/or civil penalties that range from punitive sanctions, damage assessments, penalties, imprisonment, denial of Medicare and Medicaid payments and/or exclusion from the Medicare and Medicaid programs. In addition, the Affordable Care Act clarifies that the submission of claims for items or services generated in violation of the Anti-Kickback Statute constitutes a false or fraudulent claim under the False Claims Act. The U.S. federal government has taken the position, and some courts have held that violations of other laws, such as the Stark Law, can also be a violation of the False Claims Act. Additionally, certain laws, such as the False Claims Act, allow for individuals to bring whistleblower actions on behalf of the government for violations thereof. Imposition of any of these penalties upon one of our tenant-operators or strategic partners could jeopardize that tenant-operator's ability to operate or to make rent payments or affect the level of occupancy in our healthcare facilities, which may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock. Further, we enter into leases and other financial relationships with healthcare delivery systems that are subject to or impacted by these laws. In the future we may have other investors who are healthcare providers in certain of our subsidiaries that own our healthcare facilities. If any of our relationships, including those related to the other investors in our subsidiaries, are found not to comply with these laws, we and our physician investors may be subject to civil and/or criminal penalties.

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

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

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

Risks Related to the Real Estate Industry

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

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

- vacancies or our inability to rent vacant healthcare facilities on favorable terms, including possible market pressures to offer tenant-operators rent abatements, tenant-operator improvements, early termination rights or tenant-favorable renewal options;
- inability to collect rent from tenant-operators;
- competition from other real estate investors with significant capital, including other real estate operating companies, REITs and institutional investment funds;
- reductions in the level of demand for healthcare facilities and changes in the demand for certain healthcare-related facilities;
- increases in expenses associated with our real estate operations, including, but not limited to, insurance costs, costs of compliance with laws and regulations and governmental policies; and
- changes in, and changes in enforcement of, laws, regulations and governmental policies associated with real estate, including, without limitation, health, safety, environmental, zoning and tax laws, governmental fiscal policies and the ADA.

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

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

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

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

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

We intend to hold our various real estate investments until such time as we determine that a sale or other disposition appears to be advantageous to achieve our investment objectives. Our senior management team and our board of directors may exercise their discretion as to whether and when to sell a healthcare facility, and we will have no obligation to sell our buildings at any particular time. We generally intend to hold our healthcare facilities for an extended period of time, and we cannot predict with any certainty the various market conditions affecting real estate investments that will exist at any particular time in the future. Because of the uncertainty of market conditions that may affect the future disposition of our healthcare facilities, we may not be able to sell our buildings at a profit in the future or at all. We may incur prepayment penalties in the event that we sell a healthcare facility subject to a mortgage earlier than we otherwise had planned. Additionally, we could be forced to sell healthcare facilities at inopportune times which could result in us selling the affected building at a substantial loss. Accordingly, the extent to which you will receive cash distributions and realize potential appreciation on our real estate investments will, among other things, be dependent upon fluctuating market conditions. Any inability to sell a healthcare facility could adversely impact our ability to make debt payments and distributions to our stockholders.

Our assets may become subject to impairment charges.

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

Risks Related to Financings

Higher mortgage rates may make it more difficult for us to finance or refinance healthcare facilities, which could reduce the number of healthcare facilities we can acquire and the amount of cash available for distribution to our stockholders.

If mortgage debt is unavailable on reasonable terms as a result of increased interest rates or other factors, we may not be able to finance the purchase of additional healthcare facilities. In addition, if we place mortgage debt on our healthcare facilities, we run the risk of being unable to refinance such debt when the loans come due, or of being unable to refinance on favorable terms. If interest rates are higher when we refinance debt, our income could be reduced. We may be unable to refinance debt at appropriate times, which may require us to sell healthcare facilities on terms that are not advantageous to us, or could result in the foreclosure of such healthcare facilities. If any of these events occur, our cash flows would be reduced. This, in turn, would reduce cash available for distribution to our stockholders and may impact our ability to raise more capital by issuing securities or by borrowing more money.

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

We borrow on our revolving credit facility to acquire properties. We are subject to risks associated with debt financing, including the risk that existing indebtedness may not be refinanced or that the terms of refinancing may not be as favorable as the terms of current indebtedness. We also expect to incur additional debt in connection with future investments. We do not anticipate that our internally generated cash flow will be adequate to repay our existing indebtedness upon maturity, and, therefore, we expect to repay our indebtedness through refinancings and future offerings of equity and debt securities, either of which we may be unable to secure on favorable terms or at all. Our level of debt and the limitations imposed upon us by our debt agreements could have adverse consequences, including the following:

- Our cash flow may be insufficient to meet our required principal and interest payments;
- We may be unable to borrow additional funds as needed or on favorable terms, including to make acquisitions;
- We may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- Because a portion of our debt bears, or is expected to bear, interest at variable rates, an increase in interest rates could materially increase our interest expense;
- We may fail to effectively hedge against interest rate volatility;
- We may be forced to dispose of one or more of our healthcare facilities, possibly on disadvantageous terms if we are able to do so at all;
- After debt service, the amount available for distributions to our stockholders is reduced;
- Our leverage could place us at a competitive disadvantage compared to our competitors who have less debt;
- We may experience increased vulnerability to economic and industry downturns, reducing our ability to respond to changing business and economic conditions;
- We may default on our obligations and the lenders or mortgagees may foreclose on our healthcare facilities that secure their loans and receive an assignment of rents and leases;
- We may violate financial covenants which would cause a default on our obligations;
- We may inadvertently violate non-financial restrictive covenants in our loan documents, such as covenants that require us to maintain the existence of entities, maintain insurance policies and provide financial statements, which would entitle the lenders to accelerate our debt obligations; and
- Our default under any one of our mortgage loans with cross-default or cross-collateralization provisions could result in default on other indebtedness or result in the foreclosures of our other healthcare facilities.

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

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

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

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

Our organizational documents contain no limitations on the amount of indebtedness that we or Global Medical REIT L.P., or the Operating Partnership, may incur. We could alter the balance between our total outstanding indebtedness and the value of our healthcare facilities at any time. If we become more highly leveraged, the resulting increase in outstanding debt could adversely affect our ability to make debt service payments, to pay our anticipated distributions and to make the distributions required to qualify as a REIT. The occurrence of any of the foregoing risks could adversely affect our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

Failure to hedge effectively against interest rate changes may adversely affect our financial condition, results of operations and cash flows.

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

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

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

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

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

Risks Related to Our Formation and Structure

We will have no direct operations and will rely on funds received from our Operating Partnership and its subsidiaries to meet our obligations.

We conduct substantially all of our operations through our Operating Partnership. We own approximately 97.7% of the limited partnership units of our Operating Partnership ("OP Units") and apart from this ownership interest, we do not have any independent operations. As a result, we rely on distributions from our Operating Partnership to pay any dividends that we might declare on our common stock. We also rely on distributions from our Operating Partnership to meet our obligations, including tax liability on taxable income allocated to us from our Operating Partnership (which might make distributions to us not equal to the tax on such allocated taxable income). Stockholders' claims will consequently be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, claims of our stockholders will be satisfied only after all of our and our Operating Partnership's and its subsidiaries' liabilities and obligations have been paid in full.

We will be subject to the requirements of the Sarbanes-Oxley Act of 2002.

Management will be required to deliver a report that assesses the effectiveness of our internal controls over financial reporting, pursuant to Section 302 of the Sarbanes-Oxley Act. Additionally, Section 404 of the Sarbanes-Oxley Act will require our auditors to deliver an attestation report on the effectiveness of our internal controls over financial reporting in conjunction with their opinion on our audited financial statements as of December 31, 2017. Substantial work on our part is required to implement appropriate processes, document the system of internal control over key processes, assess their design, remediate deficiencies identified and test their operation. This process is expected to be both costly and challenging.

Under the supervision of management, including our Chief Executive Officer (our “CEO”) and Chief Financial Officer (our “CFO”), we conducted an evaluation of the effectiveness of our internal control over financial reporting and based on that evaluation, our management concluded that our internal controls over financial reporting were not effective as of December 31, 2016. Our CEO and CFO concluded that we have a material weakness due to lack of segregation of duties in multiple areas within the Company. In order to remediate the material weakness our management has identified, management intends to employ additional personnel throughout the Company and reassign roles and responsibilities amongst the current and newly hired personnel as needed in order to enhance the segregation of duties and the control environment. Additionally, we have engaged an independent consulting firm that specializes in compliance with the Sarbanes Oxley Act to undertake a full review and evaluation of our personnel levels, key processes, and procedures and to complete documentation that can be monitored and independently tested..

We believe the remedial measures we have undertaken and will continue to implement will address the material weakness in our internal controls. If the remedial measures described above are insufficient to address the identified material weaknesses or are not implemented effectively, or additional deficiencies arise in the future, material misstatements in our interim or annual financial statements may occur in the future. Among other things, any unremediated material weaknesses could result in material post-closing adjustments in future financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, all of which could lead to a decline in the per share trading price of our common stock. Additionally, we could receive an adverse opinion on our internal controls over financial reporting which will be required to be attested to by our independent auditors effective with our fiscal year ending December 31, 2017.

Our use of OP Units as currency to acquire healthcare facilities in the future could result in stockholder dilution and/or limit our ability to sell such healthcare facilities, which could have a material adverse effect on us.

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

Conflicts of interest could arise as a result of our UPREIT structure.

Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any partner thereof, on the other. Our directors and officers have duties to us under applicable Maryland law in connection with their management of our company. At the same time, we, as general partner, have fiduciary duties to our Operating Partnership and to the limited partners under Delaware law in connection with the management of our Operating Partnership. Our duties, as general partner, to our Operating Partnership and its limited partners may come into conflict with the duties of our directors and officers.

Unless otherwise provided for in the relevant partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibits such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest.

Additionally, the partnership agreement expressly limits our liability by providing that we, as the sole member of the general partner of the Operating Partnership, and our directors or officers will not be liable or accountable in damages to our Operating Partnership, the limited partners or assignees for errors in judgment, mistakes of fact or law or for any act or omission if the general partner or such director or officer acted in good faith. In addition, our Operating Partnership is required to indemnify us, our affiliates and each of our respective officers and directors, to the fullest extent permitted by applicable law against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Operating Partnership, provided that our Operating Partnership will not indemnify any such person for (1) acts or omissions committed in bad faith or that were the result of active and deliberate dishonesty, (2) any transaction for which such person received an improper personal benefit in money, healthcare facility or services, or (3) in the case of a criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful.

The provisions of Delaware law that allow the common law fiduciary duties of a general partner to be modified by a partnership agreement have not been resolved in a court of law, and we have not obtained an opinion of counsel covering the provisions set forth in the partnership agreement that purport to waive or restrict our fiduciary duties that would be in effect under common law were it not for the partnership agreement.

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

In order for us to qualify as a REIT, no more than 50% of the value of our outstanding shares of stock may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year other than our initial REIT taxable year. Subject to certain exceptions, our charter prohibits any stockholder from owning actually or constructively more than 9.8% in value or number of shares, whichever is more restrictive, of any class or series of our outstanding shares. The constructive ownership rules under the Code are complex and may cause the outstanding shares owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.8% of our outstanding shares of any class or series by an individual or entity could cause that individual or entity to own constructively in excess of 9.8% of any class or series of our outstanding beneficial interests and to be subject to our charter's ownership limit. Our board of directors has approved a waiver of the 9.8% ownership limit in our charter allowing ZH USA, LLC to own up to 16.9% of our outstanding shares of common stock. Our charter also prohibits any person from owning shares of our beneficial interests that would result in our being "closely held" under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT. Any attempt to own or transfer shares of our beneficial interest in violation of these restrictions may result in the shares being automatically transferred to a charitable trust or may be void.

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

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

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

By resolution of our board of directors, we have opted out of the business combination provisions of the MGCL and provide that any business combination between us and any other person is exempt from the business combination provisions of the MGCL, provided that the business combination is first approved by our board of directors (including a majority of directors who are not affiliates or associates of such persons). In addition, pursuant to a provision in our bylaws, we have opted out of the control share provisions of the MGCL. However, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Certain provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. If implemented, these provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for us or of delaying, deferring or preventing a change in control of us under circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby we elect, at such time as we become eligible to do so, to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors. See “Certain Provisions of Maryland Law and of Our Charter and Bylaws.”

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

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

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

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

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

Under Maryland law generally, directors and officers are required to perform their duties in good faith, in a manner that they reasonably believe to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Under Maryland law, directors and officers are presumed to have acted with this standard of care. Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law.

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

Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management and may prevent a change in control of our company that is in the best interests of our stockholders. Our charter provides that a director may only be removed for cause upon the affirmative vote of holders of two-thirds of all the votes entitled to be cast generally in the election of directors. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum, once our election to be subject to certain provisions of Title 3, subtitle 8 of the MGCL becomes effective. These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in control of our company that is in the best interests of our stockholders.

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

Provisions in the partnership agreement of our Operating Partnership may delay, or make more difficult, unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights;
- a requirement that we may not be removed as the general partner of our Operating Partnership without our consent;
- transfer restrictions on OP Units;
- our ability, as general partner, in some cases, to amend the partnership agreement and to cause the Operating Partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of us or our Operating Partnership without the consent of the limited partners; and
- the right of the limited partners to consent to direct or indirect transfers of the general partnership interest, including as a result of a merger or a sale of all or substantially all of our assets, in the event that such transfer requires approval by our common stockholders.

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

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

We own 97.7% of the outstanding partnership interests in our Operating Partnership. Our Operating Partnership may, in connection with our acquisition of healthcare facilities or otherwise, issue additional OP Units to third parties. Such issuances would reduce our ownership percentage in our Operating Partnership and could affect the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our stockholders. Holders of shares of our common stock will generally not have any voting rights with respect to activities of our Operating Partnership, including issuances of additional OP Units in amounts that do not exceed 20% of our outstanding shares of common stock.

Risks Related to Our Relationship with Our Advisor and Other Conflicts of Interest

We have no employees and will be entirely dependent upon our advisor for all the services we require, and we cannot assure you that our advisor will allocate the resources necessary to meet our business objectives.

Because we are “externally managed,” we will not retain our own personnel, but will instead depend upon Inter-American Management, LLC,” our advisor, and its affiliates for virtually all of the services we require. Our advisor will select and manage the acquisition of our healthcare facilities; administer the collection of rents, monitor lease compliance and deal with vacancies and re-letting of our healthcare facilities; coordinate disposition of our healthcare facilities; provide financial and regulatory reporting services; communicate with our stockholders, pay distributions and provide transfer agent services; and provide all of our other administrative services. Accordingly, our success will likely be largely dependent upon the expertise and services of the executive officers and other key personnel of our advisor and its affiliates.

Our advisor may be unable to obtain or retain key personnel.

Our success depends to a significant degree upon the executive officers and other key personnel of our advisor. In particular, we rely on the services of David A. Young, our Chief Executive Officer, a member of our board of directors, and an Executive Vice President of our advisor, Jeffrey Busch, Chief Executive Officer of our advisor and Chairman of our board of directors, Donald McClure, Chief Financial Officer of our company and our advisor, Alfonso Leon, Chief Investment Officer of our company and our advisor, Danica Holley, Chief Operating Officer of our company, Allen Webb, the Senior Vice President, SEC Reporting and Technical Accounting of our company and our advisor and Jamie A. Barber, the Secretary and General Counsel of our company, to manage our operations. We cannot guarantee that all, or any particular one of these key personnel, will remain affiliated with us or our advisor. We do not separately maintain key person life insurance on any person. Failure of our advisor to retain key employees and retain highly skilled managerial, operational and marketing personnel could have a material adverse effect on our ability to achieve our investment objectives, lessen or eliminate the benefits of becoming self-managed and could result in us incurring excess costs and suffering deficiencies in our disclosure controls and procedures or our internal control over financial reporting.

The base management fees payable to our advisor will be payable regardless of the performance of our portfolio, which may reduce our advisor's incentive to devote the time and effort to seeking profitable opportunities for our portfolio.

We pay our advisor base management fees, which may be substantial, based on our stockholders' equity (as defined in the management agreement) regardless of the performance of our portfolio. The management fees take into account the net issuance proceeds of both common and preferred stock offerings. Our advisor's entitlement to non-performance-based compensation might reduce its incentive to devote the time and effort of its professionals to seeking profitable opportunities for our portfolio, which could result in a lower performance of our portfolio and materially adversely affect our business, financial condition and results of operations.

The incentive fee payable to our advisor under the management agreement may cause our advisor to select investments in more risky assets to increase its incentive compensation.

Our advisor is entitled to receive incentive compensation based upon our achievement of targeted levels of AFFO (as defined in the amended management agreement). In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on AFFO may lead our advisor to place undue emphasis on the maximization of AFFO at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative. This could result in increased risk to the value of our investment portfolio.

There are conflicts of interest in our relationships with our advisor, which could result in outcomes that are not in the best interests of our stockholders.

We are subject to conflicts of interest arising out of our relationships with our advisor. Pursuant to the management agreement, our advisor is obligated to supply us with our management team. However, our advisor is not obligated to dedicate any specific personnel exclusively to us, nor are the advisor's personnel obligated to dedicate any specific portion of their time to the management of our business. Additionally, our officers are employees of our advisor. As a result, our advisor, officers and directors may have conflicts between their duties to us and their duties to, and interests in our advisor.

In addition to our existing portfolio, we may acquire or sell healthcare facilities in which our advisor or its affiliates have or may have an interest. Similarly, our advisor or its affiliates may acquire or sell healthcare facilities in which we have or may have an interest. Although such acquisitions or dispositions may present conflicts of interest, we nonetheless may pursue and consummate such transactions. Additionally, we may engage in transactions directly with our advisor or its affiliates, including the purchase and sale of all or a portion of a portfolio asset.

In deciding whether to issue additional debt or equity securities, we will rely in part on recommendations made by our advisor. While such decisions are subject to the approval of our board of directors, our advisor earns management fees that are based on the total amount of our equity capital. Our advisor may have an incentive to recommend that we issue additional debt or equity securities. Future offerings of debt securities, which would rank senior to our common stock upon liquidation, and future offerings of equity securities which would dilute the common stock holdings of our existing stockholders and may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common stock.

The officers of our advisor and its affiliates will devote as much time to us as our advisor deems appropriate, however, these officers may have conflicts in allocating their time and services between us. During turbulent conditions in the real estate industries or other times when we will need focused support and assistance from our advisor, may require greater focus and attention, placing our advisor's resources in high demand. In such situations, we may not receive the necessary support and assistance we require or would otherwise receive if we were internally managed.

The management agreement with our advisor was not negotiated on an arm's-length basis, may not be as favorable to us as if it had been negotiated with an unaffiliated third party and may be costly and difficult to terminate.

The management agreement with our advisor was negotiated between related parties, and its terms, including fees payable, may not be as favorable to us as if it had been negotiated with an unaffiliated third party.

Termination of our management agreement without cause is subject to several conditions which may make such a termination difficult and costly. Termination of the management agreement with our advisor may require us to pay our advisor a substantial termination fee, which will increase the effective cost to us of terminating the management agreement, thereby making it more difficult for us to terminate our advisor without cause.

Our advisor's failure to perform its responsibilities under the management agreement could materially adversely affect our business, financial condition, results of operations, cash flows and our ability to make distributions to our stockholders.

Our ability to achieve our objectives depends on our advisor's ability to identify and acquire healthcare facilities that meet our investment criteria. Accomplishing our objectives is largely a function of our advisor's structuring of our investment process, our access to financing on acceptable terms and general market conditions. Our stockholders will not have input into our investment decisions. All of these factors increase the uncertainty, and thus the risk, of investing in our common stock. The senior management team of our advisor has substantial responsibilities under the management agreement. In order to implement certain strategies, our advisor may need to hire, train, supervise and manage new employees successfully. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations, our ability to qualify and maintain our qualification as a REIT and our ability to make distributions to our stockholders.

If our advisor ceases to be our advisor pursuant to the management agreement, counterparties to our agreements may cease doing business with us.

If our advisor ceases to be our advisor, it could constitute an event of default or early termination event under the financing and hedging agreements we may enter into in the future, upon which our counterparties would have the right to terminate their agreements with us. If our advisor ceases to be our advisor for any reason, including upon the non-renewal of our management agreement, our business, financial condition and results of operations and our ability to make distributions to our stockholders may be materially adversely affected.

Risks Related to Our Qualification and Operation as a REIT

Failure to qualify as a REIT, or failure to remain qualified as a REIT, would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our stockholders.

We believe that our organization and current and proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT commencing with our taxable year ending December 31, 2016. However, we cannot assure you that we will qualify and remain qualified as a REIT.

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

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

In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our shares of common stock. See “Material U.S. Federal Income Tax Considerations” for a discussion of material U.S. federal income tax consequences relating to us and our shares of common stock.

Even if we qualify as a REIT, we may face other tax liabilities that could reduce our cash flows and negatively impact our results of operations and financial condition.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, any taxable REIT subsidiary, or TRS, that we may form in the future will be subject to regular corporate U.S. federal, state and local taxes. Any of these taxes would decrease cash available for distributions to stockholders.

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

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

Recharacterization of sale-leaseback transactions may cause us to lose our REIT status.

We have engaged, and expect to engage in the future, in transactions in which we purchase healthcare facilities and lease them back to the sellers of such healthcare facilities. Although we have structured, and intend to continue to structure, any such sale-leaseback transaction so that the lease will be characterized as a “true lease” for tax purposes, thereby allowing us to be treated as the owner of the healthcare facility for U.S. federal income tax purposes, we cannot assure you that the IRS will not challenge such characterization. If any sale-leaseback transaction is challenged as a partnership for U.S. federal income tax purposes, all of the payments that we receive from the tenant-operator may not be treated as qualifying income for the 75% or 95% gross income tests required for REIT qualification and we may fail to qualify as a REIT as a result. If any sale-leaseback transaction is challenged as a financing transaction or loan for U.S. federal income tax purposes, we would not be treated as the owner of the applicable healthcare facility and our deductions for depreciation and cost recovery relating to such healthcare facility would be disallowed. As a result, the amount of our REIT taxable income could be recalculated, which might cause us to fail to meet the distribution requirement required for REIT qualification. Although we may be able to cure such failure by making a distribution in a subsequent taxable year and paying an interest charge, no assurance can be provided that we will be able to make the required distribution or pay the required interest charge.

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

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

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities of TRSs and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities, securities of TRSs and qualified real estate assets) can consist of the securities of any one issuer, no more than 25% (20% for taxable years beginning after December 31, 2017) of the value of our total assets can be represented by the securities of one or more TRSs, and no more than 25% of our assets can be represented by debt of “publicly offered” REITs that is not secured by real property or interests in real property. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

Certain taxes may limit our ability to dispose of our healthcare facilities.

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

In addition, in the case of assets we owned as of January 1, 2016 (the start of our first REIT taxable year), we also will be subject to U.S. federal income tax at the highest regular corporate tax rate (currently 35%) on all or a portion of the gain recognized from a taxable disposition of any such asset occurring within the five-year period following January 1, 2016. The amount of the gain subject to tax would not exceed the difference between the fair market value of the asset sold as of January 1, 2016 and our adjusted tax basis in the asset on that date. Gain from a sale of such an asset occurring after the end of that five-year period will not be subject to this tax. We estimate that the aggregate amount of built-in gain in the assets we held at the start of our first REIT taxable year will not be significant. However, we are under no obligation to retain these assets to avoid this tax.

If we fail to distribute our non-REIT earnings and profits, we will fail to qualify as a REIT.

To qualify as a REIT, we must not have any non-REIT accumulated earnings and profits, as measured for U.S. federal income tax purposes, at the end of any REIT taxable year. We were treated as a C corporation prior to our first REIT year, which will be our taxable year ending December 31, 2016. Thus, we will be required to distribute any non-REIT accumulated earnings and profits attributable to our taxable years prior to our first REIT taxable year. We did not have any earnings and profits from those prior years, and we expect to make sufficient distributions in 2016 such that we will not have any undistributed non-REIT earnings and profits at the end of 2016. However, no complete assurance can be provided that we will be able to determine accurately our non-REIT earnings and profits or distribute those amounts before the end of our first REIT year. If it is subsequently determined that we had undistributed non-REIT earnings and profits as of the end of our first REIT taxable year, we could fail to qualify as a REIT.

We may pay taxable dividends in our common stock and cash, in which case stockholders may sell shares of our common stock to pay tax on such dividends, placing downward pressure on the market price of our common stock.

We may distribute taxable dividends that are payable in cash and common stock at the election of each stockholder. The IRS has issued private letter rulings to other REITs treating certain distributions that are paid partly in cash and partly in shares as taxable dividends that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for U.S. federal income tax purposes. Those rulings may be relied upon only by taxpayers to whom they were issued, but we could request a similar ruling from the IRS. In addition, the IRS issued a revenue procedure creating a temporary safe harbor that authorized publicly traded REITs to make elective cash/share dividends, but that temporary safe harbor has expired. Accordingly, it is unclear whether and to what extent we will be able to make taxable dividends payable in cash and common stock.

If we made a taxable dividend payable in cash and common stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, stockholders may be required to pay income tax with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the common stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock. If we made a taxable dividend payable in cash and our common stock and a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock. We do not currently intend to pay taxable dividends using both our common stock and cash, although we may choose to do so in the future.

The ability of our board of directors to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

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

Overall, no more than 25% (20% for taxable years beginning after December 31, 2017) of the value of a REIT's assets may consist of stock or securities of one or more TRS. In addition, the Code limits the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. We will monitor the value of our respective investments in any TRS that we may form for the purpose of ensuring compliance with TRS ownership limitations and will structure our transactions with any TRS on terms that we believe are arm's length to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% (20% for taxable years beginning after December 31, 2017) limitation or to avoid application of the 100% excise tax.

The formation of a TRS lessee would increase our overall tax liability.

We may, in the future, form one or more TRS lessees to lease “qualified health care properties” from us. Any TRS lessee we may form will be subject to U.S. federal and state income tax on its taxable income, which will consist of the revenues from the qualified healthcare facilities leased by the TRS lessee, net of the operating expenses for such healthcare facilities and rent payments to us. Accordingly, although our ownership of a TRS lessee would allow us to participate in the operating income from our healthcare facilities leased to the TRS lessee on an after tax basis in addition to receiving rent, that operating income would be fully subject to U.S. federal and state income tax. The after-tax net income of a TRS lessee would be available for distribution to us.

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

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

If a TRS lessee failed to qualify as a TRS or the facility operators engaged by a TRS lessee did not qualify as “eligible independent contractors,” we would fail to qualify as a REIT and would be subject to higher taxes and have less cash available for distribution to our stockholders.

Rent paid by a lessee that is a “related party tenant” of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. We may, in the future, lease certain of our healthcare facilities that qualify as “qualified health care properties” to a TRS lessee. So long as that TRS lessee qualifies as a TRS, it will not be treated as a “related party tenant” with respect to our healthcare facilities that are managed by an independent facility operator that qualifies as an “eligible independent contractor.” We would seek to structure any future arrangements with a TRS lessee such that the TRS lessee would qualify to be treated as a TRS for U.S. federal income tax purposes, but there can be no assurance that the IRS would not challenge the status of a TRS for U.S. federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in disqualifying a TRS lessee from treatment as a TRS, it is possible that we would fail to meet the asset tests applicable to REITs and a significant portion of our income would fail to qualify for the gross income tests. If we failed to meet either the asset or gross income tests, we would likely lose our REIT qualification for U.S. federal income tax purposes.

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

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

The stock ownership restrictions of the Code for REITs and the 9.8% share ownership limit in our charter may inhibit market activity in our capital stock and restrict our business combination opportunities.

In order to qualify as a REIT for each taxable year after 2016, five or fewer individuals, as defined in the Code, may not own, beneficially or constructively, more than 50% in value of our issued and outstanding shares of capital stock at any time during the last half of a taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our shares of capital stock under this requirement. Additionally, at least 100 persons must beneficially own our shares of capital stock during at least 335 days of a taxable year for each taxable year after 2016. To help insure that we meet these tests, our charter restricts the acquisition and ownership of shares of our capital stock.

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

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

The maximum tax rate applicable to “qualified dividend income” payable to U.S. stockholders that are taxed at individual rates is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates on qualified dividend income. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

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

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

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

We believe that our Operating Partnership will be treated as a partnership for U.S. federal income tax purposes. As a partnership, our Operating Partnership will not be subject to U.S. federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its share of our Operating Partnership’s income. We cannot assure you, however, that the IRS will not challenge the status of our Operating Partnership or any other subsidiary partnership in which we own an interest as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our Operating Partnership or any such other subsidiary partnership as an entity taxable as a corporation for U.S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our Operating Partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to U.S. federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(b) Exhibits

Exhibit No.	Description
3.1	Articles of Incorporation 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 Commission on April 22, 2014).
3.2	Second Amended and Restated Bylaws of Global Medical REIT Inc., effective June 13, 2016 (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K as filed with the Commission on June 17, 2016).
3.3	Articles of Amendment to Articles of Incorporation filed with the Secretary of State of Maryland (incorporated herein by reference to Annex A to the Company's Definitive Information Statement on Schedule 14C as filed with the Commission on October 3, 2014).
3.4	Certificate of Correction of Articles of Incorporation of Global Medical REIT Inc. (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-11/A as filed with the Commission on June 15, 2016).
3.5	Certificate of Correction of Articles of Incorporation of Global Medical REIT Inc. (incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form S-11/A as filed with the Commission on June 15, 2016).
4.1	Agreement and Plan of Conversion dated December 23, 2013 between Scoop Media, Inc. and Global Medical REIT Inc. (incorporated herein by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K as filed with the Commission on March 21, 2016).
4.2	Debt Conversion Agreement and Convertible Debenture dated July 17, 2014 between Global Medical REIT, Inc. and Heng Fai Enterprises Limited (incorporated herein by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K as filed with the Commission on March 21, 2016).
4.3	Convertible Debenture dated March 2, 2016 between Global Medical REIT, Inc. and ZH USA, LLC (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A as filed with the Commission on March 8, 2016).
4.4	Pay-off Letter and Conversion Agreement dated June 15, 2016 between Global Medical REIT Inc. and ZH USA, LLC (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on June 17, 2016).
10.1†	Amended and Restated Management Agreement dated as of July 1, 2016, by and among Global Medical REIT Inc. and Inter-American Management LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on July 7, 2016).
10.2†	Form of Restricted Share Award Agreement (Time Vesting) (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-11/A filed with the Commission on June 15, 2016).
10.3†	Form of LTIP Unit Award Agreement (Officer) (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-11/A filed with the Commission on June 15, 2016).
10.4†	Form of LTIP Unit Award Agreement (Director) (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-11/A filed with the Commission on June 15, 2016).
10.5†	Form of Indemnification Agreement between Global Medical REIT Inc. and its directors and officers (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-11/A filed with the Commission on June 15, 2016).
10.6	Asset Purchase Agreement between Global Medical REIT Inc. and Associates Properties, LP dated as of July 31, 2015 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A as filed with the Commission on October 26, 2015).
10.7	Purchase Agreement between Global Medical REIT Inc. and Associates Properties II, LP dated as of July 31, 2015 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A as filed with the Commission on October 26, 2015).

