HEALTHCARE REALTY TRUST INC
Form 8-K/A
July 20, 2004

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K/A

(Amendment No. 1)

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

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

HEALTHCARE REALTY TRUST INCORPORATED

(Exact name of registrant as specified in its charter)

Maryland	**1-11852**	**62-1507028**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

3310 West End Avenue

Suite 700

Nashville, Tennessee 37203
(Address of principal executive offices)

(615) 269-8175

(Registrant s telephone number, including area code)

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

Item 5. Other Events and Regulation FD Disclosure

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

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

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

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

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

EXPERTS

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

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

(a) Financial Statements Under Rule 3-14 of Regulation S-X
(1) Combined Historical Summary of Gross Income and Direct Operating Expenses for the Baylor Health Care System Properties

(i) Report of Independent Auditors

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

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

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

(i) Report of Independent Auditors

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

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

(b) Pro Forma Financial Information

(1) Introduction to Unaudited Pro Forma Consolidated Financial Statements of the Company

(2) Unaudited Pro Forma Consolidated Balance Sheet of the Company as of March 31, 2004

(3) Unaudited Pro Forma Consolidated Income Statement of the Company for the three months ended March 31, 2004

(4) Unaudited Pro Forma Consolidated Income Statement of the Company for the year ended December 31, 2003

(5) Notes to Unaudited Pro Forma Consolidated Financial Statements of the Company

Exhibit 99.1 Consent of KPMG LLP

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Baylor Health Care System Properties

Combined Historical Summary of Gross Income and Direct Operating Expenses

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

(With Report of Independent Auditors Thereon)

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Report of Independent Auditors

The Board of Directors
Healthcare Realty Trust Incorporated

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

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

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

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

/s/ KPMG LLP

KPMG LLP

July 14, 2004

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Baylor Health Care System Properties

Combined Historical Summary of Gross Income and Direct Operating Expenses

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

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

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

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Baylor Health Care System Properties

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

(1) Business

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

(2) Basis of Presentation

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

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

(3) Gross Income

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

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

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

(4) Direct Operating Expenses

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Properties. Environmental service expense includes sanitation expenses. Repairs and maintenance expenses are charged to operations as incurred. Costs such as depreciation, amortization, management fees, and professional fees are excluded from the Historical Summary.

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Ascension Detroit Properties

Combined Historical Summary of Gross Income and Direct Operating Expenses

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

(With Report of Independent Auditors Thereon)

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Report of Independent Auditors

The Board of Directors
Healthcare Realty Trust Incorporated

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

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

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

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

/s/ KPMG LLP

KPMG LLP

July 14, 2004

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Ascension Detroit Properties

Combined Historical Summary of Gross Income and Direct Operating Expenses

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

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

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

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Ascension Detroit Properties

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

(1) Business

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

(2) Basis of Presentation

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

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

(3) Gross Income

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

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

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

(4) Direct Operating Expenses

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Properties. Purchased services include janitorial services, landscape maintenance, and other services that are provided by third parties. Repairs and maintenance expenses are charged to operations as incurred. Costs such as depreciation, amortization, management fees, and professional fees are excluded from the Historical Summary. Certain overhead operating costs are allocated to the buildings by Ascension. These allocations are included in the Historical Summary.

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

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

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

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

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

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Healthcare Realty Trust Incorporated
Unaudited Pro Forma Consolidated Statement of Income
For The Three Months Ended March 31, 2004
(Dollars in thousands, except per share data)

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

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING BASIC	41,668,173	3,500,000	45,168,173
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING DILUTED	42,379,283	3,500,000	45,879,283

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Healthcare Realty Trust Incorporated
Unaudited Pro Forma Consolidated Statement of Income
For The Twelve Months Ended December 31, 2003
(Dollars in thousands, except per share data)

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

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING BASIC	41,129,282	3,500,000	44,629,282
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING DILUTED	41,780,088	3,500,000	45,280,088

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Notes to Unaudited Pro Forma Consolidated Financial Statements

(Dollars in thousands)

(A) Unaudited Pro Forma Consolidated Balance Sheet Adjustments

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

Date Acquired	Location	Number of Buildings	Real Estate Investment (2) (in millions)
4/20/04	Baltimore, MD and Washington, D.C.	4	$ 42.4
4/23/04	Nashville, TN	6	$ 70.9
4/30/04	Ft. Walton, FL	1	$ 4.8
	Dallas/Ft. Worth Texas area	20	$ 133.0(1)
	Totals	31	$ 251.1

(1) Estimate as the transaction has not yet closed.
(2) Excludes closing and other costs included in the purchase price.