- 10.8 Term Loan and Security Agreement between GMR Pittsburgh, LLC and Capital One, National Association dated as of September 25, 2015 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on October 1, 2015).
- 10.9 Asset Purchase Agreement between Global Medical REIT Inc. and R&K Healthcare Real Estate, L.L.C. dated as of October 6, 2015 and First Amendment to Asset Purchase Agreement between Global Medical REIT Inc. and R&K Healthcare Real Estate, L.L.C. dated as of November 6, 2015 (incorporated herein by reference to Exhibit 10.1 and Exhibit 10.2, respectively, to the Company's Current Report on Form 8-K as filed with the Commission on November 18, 2015).
- 10.10 Asset Purchase Agreement between Global Medical REIT Inc. and Star Medreal, LLC dated as of September 30, 2015 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on November 20, 2015).
- 10.11 Asset Purchase Agreement between Global Medical REIT Inc. G.I.C.M. Real Estate, LLC, G.I.C.M. Germantown, LLC, Bartlett Medical Complex, LLC, G.I. Diagnostic and Therapeutic Center Rental Company, LLC, Gastroenterology Center of the Midsouth Rental Company, LLC, and G.I.C.M. DESOTO, LLC dated as of December 14, 2015 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on December 17, 2015).
- 10.12 Asset Purchase Agreement between Global Medical REIT Inc. and Marina Towers LLC dated as of January 7, 2016 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on January 14, 2016).
- 10.13 Agreement of Limited Partnership, dated March 14, 2016, of Global Medical REIT L.P. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Commission on March 18, 2016).
- 10.14 Contribution and Assignment Agreement dated March 14, 2016, by and between Global Medical REIT Inc. and Global Medical REIT L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on March 18, 2016).
- 10.15 Loan Agreement dated March 31, 2016 between GMR Memphis, LLC, GMR Plano, LLC, GMR Melbourne, LLC, and GMR Westland, LLC and Cantor Commercial Real Estate Lending, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on April 6, 2016).
- 10.16 Asset Purchase Agreement dated March 31, 2016, between Global Medical REIT, Inc. and Chery Hill Real Estate, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Commission on April 6, 2016).
- 10.17 Lease Agreement between an affiliate of Global Medical REIT, Inc. and The Surgical Institute of Michigan, LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K as filed with the Commission on April 6, 2016).
- 10.18 Asset Purchase Agreement dated April 19, 2016, between Global Medical REIT, Inc. and Paper Mill Partners, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on April 25, 2016).
- 10.19† Global Medical REIT Inc. 2016 Equity Incentive Plan (incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-8 filed with the Commission on June 30, 2016).
- 10.20 Underwriting Agreement dated as of June 28, 2016, by and among Global Medical REIT Inc., Inter-American Management LLC and Wunderlich Securities, Inc., as representative of the several underwriters named therein (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K as filed with the Commission on July 5, 2016).
- 10.21 Purchase Agreement dated as of November 29, 2016, between GMR MESA, LLC and HR ACQUISITION I CORPORATION (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on November 30, 2016).

- 10.22 Purchase Agreement dated as of November 29, 2016, between GMR ALTOONA, LLC and HR ACQUISITION OF PENNSYLVANIA, INC. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Commission on November 30, 2016).
- 10.23 Purchase Agreement dated as of November 29, 2016, between GMR MECHANICSBURG, LLC, HR ACQUISITION OF PENNSYLVANIA, INC. and PENNSYLVANIA HRT, INC. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K as filed with the Commission on November 30, 2016).
- 10.24 Credit Facility Agreement dated December 2, 2016 by and among Global Medical REIT L.P., Global Medical REIT INC., the certain Subsidiaries from time to time party thereto as Guarantors, and BMO Harris Bank N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on December 5, 2016).
- 10.25 Lease Agreement between HR Acquisition I Corporation and GMR Mesa LLC. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on December 23, 2016).
- 10.26 Lease Agreement between HR Acquisition of Pennsylvania, Inc. and GMR Altoona, LLC. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Commission on December 23, 2016).
- 10.27 Lease Agreement between HR Acquisition of Pennsylvania, Inc. and GMR Mechanicsburg, LLC. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K as filed with the Commission on December 23, 2016).
- 10.28 Purchase Agreement dated as of the 30th day of December, 2016, by and between GLOBAL MEDICAL REIT, INC. and GREAT BEND SURGICAL PROPERTIES, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on January 4, 2017).
- 10.29 Purchase and Sale Agreement dated as of January 30, 2017, between CRUSE-TWO, L.L.C., CRUSE-SIX, L.L.C., and GMR OKLAHOMA CITY, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on February 2, 2017).
- 10.30 Amended and Restated Building Lease between CRUSE-TWO, L.L.C. and OKLAHOMA CENER FOR ORTHOPEDIC & MULTI-SPECIALTY SURGERY, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Commission on February 2, 2017).
- 10.31 Lease Agreement between TC CONCORD PLACE I, INC. and SPECIALISTS SURGERY CENTER (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K as filed with the Commission on February 2, 2017).
- 10.32 Master Lease Agreement by and between GMR OKLAHOMA, LLC and CRUSE-TWO, L.L.C. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K as filed with the Commission on February 2, 2017).
- 10.33† Form of LTIP Vesting Agreement: For Grantees with an Employment Agreement with the Advisor (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K as filed with the Commission on December 22, 2016).
- 10.34† Form of LTIP Vesting Agreement: For Grantees without an Employment Agreement with the Advisor (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K as filed with the Commission on December 22, 2016).
- 10.35 First Amendment to Credit Facility Agreement, dated March 3, 2017 by and among Global Medical REIT L.P., Global Medical REIT INC., the certain Subsidiaries from time to time party thereto as Guarantors, and BMO Harris Bank N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on March 6, 2017).
- 10.36† LTIP Award Agreement (Annual Award): For Grantees with an Employment Agreement with the Manager (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K as filed with the Commission on March 6, 2017).
- 10.37† LTIP Award Agreement (Annual Award): For Grantees without an Employment Agreement with the Manager (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K as filed with the Commission on March 6, 2017).

10.38†	LTIP Award Agreement (Long-Term Award): For Grantees with an Employment Agreement with the Manager (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K as filed with the Commission on March 6, 2017).
10.39†	LTIP Award Agreement (Long-Term Award): For Grantees without an Employment Agreement with the Manager (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K as filed with the Commission on March 6, 2017).
21**	Subsidiaries of the Company.
31.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.4*	Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	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.
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

† Management contract or compensatory plan or arrangement.

* Filed herewith

** Incorporated by reference to the corresponding exhibit in the Global Medical REIT Inc. Annual Report on Form 10-K, filed with the Commission on March 27, 2017.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Global Medical REIT Inc.

Dated: May 8, 2017

By: /s/ David A. Young
David A. Young
Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ David A. Young</u> David A. Young	Chief Executive Officer (Principal Executive Officer) and Director	May 8, 2017
<u>/s/ Donald McClure</u> Donald McClure	Chief Financial Officer (Principal Financial and Accounting Officer)	May 8, 2017

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER OF GLOBAL MEDICAL REIT INC.

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David A. Young, Chief Executive Officer of Global Medical REIT Inc., certify that:

1. I have reviewed Amendments No. 1 and No. 2 to the Annual Report on Form 10-K for the year ended December 31, 2016 of Global Medical REIT Inc.; and
2. Based on my knowledge, these reports do 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 these reports.

Date: May 8, 2017

/s/ David A. Young

David A. Young, Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER OF GLOBAL MEDICAL REIT INC.

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Donald McClure, Chief Financial Officer of Global Medical REIT Inc., certify that:

1. I have reviewed Amendments No. 1 and No. 2 to the Annual Report on Form 10-K for the year ended December 31, 2016 of Global Medical REIT Inc.; and
2. Based on my knowledge, these reports do 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 these reports.

Date: May 8, 2017

/s/ Donald McClure

Donald McClure, Chief Financial Officer
(Principal Financial and Accounting Officer)

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

FORM 10-K

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

For the fiscal year ended **December 31, 2016**

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: **333-177592**

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.)

**4800 Montgomery Lane #450,
Bethesda, MD**

(Address of principal executive
offices)

20814

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by a check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

☐ Large accelerated filer

☐ Accelerated filer

☐ Non-accelerated filer

☒ Smaller reporting company

(do not check if a smaller
reporting company)

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

As of the last business day of the registrant's most recently completed third fiscal quarter, there was no active public trading market for the registrant's common stock.

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold as of the last business day of the registrant's most recently completed second fiscal quarter: \$0 on June 30, 2016.

As of March 27, 2017 there were 17,605,675 shares of the registrant's common stock, par value of \$0.001 per share outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Report”) contains forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, healthcare facility performance and results of operations, 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:

- general economic conditions;
- adverse economic or real estate developments, either nationally or in the markets in which our healthcare facilities are located;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- fluctuations in interest rates and increased operating costs;
- 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 stock;
- general volatility of the market price of our common stock;
- our lack of significant operating history;
- changes in our business or strategy;
- our dependence upon key personnel whose continued service is not guaranteed;
- our ability to identify, hire and retain highly qualified personnel in the future;
- the degree and nature of our competition;
- changes in governmental regulations, tax rates and similar matters;
- defaults on or non-renewal of leases by tenant-operators;
- decreased rental rates or increased vacancy rates;
- difficulties in identifying healthcare facilities to acquire and completing such acquisitions;
- competition for investment opportunities;
- our failure to successfully develop, integrate and operate acquired healthcare facilities and operations;
- the financial condition and liquidity of, or disputes with, joint venture and development partners with whom we may make co-investments in the future;
- 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;
- our failure to qualify and maintain our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes;
- limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify as a REIT for U.S. federal income tax purposes; and
- changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. 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.

CERTAIN TERMS USED IN THIS REPORT

When this Report uses the words “we,” “us,” “our,” and the “Company,” they refer to Global Medical REIT Inc., unless otherwise indicated.

“Inter-American Management, LLC,” our advisor, refers to Inter-American Management, LLC, a Delaware limited liability company. Our advisor is 85% owned by ZH International Holdings Limited (formerly known as Heng Fai Enterprises, Ltd.), a Hong Kong limited company.

“ZH USA, LLC” is a Delaware limited liability company owned by ZH International Holdings Limited. ZH USA, LLC is a related party and was our majority stockholder prior to the completion of our initial public offering.

“SEC” and “the Commission” refer to the United States Securities and Exchange Commission.

“Common stock” refers to the common shares in our capital stock.

Our consolidated financial statements are prepared in accordance with GAAP.

PART I

ITEM 1. BUSINESS

Organization

Global Medical REIT Inc. (the “Company”) is a Maryland corporation engaged primarily in the acquisition of licensed, state-of-the-art, purpose-built healthcare facilities and the leasing of these facilities to leading clinical operators with dominant market share. The Company is externally managed and advised by Inter-American Management, LLC (the “Advisor”).

The Company holds its facilities and conducts its operations through a Delaware limited partnership subsidiary called 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 called Global Medical REIT GP LLC (the “GP”), a Delaware limited liability company. As of December 31, 2016, the Company was the 97.7% limited partner of the Operating Partnership, with the remaining 2.3% owned by the holders of long term incentive plan (“LTIP”) units issued by the Operating Partnership as incentive equity awards. The Company intends to conduct all future acquisition activity and operations through the Operating Partnership. The Operating Partnership has separate wholly-owned Delaware limited liability company subsidiaries that were formed for each healthcare facility acquisition.

Completed Initial Public Offering

On July 1, 2016, the Company closed its initial public offering and issued 13,043,479 shares of its common stock at a price of \$10.00 per share resulting in gross proceeds of \$130,434,790. After deducting underwriting discounts and commissions, advisory fees, and other offering expenses, the Company received net proceeds from the offering of \$120,773,630. Additionally, on July 11, 2016, the underwriters exercised their over-allotment option in full, resulting in the issuance by the Company of an additional 1,956,521 shares of the Company’s common stock at a price of \$10.00 per share for gross proceeds of \$19,565,210. After deducting underwriting discounts and commissions, advisory fees, and other offering expenses, the Company received net proceeds from the over-allotment option shares of \$18,195,645. Total shares issued by the Company in the initial public offering, including over-allotment option shares, were 15,000,000 shares and the total net proceeds received were \$137,288,016, which represented gross proceeds received of \$138,969,275 net of \$1,681,259 in costs directly attributable to the initial public offering that were deferred and paid.

Use of Proceeds:

The Company designated the following uses for the net proceeds of the initial public offering:

- approximately \$14.9 million (\$14.6 million in principal outstanding as of July 1, 2016 and an early termination fee of \$0.3 million) to repay the outstanding loan from Capital One encumbering the Company’s Omaha Facility on July 11, 2016 (see Note 4 – “Notes Payable Related to Acquisitions and Revolving Credit Facility”);
- \$10.0 million to repay a portion of the Company’s outstanding 8.0% convertible debentures held by ZH USA, LLC on July 8, 2016 (see Note 6 – “Related Party Transactions”);
- \$9.38 million in aggregate to acquire the Reading Facilities on July 20, 2016 (see Note 3 – “Property Portfolio”);
- \$1.5 million to repay the outstanding interest free loan from ZH USA, LLC on July 8, 2016 (see Note 6 – “Related Party Transactions”); and
- the remaining approximately \$101.6 million for the acquisition of properties in the Company’s investment pipeline, properties under letter of intent and other potential acquisitions, capital improvements to the Company’s properties and general corporate and working capital purposes. See Note 3 – “Property Portfolio” for proceeds used to acquire properties during the year.

The Company invested the unexpended net proceeds of the offering in interest-bearing accounts, money market accounts, and interest-bearing securities in a manner that is consistent with its intention to qualify for taxation as a real estate investment trust (“REIT”).

In connection with the Company’s initial public offering, the Company’s common stock was listed on the New York Stock Exchange under the ticker symbol “GMRE.”

Business Overview

As disclosed in the “Organization” section, we are a Maryland corporation engaged primarily in the acquisition of licensed, state-of-the-art, purpose-built healthcare facilities in select markets and the leasing of these facilities to leading clinical operators with dominant market share. Our management team has significant healthcare, real estate and public REIT experience and has long-established relationships with a wide range of healthcare providers, which we believe will provide us a competitive advantage in sourcing growth opportunities that produce attractive risk-adjusted returns.

We believe that the aging of America is increasing the need for specialized healthcare facilities leased to premier practice groups, healthcare systems and corporate providers that will capture the growth in age-related procedures. These leading medical operators require state-of-the-art facilities that through their technology and design enhance the quality of care provided and improve clinical outcomes for patients. We seek to invest in these purpose-built, specialized facilities, such as surgery centers, specialty hospitals and outpatient treatment centers, in order to align with contemporary trends in the delivery of best healthcare practices. Our healthcare facilities are leased to established providers that, through clinical expertise and strong management, operate sustainable and dominant practices. We target markets with high demand for premium healthcare services, and within those markets, assets that are strategically located to take advantage of the decentralization of healthcare. We believe that our investment in the confluence of state-of-the-art medical facilities, market dominant tenant-operators and strategic sub-markets enhances clinical outcomes and provides attractive risk-adjusted returns to our stockholders.

Our healthcare facilities are typically fully leased under long-term triple-net leases. We may acquire existing healthcare facilities under sale-leaseback or similar arrangements, or we may contract to purchase facilities under development that are being built to an operator's specifications. Most of our tenant-operators are physician group tenant-operators, community hospital tenant-operators and corporate medical treatment chain operators that are leading clinical operators in the markets they serve.

For details about the portfolio of properties that we owned as of December 31, 2016, refer to Item 2. – “Properties” herein.

Our Objectives and Growth Strategy

Our principal business objective is to provide attractive risk-adjusted returns to our stockholders through a combination of (i) sustainable and increasing rental income that allows us to pay reliable, increasing dividends, and (ii) potential long-term appreciation in the value of our healthcare facilities and common stock. Our primary strategies to achieve our business objective are to:

- acquire state-of-the-art, licensed medical facilities that through their technology and design enhance the quality of care provided and improve clinical outcomes for patients;
- target facilities that are built and adapted to contemporary best healthcare practices;
- lease each facility to a single, local market leading medical provider with a track record of successfully managing excellent clinical and profitable practices;
- focus on practice types that are highly dependent on their purpose-built real estate to deliver core medical procedures, such as cardiovascular treatment, cosmetic plastic surgery, eye surgery, gastroenterology, oncology treatment and orthopedics;
- originate the majority of our investments by working directly with the operating medical providers in our target markets;
- create value by negotiating new leases rather than acquiring leased fee returns via acquisition of already rented healthcare facilities;
- lease the facilities under long-term triple-net leases with contractual rent escalations; and
- efficiently and rapidly grow our portfolio to drive economies of scale and diversification.

We believe that healthcare facilities with the following technological and design characteristics, which are generally consistent with our current portfolio, will enable us to achieve strong risk-adjusted returns:

- state-of-the-art intensive care and operating room equipment and imaging technology;
- efficient and contiguous patient treatment space for imaging, pre-operation, surgery, post-surgery and recovery phases of care;
- state-of-the-art infection control materials in patient treatment room surfaces;
- specialized sub-micron filtration HVAC in operating rooms;
- high capacity and modern back-up emergency power generation;
- highly durable and energy efficient internal and external construction materials, including membrane roofing; and
- fiber optic cabling incorporated in initial construction.

Financing Strategy:

The primary objective of our financing strategy is to maintain financial flexibility with a prudent capital structure using retained cash flows, long-term debt and the issuance of common and preferred stock to finance our growth. We seek to manage our balance sheet by maintaining prudent financial ratios and leverage levels. As disclosed in Note 4 – “Notes Payable Related to Acquisitions and Revolving Credit Facility” on December 2, 2016 we secured a revolving credit facility to finance acquisitions in concert with other debt instruments. We intend to (i) achieve opportunistic and reasonable debt service with leverage that initially approaches approximately 60% of the fair market value of our healthcare facilities, and lower ratios as we grow our equity capital base, (ii) create staggered debt maturities that are aligned to our expected average lease term, positioning us to re-price parts of our capital structure as our rental rates change with market conditions, (iii) achieve easier and faster access to the equity capital markets using a shelf registration statement once we are eligible to use Form S-3, which we expect to occur in the second quarter of 2017, and (iv) access international capital to

avoid market cycle shortages and enhance acquisition expediency. We are not subject to any limitations on the amount of leverage we may use, and accordingly, the amount of leverage we use may be significantly less or greater than we currently anticipate.

Healthcare Industry and Healthcare Real Estate Market Opportunity

We believe the U.S. healthcare industry is continuing its rapid pace of growth due to increasing healthcare expenditures, favorable demographic trends, evolving patient preferences and recently enacted government initiatives. Furthermore, we believe these factors are contributing to the increasing need for healthcare providers to enhance the delivery of healthcare by, among other things, integrating real estate solutions that focus on higher quality, more efficient and conveniently located patient care.

U.S. Healthcare Spending Expected to Increase 5.8% per Year over Next Decade

According to the United States Department of Health and Human Services, or HHS, healthcare spending was approximately 17.5% of U.S. gross domestic product, or GDP, in 2014, the first year that the Affordable Care Act's coverage provisions were in effect. The anticipated continuing increase in demand for healthcare services, together with an evolving complex and costly regulatory environment, changes in medical technology and reductions in government reimbursements are expected to pressure capital-constrained healthcare providers to find cost effective solutions for their real estate needs. We believe the demand of healthcare providers for healthcare facilities will increase as health spending in the United States continues to increase.

Aging U.S. Population Driving Increase in Demand for Healthcare Services

The general aging of the population, driven by the baby boomer generation and advances in medical technology and services which increase life expectancy, is a key driver of the growth in healthcare expenditures. We believe that demographic trends in the United States, including in particular an aging population, will result in continued growth in the demand for healthcare services, which in turn will lead to an increasing need for a greater supply of modern, well-located healthcare facilities.

Clinical Care Continues to Shift to Outpatient Facilities

We believe the continued shift in the delivery of healthcare services to outpatient facilities will increase the need for smaller, more specialized and efficient hospitals and outpatient facilities that more effectively accommodate those services. Procedures traditionally performed in hospitals, such as certain types of surgery, are increasingly moving to outpatient facilities driven by advances in clinical science, shifting consumer preferences, limited or inefficient space in existing hospitals and lower costs in the outpatient environment. This shift in delivery of healthcare services to an outpatient environment increases the need for additional outpatient facilities and smaller, more specialized and efficient hospitals.

We believe that healthcare is delivered more cost effectively and with higher patient satisfaction when it is provided on an outpatient basis. We believe the Affordable Care Act, and healthcare market trends toward outpatient care will continue to push healthcare services out of larger, older, inefficient hospitals and into newer, more efficient and conveniently located outpatient facilities and smaller specialized hospitals. Increased specialization within the medical field is also driving demand for medical facilities that are purpose-built for particular specialties.

Evidence-Based Design Influencing Healthcare Real Estate

Evidence-based design, or EBD, is an increasingly recognized component of healthcare real estate. EBD demonstrates that there is an interrelatedness between the design of a healthcare facility and patient outcomes. EBD research indicates that certain design elements, such as efficient layouts, placement of sinks and bathrooms, orientation of furniture, size of hallways and uniformity of surgical rooms, have an important impact on productivity, safety, health and morale for both physicians and patients.

We believe that as EBD research becomes more widely recognized and reproduced, healthcare facilities without these design principles will be disadvantaged. We believe that leading medical providers will increasingly desire and require modern, purpose-built facilities with state of the art technology and efficient layouts, such as those that we own in our current portfolio. We believe that this positions us to outperform other healthcare facility owners over time.

Qualification as a REIT

Our business strategy is conducive to a more favorable tax structure whereby we may qualify and elect to be treated as a REIT for U.S. federal income tax purposes. We plan to elect to be taxed as REIT under U.S. federal income tax laws commencing with our contemplated taxable year ending December 31, 2016. We believe that, commencing with 2016, we have organized and have operated in such a manner as to qualify for taxation as a REIT under all of the U.S. federal income tax laws, and we intend to continue to operate in such a manner. However, we cannot provide assurances that we will operate in a manner so as to qualify or remain qualified as a REIT.

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 must elect under the U.S. Internal Revenue Code (the “Code”) to be treated as a REIT. 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.

Competition

Our healthcare facilities often face competition from nearby hospitals and other healthcare facilities that provide comparable services. Similarly, our tenant-operators face competition from other medical practices and service providers at nearby hospitals and other healthcare facilities. From time to time and for reasons beyond our control, managed-care organizations may change their lists of preferred hospitals or in-network physicians. Physicians also may change hospital affiliations. If competitors of our tenant-operators or competitors of the associated healthcare delivery systems with which our healthcare facilities are strategically aligned have greater geographic coverage, improve access and convenience to physicians and patients, provide or are perceived to provide higher quality services, recruit physicians to provide competing services at their facilities, expand or improve their services or obtain more favorable managed-care contracts, our tenant-operators may not be able to successfully compete. Any reduction in rental revenues resulting from the inability of our tenant-operators or the associated healthcare delivery systems with which our healthcare facilities are strategically aligned to compete in providing medical services and/or receiving sufficient rates of reimbursement for healthcare services rendered may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

Government Regulation

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

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

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

Healthcare Legislation

Health Reform Laws

On March 23, 2010, President Obama signed into law Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, which amends the Affordable Care Act (collectively with other subsequently enacted federal health care laws and regulations, the “Health Reform Laws”). The Health Reform Laws contain various provisions that may directly impact us or our tenant-operators. Some provisions of the Health Reform Laws may have a positive impact on our tenant-operators’ revenues, by, for example, increasing coverage of uninsured individuals, while others may have a negative impact on the reimbursement of our tenant-operators by, for example, altering the market basket adjustments for certain types of health care facilities. The Health Reform Laws also enhance certain fraud and abuse penalty provisions that could apply to our tenant-operators, in the event of one or more violations of the federal health care regulatory laws. In addition, there are provisions that impact the health coverage that we and our tenant-operators provide to our respective employees. The Health Reform Laws also provide additional Medicaid funding to allow states to carry out the expansion of Medicaid coverage to certain financially-eligible individuals beginning in 2014, and have also permitted states to expand their Medicaid coverage to these individuals since April 1, 2010, if certain conditions are met. On June 28, 2012, the United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion will allow states not to participate in the expansion—and to forego funding for the Medicaid expansion—without losing their existing Medicaid funding. Given that the federal government substantially funds the Medicaid expansion, it is unclear how many states will ultimately pursue this option. The participation by states in the Medicaid expansion could have the dual effect of increasing our tenants’ revenues, through new patients, but could also further strain state budgets. While the federal government paid

for approximately 100% of those additional costs from 2014 to 2016, states now are expected to pay for part of those additional costs.

Challenges to the Health Reform Laws and Potential Repeal and/or Further Reforms under Trump Administration.

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

On January 20, 2017, newly-sworn-in President Trump issued an executive order aimed at seeking the prompt repeal of the Affordable Care Act, and directed the heads of all executive departments and agencies to minimize the economic and regulatory burdens of the Affordable Care Act to the maximum extent permitted by law. In addition, there have been and continue to be numerous Congressional attempts to amend and repeal the Affordable Care Act. We cannot predict whether any of these attempts to amend or repeal the Affordable Care Act will be successful. The future of the Affordable Care Act is uncertain and any changes to existing laws and regulations, including the Affordable Care Act's repeal, modification or replacement, could have a long-term financial impact on the delivery of and payment for healthcare. We and our tenants may be adversely affected by the law or its repeal, modification or replacement.

Fraud and Abuse Laws

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

These laws include without limitation:

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

Violations of these laws may result in criminal and/or civil penalties that range from punitive sanctions, damage assessments, penalties, imprisonment, denial of Medicare and Medicaid payments and/or exclusion from the Medicare and Medicaid programs. In addition, the Affordable Care Act clarifies that the submission of claims for items or services generated in violation of the Anti-Kickback Statute constitutes a false or fraudulent claim under the False Claims Act. The federal government has taken the position, and some courts have held, that violations of other laws, such as the Stark Law, can also be a violation of the False Claims Act. Additionally, certain laws, such as the False Claims Act, allow for individuals to bring whistleblower actions on behalf of the government for violations thereof. Imposition of any of these penalties upon one of our tenant-operators or strategic partners could jeopardize that tenant-operator's ability to operate or to make rent payments or affect the level of occupancy in our healthcare facilities, which may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock. Further, we enter into leases and other financial relationships with healthcare delivery systems that are subject to or impacted by these laws. In the future we may have other investors who are healthcare providers in certain of our subsidiaries that own our healthcare facilities. If any of our relationships, including those related to the other investors in our subsidiaries, are found not to comply with these laws, we and our physician investors may be subject to civil and/or criminal penalties.

Environmental Matters

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

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

Medicare and Medicaid Programs

Sources of revenue for our tenant-operators typically include the U.S. federal Medicare program, state Medicaid programs, private insurance payors and health maintenance organizations. Healthcare providers continue to face increased government and private payor pressure to control or reduce healthcare costs and significant reductions in healthcare reimbursement, including reduced reimbursements and changes to payment methodologies under the Affordable Care Act. The Congressional Budget Office, or CBO, estimates the reductions required by the Affordable Care Act in the future will include cuts to Medicare fee-for-service payments, the majority of which will come from hospitals, and that some hospitals will become insolvent as a result of the reductions. In some cases, private insurers rely on all or portions of the Medicare payment systems to determine payment rates which may result in decreased reimbursement from private insurers. The Affordable Care Act will likely increase enrollment in plans offered by private insurers who choose to participate in state-run exchanges, but the Affordable Care Act also imposes new requirements for the health insurance industry, including prohibitions upon excluding individuals based upon pre-existing conditions which may increase private insurer costs and, thereby, cause private insurers to reduce their payment rates to providers. At this time, it is difficult to predict the full effects of the Affordable Care Act and its impact on our business, our revenues and financial condition and those of our tenant-operators due to the law's complexity, lack of implementing regulations or interpretive guidance, gradual implementation and possible amendment. The Affordable Care Act could adversely affect the reimbursement rates received by our tenant-operators, the financial success of our tenant-operators and strategic partners and consequently us.

If the United States economy enters a recession or slower growth, this could negatively affect state budgets, thereby putting pressure on states to decrease spending on state programs including Medicaid. The need to control Medicaid expenditures may be exacerbated by the potential for increased enrollment in state Medicaid programs due to unemployment and declines in family incomes. Historically, states have often attempted to reduce Medicaid spending by limiting benefits and tightening Medicaid eligibility requirements. Potential reductions to Medicaid program spending in response to state budgetary pressures could negatively impact the ability of our tenant-operators to successfully operate their businesses.