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

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

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

4/20/04	Baltimore, MD and Washington, D.C.	4	$	42.4
4/23/04	Nashville, TN	6	$	70.9
4/30/04	Ft. Walton, FL	1	$	4.8
	Dallas/Ft. Worth Texas area	20	$	133.0(1)
	Totals	39	$	299.1

(1) Estimate as the transaction has not yet closed.
(2) Excludes closing and other costs included in the purchase price.

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

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

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

(1) Estimate as the transaction has not yet closed.
(2) Excludes closing and other costs included in the purchase price.

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

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

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

Represents the pro forma net effect on interest expense resulting from the acquisitions described in Notes (B) and (C) above, the issuance of the 5.125% Senior Notes due 2014, the issuance of 3,500,000 shares of common stock, and the change to the outstanding balance of the Company s revolving credit facility as if these acquisition and capital financing transactions had occurred on January 1, 2003.

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SIGNATURES

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

	HEALTHCARE REALTY TRUST INCORPORATED
	By /s/ Scott W. Holmes
	Scott W. Holmes
Date: July 19, 2004	Senior Vice President and Chief Financial Officer

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determined that Mr. Lee would receive a $320,000 bonus for fiscal 2006.

Compliance with Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation in excess of $1 million paid to each of any publicly held corporation s chief executive officer and four other most highly compensated executive officers. Qualifying performance-based compensation is not subject to the deduction limit if certain requirements are met. Our company structures the performance-based portion of the compensation of executive officers in a manner that complies with Section 162(m).

This report has been furnished by the Compensation Committee to the Board of Directors.

Richard L. Sanquini, Chairman
Federico Faggin
Keith B. Geeslin

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Our Compensation Committee consists of Messrs. Faggin, Geeslin, and Sanquini. No interlocking relationship exists between any member of our Board of Directors or our Compensation Committee and any member of the Board of Directors or Compensation Committee of any other company.

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AUDIT COMMITTEE REPORT

The Board of Directors has appointed an Audit Committee consisting of three directors. The current members of the Audit Committee are Jeffrey D. Buchanan, Richard L. Sanquini, and W. Ronald Van Dell. Each of the committee members is independent of our company and management, as that term is defined in Nasdaq rules.

The primary responsibility of the committee is to assist the Board of Directors in fulfilling its responsibility to oversee management s conduct of our company s financial reporting process, including overseeing the financial reports and other financial information provided by our company to governmental or regulatory bodies (such as the SEC), the public, and other users thereof; our company s systems of internal accounting and financial controls; and the annual independent audit of our company s financial statements.

Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The independent auditor is responsible for auditing the financial statements and expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States.

In fulfilling its oversight responsibilities, the committee reviewed and discussed the audited financial statements with management and the independent auditor. The committee discussed with the independent auditor the matters required to be discussed by Statement of Auditing Standards No. 61. This included a discussion of the auditor s judgments as to the quality, not just the acceptability, of our company s accounting principles and such other matters as are required to be discussed with the committee under generally accepted auditing standards. In addition, the committee received from the independent auditor written disclosures and the letter required by Independence Standards Board Standard No. 1. The committee also discussed with the independent auditor the auditor s independence from management and our company, including the matters covered by the written disclosures and letter provided by the independent auditor, and considered the compatibility of non-audit services with auditor independence.

The committee discussed with the independent auditor the overall scope and plans for its audits. The committee met with the independent auditor, with and without management present, to discuss the results of its audit, its consideration of our company s internal controls, and the overall quality of the financial reporting. The committee held five meetings with management of our company, all of which were attended by the independent auditor of our company, with respect to the company s financial statements and audit or quarterly review procedures.

Based on the reviews and discussions referred to above, the committee recommended to the Board of Directors, and the board approved, that the audited financial statements be included in our company s Annual Report on Form 10-K for the year ended June 24, 2006 for filing with the SEC. The committee also has selected the company s independent auditor of our company.

The Board of Directors has adopted a written charter for the Audit Committee. A copy of that charter is included as Appendix A to this proxy statement.

The report has been furnished by the Audit Committee of the Board of Directors.

Jeffrey D. Buchanan, Chairman
Richard L. Sanquini
W. Ronald Van Dell

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, officers, and persons that own more than 10% of a registered class of our company s equity securities to file reports of ownership and changes in ownership with the SEC. Directors, officers, and greater than 10% stockholders are required by SEC regulations to furnish our company with copies of all Section 16(a) forms they file.

Based solely upon our review of the copies of such forms received by us during the fiscal year ended June 24, 2006, and written representations that no other reports were required, we believe that each person who, at any time during such fiscal year, was a director, officer, or beneficial owner of more than 10% of our common stock complied with all Section 16(a) filing requirements during such fiscal year.

PERFORMANCE GRAPH

The following line graph compares cumulative total stockholder returns for the period from our initial public offering through fiscal 2006 for (1) our common stock, (2) the Nasdaq Composite Index, and (3) the Nasdaq Computer Index. The graph assumes an investment of $100 on January 29, 2002, the date on which our common stock began trading on Nasdaq as a result of our initial public offering. The calculations of cumulative stockholder return on the Nasdaq Composite Index and the Nasdaq Computer Index include reinvestment of dividends. The calculation of cumulative stockholder return on our common stock does not include reinvestment of dividends because we did not pay dividends during the measurement period. Historical performance is not necessarily indicative of future performance.

COMPARISON OF 53 MONTH CUMULATIVE TOTAL RETURN

Among Synaptics Incorporated, The Nasdaq Composite Index, and The Nasdaq Computer Index

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SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS, DIRECTORS, AND OFFICERS

The following table sets forth certain information regarding the beneficial ownership of our common stock on September 1, 2006 by (1) each director; (2) the named executive officers as set forth under Executive Compensation ; (3) all directors and executive officers as a group; and (4) each person or entity known by us to beneficially own or to exercise voting or dispositive control over more than 5% of our common stock.

	Shares Beneficially Owned	
Name of Beneficial Owner	**Number (1)**	**Percent (2)**
Directors and Executive Officers:		
Francis F. Lee (3)	1,212,148	4.7%
Federico Faggin (4)	1,076,424	4.3%
Donald E. Kirby (5)	295,249	1.2%
Clark F. Foy (6)	89,874	*
Russell J. Knittel (7)	159,752	*
Thomas D. Spade (8)	55,207	*
Shawn P. Day, Ph.D. (9)	177,874	*
Keith B. Geeslin (10)	61,197	*
Richard L. Sanquini (11)	19,446	*
W. Ronald Van Dell (12)	26,231	*
Jeffrey D. Buchanan (13)	13,541	*
All directors and executive officers as a group (13 persons) (14)	3,278,087	12.1%
5% Stockholders:		
FMR Corp. (15)	3,721,612	14.9%
D.E. Shaw Valence Portfolios, L.L.C. (16)	2,040,482	8.1%
Raj Rajaratnam and affiliates (17)	1,925,831	7.7%
Level Global Overseas Master Fund, Ltd. (18)	1,425,000	5.7%
T. Rowe Price Associates, Inc. (19)	1,391,750	5.6%

* Less than 1%.

(1) Except as otherwise indicated, each person named in the table has sole voting and investment power with respect to all common stock beneficially owned, subject to applicable community property laws. Except as otherwise

indicated, each person may be reached care of our company at 3120 Scott Blvd., Suite 130, Santa Clara, California 95054. The numbers percentages shown include the shares of common stock actually owned as of September 1, 2006 and the shares of common stock that the identified person or group had the right to acquire within 60 days of such date.

(2) The percentages shown are calculated based on 25,046,353 shares of common stock outstanding on September 1, 2006. In calculating the percentage of ownership, all shares of common stock that the identified person or group had the right to acquire within 60 days of September 1, 2006 upon the

exercise of options are deemed to be outstanding for the purpose of computing the percentage of the shares of common stock owned by that person or group, but are not deemed to be outstanding for the purpose of computing the percentage of the shares of common stock owned by any other person or group.

(3) Includes 4,000 shares held by Mr. Lee s daughter, 8,000 shares held by Mr. Lee as custodian for his children, 29,502 shares held by Francis F. Lee and Evelyn C. Lee as Co-Trustees of the Lee 1999 Living Trust, 88,749 shares held by Evelyn C. Lee, Trustee of the Evelyn Lee 2002 Irrevocable Trust, 90,433 shares held by Francis F. Lee, Trustee of the Francis Lee 2002 Irrevocable

Trust, and 983,330 shares issuable upon exercise of vested stock options. Mr. Lee disclaims beneficial ownership of the shares held by his daughter, and this proxy statement shall not be deemed to be an admission that Mr. Lee is the beneficial owner of these shares for any purpose.

(4) Includes 207,866 shares issuable upon exercise of vested stock options.

(5) Includes 267,811 shares issuable upon exercise of vested stock options.

(6) Represents 89,874 shares issuable upon exercise of vested stock options.