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

Employees

As of March 27, 2017, we had no employees. The Company is externally managed by the Advisor. The Advisor provides the services of the officers and other management personnel of the Company.

ITEM 1A. RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this Item 1A within this Report.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our business office is located at 4800 Montgomery Lane, Suite 450, Bethesda MD, 20814. The office space is allocated to us from the Advisor at prevailing rental rates and terms.

Facilities in Our Portfolio as of December 31, 2016

HealthSouth Facilities

HealthSouth East Valley Rehabilitation Hospital – Mesa, AZ

On December 20, 2016, the Company, through a wholly owned subsidiary of the Operating Partnership, acquired, pursuant to a purchase contract (the “Mesa PSA”) with HR ACQUISITION I CORPORATION (the “Mesa Seller”) the land and buildings known as the HealthSouth East Valley Rehabilitation Hospital (the “Mesa Property”) located in Mesa, AZ from the Mesa Seller for a purchase price of \$22,350,000.

Upon the closing of the acquisition of the Mesa Property, the Company assumed from the Mesa Seller the existing triple-net lease agreement (the “Mesa Lease”) pursuant to which the Mesa Property is leased to HealthSouth Mesa Rehabilitation Hospital, LLC with a remaining initial lease term of approximately eight years, subject to four consecutive five-year renewal options by the tenant, which lease is guaranteed by HealthSouth Corporation (“HealthSouth”). The aggregate annual rent for the Mesa Property is currently \$1,710,617, subject to 3% annual rent escalations. HealthSouth Mesa Rehabilitation Hospital, LLC has the option under the Mesa Lease to purchase the Mesa Property at the end of the initial lease term and at the end of each renewal term thereof, if any, upon the terms and conditions set forth in the Mesa Lease.

HealthSouth Rehabilitation Hospital of Altoona – Altoona, PA

On December 20, 2016, the Company, through a wholly owned subsidiary of the Operating Partnership, acquired, pursuant to a purchase contract (the “Altoona PSA”) with HR ACQUISITION OF PENNSYLVANIA, INC. (the “Altoona Seller”) the land and building comprising the HealthSouth Rehabilitation Hospital of Altoona (the “Altoona Property”) located in Altoona, PA from the Altoona Seller for a purchase price of \$21,545,000.

Upon the closing of the acquisition of the Altoona Property, the Company assumed from the Altoona Seller the existing triple-net lease agreement (the “Altoona Lease”) pursuant to which the Altoona Property is leased to HealthSouth with a remaining initial lease term of approximately 4.5 years, subject to two consecutive five-year renewal options by the tenant. The annual rent for the Altoona Property is currently \$1,635,773, subject to annual rent escalations based on increases in the consumer price index, or CPI, but not greater than 4% nor less than 2%.

HealthSouth Rehabilitation Hospital of Mechanicsburg – Mechanicsburg, PA

On December 20, 2016, the Company, through a wholly owned subsidiary of the Operating Partnership, pursuant to a purchase contract (the “Mechanicsburg PSA” and together with the Mesa PSA and the Altoona PSA, and the transactions contemplated thereby, the “Transactions”) with HR ACQUISITION OF PENNSYLVANIA, INC. (the “Lease Assignor” and PENNSYLVANIA HRT, INC. (“HRT”), Lease Assignor and HRT collectively referred to as “Mechanicsburg Seller”) (i) acquired the land and building comprising the HealthSouth Rehabilitation Hospital of Mechanicsburg (the “Mechanicsburg Property”) located in Mechanicsburg, PA from the Mechanicsburg Seller for a purchase price of \$24,198,000; and (ii) accepted an assignment of the ground lessee’s interest (the “Assignment”) in the Ground Lease dated May 1, 1996 from the Lease Assignor, whereby HRT ground leased the Mechanicsburg Property to the Lease Assignor.

Upon the closing of the acquisition of the Mechanicsburg Property and acceptance of the Assignment, the Company assumed from the Lease Assignor the existing triple-net lease agreement (the “Mechanicsburg Lease”) pursuant to which the Mechanicsburg Property is leased to HealthSouth with a remaining initial lease term of approximately 4.5 years, subject to two consecutive five-year renewal options by the tenant. The annual rent for the Mechanicsburg Property is currently \$1,836,886, subject to annual rent escalations based on increases in the CPI, but not greater than 4% nor less than 2%. HealthSouth has the option under the Mechanicsburg Lease to purchase the Mechanicsburg Property at the end of the initial lease term and at the end of each renewal term thereof, if any, upon the terms and conditions set forth in the Mechanicsburg Lease.

Ellijay Facilities

On December 16, 2016, pursuant to the terms of an asset purchase agreement between the Company, as Purchaser, and SunLink Healthcare Professional Property, LLC, a Georgia limited liability company, as seller (“SunLink”), the Company acquired three buildings, consisting of one medical office building and two ancillary healthcare related buildings (“SunLink Facilities”), encompassing an aggregate of 44,162 square feet located in Ellijay, Georgia, for a purchase price of approximately \$4.9 million. The acquisitions included the SunLink Facilities, together with the real property, the improvements, and all appurtenances thereto owned by SunLink. The SunLink Facilities are operated by Piedmont Mountainside Hospital, Inc., the existing tenant of the SunLink Facilities (“Piedmont”).

Upon the closing of the transaction, the Company assumed the previous landlord’s interest in the existing 10-year triple-net lease with Piedmont, effective as of July 1, 2016 and expiring in 2026. The acquisition was funded using a portion of the proceeds from the Company’s initial public offering.

Carson City Facilities

On September 27, 2016, the Company assumed the original buyer’s interest in an asset purchase agreement between the original buyer and Carson Medical Complex, a Nevada general partnership, as seller (“Carson”). On October 31, 2016, the Company, pursuant to the asset purchase agreement, acquired two medical office buildings (the “Carson Facilities”), encompassing an aggregate of 20,632 square feet, located in Carson City, Nevada for a purchase price of approximately \$3.8 million (approximately \$4.0 million including legal and related fees). The acquisitions included the Carson Facilities, together with the real property, the improvements, and all appurtenances thereto owned by Carson. The Carson Facilities are operated by Carson Medical Group, a Nevada professional corporation, the existing tenant of the Carson Facilities (the “Carson Tenant”).

Upon the closing of the transaction, the Company assumed the previous landlord’s interest in the existing 7-year triple-net lease with Carson Tenant, effective as of October 31, 2016 and expiring in 2023. The lease provides for one five-year extension at the option of the Carson Tenant. The acquisition was funded using a portion of the proceeds from the Company’s initial public offering.

Sandusky Facilities

On September 29, 2016, the Company assumed the original buyer’s interest in an asset purchase agreement between the original buyer and NOMS Property, LLC and Northern Ohio Medical Specialists, LLC, both Ohio limited liability companies, as sellers (“NOMS,” and together with NOMS Property, LLC, the “NOMS Sellers”), to acquire a portfolio of seven medical properties (the “NOMS Facilities”) known as the NOMS portfolio located in Sandusky, Ohio, for a total purchase price of \$10.0 million. The acquisition included the NOMS Facilities, together with the real property, the improvements, and all appurtenances thereto. The NOMS Facilities are operated by NOMS, the existing tenant of the NOMS Facilities (the “NOMS Tenant”).

On October 7, 2016, pursuant to the terms of the above-referenced asset purchase agreement, the Company acquired five of the seven properties comprising the NOMS Facilities (the “Five Properties”). The Five Properties encompassed an aggregate of 24,184 square feet, and the Company purchased the Five Properties for the allocated purchase price of \$4.6 million (approximately \$4.7 million including legal and related fees) of the total \$10 million purchase price. Upon its acquisition of the Five Properties, the Company entered into a new 11-year triple-net lease with the NOMS Tenant, effective as of October 7, 2016, and expiring in 2027. The lease provides for four additional five-year renewal options. The acquisition of the Five Properties was funded using a portion of the proceeds from the Company’s initial public offering.

As discussed in Note 12 – “Subsequent Events,” the Company closed on the acquisition of one of the properties on March 10, 2017 in the amount of approximately \$4.3 million using funds from the revolving credit facility. Upon the satisfaction of customary closing conditions, the Company expects to close the acquisition of the remaining property for approximately \$1.1 million during the second quarter of 2017. The Company is leasing the property that closed in March 2017 to the NOMS Tenant and will lease the remaining property when acquired to the NOMS Tenant both using a triple-net lease structure with an initial term of 11 years with four additional five-year renewal options. The acquisition of the remaining building will be funded using borrowings from the Company’s revolving credit facility or other available cash.

Watertown Facilities

On September 30, 2016, the Company closed on an asset purchase agreement with Brown Investment Group, LLC, a South Dakota limited liability company, to acquire a 30,062 square foot clinic, a 3,136 square foot administration building and a 13,686 square foot facility, both located in Watertown South Dakota (collectively, the “Watertown Facilities”), for a purchase price of \$9.0 million (approximately \$9.1 million including legal and related fees). The acquisitions included the Watertown Facilities, together with the real property, the improvements, and all appurtenances thereto. The Watertown Facilities are operated by the Brown Clinic, P.L.L.P. (“Brown Clinic”), a South Dakota professional limited liability partnership.

Upon the closing of the transaction, the Company leased the portfolio properties to Brown Clinic via a 15-year triple-net lease that expires in 2031. The lease provides for two additional five-year extensions at the option of the tenant. The acquisition was funded using a portion of the proceeds from the Company's initial public offering.

East Orange Facility

On September 29, 2016, the Company closed on an asset purchase agreement with Prospect EOGH, Inc. ("Prospect"), a New Jersey corporation, and wholly-owned subsidiary of Prospect Medical Holdings, Inc. ("PMH"), a Delaware corporation, to acquire a 60,442 square foot medical office building ("MOB") located at 310 Central Avenue, East Orange, New Jersey on the campus of the East Orange General Hospital, for a purchase price of approximately \$11.86 million (approximately \$12.3 million including legal and related fees). The acquisitions included the MOB, together with the real property, the improvements, and all appurtenances thereto.

Upon the closing of the transaction, the Company leased the MOB to PMH via a 10-year triple-net lease that expires in 2026. The lease provides for four additional five-year extensions at the option of the tenant. The acquisition was funded using a portion of the proceeds from the Company's initial public offering.

Reading Facilities

On July 20, 2016, the Company closed on an asset purchase agreement to acquire a 17,000 square foot eye center located at 1802 Papermill Road, Wyomissing, PA 19610 (the "Eye Center") owned and operated by Paper Mill Partners, L.P., a Pennsylvania limited partnership, and a 6,500 square foot eye surgery center located at 2220 Ridgewood Road, Wyomissing, PA 19610 (the "Surgery Center") owned and operated by Ridgewood Surgery Center, L.P., a Pennsylvania limited partnership, for a purchase price of approximately \$9.20 million (approximately \$9.38 million including legal and related fees). The acquisition included both facilities, together with the real property, the improvements, and all appurtenances thereto.

Upon the closing of the transaction, the Eye Center was leased back to Berks Eye Physicians & Surgeons, Ltd., a Pennsylvania professional corporation (the "Eye Center Tenant") and the Surgery Center was leased back to Ridgewood Surgery Associates, LLC, a Pennsylvania limited liability company (the "Surgery Center Tenant"). Both leases are 10-year absolute triple-net lease agreements that expire in 2026 and are cross defaulted. Both leases also provide for two consecutive five-year extensions at the option of the tenants. The Eye Center lease is guaranteed by the Surgery Center Tenant and the Surgery Center lease is guaranteed by the Eye Center Tenant, each pursuant to a written guaranty. The acquisition was funded using a portion of the proceeds from the Company's initial public offering.

Melbourne Facility

On March 31, 2016, the Company closed on a purchase agreement to acquire a 78,000 square-foot medical office building located on the Melbourne Bayfront for a purchase price of \$15.45 million (approximately \$15.5 million including legal and related fees) from Marina Towers, LLC, a Florida limited liability company. The facility is located at 709 S. Harbor City Blvd., Melbourne, FL on 1.9 acres of land. The acquisition included the site and building, an easement on the adjacent property to the north for surface parking, all tenant leases, and above and below ground parking garages. The entire facility has been leased back to Marina Towers, LLC via a 10-year absolute triple-net master lease agreement that expires in 2026. The tenant has two successive options to renew the lease for five-year periods on the same terms and conditions as the primary non-revocable lease term with the exception of rent, which will be adjusted to the prevailing fair market rent at renewal and will escalate in successive years during the extended lease period at two percent annually.

The Melbourne facility acquisition was financed in full using proceeds from the third party Cantor Loan, which is disclosed in Note 4 – "Notes Payable Related to Acquisitions and Revolving Credit Facility."

Westland Facility

On March 31, 2016, the Company closed on a purchase agreement to acquire a two-story medical office building and ambulatory surgery center located in Westland, Michigan for an aggregate purchase price of \$4.75 million from Cherry Hill Real Estate, LLC ("Cherry Hill"). The property contains 15,018 leasable square feet and is located on a 1.3-acre site. Under the purchase agreement, the Company acquired the site and building, including parking. Also on March 31, 2016, the Company executed a lease agreement for the entire facility with The Surgical Institute of Michigan, LLC under a triple-net master lease agreement that expires in 2026, subject to two successive ten-year renewal options for the tenant on the same terms as the initial lease, except that the rental rate will be subject to adjustment upon each renewal based on then-prevailing market rental rates. The purchase agreement contains customary covenants, representations and warranties. Commensurate with the execution of its lease with the Company, The Surgical Institute of Michigan, LLC terminated its lease agreement with Cherry Hill that was in place at the time of the sale of the facility to the Company.

The Westland facility acquisition was financed in full using proceeds from the third party Cantor Loan, which is disclosed in Note 4 – “Notes Payable Related to Acquisitions and Revolving Credit Facility.”

Plano Facility

On January 28, 2016, the Company closed on an asset purchase agreement with an unrelated party Star Medreal, LLC, a Texas limited liability company, to acquire a hospital facility located in Plano, Texas, along with all real property and improvements thereto for approximately \$17.5 million (approximately \$17.7 million including legal and related fees). Under the terms of the agreement, the Company was obligated to pay a development fee of \$500,000 to Lumin, LLC at closing. The property has been leased back via an absolute triple-net lease agreement that expires in 2036. The tenant will be Star Medical Center, LLC and Lumin Health, LLC will serve as guarantor. Lumin Health, LLC is an affiliate and management company for Star Medical Center, LLC. The tenant has two successive options to renew the lease for ten-year periods on the same terms and conditions as the primary non-revocable lease term with the exception of rent, which will be computed at then prevailing fair market value as determined by an appraisal process defined in the lease. The terms of the lease also provide for a tenant allowance up to \$2.75 million for a 6,400 square foot expansion to be paid by the Company.

Also on January 28, 2016, the Company entered into a Promissory Note and Deed of Trust with East West Bank to borrow a total of \$9,223,500. Deferred financing costs of \$53,280 were incurred and capitalized by the Company in securing this loan. The loan was scheduled to mature on January 28, 2021, five years from the closing date. At closing the Company paid the lender a non-refundable deposit of \$50,000 and a non-refundable commitment fee of \$46,118. The loan bears interest at a rate per annum equal to the Wall Street Journal Prime Rate (as quoted in the "Money Rates" column of The Wall Street Journal (Western Edition), rounded to two decimal places, as it may change from time to time, plus 0.50%, but not less than 4.0%. Interest expense of \$64,551 was incurred on this note for the year ended December 31, 2016, prior to its repayment. As discussed in Note 4 – “Notes Payable Related to Acquisitions and Revolving Credit Facility,” the Company used a portion of the proceeds from another third party loan to repay the \$9,223,500 principal balance of the note with East West Bank in full as of December 31, 2016. The Company also wrote off the deferred financing costs of \$53,280 as of December 31, 2016 related to this note.

Additional funding for this transaction was received from ZH USA, LLC during the year ended December 31, 2015 in the amount of \$9,369,310 (consisting of \$9,025,000 funded directly for this transaction and \$344,310 that was held in escrow from previous funding from ZH USA, LLC). The \$9,369,310 was recorded by the Company as unsecured Convertible Debentures due to related party on demand, bearing interest at eight percent per annum. ZH USA, LLC may elect to convert all or a portion of the outstanding principal amount of the Convertible Debenture into shares of the Company’s common stock in an amount equal to the principal amount of the Convertible Debenture, together with accrued but unpaid interest, divided by \$12.748. See Note 6 – “Related Party Transactions” for details regarding the conversion to common stock or pay-off of the Convertible Debenture balance as of December 31, 2016.

Tennessee Facilities

On December 31, 2015, the Company acquired a six building, 52,266 square foot medical clinic portfolio for a purchase price of \$20.0 million (approximately \$20.2 including legal and related fees). Five of the facilities are located in Tennessee and one facility is located in Mississippi. The portfolio will be leased back through Gastroenterology Center of the Midsouth, P.C. via an absolute triple-net lease agreement that expires in 2027. The tenant has two successive options to renew the lease for five year periods on the same terms and conditions as the primary non-revocable lease term with the exception of rent, which will be computed at the same rate of escalation used during the fixed lease term. Base rent increases by 1.75% each lease year commencing on January 1, 2018. The property is owned in fee simple. Funding for the transaction and all related costs was received in the form of a convertible debenture (“Convertible Debenture”) the Company issued to its majority stockholder in the total amount of \$20,900,000. Refer to Note 6 – “Related Party Transactions” for additional details regarding the funding of this transaction.

West Mifflin Facility

On September 25, 2015, the Company acquired a surgery center and medical office building located in West Mifflin, Pennsylvania and the adjacent parking lot for approximately \$11.35 million (approximately \$11.6 million including legal and related fees) of approximately 27,193 square feet, combined. The facilities are operated by Associates in Ophthalmology, LTD and Associates Surgery Centers, LLC, respectively, and leased back to those entities by the Company via two separate lease agreements that expire in 2030. Each lease has two successive options by the tenants to renew for five year periods. Base rent increases by 2% each lease year commencing on October 1, 2018. The property is owned in fee simple. In connection with the acquisition of the facilities, the Company borrowed \$7,377,500 from Capital One, National Association (“Capital One”) and funded the remainder of the purchase price with the proceeds from a Convertible Debenture it issued to its majority stockholder in the total amount of \$4,545,838. Refer to Note 4 – “Notes Payable Related to Acquisitions and Revolving Credit Facility” and Note 6 – “Related Party Transactions” for additional details regarding the funding of this transaction.

Asheville Facility

On September 19, 2014, the Company acquired an approximately 8,840 square foot medical office building known as the Orthopedic Surgery Center, located in Asheville, North Carolina for approximately \$2.5 million. The Asheville facility is subject to an operating lease which expires in 2017, with lease options to renew up to five years. The property is owned in fee simple. In connection with the acquisition of the Asheville facility, the Company borrowed \$1.7 million from the Bank of North Carolina and funded the remainder of the purchase price with the proceeds from a Convertible Debenture it issued to its majority stockholder and with the Company's existing cash. Refer to Note 4 – "Notes Payable Related to Acquisitions and Revolving Credit Facility" for additional details regarding the funding of this transaction and the prepayment in full of this note.

Omaha Facility

On June 5, 2014, the Company completed the acquisition of a 56-bed long term acute care hospital located at 1870 S 75th Street, Omaha, Nebraska for approximately \$21.7 million (approximately \$21.9 million including legal fees). The Omaha facility is operated by Select Specialty Hospital – Omaha, Inc. pursuant to a sublease which expires in 2023, with sub lessee options to renew up to 60 years. The real property where the Omaha facility and other improvements are located are subject to a land lease with Catholic Health Initiatives, a Colorado nonprofit corporation (the "land lease"). The land lease initially was to expire in 2023 with sub lessee options to renew up to 60 years. However, as of December 31, 2015, the Company exercised two five-year lease renewal options and therefore the land lease currently expires in 2033, subject to future renewal options by the Company. In connection with the acquisition of the Omaha facility in June 2014, the Company borrowed \$15.06 million from Capital One and funded the remainder of the purchase price with funds from its majority stockholder. Refer to Note 4 – "Notes Payable Related to Acquisitions and Revolving Credit Facility" for additional details regarding the funding of this transaction and the prepayment in full of this note.

ITEM 3. LEGAL PROCEEDINGS

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

In connection with our initial public offering, which was completed on July 1, 2016, our common stock is quoted on the New York Stock Exchange under the ticker symbol "GMRE." Prior to that date our stock was listed on the OTC pink tier of the OTC Markets, Inc. under the symbol "GMRE" and trading of our common stock at that time was limited and sporadic.

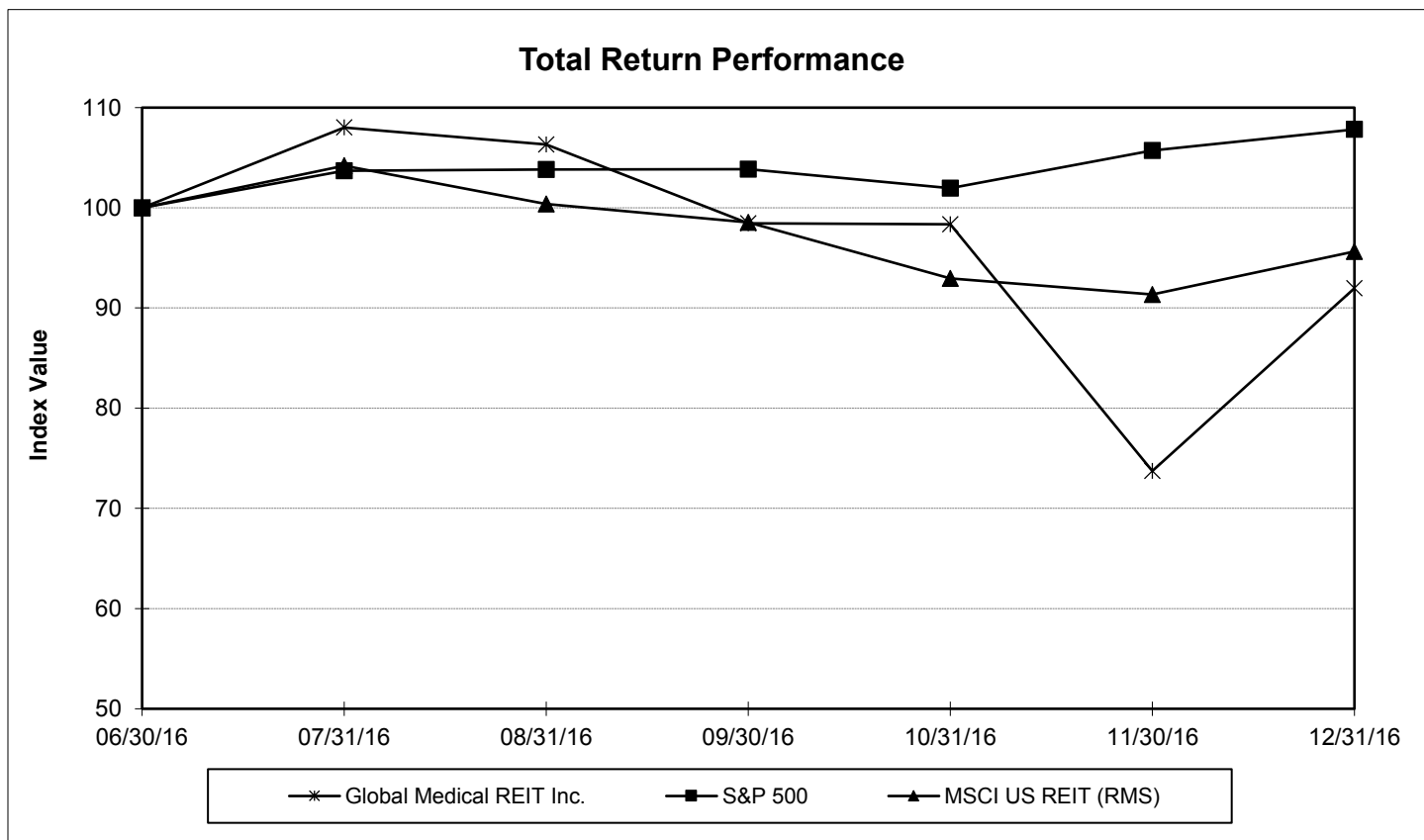
The following table sets forth, for the periods indicated, the high and low sale prices of our common stock for the fiscal years ended December 31, 2016 and 2015, respectively, and the dividends paid by us with respect to those periods.

2016		High		Low		Dividends per Share
First quarter	\$	3.58	\$	0.125	\$	0.2556
Second quarter	\$	3.58	\$	0.125	\$	0.2556
Third quarter	\$	11.38	\$	9.52	\$	0.2000
Fourth quarter	\$	9.89	\$	6.73	\$	0.2000
2015		High		Low		Dividends per Share
First quarter	\$	3.58	\$	3.58	\$	0.2556
Second quarter	\$	3.58	\$	3.58	\$	0.2556
Third quarter	\$	3.58	\$	3.58	\$	0.2556
Fourth quarter	\$	3.58	\$	3.58	\$	0.2556

Performance Graph

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

The graph below compares the cumulative total return of our common shares, the S&P 500 and the MSCI US REIT Index (“RMS”), from July 1, 2016 (the completion date of our IPO) through December 31, 2016. The comparison assumes \$100 was invested on July 1, 2016 in our common shares and in each of the foregoing indexes and assumes reinvestment of dividends, as applicable. The MSCI US REIT Index consists of equity REITs that are included in the MSCI US Investable Market 2500 Index, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. We have included the MSCI US REIT Index because we believe that it is representative of the industry in which we compete and is relevant to an assessment of our performance.



Index	Period Ending						
	06/30/16	07/31/16	08/31/16	09/30/16	10/31/16	11/30/16	12/31/16
Global Medical REIT Inc.	100.00	108.01	106.33	98.44	98.34	73.73	91.96
S&P 500	100.00	103.69	103.83	103.85	101.96	105.73	107.82
MSCI US REIT (“RMS”)	100.00	104.20	100.39	98.55	92.94	91.35	95.63

As of March 27, 2017 there were approximately 34 record holders, and 17,605,675 shares of common stock issued and outstanding. As of December 31, 2016 and December 31, 2015, there were 17,605,675 and 250,000 outstanding shares of common stock, respectively.

Pursuant to a previously declared dividend approved by the Board of Directors of the Company (the “Board”) and in compliance with applicable provisions of the Maryland General Corporation Law, the Company has paid a monthly dividend of \$0.0852 per share each month during the four-month period from January 2016 through April 2016 in the total amount of \$285,703. Additionally, on September 14, 2016, the Company announced the declaration of a cash dividend of \$0.20 per share of common stock to stockholders of record as of September 27, 2016 and to the holders of the LTIP units that were granted on July 1, 2016. This dividend, in the amount of \$3,592,786, was paid on October 11, 2016. On December 14, 2016, the Company announced the declaration of a cash dividend of \$0.20 per share of common stock to stockholders of record as of December 27, 2016 and to the holders of the LTIP units that were

granted on July 1, 2016 and December 21, 2016. This dividend, in the amount of \$3,604,037, was accrued as of December 31, 2016 and subsequently paid on January 10, 2017. Total dividends paid to holders of the Company's common stock was \$3,878,489 during the year ended December 31, 2016.

Total dividends paid to holders of the Company's common stock was \$255,600 during the year ended December 31, 2015.

ITEM 6. SELECTED FINANCIAL DATA

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this Item 6.

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

The following discussion should be read in conjunction with our financial statements, including the notes to those statements, included elsewhere in this Report, and the Section entitled "Cautionary Statement Regarding Forward-Looking Statements" in this Report. As discussed in more detail in the Section entitled "Cautionary Statement Regarding Forward-Looking Statements," this discussion contains forward-looking statements which involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements.

Background

Global Medical REIT Inc. (the "Company," "us," "we," "our") was incorporated in the state of Nevada on March 18, 2011 and re-domiciled into a Maryland corporation, effective January 6, 2014. Our principal investment strategy is to develop and manage a portfolio of real estate assets in the healthcare industry, which includes surgery centers, specialty hospitals, and outpatient treatment centers.

We formed our Operating Partnership in March 2016 and contributed all of our then-owned healthcare facilities to the Operating Partnership in exchange for common units of limited partnership interest in the Operating Partnership. We own Global Medical REIT GP, LLC, a Delaware limited liability company, which is the sole general partner of our Operating Partnership. We intend to conduct all future acquisition activity and operations through our Operating Partnership.

Initial Public Offering

On July 1, 2016, the Company closed its initial public offering and issued 13,043,479 shares of its common stock at a price of \$10.00 per share resulting in gross proceeds of \$130,434,790. After deducting underwriting discounts and commissions, advisory fees, and other offering expenses, the Company received net proceeds from the offering of \$120,773,630. Additionally, on July 11, 2016, the underwriters exercised their over-allotment option in full, resulting in the issuance by the Company of an additional 1,956,521 shares of the Company's common stock at a price of \$10.00 per share for gross proceeds of \$19,565,210. After deducting underwriting discounts and expenses, advisory fees, and other offering expenses, the Company received net proceeds from the over-allotment option shares of \$18,195,645. Total shares issued by the Company in the initial public offering, including over-allotment option shares, were 15,000,000 shares and the total net proceeds received were \$137,288,016, which represented gross proceeds received of \$138,969,275 net of \$1,681,259 in costs directly attributable to the initial public offering that were deferred and paid.

In connection with the Company's initial public offering, the Company's common stock was listed on the New York Stock Exchange under the ticker symbol "GMRE."

Amended 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, pursuant to which the Advisor manages the operations and investment activities of the Company.

2016 Equity Incentive Plan

Prior to the completion of the initial public offering on July 1, 2016, the Board approved and adopted the 2016 Equity Incentive Plan. The purposes of the 2016 Equity Incentive Plan are to attract and retain qualified persons upon whom, in large measure, our sustained progress, growth and profitability depend, to motivate the participants to achieve long-term company goals and to more closely align the participants' interests with those of our other stockholders by providing them with a proprietary interest in our growth and performance. An aggregate of 414,504 long term incentive plan ("LTIP") units were granted during the year ended December 31, 2016 pursuant to the 2016 Equity Incentive Plan. In addition, an aggregate of 817,893 additional shares are available for future issuance under our 2016 Equity Incentive Plan. As disclosed in Note 12 – "Subsequent Events," on February 28, 2017, the Company's Board approved

the recommendations of the Compensation Committee of the Board with respect to the granting of 2017 Annual Performance-Based LTIP Awards and Long-Term Performance-Based Incentive LTIP Awards to the executive officers of the Company and other employees of the Advisor who perform services for the Company.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires our management 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. For a more detailed discussion of our significant accounting policies, see Note 2 – “Summary of Significant Accounting Policies” in the footnotes to the accompanying financial statements. Below is a discussion of accounting policies that we consider critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Use of Estimates

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

Purchase of Real Estate

Transactions in which real estate assets are purchased that are not subject to an existing lease are treated as asset acquisitions and are recorded at their purchase price, including capitalized acquisition costs, which is allocated to land and building based upon their relative fair values at the date of acquisition. Transactions in which real estate assets are acquired either subject to an existing lease or as part of a portfolio level transaction with significant leasing activity are treated as a business combination under Accounting Standards Codification (“ASC”) Topic 805, Business Combinations, and the assets acquired and liabilities assumed, including identified intangible assets and liabilities, are recorded at their fair value. Fair value is determined based upon the guidance of ASC Topic 820, Fair Value Measurements and Disclosures and generally are determined using Level 2 inputs, such as rent comparables, sales comparables, and broker indications. Although Level 3 Inputs are utilized, they are minor in comparison to the Level 2 data used for the primary assumptions. The determination of fair value involves the use of significant judgment and estimates. We make estimates to determine the fair value of the tangible and intangible assets acquired and liabilities assumed using information obtained from multiple sources, including pre-acquisition due diligence, and we routinely utilize the assistance of a third party appraiser. Initial valuations are subject to change until the information is finalized, no later than 12 months from the acquisition date. We expense transaction costs associated with acquisitions accounted for as business combinations in the period incurred.

Details regarding the valuation of tangible assets:

The fair value of land is determined using the sales comparison approach whereby recent comparable land sales and listings are gathered and summarized. The available market data is analyzed and compared to the land being valued and adjustments are made for dissimilar characteristics such as market conditions, size, and location. We estimate the fair value of buildings acquired on an as-if-vacant basis and depreciate the building value over its estimated remaining life. We determine the fair value of site improvements (non-building improvements that include paving and other) using the cost approach, with a deduction for depreciation, and depreciate the site improvements over their estimated remaining useful lives. Tenant improvements represent fixed improvements to tenant spaces, the fair value of which is estimated using prevailing market tenant improvement allowances that would be given to attract a new tenant, estimated based on the assumption that it is a necessary cost of leasing up a vacant building. Tenant improvements are amortized over the remaining term of the lease. As of December 31, 2016, the Company’s recorded site improvements of \$1,465,273 and tenant improvement of \$1,186,014, resulting from the acquisitions of the HealthSouth facilities and the Ellijay facilities, respectively.

Details regarding the valuation of intangible assets:

In determining the fair value of in-place leases (the avoided cost associated with existing in-place leases) management considers current market conditions and costs to execute similar leases in arriving at an estimate of the carrying costs during the expected lease-up period from vacant to existing occupancy. In estimating carrying costs, management includes reimbursable (based on market lease

terms) real estate taxes, insurance, other operating expenses, as well as estimates of lost market rental revenue during the expected lease-up periods. The values assigned to in-place leases are amortized over the remaining term of the lease.

The fair value of above-or-below market leases is estimated based on the present value (using an interest rate which reflected the risks associated with the leases acquired) of the difference between contractual amounts to be received pursuant to the leases and management's estimate of market lease rates measured over a period equal to the estimated remaining term of the lease. An above market lease is classified as an intangible asset and a below market lease is classified as an intangible liability. The capitalized above-market or below-market lease intangibles are amortized as a reduction of or an addition to rental income over the estimated remaining term of the respective leases. The capitalized above-market lease intangible is amortized as a reduction of rental revenue and the below-market lease intangible is amortized as an addition to rental revenue over the estimated remaining term of the respective leases.

Intangible assets related to leasing costs consist of leasing commissions and legal fees. Leasing commissions are estimated by multiplying the remaining contract rent associated with each lease by a market leasing commission. Legal fees represent legal costs associated with writing, reviewing, and sometimes negotiating various lease terms. Leasing costs are amortized over the remaining useful life of the respective leases.

Impairment of Long Lived Assets

The Company evaluates its real estate assets for impairment periodically or whenever events or circumstances indicate that its carrying amount may not be recoverable. If an impairment indicator exists, we compare the expected future undiscounted cash flows against the carrying amount of an asset. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the asset, we would record an impairment loss for the difference between the estimated fair value and the carrying amount of the asset.

Revenue Recognition

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

The Company consistently assesses 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 monitors the liquidity and creditworthiness of its tenants and operators on a continuous basis. This evaluation considers industry and economic conditions, property performance, credit enhancements and other factors. For operating lease straight-line rent amounts, the Company's assessment is based on amounts estimated to be recoverable over the term of the lease. As of December 31, 2016 and December 31, 2015 no allowance was recorded as it was not deemed necessary.

Fair Value of Financial Instruments

Fair value is a market-based measurement and should be determined based on the assumptions that market participants would use in pricing an asset or liability. In accordance with ASC Topic 820, the valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1-Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets;
- Level 2-Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and
- Level 3-Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company considers the carrying values of cash and cash equivalents, escrow deposits, accounts and other receivables, and accounts payable and accrued expenses to approximate the fair value for these financial instruments because of the short period of time since origination or the short period of time between origination of the instruments and their expected realization. Due to the short-term nature of these instruments, Level 1 and Level 2 inputs are utilized to estimate the fair value of these financial instruments. The fair values determined related to the Company's transactions that are accounted for as business combinations primarily utilizes Level 2 inputs since there is heavy reliance on market observable data such as rent comparables, sales comparables, and broker indications.

Although some Level 3 inputs are utilized they are minor in comparison to the Level 2 data used for the primary assumptions as it relates to business combination valuations.

Stock-Based Compensation

The Company expenses the fair value of unit awards in accordance with the fair value recognition requirements of ASC Topic 718, Compensation-Stock Compensation, and ASC Topic 505, Equity. Under ASC Topic 718, the Company's independent directors are deemed to be employees and therefore compensation expense for these units is recognized based on the price of \$10.00 per unit, the closing share price for the Company's common stock at the closing date of the initial public offering on July 1, 2016, ratably over the 12-month service period, using the straight line method. Under ASC Topic 505, the employees of the Advisor and its affiliates are deemed to be non-employees of the Company and therefore compensation expense for these units is recognized using the share price of the Company's common stock at the end of the reporting period, ratably over the 41-month or 53-month service period, respectively, depending on the grant terms, using the straight line method.

Trends Which May Influence Results of Operations

We believe the following trends in the healthcare real estate market positively affect the acquisition, ownership, development and management of healthcare real estate:

- growing healthcare expenditures;
- an aging population;
- a continuing shift towards outpatient care;
- implementation of the Affordable Care Act;
- physician practice group and hospital consolidation;
- healthcare industry employment growth;
- expected monetization and modernization of healthcare real estate;
- a highly fragmented healthcare real estate market; and
- a limited new supply of healthcare real estate.

We believe the following trends in the healthcare real estate market may negatively impact our lease revenues and the ability to make distributions to our shareholders:

- changes in demand for and methods of delivering healthcare services;
- changes in third party reimbursement methods and policies; and
- increased scrutiny of billing, referral and other practices by U.S. federal and state authorities.

Components of the Company's Revenues, Expenses and Cash Flows

Revenue

Rental revenue

Our operations currently consist of rental revenue earned from our tenant-operators under leasing arrangements which provide for minimum rent and escalations. The leases have been accounted for as operating leases. For operating leases with contingent rental escalators, revenue is recorded based on the contractual cash rental payments due during the period. Revenue from leases with fixed annual rental escalators are recognized on a straight-line basis over the initial lease period, subject to a collectability assessment. If we determine that collectability of rents is not reasonably assured, future revenue recognition is limited to amounts contractually owed and paid, and, when appropriate, an allowance for estimated losses is established. Additionally, the capitalized above-market lease intangible is amortized as a reduction of rental revenue and the below-market lease intangible is amortized as an addition to rental revenue over the estimated remaining term of the respective leases.

Other income

Other income consists primarily of interest income earned on the net proceeds received from our initial public offering.

Expenses

Acquisition fees

Acquisition fees represent expenses incurred with unaffiliated entities related to the acquisition of a facility, primarily incurred with acquisitions that are accounted for as business combinations.

Acquisition fees – related party

Acquisition fees – related party represented a fee paid by us to our Advisor for facility acquisitions in connection with the terms of the original management agreement. In accordance with the provisions of the amended and restated management agreement, which became effective July 1, 2016, the Advisor ceased charging us this acquisition fee.

General and administrative

General and administrative expense primarily includes professional fees and services (legal and accounting), general office expenses, ground rent related to the Omaha facility, and travel and related expenses.

Management fees – related party

In accordance with the terms of the Company's initial management agreement between us and the Advisor, we owed the Advisor a base management fee equal to the greater of (a) 2.0% per annum of our net asset value (the value of our assets less the value of our liabilities), or (b) \$30,000 per calendar month. Historically this fee has resulted in a monthly charge to us of \$30,000. Upon completion of the Company's initial public offering on July 1, 2016, the Company's amended and restated management agreement, which was approved by the Board on June 13, 2016, became effective. Refer to Note 6 – "Related Party Transactions" for details regarding the amended and restated management agreement, the management fee expense incurred for the year ended December 31, 2016, and accrued management fees owed to the Advisor as of December 31, 2016.

Depreciation expense

Depreciation expense is computed using the straight-line method over the estimated useful lives of the buildings, site improvements, and tenant improvements, which are generally between 4 and 40 years.

Amortization expense

Amortization expense is incurred on the Company's acquired lease intangible assets (consisting of in-place leases and leasing cost intangible assets) and is computed using the straight-line method over the remaining lives of the respective leases, which are generally between 4 and 10 years.

Interest expense

Interest expense is derived from interest incurred on our borrowings from third party institutional lenders as well as borrowings from related parties, the funds of which were primarily used to fund acquisitions. Additionally, the amortization of deferred financing costs (debt discount) incurred to obtain third party financing is classified as interest expense.

Cash Flow

Cash flows from operating activities

Cash flows from operating activities primarily represent activities related to us conducting our normal business activities and generally reflect the impact of transactions that enter into the determination of our net income or loss.

Cash flows from investing activities

Cash flows from investing activities primarily represent activities related to us acquiring healthcare facilities, plants, and equipment and making and collecting loans from other entities.

Cash flows from financing activities

Cash flows from financing activities primarily represent activities related to us borrowing and subsequently repaying funds from other entities as well as providing stockholders with a return on investment primarily in the form of a dividend payment.

Consolidated Results of Operations

The major factor that resulted in variances in our results of operations for each revenue and expense category for the year ended December 31, 2016 compared to the year ended December 31, 2015 is due to the fact that as of December 31, 2016 our portfolio consisted of facilities from a total of 14 acquisitions, whereas as of December 31, 2015 only four of the 14 acquisitions had occurred.

As of December 31, 2016 the Company had facilities in its portfolio from the following acquisitions:

- HealthSouth facilities (acquired December 20, 2016)
- Ellijay facilities (acquired December 16, 2016)
- Carson City facilities (acquired October 31, 2016)
- Sandusky facilities (acquired October 7, 2016)
- Watertown (acquired September 30, 2016)
- East Orange (acquired September 29, 2016)
- Reading (acquired July 20, 2016)
- Melbourne (acquired March 31, 2016)
- Westland (acquired March 31, 2016)
- Plano (acquired January 28, 2016)
- Tennessee facilities (acquired December 31, 2015)
- West Mifflin (acquired September 25, 2015)
- Asheville (acquired September 19, 2014)
- Omaha (acquired June 5, 2014)

As of December 31, 2015 the Company had facilities in its portfolio from the following acquisitions:

- Tennessee facilities (acquired December 31, 2015)
- West Mifflin (acquired September 25, 2015)
- Asheville (acquired September 19, 2014)
- Omaha (acquired June 5, 2014)

Revenues

Total revenue for the year ended December 31, 2016 was \$8,210,330, compared to \$2,061,667 for the year ended December 31, 2015, an increase of \$6,148,663. The increase is the result of rental revenue derived from the base rental receipts from the ten additional facilities that we acquired during the current year as well as from the recognition of a full year of rental revenue related to the West Mifflin and Tennessee facilities that we acquired in late 2015. Additionally, the “other income” component of total revenue increased during the current year primarily as a result of interest earned on the unexpended net proceeds received from the initial public offering.

Acquisition Fees

Acquisition fees to unrelated parties for the year ended December 31, 2016 were \$1,568,470, compared to zero for the year ended December 31, 2015. These acquisition fees were primarily incurred on our acquisitions that were accounted for as business combinations. As discussed in the “acquisition fees – related party” discussion below, prior to the amended and restated management agreement between us and our Advisor, which became effective on July 1, 2016, acquisition fees were incurred and payable to our Advisor.

Acquisition Fees – related party

Acquisition fees – related party for the year ended December 31, 2016 were \$754,000, compared to \$627,000 for the year ended December 31, 2015, an increase of \$127,000. The current year expense includes acquisition fees that were incurred and paid to our Advisor in accordance with the management agreement that was in place at that time (consisting of \$350,000, \$309,000 and \$95,000 in connection with the acquisitions of the Plano, Melbourne, and Westland facilities, respectively) compared to \$627,000 of acquisition fees that were incurred and paid to our Advisor in the prior year (consisting of \$400,000 and \$227,000 in connection with the acquisitions of the Tennessee and West Mifflin facilities, respectively). As disclosed, under the amended and restated management agreement between us and our Advisor, which became effective on July 1, 2016, acquisition fees are no longer incurred and payable to our Advisor.

General and Administrative

General and administrative expenses for the year ended December 31, 2016 was \$4,291,422, compared to \$505,141 for the year ended December 31, 2015, an increase of \$3,786,281. The increase results from non-cash compensation expense of approximately \$1.7 million incurred related to the LTIP units that were granted during 2016, a \$500,000 development fee incurred in connection with

the Plano acquisition, as well as from increases in accounting and compliance costs associated with audit requirements related to the certain acquired properties and a general increase in this expense category (insurance, legal, business development) as a result of the ten additional facilities that we acquired during the current year. Additionally, in 2016 a full year of general and administrative expense was incurred related to the West Mifflin and Tennessee facilities that we acquired in late 2015.

Management Fees – related party

Management fees for the year ended December 31, 2016 were \$1,434,294, compared to \$360,000 for the year ended December 31, 2015, an increase of \$1,074,294. The current year management fee was calculated based upon the terms of the amended and restated management agreement from July 1, 2016 through December 31, 2016 (\$1,254,294 of expense) and the remainder was calculated based on the terms of the original management agreement from January 1, 2016 through June 30, 2016 (\$180,000 of expense). The management fee for the prior year was calculated as \$30,000 incurred per month in accordance with the terms of the original management agreement that was effective since April 1, 2014.

Depreciation Expense

Depreciation expense for the year ended December 31, 2016 was \$2,334,664, compared to \$659,671 for the year ended December 31, 2015, an increase of \$1,674,993. The increase is primarily a result of depreciation expense incurred related to the additional ten facilities that we acquired and were included as part of our portfolio during the current year as well as from a full year of depreciation incurred on the West Mifflin and Tennessee facilities that we acquired in late 2015.

Amortization Expense

Amortization expense incurred for the year ended December 31, 2016 was \$42,322, compared to no amortization for the year ended December 31, 2015. Amortization expense during the current year was incurred on the in-place lease and leasing cost intangibles related to the HealthSouth and Ellijay acquisitions that were accounted for as business combinations.

Interest Expense

Interest expense for the year ended December 31, 2016 was \$4,138,608, compared to \$1,519,102 for the year ended December 31, 2015, an increase of \$2,619,506. The increase results from interest incurred on the Cantor Loan that was procured during the first quarter of 2016, a full year of interest expense incurred on third party debt and related party borrowings used to acquire facilities in the prior year, the early termination fee of \$301,200 that was incurred related to the early pay-off of the Omaha facility debt, the amortization of debt issuance costs (recorded as interest expense) primarily incurred on the Cantor Loan, and full year of amortization of debt issuance costs that were incurred in connection with our West Mifflin and Tennessee acquisitions late in 2015.

Liquidity and Capital Resources

General

We believe that our initial public offering strengthened our financial position by allowing us to reduce our leverage and increasing our stockholders' equity and available cash. Our short-term liquidity requirements consist primarily of funds to pay for operating expenses and other expenditures directly associated with our properties, including:

- property expenses,
- interest expense and scheduled principal payments on outstanding indebtedness,
- general and administrative expenses, and acquisition expenses.

In addition, we will require funds for future distributions expected to be paid to our common stockholders and OP unit holders in our operating partnership following completion of the initial public offering.

We expect to satisfy our short-term liquidity requirements through our existing cash and cash equivalents, cash flow from operating activities, the proceeds of the initial public offering, and future borrowings under any other debt instruments we may enter into. On December 2, 2016, the Company, the Operating Partnership, as borrower, and certain subsidiaries (such subsidiaries, the "Subsidiary Guarantors") of the Operating Partnership entered into a senior revolving credit facility (the "Credit Facility") with BMO Harris Bank N.A., as Administrative Agent, which will initially provide up to \$75 million in revolving credit commitments for the Operating Partnership. The Credit Facility includes an accordion feature that provides the Operating Partnership with additional capacity, subject to the satisfaction of customary terms and conditions of up to \$125 million, for a total facility size of up to \$200 million. 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.

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, recurring and non-recurring capital expenditures, scheduled debt maturities and general and administrative expenses. We expect to satisfy our long-term liquidity needs through cash flow from operations, long-term secured and unsecured borrowings, sales of additional equity securities, and, in connection with acquisitions of additional properties, the issuance of OP units of our operating partnership, and proceeds from select property dispositions and joint venture transactions. We currently do not expect to sell any of our properties to meet our liquidity needs, although we may do so in the future.

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

To qualify as a REIT for federal income tax purposes, we are required to distribute annually at least 90% of our REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and to pay tax at regular corporate rates to the extent that we annually distribute less than 100% of our net taxable income. Subject to the requirements of the Maryland General Corporation Law we intend to pay quarterly dividends to our stockholders, if and to the extent authorized by our Board.

Cash Flow Information

Net cash used in operating activities for the year ended December 31, 2016 was \$2,723,166, compared with \$208,801 used in operating activities for the year ended December 31, 2015. The increase during the current year was primarily derived from increases in the net loss, \$1,443,585 in management fees paid to the Advisor, and increases in operating assets. The net cash used in operating activities was partially offset by increases in non-cash expenses such as depreciation expense, amortization of debt issuance costs, and LTIP compensation expense.

Net cash used in investing activities for the year ended December 31, 2016 was \$150,357,587, compared with \$32,338,990 used in investing activities for the year ended December 31, 2015. The increase during the current year was primarily derived from the completed acquisitions of ten facilities during 2016. Cash flows used in investing activities are heavily dependent upon the investment in properties and real estate assets. We anticipate cash flows used in investing activities to increase as we acquire additional properties in the future.

Net cash provided by financing activities for the year ended December 31, 2016 was \$163,567,614 compared with \$41,643,255 provided by financing activities for the year ended December 31, 2015. The increase during the current year was primarily derived from the net proceeds received from the initial public offering of \$137,288,016, proceeds received from the revolving credit facility that was entered into and December 2016, and proceeds of \$32,097,400 received from the Cantor Loan. These financing cash inflows were partially offset by the full repayment of the Omaha and Asheville third party debt, a partial payment of the remaining Convertible Debenture balance, and payments of dividends, deferred debt issuance costs, and deferred public offering costs.

Dividends

Pursuant to a previously declared dividend approved by the Board and in compliance with applicable provisions of the Maryland General Corporation Law, the Company has paid a monthly dividend of \$0.0852 per share each month during the four-month period from January 2016 through April 2016 in the total amount of \$285,703. Additionally, on September 14, 2016, the Company announced the declaration of a cash dividend of \$0.20 per share of common stock to stockholders of record as of September 27, 2016 and to the holders of the LTIP units that were granted on July 1, 2016. This dividend, in the amount of \$3,592,786, was paid on October 11, 2016. On December 14, 2016, the Company announced the declaration of a cash dividend of \$0.20 per share of common stock to stockholders of record as of December 27, 2016 and to the holders of the LTIP units that were granted on July 1, 2016 and December 21, 2016. This dividend, in the amount of \$3,604,037, was accrued as of December 31, 2016 and subsequently paid on January 10, 2017. Total dividends paid to holders of the Company's common stock was \$3,878,489 during the year ended December 31, 2016.

The amount of the dividends paid to our stockholders is determined by our Board and is dependent on a number of factors, including funds available for payment of dividends, our financial condition, capital expenditure requirements and annual dividend amount of offering proceeds that may be used to fund dividends, except that, in accordance with our organizational documents and Maryland law, we may not make dividend distributions that would: (i) cause us to be unable to pay our debts as they become due in the usual course of business; (ii) cause our total assets to be less than the sum of our total liabilities plus senior liquidation preferences; or

(iii) jeopardize our ability to maintain our qualification as a REIT.

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 U.S. Securities and Exchange Commission. 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 generally accepted accounting principles (“GAAP”)] before non-controlling interests of holders of operating partnership units, excluding gains (or losses) from sales of property and extraordinary items, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs), 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 years ended December 31, 2016 and December 31, 2015. Because FFO excludes real estate related depreciation and amortization (other than amortization of deferred financing costs), 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.

Management calculates AFFO, which is also a non-GAAP financial measure, by modifying the NAREIT computation of FFO by adjusting it for certain non-cash and non-recurring items. For the Company these items include acquisition and disposition costs, loss on the extinguishment of debt, straight line deferred rental revenue, stock-based compensation expense, amortization of deferred financing costs, recurring capital expenditures, recurring lease commissions, recurring tenant improvements and other non-cash and non-recurring 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 for the years ended December 31, 2016 and 2015 is as follows:

	Year Ended December 31,	
	2016	2015
	(unaudited)	
Net loss	\$ (6,353,450)	\$ (1,609,247)
Depreciation and amortization expense	2,376,986	659,671
Amortization of above (below) market leases	(994)	-
FFO	\$ (3,977,458)	\$ (949,576)
FFO per Share	\$ (0.43)	\$ (3.80)
Weighted Average Shares Outstanding	9,302,244	250,000

A reconciliation of AFFO for the years ended December 31, 2016 and 2015 is as follows:

	Year Ended December 31,	
	2016	2015
	(unaudited)	
FFO	\$ (3,977,458)	\$ (949,576)
Acquisition costs	2,322,470	627,000
Straight line deferred rental revenue	(681,242)	(23,295)
Stock-based compensation expense	1,684,812	-
Amortization of deferred financing costs	350,444	126,535
AFFO	\$ (300,974)	\$ (219,336)
 AFFO per Share	 \$ (0.03)	 \$ (0.88)
 Weighted Average Shares Outstanding	 9,302,244	 250,000

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect or change on the Company's 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 the Company is a party, under which the Company has (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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this Item 7A.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Global Medical REIT Inc.
Bethesda, Maryland

We have audited the accompanying consolidated balance sheets of Global Medical REIT Inc. and its subsidiaries (collectively, the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholders’ equity (deficit), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the entity’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Medical REIT Inc. and its subsidiaries as of December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ MaloneBailey, LLP
www.malonebailey.com
Houston, Texas
March 27, 2017

GLOBAL MEDICAL REIT INC.
Consolidated Balance Sheets

	As of December 31,	
	2016	2015
Assets		
Investment in real estate:		
Land	\$ 17,785,001	\$ 4,563,852
Building	179,253,398	51,574,271
Site improvements	1,465,273	-
Tenant improvements	1,186,014	-
	<u>199,689,686</u>	<u>56,138,123</u>
Less: accumulated depreciation	<u>(3,323,915)</u>	<u>(989,251)</u>
Investment in real estate, net	196,365,771	55,148,872
Cash	19,671,131	9,184,270
Restricted cash	941,344	447,627
Tenant receivables	212,435	-
Escrow deposits	1,212,177	454,310
Acquired lease intangible assets, net	7,144,276	-
Deferred assets	704,537	93,646
Deferred financing costs, net	927,085	-
Other assets	140,374	-
Total assets	<u>\$ 227,319,130</u>	<u>\$ 65,328,725</u>
Liabilities and Stockholders' Equity (Deficit)		
Liabilities:		
Accounts payable and accrued expenses	\$ 573,997	\$ 683,857
Dividends payable	3,604,037	-
Security deposits	719,592	-
Due to related parties, net	580,911	847,169
Acquired lease intangible liability, net	277,917	-
Convertible debenture, due to related party	-	40,030,134
Notes payable to related parties	421,000	421,000
Notes payable, net of unamortized discount of \$1,061,602 and \$302,892 at December 31, 2016 and December 31, 2015, respectively	38,413,298	23,485,173
Revolving credit facility	27,700,000	-
Total liabilities	<u>72,290,752</u>	<u>65,467,333</u>
Stockholders' equity (deficit):		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock \$0.001 par value, 500,000,000 shares authorized at December 31, 2016 and December 31, 2015, respectively; 17,605,675 and 250,000 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively	17,606	250
Additional paid-in capital	171,997,396	3,011,790
Accumulated deficit	<u>(16,986,624)</u>	<u>(3,150,648)</u>
Total stockholders' equity (deficit)	<u>155,028,378</u>	<u>(138,608)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 227,319,130</u>	<u>\$ 65,328,725</u>

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

GLOBAL MEDICAL REIT INC.
Consolidated Statements of Operations

	Year Ended December 31,	
	2016	2015
Revenue		
Rental revenue	\$ 8,079,555	\$ 2,049,196
Other income	130,775	12,471
Total revenue	<u>8,210,330</u>	<u>2,061,667</u>
Expenses		
Acquisition fees	1,568,470	-
Acquisition fees – related party	754,000	627,000
General and administrative	4,291,422	505,141
Management fees – related party	1,434,294	360,000
Depreciation expense	2,334,664	659,671
Amortization expense	42,322	-
Interest expense	4,138,608	1,519,102
Total expenses	<u>14,563,780</u>	<u>3,670,914</u>
Net loss	<u>\$ (6,353,450)</u>	<u>\$ (1,609,247)</u>
Net loss per share – Basic and Diluted	\$ (0.68)	\$ (6.44)
Weighted average shares outstanding – Basic and Diluted	9,302,244	250,000

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

GLOBAL MEDICAL REIT INC.
Consolidated Statements of Stockholders' Equity (Deficit)

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	
	<u>Shares</u>	<u>\$ Amount</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Total</u>
Balances, December 31, 2014	250,000	\$ 250	3,011,790	\$ (1,285,801)	\$ 1,726,239
Net loss	-	-	-	(1,609,247)	(1,609,247)
Dividends to stockholders	-	-	-	(255,600)	(255,600)
Balances, December 31, 2015	250,000	\$ 250	\$ 3,011,790	\$ (3,150,648)	\$ (138,608)
Net loss	-	-	-	(6,353,450)	(6,353,450)
Issuance of initial public offering shares of common stock	15,000,000	15,000	138,954,275	-	138,969,275
Reclassification of deferred initial public offering costs	-	-	(1,681,259)	-	(1,681,259)
Conversion of convertible debenture due to related party to shares of common stock	2,355,675	2,356	30,027,778	-	30,030,134
Stock-based compensation expense	-	-	1,684,812	-	1,684,812
Dividends to stockholders	-	-	-	(7,482,526)	(7,482,526)
Balances, December 31, 2016	17,605,675	\$17,606	\$171,997,396	\$(16,986,624)	\$155,028,378

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

GLOBAL MEDICAL REIT INC.
Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
Operating activities		
Net loss	\$ (6,353,450)	\$ (1,609,247)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	2,334,664	659,671
Amortization of deferred financing costs	350,444	126,535
Amortization of acquired lease intangible assets	42,322	-
Amortization of above (below) market leases	(994)	-
Stock-based compensation expense	1,684,812	-
Changes in operating assets and liabilities:		
Restricted cash	(558,079)	-
Tenant receivables	(212,435)	2,793
Deferred assets	(681,242)	(93,646)
Accounts payable and accrued expenses	(39,509)	345,093
Security deposits	719,592	-
Accrued management fees due to related party	(9,291)	360,000
Net cash used in operating activities	<u>(2,723,166)</u>	<u>(208,801)</u>
Investing activities		
Escrow deposits for purchase of properties	104,310	(439,433)
Loan repayments from (made to) related parties	137,727	(135,196)
Cash paid for pre-acquisition costs	(140,374)	-
Acquisition of land, buildings, and other tangible and intangible assets and liabilities	<u>(150,459,250)</u>	<u>(31,764,361)</u>
Net cash used in investing activities	<u>(150,357,587)</u>	<u>(32,338,990)</u>
Financing activities		
Net proceeds received from initial public offering	137,288,016	-
Change in restricted cash	64,362	(249,908)
Escrow deposits required by third party lenders	(862,177)	-
Loan (repayments to) received from related parties	(394,694)	291,597
Proceeds from convertible debenture, due to related party	-	34,584,032
Repayments of convertible debenture, due to related party	(10,000,000)	-
Proceeds from notes payable to related parties	1,950,000	382,805
Repayments of notes payable from related parties	(1,950,000)	-
Proceeds received from revolving credit facility	27,700,000	-
Proceeds from notes payable related to acquisitions	41,320,900	7,377,500
Payments on notes payable related to acquisitions	(25,634,065)	(349,435)
Payments of deferred financing costs	(2,036,239)	(137,736)
Dividends paid to stockholders	<u>(3,878,489)</u>	<u>(255,600)</u>
Net cash provided by financing activities	<u>163,567,614</u>	<u>41,643,255</u>
Net increase in cash and cash equivalents	10,486,861	9,095,464
Cash and cash equivalents—beginning of period	<u>9,184,270</u>	<u>88,806</u>
Cash and cash equivalents—end of period	<u>\$ 19,671,131</u>	<u>\$ 9,184,270</u>
Supplemental cash flow information:		
Cash payments for interest	\$ 4,099,426	\$ 1,165,157
Noncash financing and investing activities:		
Conversion of convertible debenture due to related party to shares of common stock	\$ 30,030,134	\$ -
Reclassification of deferred initial public offering costs to additional paid-in capital	\$ 1,681,259	\$ -
Accrued dividends payable	\$ 3,604,037	\$ -

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

GLOBAL MEDICAL REIT INC.
Notes to Consolidated Financial Statements

Note 1 – Organization

Background

Global Medical REIT Inc. (the “Company”) is a Maryland corporation engaged primarily in the acquisition of licensed, state-of-the-art, purpose-built healthcare facilities and the leasing of these facilities to leading clinical operators with dominant market share. The Company is externally managed and advised by Inter-American Management, LLC (the “Advisor”).