(7) Includes 154,727 shares issuable upon exercise of vested stock options.

(8) Includes 827 shares held by Mr. Spade and his spouse as trustees of the Spade Family Trust and 54,376 shares issuable upon exercise of vested stock options.

(9) Includes 109.186 shares issuable upon exercise of vested stock options.

(10) Includes 49,999 shares issuable upon exercise of vested stock options.

(11) Includes 711 shares held by Mr. Sanquini as trustee of the Sanquini 2002 Living Trust, 3,000 shares held by Mr. Sanquini s spouse as trustee of the Sanquini 2002 Living Trust, and 15,727 shares issuable

upon exercise of vested stock options.

(12) Includes 25,520 shares issuable upon exercise of vested stock options.

(13) Represents 13,541 shares issuable upon exercise of vested stock options.

(14) Includes 2,063,100 shares issuable upon exercise of vested stock options.

(15) The information is as reported on Schedule 13G as filed with the SEC on May 10, 2006. The address of FMR Corp. is 82 Devonshire Street, Boston, MA 02109. Of the shares, 3,681,912 are owned by various individual and institutional investors for which Fidelity Management & Research Company, a wholly owned subsidiary of FMR Corp. (Fidelity) serves as an investment adviser with power to direct investments

and/or sole power to vote the securities. For purposes of the Securities Exchange Act of 1934, Fidelity is deemed to be a beneficial owner of such shares, however, Fidelity expressly disclaims that it is, in fact, the beneficial owner of such shares.

(16) The information is as reported on Amendment No. 1 to Schedule 13G as filed with the SEC on July 3, 2006. The address of D.E. Shaw & Co., L.P. and affiliates is 120 W. 45th Street, Tower 45, 39th Floor, New York, NY 10036. All of the shares are owned by D.E. Shaw Valence Portfolios, L.L.C. D.E. Shaw & Co., Inc. is the general partner of D.E. Shaw & Co., L.P., which in turn is the managing member and investment adviser of D.E. Shaw Valence Portfolios, L.L.C. Mr. David E. Shaw, as the

President and sole shareholder of D.E. Shaw & Co., Inc., may be deemed to have shared power to vote or direct the vote of, and the shared power to dispose or direct the disposition of, all of the shares described and, therefore, Mr. Shaw may be deemed to be the beneficial owner of such shares. Mr. Shaw disclaims beneficial ownership of such shares.

(17) The information is as reported on Amendment No. 1 to Schedule 13G as filed March 24, 2006. Of these shares, 314,044 are owned by Galleon Advisors, L.L.C., and the remaining shares are owned by various entities affiliated with Mr. Rajaratnam as follows: (i) 119,450 shares are held by Galleon Captain s Partners, L.P., (ii) 431,465 shares are held by Galleon Captain s

Offshore, Ltd., (iii) 106,494 shares are held by Galleon Technology Partners II, L.P., (iv) 428,506 shares are held by Galleon Technology Offshore, Ltd., (v) 10,000 shares are held by Galleon Explorers Partners, L.P., (vi) 40,000 shares are held by Galleon Explorers Offshore, Ltd., (vii) 78,100 shares are held by Galleon Communications Partners, L.P., (viii) 181,900 shares are held by Galleon Communications Offshore, Ltd., (ix) 25,000 shares are held by Galleon Diversified Fund, Ltd., (x) 153,298 shares are held by Galleon Buccaneer s Offshore, Ltd., and (xi) 37,574 shares are held by Galleon Fleet Fund, Ltd. Pursuant to the partnership agreement of Galleon Captain s Partners, L.P., Galleon Technology

Partners II, L.P., Galleon Explorers Partners, L.P., and Galleon Communications Partners, L.P., Galleon Management, L.P. and Galleon Advisors, L.L.C. share all investment and voting power with respect to the securities held by Galleon Captain s Partners, L.P., Galleon Technology Partners II, L.P., Galleon Explorers Partners, L.P., and Galleon Communications Partners, L.P. Pursuant to an investment management agreement, Galleon Management, L.P. has all investment and voting power with respect to the securities held by Galleon Captains Offshore, Ltd., Galleon Technology Offshore, Ltd., Galleon Communications Offshore, Ltd., Galleon Explorers Offshore, Ltd., Galleon Buccaneer s Offshore, Ltd., and Galleon Fleet Fund. Raj Rajaratnam, as the managing member of Galleon Management, L.L.C., controls Galleon Management, L.L.C., which, as the general partner of Galleon Management, L.P., controls Galleon Management, L.P. Raj Rajaratnam, as the managing member of Galleon Advisors, L.L.C., also controls Galleon Advisors, L.L.C. The shares reported herein by Raj Rajaratnam, Galleon Management, L.P., Galleon Management, L.L.C., and Galleon Advisors, L.L.C. may be deemed beneficially owned as a result of the purchase of such shares by Galleon Captain s Partners, L.P., Galleon Captain s Offshore, Ltd., Galleon