The Company holds its facilities and conducts its operations through a Delaware limited partnership subsidiary called 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 called Global Medical REIT GP LLC (the “GP”), a Delaware limited liability company. As of December 31, 2016, the Company was the 97.7% limited partner of the Operating Partnership, with the remaining 2.3% owned by the holders of the Company’s long term incentive plan (“LTIP”) units. Refer to Note 7 – “2016 Equity Incentive Plan” for additional information regarding the LTIP units. The Company has contributed all of its healthcare facilities to the Operating Partnership in exchange for common units of limited partnership interest in the Operating Partnership. The Company intends to conduct all future acquisition activity and operations through the Operating Partnership. The Operating Partnership has separate wholly-owned Delaware limited liability company subsidiaries that were formed for each healthcare facility acquisition.

Completed Initial Public Offering Related Events

On June 13, 2016, in anticipation of the Company’s initial public offering that closed on July 1, 2016, the board of directors of the Company (the “Board”) approved an amendment and restatement of the Company’s Amended and Restated Bylaws (as amended and restated, the “Bylaws”), effective on that date. The following is a summary of the amendments to the Bylaws. In addition to the amendments described below, the Bylaws include certain changes to clarify language and consistency with Maryland law and the listing requirements of the New York Stock Exchange and to make various technical revisions and non-substantive changes.

The Bylaws were amended to provide for the following matters, among others:

- (a) Procedures for calling and holding special stockholders’ meetings;
- (b) Procedures for notice, organization and conduct of stockholders’ meetings;
- (c) Advance notice provisions for stockholder nominations for director and stockholder business proposals;
- (d) Clarification that the Company’s election to become subject to Section 3-804(c) of the Maryland General Corporation Law has already become effective;
- (e) Procedures for calling a meeting of the Board in the event of an emergency;
- (f) Procedures for Board committees to fill vacancies, appoint committee chairs and delegate powers;
- (g) The adjournment or postponement of a shareholder meeting to a date not more than 120 days after the original record date, without the need to set a new record date; and
- (h) Litigation regarding internal actions be brought in the Circuit Court for Baltimore City, Maryland (or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division).

On June 28, 2016, the Company, the Advisor, and the Operating Partnership entered into an Underwriting Agreement with Wunderlich Securities, Inc., as representative of the several underwriters named therein, relating to the offer and sale of the Company’s common stock in its initial public offering. On July 1, 2016, the Company closed its initial public offering and issued 13,043,479 shares of its common stock at a price of \$10.00 per share resulting in gross proceeds of \$130,434,790. After deducting underwriting discounts, advisory fees, and commissions, for a total of \$9,661,160, the Company received net proceeds from the offering of \$120,773,630. Additionally, on July 11, 2016 the underwriters exercised their over-allotment option in full, resulting in the issuance by the Company of an additional 1,956,521 shares of the Company’s common stock at a price of \$10.00 per share for gross proceeds of \$19,565,210. After deducting underwriting discounts, advisory fees, and commissions of \$1,369,565, the Company received net proceeds from the over-allotment option shares of \$18,195,645. Transaction costs incurred in connection with the offering, in addition to the underwriting discounts, advisory fees, and commissions paid, were approximately \$1,681,259. As disclosed in Note 2 – “Summary of Significant Accounting Policies,” these transaction costs were recorded as a deferred asset. On July 1, 2016, upon completion of the initial public offering, this deferred asset balance was netted against additional paid-in capital on the accompanying Consolidated Balance Sheet as of December 31, 2016. Total shares issued by the Company in the initial public offering, including over-allotment option shares, were 15,000,000 shares and the total net proceeds received were \$137,288,016, which represented gross proceeds received of \$138,969,275 net of \$1,681,259 in costs directly attributable to the initial public offering that were deferred and paid. See Note 2 – “Summary of Significant Accounting Policies – Deferred Assets” for additional information related to these costs.

Use of Proceeds:

The Company designated the following uses for the net proceeds of the initial public offering:

- approximately \$14.9 million (\$14.6 million in principal outstanding as of July 1, 2016 and an early termination fee of \$0.3 million) to repay the outstanding loan from Capital One encumbering the Company's Omaha Facility on July 11, 2016 (see Note 4 – "Notes Payable Related to Acquisitions and Revolving Credit Facility");
- \$10.0 million to repay a portion of the Company's outstanding 8.0% convertible debentures held by ZH USA, LLC on July 8, 2016 (see Note 6 – "Related Party Transactions");
- \$9.38 million in aggregate to acquire the Reading Facilities on July 20, 2016 (see Note 3 – "Property Portfolio");
- \$1.5 million to repay the outstanding interest free loan from ZH USA, LLC on July 8, 2016 (see Note 6 – "Related Party Transactions"); and
- the remaining approximately \$101.6 million for the acquisition of properties in the Company's investment pipeline, properties under letter of intent and other potential acquisitions, capital improvements to the Company's properties and general corporate and working capital purposes. See Note 3 – "Property Portfolio" for proceeds used to acquire properties during the year.

The Company invested the unexpended net proceeds of the offering in interest-bearing accounts, money market accounts, and interest-bearing securities in a manner that is consistent with its intention to qualify for taxation as a real estate investment trust ("REIT").

In connection with the Company's initial public offering, the Company's common stock was listed on the New York Stock Exchange under the ticker symbol "GMRE."

Note 2 – Summary of Significant Accounting Policies

Consolidation Policy

The accompanying consolidated financial statements include the accounts of the Company, including the Operating Partnership and its wholly-owned subsidiaries, and the interests in the Operating Partnership held by the LTIP unit holders, which the Operating Partnership has control over and therefore consolidates. These LTIP units represent "noncontrolling interests" and have no value as of December 31, 2016 as they have not been converted into OP Units and therefore did not participate in the Company's consolidated net loss. At the time when there is value associated with the noncontrolling interests, the Company will classify such interests as a component of consolidated equity, separate from the Company's total stockholder's equity on its Consolidated Balance Sheets. Additionally, net income or loss will be allocated to noncontrolling interests based on their respective ownership percentage of the Operating Partnership. All material intercompany balances and transactions between the Company and its subsidiaries have been eliminated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles ("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.

Revenue Recognition

The Company's operations currently consist of rental revenue earned from tenants under leasing arrangements which provide for minimum rent and escalations. The leases have been accounted for as operating leases. For operating leases with contingent rental escalators revenue is recorded based on the contractual cash rental payments due during the period. Revenue from leases with fixed annual rental escalators are recognized on a straight-line basis over the initial lease term, subject to a collectability assessment, with the difference between the contractual rental receipts and the straight-line amounts recorded as a "deferred rent receivable."

The Company consistently assesses 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 monitors the liquidity and creditworthiness of its tenants and operators on a continuous basis. This evaluation considers industry and economic conditions, property performance, credit enhancements and other factors. For operating lease straight-line rent amounts, the Company's assessment is based on amounts estimated to be recoverable over the term of the lease. As of December 31, 2016 and December 31, 2015 no allowance was recorded as it was not deemed necessary.

Purchase of Real Estate

Transactions in which real estate assets are purchased that are not subject to an existing lease are treated as asset acquisitions and are recorded at their purchase price, including capitalized acquisition costs, which is allocated to land and building based upon their relative fair values at the date of acquisition. Transactions in which real estate assets are acquired either subject to an existing lease or as part of a portfolio level transaction with significant leasing activity are treated as a business combination under Accounting Standards Codification (“ASC”) Topic 805, Business Combinations, and the assets acquired and liabilities assumed, including identified intangible assets and liabilities, are recorded at their fair value. Fair value is determined based upon the guidance of ASC Topic 820, Fair Value Measurements and Disclosures and generally are determined using Level 2 inputs, such as rent comparables, sales comparables, and broker indications. Although Level 3 Inputs are utilized, they are minor in comparison to the Level 2 data used for the primary assumptions. The determination of fair value involves the use of significant judgment and estimates. The Company makes estimates to determine the fair value of the tangible and intangible assets acquired and liabilities assumed using information obtained from multiple sources, including pre-acquisition due diligence, and the Company routinely utilize the assistance of a third party appraiser. Initial valuations are subject to change until the information is finalized, no later than 12 months from the acquisition date. The Company expenses transaction costs associated with acquisitions accounted for as business combinations in the period incurred.

Details regarding the valuation of tangible assets in business combination:

The fair value of land is determined using the sales comparison approach whereby recent comparable land sales and listings are gathered and summarized. The available market data is analyzed and compared to the land being valued and adjustments are made for dissimilar characteristics such as market conditions, size, and location. The Company estimates the fair value of buildings acquired on an as-if-vacant basis and depreciate the building value over its estimated remaining life. The Company determines the fair value of site improvements (non-building improvements that include paving and other) using the cost approach, with a deduction for depreciation, and depreciate the site improvements over their estimated remaining useful lives. Tenant improvements represent fixed improvements to tenant spaces, the fair value of which is estimated using prevailing market tenant improvement allowances that would be given to attract a new tenant, estimated based on the assumption that it is a necessary cost of leasing up a vacant building. Tenant improvements are amortized over the remaining term of the lease.

Details regarding the valuation of intangible assets in business combination:

In determining the fair value of in-place leases (the avoided cost associated with existing in-place leases) management considers current market conditions and costs to execute similar leases in arriving at an estimate of the carrying costs during the expected lease-up period from vacant to existing occupancy. In estimating carrying costs, management includes reimbursable (based on market lease terms) real estate taxes, insurance, other operating expenses, as well as estimates of lost market rental revenue during the expected lease-up periods. The values assigned to in-place leases are amortized over the remaining term of the lease.

The fair value of above-or-below market leases is estimated based on the present value (using an interest rate which reflected the risks associated with the leases acquired) of the difference between contractual amounts to be received pursuant to the leases and management’s estimate of market lease rates measured over a period equal to the estimated remaining term of the lease. An above market lease is classified as an intangible asset and a below market lease is classified as an intangible liability. The capitalized above-market lease intangible is amortized as a reduction of rental revenue and the below-market lease intangible is amortized as an addition to rental revenue over the estimated remaining term of the respective leases.

Intangible assets related to leasing costs consist of leasing commissions and legal fees. Leasing commissions are estimated by multiplying the remaining contract rent associated with each lease by a market leasing commission. Legal fees represent legal costs associated with writing, reviewing, and sometimes negotiating various lease terms. Leasing costs are amortized over the remaining useful life of the respective leases.

Impairment of Long Lived Assets

The Company evaluates its real estate assets for impairment periodically or whenever events or circumstances indicate that its carrying amount may not be recoverable. If an impairment indicator exists, we compare the expected future undiscounted cash flows against the carrying amount of an asset. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the asset, we would record an impairment loss for the difference between the estimated fair value and the carrying amount of the asset.

Cash and Cash Equivalents

The Company considers all demand deposits, cashier’s checks, money market accounts and certificates of deposits with a maturity of three months or less to be cash equivalents. The Company maintains their cash and cash equivalents and escrow deposits at

financial institutions. The combined account balances may exceed the Federal Depository Insurance Corporation insurance coverage, and, as a result, there may be a concentration of credit risk related to amounts on deposit. The Company does not believe that this risk is significant.

Restricted Cash

The restricted cash balance of \$941,344 as of December 31, 2016, consisted of \$383,265 of cash required by a third party lender to be held by the Company as a reserve for debt service, \$319,500 in a security deposit received from the Plano facility tenant at the inception of its lease, and \$238,579 in funds held by the Company from certain of its tenants that the Company collected to pay specific tenant expenses, such as real estate taxes and in some cases insurance, on the tenant's behalf. The restricted cash balance as of December 31, 2016 increased \$493,717 from the balance as of December 31, 2015 of \$447,627 as the December 31, 2015 balance consisted solely of funds required to be held by the Company as a reserve for debt service.

Tenant Receivables

The tenant receivables balance of \$212,435 as of December 31, 2016, consisted of \$28,599 in funds owned from the Company's tenants for rent that the Company has earned but not received, \$22,323 in other tenant related receivables, and \$161,513 in funds owed by certain of the Company's tenants for amounts the Company collects to pay specific tenant expenses, such as real estate taxes and in some cases insurance, on the tenants' behalf. The tenant receivables balance was zero as of December 31, 2015.

Escrow Deposits

Escrow deposits include funds held in escrow to be used for the acquisition of future properties and for the payment of taxes, insurance, and other amounts as stipulated by the Company's third party loan agreements. The escrow balance as of December 31, 2016 and December 31, 2015 was \$1,212,177 and \$454,310, respectively, an increase of \$757,867. This increase resulted from deposits that were required to be held in escrow in the amount of \$862,177 related to the Cantor Loan, as hereinafter defined, partially offset by \$104,310 in escrow funds that were expended to acquire facilities during the year ended December 31, 2016. During the year ended December 31, 2015 funds in the amount of \$439,433 were placed in escrow to acquire facilities. Refer to Note 3 – "Property Portfolio" and Note 4 – "Notes Payable Related to Acquisitions and Revolving Credit Facility," respectively, for information regarding the facilities acquired and details regarding the Cantor Loan.

Deferred Assets

The deferred assets balance of \$704,537 as of December 31, 2016, represented the Company's deferred rent receivable balance resulting from the straight lining of revenue recognized for applicable tenant leases. During the year ended December 31, 2016, the Company deferred and paid \$1,610,908 in specific incremental costs directly attributable to the offering of its equity securities bringing the total deferred incremental costs incurred balance to \$1,681,259. Deferral of these incremental costs was in accordance with the provisions of Accounting Standards Codification ("ASC") Topic 340, Other Assets and Deferred Costs. Also in accordance with the provisions of ASC Topic 340, upon the completion of the Company's initial public offering on July 1, 2016, the \$1,681,259 total deferred incremental cost balance was reclassified as a reduction of the Company's additional paid-in capital balance in its accompanying Consolidated Balance Sheets. The deferred asset balance as of December 31, 2015 was \$93,646, consisting of a deferred rent receivable balance of \$23,295 and \$70,351 in deferred costs incurred directly attributable to the Company's offering of its equity securities.

Other Assets

Costs that are incurred prior to the completion of an acquisition 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 will be charged to expense when it is probable that the acquisition will not be completed.

Security Deposits Liability

The security deposits liability balance of \$719,592 as of December 31, 2016 represented \$319,500 in funds deposited by the Plano facility tenant at the inception of its lease and \$400,092 in tenant funds the Company will use to pay for certain of its tenants' expenses, such as real estate taxes and in some cases insurance, on the tenants' behalf. See Note 3 – "Property Portfolio" for additional information regarding the Plano facility acquisition. The security deposits liability balance was zero as of December 31, 2015.

Debt Issuance Costs

Presentation of Unamortized Term Debt Issuance Costs as a Debt Discount

On April 7, 2015, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2015-03 entitled “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”). Debt issuance costs include amounts paid to lenders and others to obtain financing and are amortized to interest expense on a straight-line basis over the term of the related loan, which approximates the effective interest method. In accordance with the provisions of ASU 2015-03, for fiscal years beginning after December 15, 2015, and interim periods within those years, term debt issuance costs related to a recognized debt liability must be reclassified and presented as a debt discount in the Consolidated Balance Sheets and presented as a direct reduction from the carrying amount of that debt liability. The application of ASU 2015-03 is required to be applied retrospectively. The Company early adopted ASU 2015-03 effective for the fiscal year ended December 31, 2015. The adoption of ASU 2015-03 represents a change in accounting principal. See Note 4 – “Notes Payable Related to Acquisitions and Revolving Credit Facility” for additional details.

Presentation of Unamortized Revolving Debt Issuance Costs as a Deferred Financing Asset

ASU 2015-03 was framed around the accounting for issuance costs related to term debt. As discussed in Note 4 – “Notes Payable Related to Acquisitions and Revolving Credit Facility,” on December 2, 2016 the Company entered into a revolving credit facility. The Company has deferred the debt issuance costs incurred related to securing the revolving credit facility and recorded the costs as an asset, net of accumulated amortization, entitled “deferred financing costs, net” in its Consolidated Balance Sheet as of December 31, 2016.

Related Party Disclosures

The Company enters into transactions with affiliated entities, or “related parties,” which are recorded net as “Due to Related Parties” in the accompanying Consolidated Balance Sheets. Related party disclosures are governed by ASC Topic 850, Related Party Disclosures. Refer to Note 6 – “Related Party Transactions” for additional information regarding the Company’s related party transactions.

Stock-Based Compensation

As disclosed in Note 7 – “2016 Equity Incentive Plan,” the Company grants LTIP unit awards to employees of its advisor and its affiliates, and to the Company’s independent directors. The Company expenses the fair value of unit awards in accordance with the fair value recognition requirements of ASC Topic 718, Compensation-Stock Compensation, and ASC Topic 505, Equity.

Depreciation Expense

Depreciation expense is computed using the straight-line method over the estimated useful lives of the buildings and improvements, which are generally between 4 and 40 years.

Income Taxes

The Company plans on electing to be taxed as a REIT for federal income tax purposes for the year ended December 31, 2016. REITs are generally not subject to federal income taxes if the Company can meet many specific requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal and state income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates, and the Company may be ineligible to qualify as a REIT for subsequent tax years. Even if the Company qualifies as a REIT, it may be subject to certain state or local income taxes, and if the Company creates a Taxable REIT Subsidiary (“TRS”), the TRS will be subject to federal, state and local taxes on its income at regular corporate rates. The Company recognizes the tax effects of uncertain tax positions only if the position is more likely than not to be sustained upon audit, based on the technical merits of the position. The Company has not identified any material uncertain tax positions and recognizes interest and penalties in income tax expense, if applicable. The Company is currently not under examination by any income tax jurisdiction.

Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net loss per common share is computed by dividing net loss attributable to common stockholders by the sum of the weighted average number of common shares outstanding plus any potential dilutive shares for the period. As of December 31, 2015, the Convertible Debenture balance in the amount of \$40,030,134 could be converted into 3,140,111 common shares, respectively (common stock equivalents) based on a conversion rate of \$12.748 per share. As of December 31, 2016, 137,300 LTIPs had vested, none of which have been converted into OP units. The effect of the conversion of vested LTIP units into OP Units, and the conversion of OP Units into common stock is not reflected in the computation of basic and diluted earnings

per share, as all units are exchangeable for common stock on a one-for-one basis and are anti-dilutive to the Company's net loss for the year ended December 31, 2016. The Company considered the requirements of the two-class method when computing earnings per share. Earnings per share would not be affected by using the two-class method because the Company incurred a net loss for the year ended December 31, 2016.

Segment Reporting

ASC Topic 280, Segment Reporting, establishes standards for reporting financial and descriptive information about a public entity's reportable segments. The Company has determined that they have one reportable segment, with activities related to investing in medical properties. The Company evaluates the operating performance of its investments on an individual asset level basis.

Fair Value of Financial Instruments

Fair value is a market-based measurement and should be determined based on the assumptions that market participants would use in pricing an asset or liability. In accordance with ASC Topic 820, the valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1-Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets;
- Level 2-Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and
- Level 3-Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company considers the carrying values of cash and cash equivalents, escrow deposits, accounts and other receivables, and accounts payable and accrued expenses to approximate the fair value for these financial instruments because of the short period of time since origination or the short period of time between origination of the instruments and their expected realization. Due to the short-term nature of these instruments, Level 1 and Level 2 inputs are utilized to estimate the fair value of these financial instruments. The fair values determined related to the Company's transactions that are accounted for as business combinations primarily utilizes Level 2 inputs since there is heavy reliance on market observable data such as rent comparables, sales comparables, and broker indications. Although some Level 3 inputs are utilized they are minor in comparison to the Level 2 data used for the primary assumptions as it relates to business combination valuations.

Note 3 – Property Portfolio

Summary of Properties under Executed Asset Purchase Agreements as of December 31, 2016

Great Bend Facility

On December 30, 2016, the Company entered into a purchase contract with Great Bend Surgical Properties, LLC ("GB Seller") to acquire, through a wholly owned subsidiary of the Operating Partnership, the buildings and land known as Great Bend Regional Hospital (the "GB Property") located in Great Bend, Kansas for a purchase price of \$24.5 million.

The GB Property is operated by Great Bend Regional Hospital, LLC ("GB Tenant"), a physician owned group. Upon the closing of the acquisition of the GB Property, the Company intends to lease the GB Property back to GB Tenant under a 15-year triple-net lease (the "GB Lease"), with two ten-year renewal options. The GB Lease will be guaranteed by the physician owners of the GB Tenant. Eventually the GB Lease will also be guaranteed by an employee stock ownership plan ("ESOP"). When the Company determines that the creditworthiness, operating history, and financial results of the ESOP are acceptable, the physicians will be released from the lease guarantee, and the ESOP will become the sole guarantor. The aggregate annual rent under the GB Lease will be \$2,143,750, subject to annual rent escalations equal to the greater of 2% or Consumer Price Index, with a maximum increase of 10%. Upon the satisfaction of customary closing conditions, the Company expects to close this acquisition in the first quarter of 2017 and expects to fund the acquisition using borrowings from its revolving credit facility or other available cash. Refer to Note 4 – "Notes Payable Related to Acquisitions and Revolving Credit Facility," for disclosure related to the revolving credit facility.

Sandusky Facilities

This transaction includes one medical property (out of a total portfolio of seven medical properties) located in Sandusky, Ohio, for which the Company assumed the original buyer's interest in an asset purchase agreement effective September 29, 2016, for an allocated purchase price of \$1.1 million. Upon the satisfaction of customary closing conditions, the Company expects to close this

acquisition during the second quarter of 2017 and expects to fund the acquisition using borrowings from its revolving credit facility or other available cash. For details related to the completed acquisition of the five medical properties on October 7, 2016 for a purchase price of \$4.6 million, refer to the disclosure in the “Summary of Properties Acquired During the Year Ended December 31, 2016,” immediately following this disclosure. For details regarding the one building that closed on March 10, 2017, refer to Note 12 – “Subsequent Events.”

Summary of Properties Acquired During the Year Ended December 31, 2016

During the year ended December 31, 2016, the Company completed 10 acquisitions. A description of each facility acquired is as follows.

HealthSouth Facilities

HealthSouth East Valley Rehabilitation Hospital – Mesa, AZ

On December 20, 2016, the Company, through a wholly owned subsidiary of the Operating Partnership, acquired, pursuant to a purchase contract (the “Mesa PSA”) with HR ACQUISITION I CORPORATION (the “Mesa Seller”) the land and buildings known as the HealthSouth East Valley Rehabilitation Hospital (the “Mesa Property”) located in Mesa, AZ from the Mesa Seller for a purchase price of \$22,350,000.

Upon the closing of the acquisition of the Mesa Property, the Company assumed from the Mesa Seller the existing triple-net lease agreement (the “Mesa Lease”) pursuant to which the Mesa Property is leased to HealthSouth Mesa Rehabilitation Hospital, LLC with a remaining initial lease term of approximately eight years, subject to four consecutive five-year renewal options by the tenant, which lease is guaranteed by HealthSouth Corporation (“HealthSouth”). The aggregate annual rent for the Mesa Property is currently \$1,710,617, subject to 3% annual rent escalations. HealthSouth Mesa Rehabilitation Hospital, LLC has the option under the Mesa Lease to purchase the Mesa Property at the end of the initial lease term and at the end of each renewal term thereof, if any, upon the terms and conditions set forth in the Mesa Lease.

HealthSouth Rehabilitation Hospital of Altoona – Altoona, PA

On December 20, 2016, the Company, through a wholly owned subsidiary of the Operating Partnership, acquired, pursuant to a purchase contract (the “Altoona PSA”) with HR ACQUISITION OF PENNSYLVANIA, INC. (the “Altoona Seller”) the land and building comprising the HealthSouth Rehabilitation Hospital of Altoona (the “Altoona Property”) located in Altoona, PA from the Altoona Seller for a purchase price of \$21,545,000.

Upon the closing of the acquisition of the Altoona Property, the Company assumed from the Altoona Seller the existing triple-net lease agreement (the “Altoona Lease”) pursuant to which the Altoona Property is leased to HealthSouth with a remaining initial lease term of approximately 4.5 years, subject to two consecutive five-year renewal options by the tenant. The annual rent for the Altoona Property is currently \$1,635,773, subject to annual rent escalations based on increases in the consumer price index, or CPI, but not greater than 4% nor less than 2%.

HealthSouth Rehabilitation Hospital of Mechanicsburg – Mechanicsburg, PA

On December 20, 2016, the Company, through a wholly owned subsidiary of the Operating Partnership, pursuant to a purchase contract (the “Mechanicsburg PSA” and together with the Mesa PSA and the Altoona PSA, and the transactions contemplated thereby, the “Transactions”) with HR ACQUISITION OF PENNSYLVANIA, INC. (the “Lease Assignor” and PENNSYLVANIA HRT, INC. (“HRT”), Lease Assignor and HRT collectively referred to as “Mechanicsburg Seller”) (i) acquired the land and building comprising the HealthSouth Rehabilitation Hospital of Mechanicsburg (the “Mechanicsburg Property”) located in Mechanicsburg, PA from the Mechanicsburg Seller for a purchase price of \$24,198,000; and (ii) accepted an assignment of the ground lessee’s interest (the “Assignment”) in the Ground Lease dated May 1, 1996 from the Lease Assignor, whereby HRT ground leased the Mechanicsburg Property to the Lease Assignor.

Upon the closing of the acquisition of the Mechanicsburg Property and acceptance of the Assignment, the Company assumed from the Lease Assignor the existing triple-net lease agreement (the “Mechanicsburg Lease”) pursuant to which the Mechanicsburg Property is leased to HealthSouth with a remaining initial lease term of approximately 4.5 years, subject to two consecutive five-year renewal options by the tenant. The annual rent for the Mechanicsburg Property is currently \$1,836,886, subject to annual rent escalations based on increases in the CPI, but not greater than 4% nor less than 2%. HealthSouth has the option under the Mechanicsburg Lease to purchase the Mechanicsburg Property at the end of the initial lease term and at the end of each renewal term thereof, if any, upon the terms and conditions set forth in the Mechanicsburg Lease.

The obligations under the Mesa Lease are guaranteed by HealthSouth (NYSE: HLS). Additionally, HealthSouth is the tenant of the leases for both the Altoona Property and the Mechanicsburg Property. Information about HealthSouth, including its audited historical financial statements, can be obtained from its Annual Report on Form 10-K and other reports and filings available on its website at <http://www.healthsouth.com/> or on the SEC website at www.sec.gov. The HealthSouth acquisitions were funded using the Company's revolving credit facility and available cash.

Accounting Treatment

The Company accounted for the acquisitions of the three HealthSouth facilities as business combinations in accordance with the provisions of ASC Topic 805.

The following table presents the preliminary purchase price allocation for the assets acquired as part of the HealthSouth facilities acquisitions:

Land and site improvements	\$	5,614,486
Building and tenant improvements		56,220,509
In place leases		5,154,249
Above market lease intangibles		74,096
Leasing costs		1,088,813
Below market lease intangibles		(59,153)
Total purchase price	\$	<u>68,093,000</u>

The above allocation is preliminary and subject to revision within the measurement period, not to exceed one year from the date of the acquisition.

Ellijay Facilities

On December 16, 2016, pursuant to the terms of an asset purchase agreement between the Company, as Purchaser, and SunLink Healthcare Professional Property, LLC, a Georgia limited liability company, as seller ("SunLink"), the Company acquired three buildings, consisting of one medical office building and two ancillary healthcare related buildings (the "Facilities"), encompassing an aggregate of 44,162 square feet located in Ellijay, Georgia, for a purchase price of \$4.9 million. The acquisitions included the SunLink Facilities, together with the real property, the improvements, and all appurtenances thereto owned by the SunLink. The SunLink Facilities are operated by Piedmont Mountainside Hospital, Inc., the existing tenant of the SunLink Facilities ("Piedmont").

Upon the closing of the transaction, the Company assumed the previous landlord's interest in the existing 10-year triple-net lease with Piedmont, effective as of July 1, 2016 and expiring in 2026. The acquisition was funded using a portion of the proceeds from the Company's initial public offering.

Accounting Treatment

The Company accounted for the acquisition of the Ellijay facilities as a business combination in accordance with the provisions of ASC Topic 805.

The following table presents the preliminary purchase price allocation for the assets acquired as part of the HealthSouth facilities acquisition:

Land and site improvements	\$	913,509
Building and tenant improvements		3,336,809
In place leases		672,307
Leasing commissions and legal fees		197,576
Below market lease intangibles		(220,201)
Total purchase price	\$	<u>4,900,000</u>

The above allocation is preliminary and subject to revision within the measurement period, not to exceed one year from the date of the acquisition.