Technology
Partners II, L.P.,
Galleon
Technology

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Offshore, Ltd., Galleon Explorers Partners, L.P., Galleon Explorers Offshore, Ltd., Galleon Communications Partners, L.P., Galleon Communications Offshore, Ltd., Galleon Buccaneer s Offshore, Ltd., and Galleon Fleet Fund, Ltd., as the case may be. Each of Raj Rajaratnam, Galleon Management, L.P., Galleon Management, L.L.C., and Galleon Advisors, L.L.C. disclaims any beneficial ownership of the shares reported herein, except to the extent of any pecuniary interest therein. The address of Galleon Management, L.P. is 135 East 57th Street, 16th Floor, New York, NY 10022. The address for Mr. Rajaratnam and the other affiliates is c/o Galleon Management, L.P., 135 East 57th Street, 16th Floor, New York, NY 10022.

(18) The information is as reported on Schedule 13G as filed with the SEC on February 2, 2006. The shares are held by Level Global Overseas Master Fund, Ltd. Pursuant to an investment management agreement, Level Global Investors, L.P. shares all voting and investment powers with respect to the securities held by Level Global Overseas Master Fund, Ltd. Level Global, L.L.C. acts as the general partner of Level Global Investors, L.P. David Ganek controls Level Global Investors, L.P. and Level Global, L.L.C. The address for Level Global Overseas Master Fund, Ltd. is c/o Citco Fund Services (Bermuda) Limited, Washington Mall West, 2nd Floor, 7 Reid Street, Hamilton HM11,

Bermuda. The address for Level Global Investors, L.P., Level Global, L.L.C., and Mr. Ganek is 537 Steamboat Road, Suite 400, Greenwich, CT 06830.

(19) The information is as reported on Amendment No. 3 to Schedule 13G as filed with the SEC on February 13, 2006. The address of T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, MD 21202. The shares are owned by various individual and institutional investors for which T. Rowe Price Associates, Inc. (Price Associates) serves as an investment adviser with power to direct investments and/or sole power to vote the shares. For purposes of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such shares,

however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such shares.

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR

Our Audit Committee has appointed KPMG LLP, an independent registered public accounting firm, to audit the consolidated financial statements of our company for the fiscal year ending June 30, 2007 and recommends that stockholders vote in favor of the ratification of such appointment. In the event of a negative vote on such ratification, the Audit Committee will reconsider its selection. We anticipate that representatives of KPMG LLP will be present at the meeting, will have the opportunity to make a statement if they desire, and will be available to respond to appropriate questions.

The Audit Committee has considered whether the provision of non-audit services by KPMG LLP is compatible with maintaining KPMG LLP s independence.

Fees

The aggregate fees billed to our company by KPMG LLP, for the fiscal years ended June 24, 2006 and June 25, 2005, were as follows:

	2006	2005
Audit Fees	$ 896,000	$ 810,000
Audit-Related Fees (1)	38,000	165,000
Tax Fees (2)	93,965	316,068
All Other Fees		
Total fees	$ 1,027,965	$ 1,291,068

(1) Includes fees associated with the review by and the issuance of KPMG LLP s consent in connection with our registration statement on Form S-3, including amendments thereto, and statutory audits of certain of our subsidiaries located outside the United States.

(2) Includes fees for professional services

rendered by KPMG LLP with respect to tax preparation and compliance and tax consulting. The fees for tax preparation and compliance were $89,540 and $157,325 in fiscal 2006 and 2005, respectively.

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Audit Committee Pre-Approval Policies

The charter of our Audit Committee provides that the duties and responsibilities of our Audit Committee include the pre-approval of all audit, audit-related, tax, and other services permitted by law or applicable SEC regulations (including fee and cost ranges) to be performed by the independent auditor of our company. Any pre-approved services that will involve fees or costs exceeding pre-approved levels will also require specific pre-approval by the Audit Committee. Unless otherwise specified by the Audit Committee in pre-approving a service, the pre-approval will be effective for the 12-month period following pre-approval. The Audit Committee will not approve any non-audit services prohibited by applicable SEC regulations or any services in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported by the Internal Revenue Code and related regulations.