Carson City Facilities

On September 27, 2016, the Company assumed the original buyer's interest in an asset purchase agreement between the original buyer and Carson Medical Complex, a Nevada general partnership, as seller ("Carson"). On October 31, 2016, the Company, pursuant to the asset purchase agreement, acquired two medical office buildings (the "Carson Facilities"), encompassing an aggregate of 20,632 square feet, located in Carson City, Nevada for a purchase price of \$3.8 million (approximately \$4.0 million including legal and related

fees). The acquisitions included the Carson Facilities, together with the real property, the improvements, and all appurtenances thereto owned by Carson. The Carson Facilities are operated by Carson Medical Group, a Nevada professional corporation, the existing tenant of the Carson Facilities (the “Carson Tenant”).

Upon the closing of the transaction, the Company assumed the previous landlord’s interest in the existing 7-year triple-net lease with Carson Tenant, effective as of October 31, 2016 and expiring in 2023. The lease provides for one five-year extension at the option of the Carson Tenant. The acquisition was funded using a portion of the proceeds from the Company’s initial public offering.

Sandusky Facilities

On September 29, 2016, the Company assumed the original buyer’s interest in an asset purchase agreement between the original buyer and NOMS Property, LLC and Northern Ohio Medical Specialists, LLC, both Ohio limited liability companies, as sellers (“NOMS,” and together with NOMS Property, LLC, the “NOMS Sellers”), to acquire a portfolio of seven medical properties (the “NOMS Facilities”) known as the NOMS portfolio located in Sandusky, Ohio, for a total purchase price of \$10.0 million. The acquisition included the NOMS Facilities, together with the real property, the improvements, and all appurtenances thereto. The NOMS Facilities are operated by NOMS, the existing tenant of the NOMS Facilities (the “NOMS Tenant”).

On October 7, 2016, pursuant to the terms of the above-referenced asset purchase agreement, the Company acquired five of the seven properties comprising the NOMS Facilities (the “Five Properties”). The Five Properties encompassed an aggregate of 24,184 square feet, and the Company purchased the Five Properties for the allocated purchase price of \$4.6 million (approximately \$4.7 million including legal and related fees) of the total \$10 million purchase price. Upon its acquisition of the Five Properties, the Company entered into a new 11-year triple-net lease with NOMS Tenant, effective as of October 7, 2016, and expiring in 2027. The lease provides for four additional five-year renewal options. The acquisition of the Five Properties was funded using a portion of the proceeds from the Company’s initial public offering.

As discussed in Note 12 – “Subsequent Events,” the Company closed on the acquisition of one of the properties on March 10, 2017 in the amount of approximately \$4.3 million using funds from the revolving credit facility. Upon the satisfaction of customary closing conditions, the Company expects to close the acquisition of the remaining property for approximately \$1.1 million during the second quarter of 2017. The Company is leasing the property that closed in March 2017 to the NOMS Tenant and will lease the remaining property when acquired to the NOMS Tenant both using a triple-net lease structure with an initial term of 11 years with four additional five-year renewal options. The acquisition of the remaining building will be funded using borrowings from the Company’s revolving credit facility or other available cash.

Watertown Facilities

On September 30, 2016, the Company closed on an asset purchase agreement with Brown Investment Group, LLC, a South Dakota limited liability company, to acquire a 30,062 square foot clinic, a 3,136 square foot administration building and a 13,686 square foot facility, both located in Watertown South Dakota (collectively, the “Watertown Facilities”), for a purchase price of \$9.0 million (approximately \$9.1 million including legal and related fees). The acquisitions included the Watertown Facilities, together with the real property, the improvements, and all appurtenances thereto. The Watertown Facilities are operated by the Brown Clinic, P.L.L.P. (“Brown Clinic”), a South Dakota professional limited liability partnership.

Upon the closing of the transaction, the Company leased the portfolio properties to Brown Clinic via a 15-year triple-net lease that expires in 2031. The lease provides for two additional five-year extensions at the option of the tenant. The acquisition was funded using a portion of the proceeds from the Company’s initial public offering.

East Orange Facility

On September 29, 2016, the Company closed on an asset purchase agreement with Prospect EOGH, Inc. (“Prospect”), a New Jersey corporation, and wholly-owned subsidiary of Prospect Medical Holdings, Inc. (“PMH”), a Delaware corporation, to acquire a 60,442 square foot medical office building (“MOB”) located at 310 Central Avenue, East Orange, New Jersey on the campus of the East Orange General Hospital, for a purchase price of \$11.86 million (approximately \$12.3 million including legal and related fees). The acquisitions included the MOB, together with the real property, the improvements, and all appurtenances thereto.

Upon the closing of the transaction, the Company leased the MOB to PMH via a 10-year triple-net lease that expires in 2026. The lease provides for four additional five-year extensions at the option of the tenant. The acquisition was funded using a portion of the proceeds from the Company’s initial public offering.

Reading Facilities

On July 20, 2016, the Company closed on an asset purchase agreement to acquire a 17,000 square foot eye center located at 1802 Papermill Road, Wyomissing, PA 19610 (the “Eye Center”) owned and operated by Paper Mill Partners, L.P., a Pennsylvania limited partnership, and a 6,500 square foot eye surgery center located at 2220 Ridgewood Road, Wyomissing, PA 19610 (the “Surgery Center”) owned and operated by Ridgewood Surgery Center, L.P., a Pennsylvania limited partnership, for a purchase price of \$9.20 million (approximately \$9.38 million including legal and related fees). The acquisition included both facilities, together with the real property, the improvements, and all appurtenances thereto.

Upon the closing of the transaction, the Eye Center was leased back to Berks Eye Physicians & Surgeons, Ltd., a Pennsylvania professional corporation (the “Eye Center Tenant”) and the Surgery Center was leased back to Ridgewood Surgery Associates, LLC, a Pennsylvania limited liability company (the “Surgery Center Tenant”). Both leases are 10-year absolute triple-net lease agreements that expire in 2026 and are cross defaulted. Both leases also provide for two consecutive five-year extensions at the option of the tenants. The Eye Center lease is guaranteed by the Surgery Center Tenant and the Surgery Center lease is guaranteed by the Eye Center Tenant, each pursuant to a written guaranty. The acquisition was funded using a portion of the proceeds from the Company’s initial public offering.

Melbourne Facility

On March 31, 2016, the Company closed on a purchase agreement to acquire a 78,000 square-foot medical office building located on the Melbourne Bayfront for a purchase price of \$15.45 million (approximately \$15.5 million including legal and related fees) from Marina Towers, LLC, a Florida limited liability company. The facility is located at 709 S. Harbor City Blvd., Melbourne, FL on 1.9 acres of land. The acquisition included the site and building, an easement on the adjacent property to the north for surface parking, all tenant leases, and above and below ground parking garages. The entire facility has been leased back to Marina Towers, LLC via a 10-year absolute triple-net master lease agreement that expires in 2026. The tenant has two successive options to renew the lease for five-year periods on the same terms and conditions as the primary non-revocable lease term with the exception of rent, which will be adjusted to the prevailing fair market rent at renewal and will escalate in successive years during the extended lease period at two percent annually.

The Melbourne facility acquisition was financed in full using proceeds from the third party Cantor Loan, which is disclosed in Note 4 – “Notes Payable Related to Acquisitions and Revolving Credit Facility.”

Westland Facility

On March 31, 2016, the Company closed on a purchase agreement to acquire a two-story medical office building and ambulatory surgery center located in Westland, Michigan for an aggregate purchase price of \$4.75 million from Cherry Hill Real Estate, LLC (“Cherry Hill”). The property contains 15,018 leasable square feet and is located on a 1.3-acre site. Under the purchase agreement, the Company acquired the site and building, including parking. Also on March 31, 2016, the Company executed a lease agreement for the entire facility with The Surgical Institute of Michigan, LLC under a triple-net master lease agreement that expires in 2026, subject to two successive ten-year renewal options for the tenant on the same terms as the initial lease, except that the rental rate will be subject to adjustment upon each renewal based on then-prevailing market rental rates. The purchase agreement contains customary covenants, representations and warranties. Commensurate with the execution of its lease with the Company, The Surgical Institute of Michigan, LLC terminated its lease agreement with Cherry Hill that was in place at the time of the sale of the facility to the Company. The Company has accounted for this acquisition as a business combination in accordance with the provisions of ASC Topic 805, and accordingly the transaction has been recorded at fair value with all values allocated to land and building based upon their fair values at the date of acquisition. No intangible assets were identified in connection with this acquisition and accordingly the purchase price of \$4.75 million was allocated approximately \$4.52 million to building and approximately \$0.23 million to land.

The Westland facility acquisition was financed in full using proceeds from the third party Cantor Loan, which is disclosed in Note 4 – “Notes Payable Related to Acquisitions and Revolving Credit Facility.”

Plano Facility

On January 28, 2016, the Company closed on an asset purchase agreement with an unrelated party Star Medreal, LLC, a Texas limited liability company, to acquire a hospital facility located in Plano, Texas, along with all real property and improvements thereto for \$17.5 million (approximately \$17.7 million including legal and related fees). Under the terms of the agreement, the Company was obligated to pay a development fee of \$500,000 to Lumin, LLC at closing. The property has been leased back via an absolute triple-net lease agreement that expires in 2036. The tenant will be Star Medical Center, LLC and Lumin Health, LLC will serve as guarantor. Lumin Health, LLC is an affiliate and management company for Star Medical Center, LLC. The tenant has two successive options to renew the lease for ten-year periods on the same terms and conditions as the primary non-revocable lease term with the exception of

rent, which will be computed at then prevailing fair market value as determined by an appraisal process defined in the lease. The terms of the lease also provide for a tenant allowance up to \$2.75 million for a 6,400 square foot expansion to be paid by the Company.

Also on January 28, 2016, the Company entered into a Promissory Note and Deed of Trust with East West Bank to borrow a total of \$9,223,500. Deferred financing costs of \$53,280 were incurred and capitalized by the Company in securing this loan. The loan was scheduled to mature on January 28, 2021, five years from the closing date. At closing the Company paid the lender a non-refundable deposit of \$50,000 and a non-refundable commitment fee of \$46,118. The loan bears interest at a rate per annum equal to the Wall Street Journal Prime Rate (as quoted in the "Money Rates" column of The Wall Street Journal (Western Edition), rounded to two decimal places, as it may change from time to time, plus 0.50%, but not less than 4.0%. Interest expense of \$64,551 was incurred on this note for the year ended December 31, 2016, prior to its repayment. As discussed in Note 4 – "Notes Payable Related to Acquisitions and Revolving Credit Facility," the Company used a portion of the proceeds from another third party loan to repay the \$9,223,500 principal balance of the note with East West Bank in full as of December 31, 2016. The Company also wrote off the deferred financing costs of \$53,280 as of December 31, 2016 related to this note.

Additional funding for this transaction was received from ZH USA, LLC during the year ended December 31, 2015 in the amount of \$9,369,310 (consisting of \$9,025,000 funded directly for this transaction and \$344,310 that was held in escrow from previous funding from ZH USA, LLC). The \$9,369,310 was recorded by the Company as unsecured Convertible Debentures due to related party on demand, bearing interest at eight percent per annum. ZH USA, LLC may elect to convert all or a portion of the outstanding principal amount of the Convertible Debenture into shares of the Company's common stock in an amount equal to the principal amount of the Convertible Debenture, together with accrued but unpaid interest, divided by \$12.748. See Note 6 – "Related Party Transactions" for details regarding the conversion to common stock or pay-off of the Convertible Debenture balance as of December 31, 2016.

A rollforward of the gross investment in land, building and improvements as of December 31, 2016, resulting from the ten acquisitions completed during the year ended December 31, 2016, is as follows:

	Land	Building	Improvements and Intangible Assets and Liabilities	Gross Investment
Balances as of January 1, 2016	\$ 4,563,852	\$ 51,574,271	\$ -	\$ 56,138,123
Acquisitions:				
HealthSouth Facilities	4,285,439	55,442,121	8,365,440	68,093,000
Ellijay Facilities	777,283	2,929,183	1,193,534	4,900,000
Carson City Facilities	760,000	3,268,350	-	4,028,350
Sandusky Facilities	228,427	4,518,978	-	4,747,405
Watertown Facilities	1,100,000	8,002,171	-	9,102,171
East Orange Facility	2,150,000	10,112,200	-	12,262,200
Reading Facilities	1,440,000	7,939,985	-	9,379,985
Melbourne Facility	1,200,000	14,250,000	-	15,450,000
Westland Facility	230,000	4,520,000	-	4,750,000
Plano Facility	1,050,000	16,696,139	-	17,746,139
Total Additions:	13,221,149	127,679,127	9,558,974	150,459,250
Balances as of December 31, 2016	\$ 17,785,001	\$ 179,253,398	\$ 9,558,974	\$ 206,597,373

A rollforward of the gross investment in land, building and improvements as of December 31, 2015, resulting from the two acquisitions completed during the year ended December 31, 2015, is as follows:

	Land	Building	Improvements and Intangible Assets and Liabilities	Gross Investment
Balances as of January 1, 2015	\$ 572,400	\$ 23,801,362	\$ -	\$ 24,373,762
Acquisitions:				
Tennessee Facilities	2,704,452	17,451,238	-	20,155,690
West Mifflin Facility	1,287,000	10,321,671	-	11,608,671
Total Additions:	3,991,452	27,772,909	-	31,764,361
Balances as of December 31, 2016	\$ 4,563,852	\$ 51,574,271	\$ -	\$ 56,138,123

Depreciation expense was \$2,334,664 and \$659,671 for the years ended December 31, 2016 and December 31, 2015, respectively.

For information related to property transactions that occurred subsequent to December 31, 2016 refer to Note 12 – "Subsequent Events."

Summary of Properties in the Company's Portfolio as of December 31, 2015

Tennessee Facilities

On December 31, 2015, the Company acquired a six building, 52,266 square foot medical clinic portfolio for a purchase price of \$20.0 million (approximately \$20.2 including legal and related fees). Five of the facilities are located in Tennessee and one facility is located in Mississippi. The portfolio will be leased back through Gastroenterology Center of the Midsouth, P.C. via an absolute triple-net lease agreement that expires in 2027. The tenant has two successive options to renew the lease for five year periods on the same terms and conditions as the primary non-revocable lease term with the exception of rent, which will be computed at the same rate of escalation used during the fixed lease term. Base rent increases by 1.75% each lease year commencing on January 1, 2018. The property is owned in fee simple. Funding for the transaction and all related costs was received in the form of a convertible debenture ("Convertible Debenture") the Company issued to its majority stockholder in the total amount of \$20,900,000. Refer to Note 6 – "Related Party Transactions" for additional details regarding the funding of this transaction.

West Mifflin Facility

On September 25, 2015, the Company acquired a surgery center and medical office building located in West Mifflin, Pennsylvania and the adjacent parking lot for \$11.35 million (approximately \$11.6 million including legal and related fees) of approximately 27,193 square feet, combined. The facilities are operated by Associates in Ophthalmology, LTD and Associates Surgery Centers, LLC, respectively, and leased back to those entities by the Company via two separate lease agreements that expire in 2030. Each lease has two successive options by the tenants to renew for five year periods. Base rent increases by 2% each lease year commencing on October 1, 2018. The property is owned in fee simple. In connection with the acquisition of the facilities, the Company borrowed \$7,377,500 from Capital One, National Association ("Capital One") and funded the remainder of the purchase price with the proceeds from a Convertible Debenture it issued to its majority stockholder in the total amount of \$4,545,838. Refer to Note 4 – "Notes Payable Related to Acquisitions and Revolving Credit Facility" and Note 6 – "Related Party Transactions" for additional details regarding the funding of this transaction.

Asheville Facility

On September 19, 2014, the Company acquired an approximately 8,840 square foot medical office building known as the Orthopedic Surgery Center, located in Asheville, North Carolina for \$2.5 million. The Asheville facility is subject to an operating lease which expires in 2017, with lease options to renew up to five years. The property is owned in fee simple. In connection with the acquisition of the Asheville facility, the Company borrowed \$1.7 million from the Bank of North Carolina and funded the remainder of the purchase price with the proceeds from a Convertible Debenture it issued to its majority stockholder and with the Company's existing cash. Refer to Note 4 – "Notes Payable Related to Acquisitions and Revolving Credit Facility" for additional details regarding the funding of this transaction and the prepayment in full of this note.

Omaha Facility

On June 5, 2014, the Company completed the acquisition of a 56-bed long term acute care hospital located at 1870 S 75th Street, Omaha, Nebraska for \$21.7 million (approximately \$21.9 million including legal fees). The Omaha facility is operated by Select Specialty Hospital – Omaha, Inc. pursuant to a sublease which expires in 2023, with sub lessee options to renew up to 60 years. The real property where the Omaha facility and other improvements are located are subject to a land lease with Catholic Health Initiatives, a Colorado nonprofit corporation (the "land lease"). The land lease initially was to expire in 2023 with sub lessee options to renew up to 60 years. However, as of December 31, 2015, the Company exercised two five-year lease renewal options and therefore the land lease currently expires in 2033, subject to future renewal options by the Company. In connection with the acquisition of the Omaha facility in June 2014, the Company borrowed \$15.06 million from Capital One and funded the remainder of the purchase price with funds from its majority stockholder. Refer to Note 4 – "Notes Payable Related to Acquisitions and Revolving Credit Facility" for additional details regarding the funding of this transaction and the prepayment in full of this note.

Unaudited Pro Forma Financial Information for 2016 Business Combination Transactions

The following table illustrates the unaudited pro forma consolidated revenue, net loss, and earnings per share as if the entities that the Company acquired during the year ended December 31 2016 that were accounted for as business combinations (the HealthSouth, Ellijay, and Westland facilities) had occurred as of January 1, 2015:

	Year Ended December 31,	
	2016	2015
	(unaudited)	
Revenue	\$ 14,097,839	\$ 8,456,721
Net loss	\$ (4,405,827)	\$ (776,656)
Loss per share	\$ (0.47)	\$ (3.11)
Weighted average shares outstanding	9,302,244	250,000

Intangible Assets and Liabilities

The following is a summary of the carrying amount of intangible assets and liabilities as of December 31, 2016. The Company had no intangible assets or liabilities as of December 31, 2015.

	Year Ended December 31, 2016		
	Cost	Accumulated Amortization	Net
Assets			
In-place leases	\$ 5,826,556	\$ (34,789)	\$ 5,791,767
Above market leases	74,096	(443)	73,653
Leasing costs	1,286,389	(7,533)	1,278,856
	<u>\$ 7,187,041</u>	<u>\$ (42,765)</u>	<u>\$ 7,144,276</u>
Liabilities			
Below market leases	\$ 279,354	\$ (1,437)	\$ 277,917

The following is a summary of the acquired lease intangible amortization for the year ended December 31, 2016.

Amortization expense related to in-place leases	\$ 34,789
Amortization expense related to leasing costs	\$ 7,533
Decrease of rental revenue related to above market leases	\$ 443
Increase of rental revenue related to below market leases	\$ 1,437

Future aggregate net amortization of the acquired lease intangible as of December 31, 2016, is as follows:

	Net Increase in Revenue	Net Increase in Expenses
2017	\$ 23,090	\$ 1,281,463
2018	23,090	1,281,463
2019	23,090	1,281,463
2020	23,090	1,281,463
2021	20,246	666,850
Thereafter	91,658	1,277,921
Total	<u>\$ 204,264</u>	<u>\$ 7,070,623</u>

For the year ended December 31, 2016, the weighted average amortization period for asset lease intangibles and liability lease intangibles are 5.5 years and 7.6 years, respectively.

Note 4 – Notes Payable Related to Acquisitions and Revolving Credit Facility

Summary of Total Proceeds Received from Notes Payable Related to Acquisitions

A summary of the total proceeds received from notes payable related to acquisitions during the years ended December 31, 2016 and December 31, 2015, is as follows

	December 31, 2016	December 31, 2015
Plano Facility Financing	\$ 9,223,500	\$ -
West Mifflin Facility Financing	-	7,377,500
Cantor Loan	32,097,400	-
Total Proceeds Received from Notes Payable Related to Acquisitions	<u>\$ 41,320,900</u>	<u>\$ 7,377,500</u>

Summary of Notes Payable Related to Acquisitions, Net of Debt Discount

As disclosed in Note 2 – “Summary of Significant Accounting Policies,” effective for the fiscal year ended December 31, 2015, the Company early adopted the provisions of ASU 2015-03, which requires retrospective application. The adoption of ASU 2015-03 represented a change in accounting principle. A detail of the impact of adopting ASU 2015-03 on the Company’s Notes Payable Related to Acquisitions, net of unamortized discount balances, as of December, 2016 and December 31, 2015, is as follows:

	December 31, 2016	December 31, 2015
Notes payable related to acquisitions, gross	\$ 39,474,900	\$ 23,788,065
Less: Unamortized debt discount	(1,061,602)	(302,892)
Notes payable related to acquisitions, net	<u>\$ 38,413,298</u>	<u>\$ 23,485,173</u>

A rollforward of the unamortized debt discount balance as of December 31, 2016 is as follows:

Balance as of January 1, 2016, net	\$ 302,892
Additions – Plano and Cantor financings	1,090,078
Write-off of Plano financing costs ^{(a)(b)}	(53,280)
Debt discount amortization expense ^(b)	(278,088)
Balance as of December 31, 2016, net	<u>\$ 1,061,602</u>

(a) As disclosed in Note 3 – “Property Portfolio,” the Plano loan was refinanced with proceeds from the Cantor Loan and accordingly the Plano related deferred financing costs were written off during the year ended December 31, 2016 into the “Interest Expense” line item in the accompanying Consolidated Statements of Operations.

(b) Sum equals amortization expense incurred on the debt discount for the year ended December 31, 2016 of \$331,368.

A rollforward of the unamortized debt discount balance as of December 31, 2015 is as follows:

Balance as of January 1, 2015, net	\$ 291,691
Additions – West Mifflin financing	137,736
Debt discount amortization expense	(126,535)
Balance as of December 31, 2015, net	<u>\$ 302,892</u>

Amortization expense incurred related to the debt discount was \$331,368 and \$126,535 for the years ended December 31, 2016 and December 31, 2015, respectively, and is included in the “Interest Expense” line item in the accompanying Consolidated Statements of Operations.

Summary of Deferred Financing Costs, Net

Costs incurred related to securing the Company’s revolving credit facility have been capitalized as a deferred financing asset, net of accumulated amortization in the accompanying Consolidated Balance Sheet.

A rollforward of the deferred financing cost balance as of December 31, 2016 is as follows:

Balance as of January 1, 2016, net	\$ -
Additions – revolving credit facility	946,161
Debt discount amortization expense	(19,076)
Balance as of December 31, 2015, net	<u>\$ 927,085</u>

Amortization expense incurred related to the revolving credit facility was \$19,076 for the year ended December 31, 2016 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 the Company’s wholly owned subsidiaries, the Company entered into a \$32,097,400 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 (“GMR Loan Subsidiaries”). The Cantor Loan has cross-default and cross-collateral terms. The Company used the proceeds of the Cantor Loan to acquire the Marina Towers (Melbourne, FL) and the Surgical Institute of Michigan (Westland, MI) properties and to refinance the Star Medical (Plano, TX) assets by paying off the existing principal amount of the loan with East West bank in the amount of \$9,223,500, and the Company granted a security interest in the Gastro One (Memphis, TN) assets.

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 after that 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) 2 years after the loan is placed in a securitized mortgage pool, or (b) May 6, 2020, the Cantor Loan can be fully and 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 is securing 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 will be required to maintain a monthly debt service coverage ratio of 1.35:1.00 for all of the collateral properties in the aggregate.

No principal payments were made on this note for the year ended December 31, 2016. The note balance as of December 31, 2016 and December 31, 2015 was \$32,097,400 and zero, respectively. Interest expense incurred on this note was for the year ended December 31, 2016 was \$1,279,884. No interest expense was incurred on this note for the year ended December 31, 2015.

As of December 31, 2016, scheduled principal payments due for each fiscal year ended December 31 are listed below as follows:

2017	\$	-
2018		-
2019		-
2020		-
2021		-
Thereafter		32,097,400
Total	\$	<u>32,097,400</u>

West Mifflin Note Payable

In order to finance a portion of the purchase price for the West Mifflin facility, 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 \$7,377,500. 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 begin on November 1, 2015, and on the first day of each calendar month thereafter. Principal payments begin on November 1, 2018 and on the first day of each calendar month thereafter based on an amortization schedule with the principal balance due on the maturity date. The note may not be prepaid in whole or in part prior to September 25, 2017. Thereafter, the Company, at its option, may prepay the note at any time, in whole (but not in part) on at least thirty calendar days but not more than sixty calendar days advance written notice. The note has an early termination fee of two percent if prepaid prior to September 25, 2018. 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 measured on a quarterly basis of not less than \$6,000,000. The Operator is Associates in Ophthalmology, Ltd. and Associates Surgery Centers, LLC. No principal payments were made on this note for the years ended December 31, 2016 and December 31, 2015, respectively. The note balance as of December 31, 2016 and December 31, 2015 was \$7,377,500. Interest expense incurred on this note was \$279,017 and \$51,078 for the years ended December 31, 2016 and December 31, 2015, respectively.

As of December 31, 2016, scheduled principal payments due for each fiscal year ended December 31 are listed below as follows:

2017	\$	-
2018		22,044
2019		136,007
2020		7,219,449
Total	\$	<u>7,377,500</u>

Asheville Note Payable

In order to finance a portion of the purchase price of the Asheville facility, on September 15, 2014 the Company entered into a Promissory Note with the Bank of North Carolina to borrow \$1,700,000. The note bears interest on the outstanding principal balance at the simple, fixed interest rate of 4.75% per annum and all unpaid principal and interest was due on February 15, 2017. Commencing on October 15, 2014, the Company made on the 15th of each calendar month until and including March 15, 2015, monthly payments consisting of interest only. Thereafter, commencing on April 15, 2015, the outstanding principal and accrued interest was payable in monthly amortizing payments on the 15th day of each calendar month. This note was paid in full on December 2, 2016 using proceeds from the Company's senior revolving credit facility which is disclosed in the "Revolving Credit Facility" section of this footnote. In accordance with the terms of the note there was no prepayment penalty for the payoff of this note. The Company made principal payments in the amount of \$1,662,101 and \$37,899 for the years ended December 31, 2016 and December 31, 2015, respectively. The note balance as of December 31, 2016 and December 31, 2015 was zero and \$1,662,101, respectively. Interest expense incurred on this note was \$76,318 and \$81,160 for the years ended December 31, 2016 and December 31, 2015, respectively.

Omaha Note Payable

In order to finance a portion of the purchase price for the Omaha facility, on June 5, 2014 the Company entered into a Term Loan and Security Agreement with Capital One, National Association to borrow \$15,060,000. The loan bears interest at 4.91% per annum and all unpaid interest and principal was due on June 5, 2017 (the "Maturity Date"). Interest was paid in arrears and payments began on August 1, 2014, and were due on the first day of each calendar month thereafter. Principal payments began on January 1, 2015 and were due on the first day of each calendar month thereafter based on an amortization schedule with the principal balance due on the Maturity Date. This note was paid in full on July 11, 2016 using the proceeds from the initial public offering. In accordance with the terms of the note the prepayment resulted in the Company being required to pay an early termination fee in the amount of \$301,200 because the note was paid in full prior to its Maturity Date. This fee was also paid on July 11, 2016 and is recorded as "Interest Expense" in the accompanying Consolidated Statements of Operations for the year ended December 31, 2016. The Company made principal payments in the amount of \$14,748,464 and \$311,536 for years ended December 31, 2016 and December 31, 2015, respectively. The note balance as of December 31, 2016 and December 31, 2015 was zero and \$14,748,464, respectively. Interest expense incurred on this note was \$487,714 (excluding the \$301,200 early termination fee amount disclosed above) and \$679,987 for the years ended December 31, 2016 and December 31, 2015, respectively.

Revolving Credit Facility

On December 2, 2016, the Company, the Operating Partnership, as borrower, and certain subsidiaries (GMR Asheville LLC, GMR Watertown LLC, GMR Sandusky LLC, GMR East Orange LLC, GMR Omaha LLC, and GMR Reading LLC) (such subsidiaries, the "Subsidiary Guarantors") of the Operating Partnership entered into a senior revolving credit facility (the "Credit Facility") with BMO Harris Bank N.A., as Administrative Agent, which will initially provide up to \$75 million in revolving credit commitments for the Operating Partnership. The Credit Facility includes an accordion feature that provides the Operating Partnership with additional capacity, subject to the satisfaction of customary terms and conditions of up to \$125 million, for a total facility size of up to \$200 million. 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 initial termination date of the Credit Facility is December 2, 2019 which could be extended for one year in the case that no event of default occurs.

Amounts outstanding under the Credit Facility bear annual interest at a floating rate that is based, at the Operating Partnership's option, on (i) adjusted LIBOR plus 2.00% to 3.00% or (ii) a base rate plus 1.00% to 2.00%, in each case, depending upon the Company's consolidated leverage ratio. In addition, the Operating Partnership is obligated to pay a quarterly fee equal to a rate per annum equal to (x) 0.20% if the average daily unused commitments are less than 50% of the commitments then in effect and (y) 0.30% if the average daily unused commitments are greater than or equal to 50% of the commitments then in effect and determined based on the average daily unused commitments during such previous quarter.

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, commencing with the fiscal quarter ending December 31, 2016 and as of the end of each fiscal quarter thereafter, 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 \$119,781,219 plus 75% of all net proceeds raised through subsequent equity offerings and (iv) a ratio of total secured recourse debt to total asset value of not greater than 0.10:1.00.

For the year ended December 31, 2016, the Company drew down \$27,700,000 on the Credit Facility and incurred interest expense of \$46,297. No repayments were made on the Credit Facility during 2016.