To the extent deemed appropriate, the Audit Committee may delegate pre-approval authority to the Chairman of the Audit Committee or any one or more other members of the Audit Committee provided that any member of the Audit Committee who has exercised any such delegation must report any such pre-approval decision to the Audit Committee at its next scheduled meeting. The Audit Committee will not delegate to management the pre-approval of services to be performed by the independent auditor.

Our Audit Committee requires that the independent auditor of our company, in conjunction with our Chief Financial Officer, be responsible for seeking pre-approval for providing services to us and that any request for pre-approval must inform the Audit Committee about each service to be provided and must provide detail as to the particular service to be provided.

DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS

Stockholder proposals that are intended to be presented by stockholders at the annual meeting of stockholders for the fiscal year ending June 30, 2007 must be received by us no later than May 22, 2007, in order to be included in the proxy statement and form of proxy relating to such meeting.

Pursuant to Rule 14a-4 under the Exchange Act, we intend to retain discretionary authority to vote proxies with respect to stockholder proposals for which the proponent does not seek to have us include the proposed matter in the proxy statement for the annual meeting to be held during calendar 2007, except in circumstances where (1) we receive notice of the proposed matter no later than July 19, 2007, and (2) the proponent complies with the other requirements set forth in Rule 14a-4.

OTHER MATTERS

We know of no other matters to be submitted to the meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as our Board of Directors may recommend.

Dated: September 19, 2006

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Appendix A
SYNAPTICS INCORPORATED (the Company)
AUDIT COMMITTEE CHARTER

Purpose

The purpose of the Audit Committee (the Committee) shall be as follows:

1. To oversee the accounting and financial reporting processes of the Company and audits of the financial statements of the Company.

2. To provide assistance to the Board of Directors with respect to its oversight of the following:
   a. The integrity of the Company s financial statements.

   b. The Company s compliance with legal and regulatory requirements.

   c. The independent auditor s qualifications and independence.

   d. The performance of the Company s internal audit function, if any, and independent auditor.
3. To prepare the report that SEC rules require be included in the Company s annual proxy statement.

Composition

The Committee shall consist of three or more members of the Board of Directors, each of whom is determined by the Board of Directors to be independent under the rules of the NASDAQ Stock Market and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934 and each of whom must not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company during the previous three-year period.

Under exceptional and limited circumstances, however, one director who is not independent as defined in the rules and regulations of the NASDAQ Stock Market may serve as a member of the Committee, subject to the following:

the director, other than in his or her capacity as a member of the Committee, the Board of Directors, or any other Board committee, does not accept any consulting, advisory, or other compensatory fee from the Company and is not an affiliated person of the Company or any subsidiary of the Company;

the director is not a current officer or employee of the Company or a family member of such officer or employee;

the Board determines, under exceptional and limited circumstances, that membership by the individual on the Committee is required by the best interests of the Company and its shareholders;

the Company discloses in the next annual proxy statement subsequent to such determination (or the Form 10-K if an annual proxy statement is not filed), the nature of the relationship and the reasons for that determination;

no such person may serve as the Chairman of the Committee; and

no such person may serve on the Committee for more than two years.

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No member of the Committee shall receive directly or indirectly any consulting, advisory, or other compensatory fees from the Company other than (1) director s fees for service as a director of the Company, including reasonable compensation for serving on Board committees and regular benefits that other directors receive; and (2) a pension or similar compensation for past performance, provided that such compensation is not conditioned on continued or future service to the Company. In addition, no member of the Committee may be an affiliate of the Company or any subsidiary of the Company whether by being an officer or owning more than 10 percent of the Company s voting securities.

Qualifications

All members of the Committee shall be able to read and understand fundamental financial statements (including a company s balance sheet, income statement, and cash flow statement) and at least one member either must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in the member s financial sophistication (including being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities) or be an audit committee financial expert under the requirements of the SEC. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or by an outside organization.

Appointment and Removal

The members of the Committee shall be appointed by the Board of Directors. A member shall serve until such member s successor is duly elected and qualified or until such member s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board of Directors.

Chairman

Unless a Chairman is elected by the full Board of Directors, the members of the Committee shall designate a Chairman by the majority vote of the full Committee membership. The Chairman will chair all regular sessions of the Committee and set the agendas for Committee meetings.

Delegation to Subcommittees

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.

Meetings

The Committee shall meet as frequently as circumstances dictate. The Chairman of the Committee or a majority of the members of the Committee may call meetings of the Committee. Any one or more of the members of the Committee may participate in a meeting of the Committee by means of conference call or similar communication device by means of which all persons participating in the meeting can hear each other.

All non-management directors who are not members of the Committee may attend meetings of the Committee, but may not vote. In addition, the Committee may invite to its meetings any director, member of management of the Company, and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate.

As part of its goal to foster open communication, the Committee shall periodically meet separately with each of management, the director of the internal auditing department, if any, and the independent auditor to discuss any matters that the Committee, the independent auditor, or the internal auditor, if any, believe would be appropriate to discuss privately. In addition, the Committee should meet with the independent auditor and management periodically to review the Company s financial statements in a manner consistent with that outlined in this Charter.

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Duties and Responsibilities

The Committee shall carry out the duties and responsibilities set forth below. These functions should serve as a guide with the understanding that the Committee may determine to carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal, or other conditions. The Committee shall also carry out any other duties and responsibilities delegated to it by the Board of Directors from time to time related to the purposes of the Committee outlined in this Charter. The Committee may perform any functions it deems appropriate under applicable law, rules, or regulations, the Company s by-laws, and the resolutions or other directives of the Board, including review of any certification required to be reviewed in accordance with applicable law or regulations of the SEC.

In discharging its oversight role, the Committee is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard and as it otherwise deems appropriate, the Committee shall have the authority, without seeking Board approval, to engage and obtain advice and assistance from outside legal and other advisors as it deems necessary to carry out its duties. The Committee also shall have the authority to receive appropriate funding, as determined by the Committee, in its capacity as a committee of the Board of Directors, from the Company for the payment of compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company; to compensate any outside legal or other advisors engaged by the Committee; and to pay the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall be given full access to the Company s internal auditor, if any, Board of Directors, corporate executives, and independent auditor as necessary to carry out these responsibilities. While acting within the scope of its stated purpose, the Committee shall have all the authority of the Board of Directors, except as otherwise limited by applicable law.

Notwithstanding the foregoing, the Committee is not responsible for certifying the Company s financial statements or guaranteeing the independent auditor s report. The fundamental responsibility for the Company s financial statements and disclosures rests with management and the independent auditor. It also is the job of the Chief Executive Officer and senior management, rather than that of the Committee, to assess and manage the Company s exposure to risk.

Documents/Reports Review

1. Discuss with management and the independent auditor, prior to public dissemination, the Company s annual audited financial statements and quarterly financial statements, including the Company s disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operations and discuss with the independent auditors the matters required to be discussed by Statement of Auditing Standards No. 61.

2. Discuss with management and the independent auditor, prior to the Company s filing of any quarterly or annual report, (a) whether any significant deficiencies in the design or operation of internal control over financial reporting exist that could adversely affect the Company s ability to record, process, summarize, and report financial data; (b) the existence of any material weaknesses in the Company s internal control over financial reporting; and (c) the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company s internal controls over financial reporting.

3. Discuss with management and the independent auditor the Company s earnings press releases (paying particular attention to the use of any pro forma or adjusted non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies.

4. Discuss with management and the independent auditor the Company s major financial risk exposures, the guidelines and policies by which risk assessment and management is undertaken, and the steps management has taken to monitor and control risk exposure.

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Independent Auditors

5. Appoint, retain, compensate, evaluate, and terminate any accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company and, in its sole authority, approve all audit engagement fees and terms as well as all non-audit engagements with the accounting firm.

6. Oversee the work of any accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company, including resolving any disagreements between management and the independent auditor regarding financial reporting.

7. Pre-approve, or adopt procedures to pre-approve, all audit, audit related, tax, and other services permitted by law or applicable SEC regulations (including fee and cost ranges) to be performed by the independent auditor. Any pre-approved services that will involve fees or costs exceeding pre-approved levels will also require specific pre-approval by the Committee. Unless otherwise specified by the Committee in pre-approving a service, the pre-approval will be effective for the 12-month period following pre-approval. The Committee will not approve any non-audit services prohibited by applicable SEC regulations or any services in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported by the Internal Revenue Code and related regulations.

8. To the extent it deems it appropriate, delegate pre-approval authority to the Chairman of the Committee or any one or more other members of the Committee provided that any member of the Committee who has exercised such delegation must report any such pre-approval decisions to the Committee at its next scheduled meeting. The Committee will not delegate the pre-approval of services to be performed by the independent auditor to management.

9. Require that the independent auditor, in conjunction with the Chief Financial Officer, be responsible for seeking pre-approval for providing services to the Company and that any request for pre-approval must inform the Committee about each service to be provided and must provide detail as to the particular service to be provided.