As disclosed in Note 12 – “Subsequent Events,” on March 3, 2017 the Credit Facility was amended to increase the total commitment and the accordion feature.

Note 5 – Stockholders’ Equity

Preferred Stock

The Company’s charter authorizes the issuance of 10,000,000 shares of preferred stock, par value \$0.001 per share. As of December 31, 2016 and December 31, 2015, no shares of preferred stock were issued and outstanding.

Common Stock

The Company has 500,000,000 of authorized shares of common stock, \$0.001 par value. As of December 31, 2016 and December 31, 2015, there were 17,605,675 and 250,000 outstanding shares of common stock, respectively.

On March 2, 2016, ZH USA, LLC converted \$15,000,000 of principal under the Convertible Debenture into 1,176,656 shares of the Company’s then unregistered common stock based on a conversion rate of \$12.748 per share.

On July 1, 2016, the Company closed its initial public offering and issued 13,043,479 shares of its common stock at a price of \$10.00 per share resulting in gross proceeds of \$130,434,790. After deducting underwriting discounts and commissions, advisory fees, and other offering expenses, the Company received net proceeds from the offering of \$120,773,630. Additionally, on July 11, 2016, the underwriters exercised their over-allotment option in full, resulting in the issuance by the Company of an additional 1,956,521 shares of the Company’s common stock at a price of \$10.00 per share for gross proceeds of \$19,565,210. After deducting underwriting discounts and expenses, advisory fees, and other offering expenses, the Company received net proceeds from the over-allotment option shares of \$18,195,645. Total shares issued by the Company in the initial public offering, including over-allotment option shares, were 15,000,000 shares and the total net proceeds received were \$137,288,016, which represented gross proceeds received of \$138,969,275 net of \$1,681,259 in costs directly attributable to the initial public offering that were deferred and paid.

On July 1, 2016, ZH USA, LLC converted \$15,030,134 of the principal under the Convertible Debenture into 1,179,019 shares of the Company’s registered common stock based on a conversion rate of \$12.748 per share.

In order to help the Company qualify as a REIT, among other purposes, the Company’s charter, subject to certain exceptions, restricts the number of shares of the Company’s common stock that a person may beneficially or constructively own. The Company’s charter provides that, subject to certain exceptions, no person may beneficially or constructively own more than 9.8%, in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of the Company’s capital stock. On June 27, 2016, the Board approved a waiver of the 9.8% ownership limit in our charter allowing ZH USA, LLC to own up to 16.9% of the Company’s outstanding shares of common stock.

Pursuant to a previously declared dividend approved by the Board and in compliance with applicable provisions of the Maryland General Corporation Law, the Company paid a monthly dividend of \$0.0852 per share each month during the four-month period from January 2016 through April 2016 in the cumulative amount of \$285,703. On September 14, 2016, the Company announced the declaration of a cash dividend of \$0.20 per share of common stock to stockholders of record as of September 27, 2016 and to the holders of the LTIP units that were granted on July 1, 2016 in the amount of \$3,592,786. Total dividends paid during the year ended December 31, 2016 were \$3,878,489. Additionally, on December 14, 2016, the Company announced the declaration of a cash dividend of \$0.20 per share of common stock to stockholders of record as of December 27, 2016 and to the holders of the LTIP units that were granted on July 1, 2016 and December 21, 2016. This dividend, in the amount of \$3,604,037, was accrued as of December 31, 2016 and subsequently paid on January 10, 2017.

For the year ended December 31, 2015 the Company paid total dividends of \$255,600.

Note 6 – Related Party Transactions

Management Agreement

Initial Management Agreement

On November 10, 2014, the Company entered into a management agreement, with an effective date of April 1, 2014, with Inter-American Management LLC (the “Advisor”), a Delaware limited liability company and an affiliate of the Company. ZH International Holdings Limited (formerly known as Heng Fai Enterprises, Ltd.), a Hong Kong limited company that is engaged in real estate development, investments, management and sales, hospitality management and investments and REIT management, is the 85% owner of the Advisor. ZH International Holdings Limited owns ZH USA, LLC, a related party and the Company’s former (pre initial public offering) majority stockholder. Under the terms of this initial management agreement, the Advisor is responsible for designing

and implementing the Company's business strategy and administering its business activities and day-to-day operations. For performing these services, the Company was obligated under the initial management agreement to pay the Advisor a base management fee equal to the greater of (a) 2.0% per annum of the Company's net asset value (the value of the Company's assets less the value of the Company's liabilities), or (b) \$30,000 per calendar month. Additionally, in accordance with the terms of the initial management agreement, during the years ended December 31, 2016 and December 31, 2015, the Company expensed \$754,000 and \$627,000 in acquisition fees that were paid to the Advisor for acquisitions that were completed during each year.

Amended 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. Certain material terms of the amended and restated management agreement are summarized below:

Term and Termination

The initial term of the amended and restated management agreement will expire on the third anniversary of the closing date of the initial public offering and will automatically renew for an unlimited number of successive one-year periods thereafter, unless the agreement is not renewed or is terminated in accordance with its terms. If the Company's board of directors decides to terminate or not renew the amended and restated management agreement, the Company will generally be required to pay the Advisor a termination fee equal to three times the sum of the average annual base management fee and the average annual incentive compensation with respect to the previous eight fiscal quarters ending on the last day of the fiscal quarter prior to termination. Subsequent to the initial term, the Company may terminate the management agreement only under certain circumstances.

Base Management Fee

The Company will pay its advisor a base management fee in an amount equal to: 1.5% of its stockholders' equity per annum, calculated quarterly for the most recently completed fiscal quarter and payable in quarterly installments in arrears.

For purposes of calculating the base management fee, the Company's stockholders' equity means: (a) the sum of (1) the Company stockholders' equity as of March 31, 2016, (2) the aggregate amount of the conversion price (including interest) for the conversion of the Company's outstanding convertible debentures into common stock and OP units upon completion of the initial public offering, and (3) the net proceeds from (or equity value assigned to) all issuances of equity and equity equivalent securities (including common stock, common stock equivalents, preferred stock, long-term incentive plan ("LTIP") units and OP units issued by the Company or the Operating Partnership) in the initial public offering, or in any subsequent offering (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), less (b) any amount that the Company pays to repurchase shares of its common stock or equity securities of the OP. Stockholders' equity also excludes (1) any unrealized gains and losses and other non-cash items (including depreciation and amortization) that have impacted stockholders' equity as reported in the Company's financial statements prepared in accordance with GAAP, and (2) one-time events pursuant to changes in GAAP, and certain non-cash items not otherwise described above, in each case after discussions between the Advisor and its independent directors and approval by a majority of the Company's independent directors. As a result, the Company's stockholders' equity, for purposes of calculating the base management fee, could be greater or less than the amount of stockholders' equity shown on its financial statements.

The base management fee of the Advisor shall be calculated within 30 days after the end of each quarter and such calculation shall be promptly delivered to the Company. The Company is obligated to pay the quarterly installment of the base management fee calculated for that quarter in cash within five business days after delivery to the Company of the written statement of the Advisor setting forth the computation of the base management fee for such quarter.

Incentive Compensation Fee

The Company will pay its advisor an incentive fee with respect to each calendar quarter (or part thereof that the management agreement is in effect) in arrears. The incentive fee will be an amount, not less than zero, equal to the difference between (1) the product of (x) 20% and (y) the difference between (i) the Company's AFFO (as defined below) for the previous 12-month period, and (ii) the product of (A) the weighted average of the issue price of equity securities issued in the initial public offering and in future offerings and transactions, multiplied by the weighted average number of all shares of common stock outstanding on a fully-diluted basis (including any restricted stock units, any restricted shares of common stock, OP units, LTIP units, and shares of common stock underlying awards granted under the 2016 Equity Incentive Plan or any future plan in the previous 12-month period, and (B) 8%, and (2) the sum of any incentive fee paid to the Advisor with respect to the first three calendar quarters of such previous 12-month period; provided, however, that no incentive fee is payable with respect to any calendar quarter unless AFFO is greater than zero for the four most recently completed calendar quarters, or the number of completed calendar quarters since the closing date of the offering, whichever is less. For purposes of calculating the incentive fee during the first 12 months after completion of the offering, AFFO will be determined by annualizing the applicable period following completion of the offering.

AFFO is calculated by adjusting the Company's funds from operations, or FFO, by adding back acquisition and disposition costs, stock based compensation expenses, amortization of deferred financing costs and any other non-recurring or non-cash expenses, which are costs that do not relate to the operating performance of the Company's properties, and subtracting loss on extinguishment of debt, straight line rent adjustment, recurring tenant improvements, recurring leasing commissions and recurring capital expenditures.

Management Fee Expense Incurred and Accrued Management Fees

For years ended December 31, 2016 and 2015, management fees of \$1,434,294 and \$360,000, respectively were incurred and expensed by the Company and during those years the Company paid management fees to the Advisor in the amount of \$1,443,585 and zero, respectively. As of December 31, 2016 and December 31, 2015, accrued management fees of \$620,709 and \$630,000, respectively, were due to the Advisor.

Allocated General and Administrative Expenses

In the future, the Company may receive an allocation of general and administrative expenses from the Advisor that are either clearly applicable to or were reasonably allocated to the operations of the properties. There were no allocated general and administrative expenses from the Advisor for the years ended December 31, 2016 and December 31, 2015.

Convertible Debenture, due to Related Party

The Company has received funds from its related party ZH USA, LLC in the form of convertible interest bearing notes (8% per annum, payable in arrears) due on demand unsecured debt, which are classified as "Convertible debenture, due to related party" on the accompanying Consolidated Balance Sheets. The Company may prepay the note at any time, in whole or in part. Additionally, ZH USA, LLC may elect to convert all or a portion of the outstanding principal amount of the note into shares of common stock in an amount equal to the principal amount of the note, together with accrued but unpaid interest, divided by \$12.748.

On March 2, 2016, ZH USA, LLC converted \$15,000,000 of principal under the Convertible Debenture into 1,176,656 shares of the Company's then unregistered common stock based on a conversion rate of \$12.748 per share.

On June 15, 2016, in anticipation of its initial public offering, the Company entered into a Pay-Off Letter and Conversion Agreement (the "Pay-Off Letter and Conversion Agreement") with ZH USA, LLC with regards to the Convertible Debentures loaned to the Company. Under the terms of the Pay-Off Letter and Conversion Agreement, upon the closing date of the initial public offering on July 1, 2016, ZH USA, LLC converted \$15,030,134 of the principal under the Convertible Debenture into 1,179,019 shares of the Company's registered common stock based on a conversion rate of \$12.748 per share. Additionally, in accordance with the Pay-Off Letter and Conversion Agreement, on July 8, 2016 the Company paid off the remaining principal amount of \$10,000,000 outstanding under the Convertible Debentures.

On July 8, 2016, also in accordance with the Pay-Off Letter and Conversion Agreement, the Company paid all accrued interest owed and outstanding on the Convertible Debentures in the amount of \$1,716,811. Accrued interest was included in the line item "Accrued Expenses" in the accompanying Consolidated Balance Sheets.

A rollforward of the funding from ZH USA, LLC classified as convertible debenture, due to related party as of December 31, 2016 is as follows:

Balance as of January 1, 2016	\$	40,030,134
Conversion of convertible debenture to common shares (March 2, 2016) ^(a)		(15,000,000)
Conversion of convertible debenture to common shares (July 1, 2016) ^(a)		(15,030,134)
Pay-off of remaining principal balance		<u>(10,000,000)</u>
Balance as of December 31, 2016	\$	<u><u>-</u></u>

(a) Total amount converted to common shares equals \$30,030,134

A rollforward of the funding from ZH USA, LLC classified as convertible debenture, due to majority stockholder as of December 31, 2015 is as follows:

Balance as of January 1, 2015	\$ 5,446,102
Funds advanced for Tennessee Facilities acquisition	20,900,000
Funds advanced for West Mifflin acquisition	4,545,838
Funds advanced for Plano acquisition (closed post 12.31.15; see Note 11)	9,000,000
Fund advanced to be used for future acquisitions	138,194
Total funded during the year ended December 31, 2015	34,584,032
Balance as of December 31, 2015	\$ 40,030,134

Interest expense on the Convertible Debentures was \$1,242,899 and \$581,342 for the years ended December 31, 2016 and December 31, 2015 respectively.

Prior to the conversions and the pay-off of the remaining outstanding principal balance of the Convertible Debentures discussed above, the Company analyzed the conversion option in the convertible debenture for derivative accounting treatment under ASC Topic 815, Derivatives and Hedging, and determined that the instrument does not qualify for derivative accounting. The Company performed an analysis in accordance with ASC Topic 470-20, Debt with Conversion and Other Options, to determine if the conversion option was subject to a beneficial conversion feature and determined that the instrument does not have a beneficial conversion feature.

Notes Payable to Related Parties

During the year ended December 31, 2016, the Company received total funds in the amount of \$450,000 in the form of an interest bearing note payable from a related party. The note incurred interest at 4% per annum and was due on demand. Interest expense incurred on this note was \$10,284 for the year ended December 31, 2016. This note was paid in full with a payment of \$450,000 during the year ended December 31, 2016.

During the year ended December 31, 2015, the Company received funds in the amount of \$382,805 from ZH USA, LLC in the form of a non-interest bearing due on demand note payable. No funds were received from ZH USA, LLC during the year ended December 31, 2016. The balance from this related party loan was \$421,000 as of December 31, 2016 and December 31, 2015, respectively, and are classified as "Notes payable to related parties" on the accompanying Consolidated Balance Sheets.

ZH USA, LLC Loan

On June 7, 2016, the Company received an interest free loan from ZH USA, LLC in the principal amount of \$1.5 million, which was repaid in full on July 8, 2016, using a portion of the proceeds from the initial public offering.

Due to Related Parties, Net

All related party balances are due on demand and non-interest bearing. A rollforward of the due (to) from related parties balance, net as of December 31, 2016 is as follows:

	Due from Advisor	Due to Advisor – Mgmt. Fees	Due to Advisor – Other Funds	Due (to) from Other Related Party	Total Due (To) From Related Parties, Net
Balance as of January 1, 2016	\$ 178,111	(630,000)	(240,280)	(155,000)	(847,169)
Management fees incurred ^(a)		(1,434,294)			(1,434,294)
Management fees paid to Advisor ^(a)	-	1,443,585	-	-	1,443,585
Funds repaid to Advisor ^(b)	-	-	239,694	-	239,694
Funds repaid to Other Related Party ^(b)	-	-	-	155,000	155,000
Funds loaned to Other Related Party ^(c)				1,384	1,384
Funds repaid by Advisor ^(c)	(178,111)				(178,111)
Funds loaned to ZH USA, LLC ^(c)	-	-	-	39,000	39,000
Balance as of December 31, 2016	\$ -	(620,709)	(586)	40,384	(580,911)

(a) Net amount repaid of \$9,291 consists of \$1,434,294 in management fee expense incurred, net of \$1,443,585 of accrued management fees that were repaid to the Advisor. This is a cash flow operating activity.

(b) Total amount of \$394,694 consists of \$239,694 repaid by the Company to the Advisor and \$155,000 repaid by the Company to another related party. This is a cash flow financing activity.

(c) Net amount of \$137,727 consists of loan repaid by Advisor in the amount of \$178,111, net of \$39,000 that the Company loaned to a related party for its general use, and \$1,384 in additional funds loaned to related party. This is a cash flow investing activity.

A rollforward of the due (to) from related parties balance, net as of December 31, 2015 is as follows:

		Due from Advisor	Due to Advisor – Mgmt. Fees	Due to Advisor – Other Funds	Due to Other Related Party	Total Due (To) From Related Parties, Net
Balance as of January 1, 2015	\$	42,915	(270,000)	(103,683)	-	(330,768)
Management fees due to Advisor ^(c)		-	(360,000)	-	-	(360,000)
Funds loaned by Advisor ^(a)		-	-	(136,597)	-	(136,597)
Funds loaned to Advisor ^(b)		135,196	-	-	-	135,196
Funds loaned by Other Related Party ^(a)		-	-	-	(155,000)	(155,000)
Balance as of December 31, 2015	\$	178,111	(630,000)	(240,280)	(155,000)	(847,169)

(a) Total funds loaned to the Company of \$291,597 were primarily used by the Company for general corporate purposes.

(b) Funds loaned were used by the Advisor for the Asheville facility acquisition.

(c) This amount represents a cash flow statement operating activity.

Note 7 - 2016 Equity Incentive Plan

LTIP Units and Related Accounting Impact

Prior to the completion of the initial public offering on July 1, 2016, the Board approved and adopted the 2016 Equity Incentive Plan. The purpose of the 2016 Equity Incentive Plan is to attract and retain qualified persons upon whom, in large measure, our sustained progress, growth and profitability depend, to motivate the participants to achieve long-term company goals and to more closely align the participants' interests with those of the Company's other stockholders by providing them with a proprietary interest in the Company's growth and performance. The Company's executive officers, employees, employees of our advisor and its affiliates, consultants and non-employee directors are eligible to participate in the 2016 Equity Incentive Plan.

A detail of the LTIP units granted under the 2016 Equity Incentive Plan during the year ended December 31, 2016, and the LTIPs remaining to be granted as of December 31, 2016 is as follows:

LTIP units granted on December 21, 2016	56,254
LTIP units granted on July 1, 2016	358,250
Total LTIP units granted for the year ended December 31, 2016	414,504
LTIP units remaining to be granted under 2016 Equity Incentive Plan	817,893
Total LTIP units to be granted under 2016 Equity Incentive Plan	1,232,397

An aggregate of 414,504 LTIP units were granted during the year ended December 31, 2016 pursuant to the 2016 Equity Incentive Plan via separate LTIP unit grants on December 21, 2016 and July 1, 2016. As of December 31, 2016, an aggregate of 817,893 additional LTIP units were available for future issuance under the Company's 2016 Equity Incentive Plan, for a total of 1,232,397 LTIP units that can be granted, which represents 7 percent of the fully diluted outstanding shares of the Company's common stock upon completion of the initial public offering, including the shares sold pursuant to the underwriters' over-allotment option (a total of 17,605,675 common shares outstanding).

Of the 414,504 LTIP units that were granted, 60,400 units vested immediately on July 1, 2016 upon completion of the Company's initial public offering (the "IPO Units"), 68,900 LTIP units vested on December 1, 2016, and an additional 8,000 LTIP units vested during December 2016. The remaining 277,204 LTIP units (the "Service LTIPs") consist of 263,454 units granted to employees of the Advisor and its affiliates deemed to be non-employees in accordance with ASC Topic 505 and vest over periods of 36 months, 41 months, and 53 months, respectively, as well as 13,750 units granted to the Company's independent directors that were deemed to be employees in accordance with ASC Topic 718 and vest over a period of 12 months.

Total compensation expense of \$1,684,812 related to the Company's total LTIP units granted during 2016 was recorded for the year ended December 31, 2016 and was classified as "General and Administrative" expense in the Company's accompanying Consolidated Statements of Operations. Total compensation expense recognized for the year ended December 31, 2016, is comprised of \$604,000 incurred on the IPO Units, calculated based on a share price of \$10.00 per unit, the closing share price for the Company's common stock at the closing date of the initial public offering on July 1, 2016 and compensation expense of \$1,080,812 incurred on the Service LTIPs calculated ratably as the service is performed over the monthly periods described above using the straight-line method, subject to certain terms and conditions, and inclusive of the expense incurred on the 76,900 Service LTIPs that vested on December 1, 2016. Compensation expense incurred related to the Service LTIPs granted to employees of the Advisor and its affiliates deemed to be non-employees was based on a share price of \$8.92 per unit, the closing share price for the Company's common stock on December 31, 2016, except for the 76,000 Service LTIPs that vested on December 1, 2016 for which the expense amount was based on the stock price on December 1, 2016, the vesting date. The Service LTIPs granted to non-employees are revalued each period at their then-current end

of period fair value, until the date of vesting when the compensation expense does not change. The compensation expense incurred related to the Service LTIPs granted to the Company's independent directors that were deemed to be employees was based on a price of \$10.00 per unit, the closing share price for the Company's common stock on the closing date of the initial public offering on July 1, 2016, expensed using the straight-line method over the 12 month vesting period.

Shares subject to awards under the 2016 Equity Incentive Plan that are forfeited, cancelled, lapsed, settled in cash or otherwise expired (excluding shares withheld to satisfy exercise prices or tax withholding obligations) will again be available for awards under the 2016 Equity Incentive Plan. The 2016 Equity Incentive Plan is administered by the Company's compensation committee, which will interpret the 2016 Equity Incentive Plan and have broad discretion to select the eligible persons to whom awards will be granted, as well as the type, size and terms and conditions of each award, including the exercise price of options, the number of shares subject to awards and the expiration date of, and the vesting schedule or other restrictions (including, without limitation, restrictive covenants) applicable to, awards.

The 2016 Equity Incentive Plan allows the Company to grant the following types of awards:

- options, including non-qualified options and incentive stock options;
- stock appreciation rights, or SARs;
- stock awards, including restricted stock and unrestricted stock;
- restricted stock units;
- other equity-based awards, including LTIP units;
- incentive awards;
- substitute awards; and
- performance awards.

Operating Partnership and LTIP Units

As disclosed on March 14, 2016, the Company entered into the Agreement of Limited Partnership of Global Medical REIT, L.P. ("Partnership Agreement"), pursuant to which the Company, through a wholly-owned subsidiary, serves as the sole general partner of the Operating Partnership and may not be removed as general partner by the limited partners with or without cause.

The Partnership Agreement, as amended, provides, among other things, that the Operating Partnership initially has two classes of limited partnership interests, which are Units of limited partnership interest ("OP Units"), and the Operating Partnership's LTIP units. In calculating the percentage interests of the partners in the Operating Partnership, LTIP units are treated as OP Units. In general, vested LTIP units will receive the same per-unit distributions as the OP Units. Initially, each LTIP unit will have a capital account balance of zero and, therefore, will not have full parity with OP Units with respect to any liquidating distributions. However, the Partnership Agreement, as amended provides that "book gain," or economic appreciation, in the Company's assets realized by the Operating Partnership as a result of the actual sale of all or substantially all of the Operating Partnership's assets, or the revaluation of the Operating Partnership's assets as provided by applicable U.S. Department of Treasury regulations, will be allocated first to the holders of LTIP units until their capital account per unit is equal to the average capital account per-unit of the Company's OP Unit holders in the Operating Partnership. We expect that the Operating Partnership will issue OP Units to limited partners, and the Company, in exchange for capital contributions of cash or property, and will issue LTIP units pursuant to the Company's 2016 Equity Incentive Plan to persons who provide services to the Company, including the Company's officers, directors and employees.

Pursuant to the Partnership Agreement, as amended, any holders of OP Units, other than the Company or its subsidiaries, will receive redemption rights which, subject to certain restrictions and limitations, will enable them to cause the Operating Partnership to redeem their OP Units in exchange for cash or, at the Company's option, shares of the Company's common stock, on a one-for-one basis. The Company has agreed to file, not earlier than one year after the closing of the IPO, one or more registration statements registering the issuance or resale of shares of its common stock issuable upon redemption of the OP Units, including those issued upon conversion of LTIP units to the Manager and the Former Advisor.

LTIP units are convertible into OP Units on a one for one basis, subject to certain conditions as set forth in the LTIP Unit Vesting Agreement entered into by each LTIP unit holder. First, the LTIP units must have vested. The existing LTIP Unit Vesting Agreements generally provide for a vesting period of up to five years. Second, the number of vested LTIP units that may be converted into OP Units is limited to the proportion of the "capital account equivalency" that the LTIP units have achieved with the OP Units. The number of vested LTIP units that may be converted generally is equal to the capital account balance of such LTIP units divided by the capital account balance per unit of the OP units held by the General Partner. LTIP unit holders initially receive a capital account with a zero balance and receive priority allocations of certain gains to increase their capital account balances until they equal the capital account balances of OP Unit holders. Upon capital account equalization and vesting, LTIP units are convertible into an equal number of OP Units at the holder's election with notice to the Operating Partnership. The Operating Partnership, at any time at the election of the General Partner, may also force a conversion of vested LTIP units into OP Units, subject to the capital account equivalency

requirement described in this paragraph.

LTIP unit holders have the same voting rights as holders of OP Units, with the LTIP units voting as a single class with the OP Units and having one vote per LTIP unit. With certain exceptions, a majority vote of the LTIP unit holders is required to amend the provisions of the Partnership Agreement related to LTIP units.

Note 8 – Rental Revenue

The aggregate annual minimum cash to be received by the Company on the noncancelable operating leases related to its portfolio of facilities in effect as of December 31, 2016, are as follows for the subsequent years ended December 31; as listed below:

2017	\$	15,177,903
2018		15,395,212
2019		15,716,511
2020		16,025,456
2021		13,881,629
Thereafter		78,717,957
Total	\$	<u>154,914,668</u>

For the year ended December 31, 2016, the Omaha facility constituted approximately 21% of the Company's rental revenue, the Plano facility constituted approximately 18% of rental revenue, the Tennessee facilities constituted approximately 17% of rental revenue, the West Mifflin facility constituted approximately 11% of rental revenue, the Melbourne facility constituted approximately 11% of rental revenue, the Reading facility constituted approximately 4% of rental revenue, and the Westland facilities constituted approximately 4% of rental revenue. The Asheville, East Orange, and Watertown facilities constituted approximately 3% of rental revenue each. The remaining 5% of rental revenue was derived from the other facilities in the Company's portfolio.

The Omaha facility constituted approximately 80% of the Company's rental revenue for the year ended December 31, 2015 and the West Mifflin and Asheville facilities constituted approximately 10% each.

Note 9 – Omaha Land Lease Rent Expense

The Omaha facility land lease initially was to expire in 2023 with options to renew up to 60 years. However, the Company exercised two five-year lease renewal options and therefore the land lease currently expires in 2033, subject to future renewal options by the Company. Under the terms of the land lease, annual rents increase 12.5% every fifth anniversary of the lease. The initial land lease increase will occur in April 2017. The Company expensed \$72,615 and \$79,892 for the years ended December 31, 2016 and December 31, 2015, respectively. The aggregate minimum cash payments to be made by the Company on the non-cancelable Omaha facility related land lease in effect as of December 31, 2016, are as follows for the subsequent years ended December 31; as listed below.

2017	\$	59,877
2018		63,619
2019		67,362
2020		67,362
2021		67,362
Thereafter		906,224
Total	\$	<u>1,231,806</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 – Income Taxes

For the 2016 tax year, the Company is planning to elect and qualify as a REIT under the Internal Revenue Code. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that the Company distribute at least 90% of its adjusted taxable income to its stockholders. It is management's current intention to adhere to these requirements and be eligible to be a REIT for the year ended December 31, 2016. As a REIT, the Company generally will not be subject to corporate level federal income tax on taxable income currently distributed to stockholders. If the Company fails to qualify as a REIT for the 2016 tax year, it will be subject to federal and state income taxes at corporate tax rates. Even if the Company qualifies to be taxed as a REIT for 2016, it may be subject to federal and state taxes on any undistributed taxable income. For the 2016 tax year, the Company has recorded approximately \$70,000 for federal or state income taxes in the financial statements.

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company had federal and state passive activity loss carry forwards of \$2,175,000, which carry forward indefinitely and net operating loss carry forwards of approximately \$2,053,000, which begin expiring in 2033. The Company has adopted ASC Topic 740, "Accounting for Income Taxes," as of its inception. Pursuant to ASC Topic 740, the Company is required to compute tax asset benefits for non-capital losses carried forward. The potential benefit of the net operating loss has not been recognized in these financial statements because it cannot be assured it is more likely than not it will utilize the loss carried forward in future years.

Significant components of the deferred tax assets and liabilities as of December 31, 2016 and December 31, 2015, after applying enacted corporate income tax rates, are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Deferred income tax asset:		
Net operating and passive activity loss carry forward	\$ 1,438,000	\$ 460,000
Valuation allowance	(1,438,000)	(460,000)
Net deferred tax asset	\$ -	\$ -

The Company periodically assesses the likelihood that it will be able to recover its deferred tax assets. The Company considers all available evidence, both positive and negative, including expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible profits. As a result of this analysis of all available evidence, both positive and negative, the Company concluded that it is not likely that its net deferred tax assets will ultimately be recovered; as such, it recorded a valuation allowance for the net operating and passive activity losses and a reserve due to the anticipated REIT election for calendar year 2016.

The Company follows ASC Topic 740 to recognize, measure, present and disclose in our consolidated financial statements uncertain tax positions that it has taken or expects to take on a tax return. As of December 31, 2016 and December 31, 2015, the Company did not have any liabilities for uncertain tax positions that it believes should be recognized in its financial statements. The Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for the years 2012 and earlier. The Company is not currently under examination by any taxing jurisdiction.

Note 12 – Subsequent Events

Summary of Properties Acquired Subsequent to the Year Ended December 31, 2016

Sandusky Facility

The Company closed on the acquisition of one of the remaining two Sandusky properties on March 10, 2017 in the amount of approximately \$4.3 million using funds from the revolving credit facility. Upon the satisfaction of customary closing conditions, the Company expects to close the acquisition of the remaining property for approximately \$1.1 million during the second quarter of 2017. The Company is leasing the property that closed in March 2017 to the NOMS Tenant and will lease the remaining property when acquired to the NOMS Tenant both using a triple-net lease structure with an initial term of 11 years with four additional five-year renewal options. The acquisition of the remaining building will be funded using borrowings from the Company's revolving credit facility or other available cash.

Clermont Facility

On March 1, 2017, the Company, as buyer, pursuant to a purchase agreement (the "Purchase Agreement") with HVI, LLC (the "HVI Seller"), acquired HVI Seller's interest, as ground lessee, in the ground lease (the "Ground Lease") that covers and affects certain real property located in Clermont, Florida (the "land"), along with HVI Seller's right, title and interest arising under the Ground Lease in and to the medical building located upon the Land (the "Clermont Facility"), for a purchase price of \$5.225 million. The Ground Lease commenced in 2012 and has an initial term of seventy-five years. The Purchase Agreement contemplates that, upon closing of

this acquisition, the Company will also assume the HVI Seller's interest, as sublessor, in four subleases affecting the Clermont Facility (collectively, the "Subleases") with South Lake Hospital, Inc. (which is the subtenant under two separate Subleases), Orlando Health, Inc., and Vascular Specialists of Central Florida. The Company funded the acquisition using funds from its revolving credit facility. This acquisition represents will be accounted for as a business combination. The Company is in the process of appraising the assets and liabilities acquired and identifying intangible assets, if any.

Prescott Facility

On February 9, 2017, the Company, as buyer, pursuant to a purchase and sale agreement (the "Purchase Agreement") with Hosn Hojatollah Askari, as seller ("Hosn"), acquired a medical office building (the "Prescott Facility") located in Prescott, Arizona, for a purchase price of \$4.5 million. The acquisition included the Prescott Facility, together with the real property, the improvements, and all appurtenances thereto owned by Hosn. Upon the closing of this acquisition, the Company executed a new 10-year lease for the entire Prescott Facility with Thumb Butte Medical Center, PLLC with a personal guaranty by Hosn. The Company funded the acquisition using funds from its revolving credit facility.

Las Cruces Facility

On February 1, 2017, the Company, as buyer, pursuant to a purchase and sale agreement (the "Purchase Agreement") with Medical Realty Limited Liability Co., as seller ("Medical Realty"), acquired a medical office building (the "Las Cruces Facility") located in Las Cruces, New Mexico for a purchase price of \$4.88 million. The acquisition included the Las Cruces Facility, together with the real property, the improvements, and all appurtenances thereto owned by Medical Realty. Upon closing of this acquisition, the Company entered into a new 12-year, triple-net lease with four five-year extension options with Las Cruces Orthopedic Associates, as tenant. The Company funded the acquisition using borrowings from its revolving credit facility and available cash.

Cape Coral Facility

On January 10, 2017, pursuant to the terms of a purchase and sale agreement between the Company, as purchaser, and Del Prado North, LLP, as seller ("Del Prado"), the Company acquired a medical office building (the "Cape Coral Facility") located in Cape Coral, Florida, for a purchase price of \$7.25 million. The acquisition included the Cape Coral Facility, together with the real property, the improvements, and all appurtenances thereto owned by Del Prado. Upon the closing of the transaction, the Company entered into a new 10-year, triple-net lease with The Sybert Institute, P.A. (the "Sybert Tenant"), effective as of January 17, 2017, and expiring in 2027. The lease provides for three additional five-year renewal options. The Cape Coral Facility is operated by the Sybert Tenant. The acquisition was funded using proceeds from the Company's revolving credit facility.

Lewisburg Facility

On January 12, 2017, pursuant to the terms of an asset purchase agreement between the Company, as purchaser, and W 148, LLC, as seller, the Company acquired a medical office building (the "Lewisburg Facility"), encompassing 28,480 square feet, located in Lewisburg, Pennsylvania, for a purchase price of \$7.3 million. The acquisition included the Lewisburg Facility, together with the real property, the improvements, and all appurtenances thereto owned by W 148 LLC. The Lewisburg Facility is operated by Geisinger Medical Center ("GMC") and Geisinger System Services ("GSS"), the existing tenants of the Lewisburg Facility. Upon the closing of the transaction, the Company assumed the GMC lease and the GSS lease, which are both triple-net leases. The GMC lease, dated effective as of April 15, 2008, and expiring in 2023, has a fifteen-year initial term and two five-year optional extension terms. The GSS lease, dated effective as of August 1, 2011, and expiring in 2023, has an initial term of 11 years and 9 months and two five-year optional extension terms. The acquisition was funded using proceeds from the Company's revolving credit facility. This acquisition represents will be accounted for as a business combination.

The following table presents the preliminary purchase price allocation for the assets acquired as part of the Lewisburg facility acquisition:

Land and site improvements	\$	681,223
Building and tenant improvements		6,113,823
In place leases		373,380
Leasing commissions and legal fees		131,574
Total purchase price	\$	<u>7,300,000</u>

The above allocation is preliminary and subject to revision within the measurement period, not to exceed one year from the date of the acquisition.

Summary of Properties under Executed Asset Purchase Agreements Subsequent to December 31, 2016

Oklahoma City Facilities

On January 30, 2017, the Company entered into a purchase contract (the “Purchase Agreement”) with CRUSE-TWO, L.L.C., an Oklahoma limited liability company (“Cruse-Two”), and CRUSE-SIX, L.L.C., an Oklahoma limited liability company (“Cruse-Six”) to acquire a surgical hospital (the “Hospital”), a physical therapy center (the “PT Center,” together with the Hospital, “OCOM South”), and an outpatient ambulatory surgery center (“OCOM North”) located in Oklahoma City, Oklahoma from Cruse-Two and Cruse-Six for an aggregate purchase price of \$49.5 million.

Upon closing of the acquisition of OCOM South, the Company will assume the existing absolute triple-net lease agreement (the “OCOM South Lease”), pursuant to which OCOM South is leased from Cruse-Two to Oklahoma Center for Orthopedic & Multi-Specialty Surgery, LLC (“OCOM”) with a remaining initial lease term expiring March 1, 2022, subject to three consecutive five-year renewal options by the tenant. A portion of the rent is guaranteed by United Surgical Partners International, Inc. (“USPI”) and INTEGRIS Health, Inc. (“INTEGRIS”), respectively.

Upon closing of the acquisition of OCOM South, the Company will, through a subsidiary of the Operating Partnership, enter into a new absolute triple-net lease agreement (the “Master Lease,”), pursuant to which the subsidiary, as master landlord, will lease OCOM South to Cruse-Two, as master tenant. The Master Lease will have a five-year term. The OCOM South Lease will become a sublease under the Master Lease upon commencement of the Master Lease. USPI and INTEGRIS will continue to serve as guarantors of the OCOM South Lease in the percentages set forth above, while the Master Lease will have no lease guarantees. Upon expiration of the Master Lease, the OCOM South Lease will become a direct lease with the Company.

Under the Master Lease, OCOM will continue to be responsible for all lease payments due under the OCOM South Lease, which amounts will be paid directly to the Master Tenant, while Cruse-Two will be responsible for payment of the additional rent amounts payable under the Master Lease. Cruse-Two will provide a standby letter of credit (“Letter of Credit”) addressed to the Company as beneficiary in an amount equal to the aggregate amount of the additional rent payable by Cruse-Two under the Master Lease, less \$220,782, which will be placed into an escrow account at closing and will be disbursed three months before the end of the Master Lease.

Upon closing of the acquisition of OCOM North, the Company will assume the existing absolute triple-net lease agreement (the “OCOM North Lease”) pursuant to which OCOM North is leased from Cruse-Six, as landlord, to OCOM, as tenant, with a remaining initial lease term expiring on July 31, 2022, subject to two consecutive five (5)-year renewal options by the tenant. The annual rent under the OCOM North Lease for OCOM North is subject to annual increases equal to the CPI (never to decrease and not to exceed 4.0% over the prior year’s rent and not to exceed an overall increase of 2.5% per year, compounded annually).

The Company’s obligation to close the acquisition is subject to customary closing conditions, the Company expects to close this acquisition in the second quarter of 2017.

Dividends

On March 20, 2017, the Company announced the declaration of a cash dividend of \$0.20 per share of common stock to stockholders of record as of March 27, 2017 and to the holders of the LTIP units that were granted on July 1, 2016 and December 21, 2016. This dividend is to be paid on or about April 10, 2017.

On December 14, 2016, the Company announced the declaration of a cash dividend of \$0.20 per share of common stock to stockholders of record as of December 27, 2016 and to the holders of the LTIP units that were granted on July 1, 2016 and December 21, 2016. This dividend, in the amount of \$3,604,037, was accrued as of December 31, 2016 and subsequently paid on January 10, 2017.

Amendment to Credit Facility

On March 3, 2017, the Company, the Operating Partnership, as borrower, and the Subsidiary Guarantors of the Operating Partnership entered into an amendment to the Credit Facility with BMO Harris Bank N.A., as Administrative Agent, which increased the commitment amount to \$200 million plus an accordion feature that allows for up to an additional \$50 million of principal amount subject to certain conditions. The Subsidiary Guarantors and the Company are guarantors of the obligations under the amended Credit Facility. The amount available to borrow from time to time under the amended Credit Facility is limited according to a quarterly borrowing base valuation of certain properties owned by the Subsidiary Guarantors.

Equity Awards Approved in 2017

On February 28, 2017, the Board approved the recommendations of the Compensation Committee of the Board with respect to the granting of 2017 Annual Performance-Based Long Term Incentive Plan Awards (the “Annual Awards”) and Long-Term Performance-Based LTIP Awards (the “Long-Term Awards”) to the executive officers of the Company and other employees of the Company’s external manager who perform services for the Company. The Annual Awards and Long-Term Awards were granted pursuant to the Company’s 2016 Equity Incentive Plan.

An aggregate of 96,529 target LTIP units were awarded under the Annual Awards and an aggregate of 145,133 target LTIP units were awarded under the Long-Term Awards. The number of target LTIP units comprising each Annual Award 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 (February 28, 2017) and the number of target LTIP Units comprising each Long-Term Award was based on the fair value of the Long-Term Awards as determined by an independent valuation consultant, in each case rounded to the next 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 established various operating performance goals for calendar year 2017, as set forth in Exhibit A to the LTIP Annual Award Agreements (the “Performance Goals”), that will be used to determine the actual number of LTIP Units earned by each grantee under each LTIP Annual Award Agreement. As soon as reasonably practicable following the last day of the 2017 fiscal year, the Compensation Committee will determine the extent to which the Company has achieved the Performance Goals and, based on such determination, will calculate the number of LTIP Units that each grantee is entitled to receive under the grantee’s Annual Award based on the performance percentages described in the grantee’s LTIP Annual Award Agreement. Each grantee may earn up to 150% of the number of target LTIP units covered by the grantee’s Annual Award. Any target LTIP Units that are not earned will be forfeited and cancelled.

Long-Term Awards. The Long-Term Awards are subject to the terms and conditions of LTIP Long-Term Award Agreements (“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 shareholder return, which is determined based on a combination of appreciation in stock price and dividends paid during the performance period (“TSR”). 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 three-year performance period 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 performance period will be subject to forfeiture restrictions that will lapse (“vesting”), subject to continued employment through each vesting date, in two installments as follows: 50% of the earned LTIP units will vest upon being earned as of the end of the applicable performance period and the remaining 50% will vest on the first anniversary of the date on which such LTIP units are earned.

Distributions. Pursuant to both the LTIP Annual Award Agreements and 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.

Director Compensation

On February 28, 2017, the Board also approved the new annual compensation amounts for its independent directors for the year beginning with the 2017 annual meeting of the Company’s stockholders. Each independent director will receive an annual cash retainer of \$30,000, payable quarterly in arrears, and each independent director will receive a \$30,000 award of LTIP units based on the average closing price of the Company’s common stock as reported on the NYSE during the 10 trading days preceding the date of the annual meeting and subject to forfeiture restrictions that will lapse on the first anniversary of the grant date subject to continued service as a director through such vesting date. In addition, the Board approved new annual compensation amounts for its independent directors who serve on Board committees for the year beginning with the 2017 annual meeting of the Company’s stockholders. Each independent director who serves on a Board committee will receive an annual cash retainer, payable quarterly in arrears, of \$6,000 for service on the Audit Committee, \$5,000 for service on the Compensation Committee, \$3,500 for service on the Nominating & Corporate Governance Committee, and \$5,500 for service on the Investment Committee. In addition, the Chairperson each such committee will receive an annual cash retainer, payable quarterly in arrears, of \$12,000 for the Chair of the Audit Committee, \$10,000 for the Chair the Compensation Committee, \$7,000 for the Chair of the Nominating & Corporate Governance Committee, and \$11,000 for the Chair of

the Investment Committee. If the Board appoints one of the independent directors to serve as Lead Independent Director, such director will receive an annual cash retainer, payable quarterly in arrears, of \$15,000.

Finally, the independent directors who were appointed to serve as directors prior to the closing date of the Company's initial public offering on July 1, 2016 (the "IPO") will be paid a one-time cash amount equal to (i) \$15,000 for the first of such independent directors to be appointed as a director of the Company and (ii) a pro rata amount of \$15,000 for the independent directors appointed as directors of the Company after the first such independent director was appointed based on the number of calendar days served from appointment through the closing date of the IPO relative to the total number of days served by the first such director to be appointed through the closing date of the IPO.

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

None.

ITEM 9A. 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 Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to ensure that the 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 officer (our Chief Executive Officer) and principal financial officer (our Chief Financial Officer) as appropriate, to allow timely decisions regarding required disclosures. Our Chief Executive Officer (our “CEO”) and Chief Financial Officer (our “CFO”) evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2016. As described below, based on that evaluation, our CEO and CFO identified a material weakness in our internal control over financial reporting, which is an integral component of our disclosure controls and procedures. As a result, our CEO and CFO concluded that, as of the end of the period covered by this Report, the Company’s disclosure controls and procedures were not effective.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for the preparation of our consolidated financial statements and related information. Management uses its best judgment to ensure that the consolidated financial statements present fairly, in material respects, our financial position and results of operations in conformity with generally accepted accounting principles. Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in the Exchange Act. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any system of internal controls including the possibility of human error and overriding of controls. Consequently, even an effective internal control system can only provide reasonable, not absolute, assurance with respect to reporting financial information.

Our internal control over financial reporting includes policies and procedures that: (i) pertain to maintaining records that, in reasonable detail, accurately and fairly reflect our transactions; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with generally accepted accounting principles and that the receipts and expenditures of company assets are made in accordance with our management and directors’ authorization; and (iii) provide reasonable assurance regarding the prevention of or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Under the supervision of management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission published in 1992 and subsequent guidance prepared by SEC specifically for smaller reporting companies. Based on that evaluation, our management concluded that our internal controls over financial reporting were not effective as of December 31, 2016. Our CEO and CFO concluded that we have a material weakness due to lack of segregation of duties in multiple areas within the Company. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected in a timely basis.

Our company completed its IPO and became a listed company on the New York Stock Exchange in July 2016. Prior to that time, our company had very limited resources. Since completing our IPO and listing, our company has been intensely focused on acquisitions and has experienced rapid growth. The heavy volume of acquisition activity and rapid growth of our young company have strained the company’s resources and have contributed to the lack of segregation of duties and other deficiencies that have resulted in a material weakness in our internal controls.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to the rules of the SEC that permit us to provide only management’s report in this annual report.

Remediation

In order to remediate the material weakness our management has identified, management intends to employ additional personnel throughout the Company and reassign roles and responsibilities amongst the current and newly hired personnel as needed in

order to enhance the segregation of duties and the control environment. Additionally, we have engaged an independent consulting firm that specializes in compliance with the Sarbanes Oxley Act to undertake a full review and evaluation of our personnel levels, key processes, and procedures and to complete documentation that can be monitored and independently tested.

We believe the remedial measures we have undertaken and will continue to implement will address the material weakness in our internal controls. If the remedial measures described above are insufficient to address the identified material weaknesses or are not implemented effectively, or additional deficiencies arise in the future, material misstatements in our interim or annual financial statements may occur in the future. Among other things, any unremediated material weaknesses could result in material post-closing adjustments in future financial statements. Additionally, we may receive an adverse opinion on our internal controls over financial reporting which will be required to be attested to by our independent auditors effective with our fiscal year ending December 31, 2017.

Changes in Internal Control over Financial Reporting

Other than as described above, no changes were made to our internal control over financial reporting during the twelve months ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the Company's definitive Proxy Statement to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
--------------------	--------------------

3.1	Articles of Incorporation 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 Commission on April 22, 2014).
3.2	Second Amended and Restated Bylaws of Global Medical REIT Inc., effective June 13, 2016 (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K as filed with the Commission on June 17, 2016).
3.3	Articles of Amendment to Articles of Incorporation filed with the Secretary of State of Maryland (incorporated herein by reference to Annex A to the Company's Definitive Information Statement on Schedule 14C as filed with the Commission on October 3, 2014).
3.4	Certificate of Correction of Articles of Incorporation of Global Medical REIT Inc. (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-11/A as filed with the Commission on June 15, 2016).
3.5	Certificate of Correction of Articles of Incorporation of Global Medical REIT Inc. (incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form S-11/A as filed with the Commission on June 15, 2016).
4.1	Agreement and Plan of Conversion dated December 23, 2013 between Scoop Media, Inc. and Global Medical REIT Inc. (incorporated herein by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K as filed with the Commission on March 21, 2016).
4.2	Debt Conversion Agreement and Convertible Debenture dated July 17, 2014 between Global Medical REIT, Inc. and Heng Fai Enterprises Limited (incorporated herein by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K as filed with the Commission on March 21, 2016).
4.3	Convertible Debenture dated March 2, 2016 between Global Medical REIT, Inc. and ZH USA, LLC (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A as filed with the Commission on March 8, 2016).
4.4	Pay-off Letter and Conversion Agreement dated June 15, 2016 between Global Medical REIT Inc. and ZH USA, LLC (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on June 17, 2016).
10.1†	Amended and Restated Management Agreement dated as of July 1, 2016, by and among Global Medical REIT Inc. and Inter-American Management LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on July 7, 2016).
10.2†	Form of Restricted Share Award Agreement (Time Vesting) (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-11/A filed with the Commission on June 15, 2016).
10.3†	Form of LTIP Unit Award Agreement (Officer) (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-11/A filed with the Commission on June 15, 2016).
10.4†	Form of LTIP Unit Award Agreement (Director) (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-11/A filed with the Commission on June 15, 2016).
10.5†	Form of Indemnification Agreement between Global Medical REIT Inc. and its directors and officers (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-11/A filed with the Commission on June 15, 2016).
10.6	Asset Purchase Agreement between Global Medical REIT Inc. and Associates Properties, LP dated as of July 31, 2015 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A as filed with the Commission on October 26, 2015).
10.7	Purchase Agreement between Global Medical REIT Inc. and Associates Properties II, LP dated as of July 31, 2015 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A as filed with the

Commission on October 26, 2015).

- 10.8 Term Loan and Security Agreement between GMR Pittsburgh, LLC and Capital One, National Association dated as of September 25, 2015 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on October 1, 2015).
- 10.9 Asset Purchase Agreement between Global Medical REIT Inc. and R&K Healthcare Real Estate, L.L.C. dated as of October 6, 2015 and First Amendment to Asset Purchase Agreement between Global Medical REIT Inc. and R&K Healthcare Real Estate, L.L.C. dated as of November 6, 2015 (incorporated herein by reference to Exhibit 10.1 and Exhibit 10.2, respectively, to the Company's Current Report on Form 8-K as filed with the Commission on November 18, 2015).
- 10.10 Asset Purchase Agreement between Global Medical REIT Inc. and Star Medreal, LLC dated as of September 30, 2015 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on November 20, 2015).
- 10.11 Asset Purchase Agreement between Global Medical REIT Inc. G.I.C.M. Real Estate, LLC, G.I.C.M. Germantown, LLC, Bartlett Medical Complex, LLC, G.I. Diagnostic and Therapeutic Center Rental Company, LLC, Gastroenterology Center of the MidSouth Rental Company, LLC, and G.I.C.M. DESOTO, LLC dated as of December 14, 2015 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on December 17, 2015).
- 10.12 Asset Purchase Agreement between Global Medical REIT Inc. and Marina Towers LLC dated as of January 7, 2016 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on January 14, 2016).
- 10.13 Agreement of Limited Partnership, dated March 14, 2016, of Global Medical REIT L.P. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Commission on March 18, 2016).
- 10.14 Contribution and Assignment Agreement dated March 14, 2016, by and between Global Medical REIT Inc. and Global Medical REIT L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on March 18, 2016).
- 10.15 Loan Agreement dated March 31, 2016 between GMR Memphis, LLC, GMR Plano, LLC, GMR Melbourne, LLC, and GMR Westland, LLC and Cantor Commercial Real Estate Lending, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on April 6, 2016).
- 10.16 Asset Purchase Agreement dated March 31, 2016, between Global Medical REIT, Inc. and Chery Hill Real Estate, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Commission on April 6, 2016).
- 10.17 Lease Agreement between an affiliate of Global Medical REIT, Inc. and The Surgical Institute of Michigan, LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K as filed with the Commission on April 6, 2016).
- 10.18 Asset Purchase Agreement dated April 19, 2016, between Global Medical REIT, Inc. and Paper Mill Partners, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on April 25, 2016).
- 10.19† Global Medical REIT Inc. 2016 Equity Incentive Plan (incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-8 filed with the Commission on June 30, 2016).
- 10.20 Underwriting Agreement dated as of June 28, 2016, by and among Global Medical REIT Inc., Inter-American Management LLC and Wunderlich Securities, Inc., as representative of the several underwriters named therein (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K as filed with the Commission on July 5, 2016).
- 10.21 Purchase Agreement dated as of November 29, 2016, between GMR MESA, LLC and HR ACQUISITION I CORPORATION (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on November 30, 2016).

- 10.22 Purchase Agreement dated as of November 29, 2016, between GMR ALTOONA, LLC and HR ACQUISITION OF PENNSYLVANIA, INC. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Commission on November 30, 2016).
- 10.23 Purchase Agreement dated as of November 29, 2016, between GMR MECHANICSBURG, LLC, HR ACQUISITION OF PENNSYLVANIA, INC. and PENNSYLVANIA HRT, INC. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K as filed with the Commission on November 30, 2016).
- 10.24 Credit Facility Agreement dated December 2, 2016 by and among Global Medical REIT L.P., Global Medical REIT INC., the certain Subsidiaries from time to time party thereto as Guarantors, and BMO Harris Bank N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on December 5, 2016).
- 10.25 Lease Agreement between HR Acquisition I Corporation and GMR Mesa LLC. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on December 23, 2016).
- 10.26 Lease Agreement between HR Acquisition of Pennsylvania, Inc. and GMR Altoona, LLC. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Commission on December 23, 2016).
- 10.27 Lease Agreement between HR Acquisition of Pennsylvania, Inc. and GMR Mechanicsburg, LLC. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K as filed with the Commission on December 23, 2016).
- 10.28 Purchase Agreement dated as of the 30th day of December, 2016, by and between GLOBAL MEDICAL REIT, INC. and GREAT BEND SURGICAL PROPERTIES, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on January 4, 2017).
- 10.29 Purchase and Sale Agreement dated as of January 30, 2017, between CRUSE-TWO, L.L.C., CRUSE-SIX, L.L.C., and GMR OKLAHOMA CITY, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on February 2, 2017).
- 10.30 Amended and Restated Building Lease between CRUSE-TWO, L.L.C. and OKLAHOMA CENER FOR ORTHOPEDIC & MULTI-SPECIALTY SURGERY, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Commission on February 2, 2017).
- 10.31 Lease Agreement between TC CONCORD PLACE I, INC. and SPECIALISTS SURGERY CENTER (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K as filed with the Commission on February 2, 2017).
- 10.32 Master Lease Agreement by and between GMR OKLAHOMA, LLC and CRUSE-TWO, L.L.C. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K as filed with the Commission on February 2, 2017).
- 10.33† Form of LTIP Vesting Agreement: For Grantees with an Employment Agreement with the Advisor (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K as filed with the Commission on December 22, 2016).
- 10.34† Form of LTIP Vesting Agreement: For Grantees without an Employment Agreement with the Advisor (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K as filed with the Commission on December 22, 2016).
- 10.35 First Amendment to Credit Facility Agreement, dated March 3, 2017 by and among Global Medical REIT L.P., Global Medical REIT INC., the certain Subsidiaries from time to time party thereto as Guarantors, and BMO Harris Bank N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Commission on March 6, 2017).
- 10.36† LTIP Award Agreement (Annual Award): For Grantees with an Employment Agreement with the Manager (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K as filed with the Commission on March 6, 2017).
- 10.37† LTIP Award Agreement (Annual Award): For Grantees without an Employment Agreement with the Manager (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K as filed with the Commission on March 6, 2017).

- 10.38† LTIP Award Agreement (Long-Term Award): For Grantees with an Employment Agreement with the Manager (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K as filed with the Commission on March 6, 2017).
- 10.39† LTIP Award Agreement (Long-Term Award): For Grantees without an Employment Agreement with the Manager (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K as filed with the Commission on March 6, 2017).
- 21.1* Subsidiaries of the Company.
- 31.1* Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* 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.
- 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
- † Management contract or compensatory plan or arrangement.
- * Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Global Medical REIT Inc.

Dated: March 27, 2017

By: /s/ David A. Young
David A. Young
Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on the date indicated.

Signature	Title	Date
<u>/s/ David A. Young</u> David A. Young	Chief Executive Officer (Principal Executive Officer) and Director	March 27, 2017
<u>/s/ Donald McClure</u> Donald McClure	Chief Financial Officer (Principal Financial and Accounting Officer)	March 27, 2017
<u>/s/ Jeffrey Busch</u> Jeffrey Busch	Director	March 27, 2017
<u>/s/ Zhang Jingguo</u> Zhang Jing Guo	Director	March 27, 2017
<u>/s/ Zhang Huiqi</u> Zhang Huiqi	Director	March 27, 2017
<u>/s/ Kurt Harrington</u> Kurt Harrington	Director	March 27, 2017
<u>/s/ Matthew Cypher</u> Matthew Cypher	Director	March 27, 2017
<u>/s/ Ronald Marston</u> Ronald Marston	Director	March 27, 2017
<u>/s/ Dr. Roscoe Moore</u> Dr. Roscoe Moore	Director	March 27, 2017
<u>/s/ Henry Cole</u> Henry Cole	Director	March 27, 2017

SUBSIDIARIES OF REGISTRANT

The Company has the following wholly owned subsidiaries as of December 31, 2016:

Global Medical REIT L.P.
Global Medical REIT GP LLC
GMR Omaha LLC
GMR Asheville LLC
GMR Pittsburgh LLC
GMR Memphis LLC
GMR Memphis Exeter, LLC
GMR Plano LLC
GMR Melbourne LLC
GMR Westland LLC
GMR Reading LLC
GMR East Orange LLC
GMR Watertown LLC
GMR Sandusky LLC
GMR Carson City LLC
GMR Ellijay LLC
GMR Mesa LLC
GMR Altoona LLC
GMR Mechanicsburg LLC
GMR Lewisburg LLC
GMR Cape Coral LLC
GMR Las Cruces LLC
GMR Prescott LLC
GMR Clermont LLC

CERTIFICATIONS

I, David A. Young, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (this “Report”) 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 in order 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 and results of operations 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: March 27, 2017 /s/ David A. Young

David A. Young, Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Donald McClure, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (this “Report”) 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 in order 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 and results of operations 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: March 27, 2017 /s/ Donald McClure

Donald McClure, Chief Financial Officer
(Principal Financial and Accounting Officer)

Section 1350 Certification of Chief Executive Officer and Chief Financial Officer

In connection with the Annual Report on Form 10-K of Global Medical REIT Inc. (the “Company”) for the fiscal year ended December 31, 2016 as filed with the SEC (the “Report”), I, David A. Young, Chief Executive Officer and I, Donald McClure, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, 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; 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: March 27, 2017 /s/ David A. Young
 David A. Young, Chief Executive Officer
 (Principal Executive Officer)

Dated: March 27, 2017 /s/ Donald McClure
 Donald McClure, Chief Financial Officer
 (Principal Financial and Accounting Officer)

This certification accompanies this Annual Report on Form 10-K 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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BOARD OF DIRECTORS

JEFFREY BUSCH

CHAIRMAN OF THE BOARD

President Inter-American Group Holdings Inc.

DAVID YOUNG

BOARD MEMBER

Chief Executive Officer Global Medical REIT Inc.

MATTHEW CYPHER

INVESTMENT COMMITTEE CHAIR

Atara Kaufman Professor of Real Estate
Director - Steers Center for Global Real Estate
McDonough School of Business Georgetown
University

KURT ROSS HARRINGTON

AUDIT COMMITTEE CHAIR

Retired

ZHANG JINGGUO

CHAIRMAN EX OFFICIO

Chairman & CEO Zensun International Holdings Ltd.

RONALD MARSTON

BOARD MEMBER

CEO of Southern Manor Living Centers LLC,
and CEO HCCA Management Company

ROSCOE MOORE JR.

COMPENSATION COMMITTEE CHAIR

Retired

HENRY COLE

BOARD MEMBER

President of Global Development
International, LLC

ZHANG HUIQI

BOARD MEMBER

Supervisor for Henan Hongguang Real
Estate Limited

EXECUTIVE TEAM

DAVID YOUNG

CHIEF EXECUTIVE OFFICER

JEFFREY BUSCH

CHAIRMAN AND PRESIDENT

DONALD MCCLURE

CHIEF FINANCE OFFICER

ALFONZO LEON

CHIEF INVESTMENT OFFICER

DANICA HOLLEY

CHIEF OPERATING OFFICER

JAMIE BARBER

GENERAL COUNSEL & CORPORATE SECRETARY

ALLEN WEBB

SENIOR VICE PRESIDENT, SEC REPORTING AND TECHNICAL
ACCOUNTING

Transfer Agent:

American Stock Transfer & Trust Company LLC • 800-
937-5449

Independent Registered Public Accounting Firm

Malone Bailey LLP • 312-879-2000

Corporate & REIT Tax Counsel

Baker Tilly Virchow Krause, LLP • 703-923-8300

Annual Meeting

May 18, 2017 at 10:00 AM ET
Offices of Vinson & Elkins L.L.P.
2200 Pennsylvania Avenue NW
Suite 500 West
Washington, DC 20037



GMRE C/O Equity Group
800 Third Avenue, 36th Floor New York, NY 10022



212 836 9626



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