10. Inform each accounting firm engaged for the purpose of preparing or issuing an audit report or to perform audit, review, or attest services for the Company that such firm shall report directly to the Committee.

11. Review, at least annually, the qualifications, performance, and independence of the independent auditor. In conducting its review and evaluation, the Committee should do the following:
    a. At least annually, obtain and review a report by the Company s independent auditor describing (i) the auditing firm s internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditor and the Company.

    b. Ensure the rotation of the lead (or coordinating) audit partner at least every five years, and consider whether there should be regular rotation of the audit firm itself.

    c. Confirm with the independent auditor that the lead (or coordinating) audit partner, the concurring (or reviewing) audit partner, and each other active audit engagement team partner satisfies the rotation requirements of Rule 2-01(c)(6) of Regulations S-X.

    d.

Take into account the opinions of management and the Company s internal auditors (or other personnel responsible for the internal audit function).

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Financial Reporting Process

12. In consultation with the independent auditor, management, and the internal auditor, if any, review the integrity of the Company s financial reporting processes, both internal and external. In that connection, the Committee should obtain and discuss with management and the independent auditor reports from management and the independent auditor regarding (a) all critical accounting policies and practices to be used by the Company and the related disclosure of those critical accounting policies under Management s Discussion and Analysis of Financial Condition and Results of Operations ; (b) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Company s management, the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the independent auditor; (c) all alternative treatments of financial statements within generally accepted accounting principals that have been discussed with the Company s management, the ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the independent auditor; (d) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company s selection or application of accounting principles; (e) major issues as to the adequacy of the Company s internal controls and any specific audit steps adopted in light of material control deficiencies; (f) issues with respect to the design and effectiveness of the Company s disclosure controls and procedures, management s evaluation of those controls and procedures, and any issues relating to such controls and procedures during the most recent reporting period; (g) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the financial statements of the Company; (h) any significant matters arising from any audit, including audit problems and difficulties, whether raised by management, the internal auditor, if any, and the independent auditor, relating to the Company s financial statements; and (i) any other material written communications between the independent auditor and the Company s management, including any management letter or schedule of unadjusted differences.

13. Review periodically the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

14. Review with the independent auditor any audit problems or difficulties encountered and management s response thereto. In this regard, the Committee will regularly review with the independent auditor (a) any audit problems or other difficulties encountered by the auditor in the course of the audit work, including any restrictions on the scope of the independent auditor s activities or on access to requested information, and any significant disagreements with management and (b) management s responses to such matters. Without excluding other possibilities, the Committee may review with the independent auditor (i) any accounting adjustments that were noted or proposed by the auditor but were passed (as immaterial or otherwise), (ii) any communications between the audit team and the audit firm s national office respecting auditing or accounting issues presented by the engagement, and (iii) any management or internal control letter issued, or proposed to be issued, by the independent auditor to the Company.

15. Obtain from the independent auditor assurance that the audit of the Company s financial statements was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934, which sets forth procedures to be followed in any audit of financial statements required under the Securities Exchange Act of 1934.

16. Discuss the scope of the annual audit and review the form of the opinion the independent auditor proposes to issue.

17. Review and discuss with management and the independent auditor the responsibilities, budget, and staffing of the Company s internal audit function, if any.

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Legal Compliance/General

18. Review periodically, with the Company s counsel, any legal matter that could have a significant impact on the Company s financial statements.

19. Discuss with management and the independent auditor the Company s guidelines and policies with respect to risk assessment and risk management. The Committee will discuss the Company s major financial risk exposures and the steps management has taken to monitor and control such exposures.

20. Set clear hiring policies for employees or former employees of the independent auditor. At a minimum, these policies will provide that any public accounting firm may not provide audit services to the Company if the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller, or any person serving in an equivalent position for the Company was employed by the audit firm and participated in any capacity in the audit of the Company within one year of the initiation of the current audit.

21. Establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

22. Unless specifically delegated by the Board of Directors to the Compensation Committee of the Board of Directors, review and approve all related party transactions (as specified in Item 404 of Regulation S-K) and review and make recommendations to the full Board of Directors, or approve, any contracts or other transactions with current or former executive officers of the Company, including consulting arrangements, employment agreements, change-in-control agreements, termination arrangements, and loans to employees made or guaranteed by the Company.

23. Review and reassess the adequacy of this Charter on an annual basis and recommend any changes to the Board of Directors.

Reports

24. Prepare all reports required to be included in the Company s proxy statement, pursuant to and in accordance with applicable rules and regulations of the SEC.

25. Report regularly to the full Board of Directors. In this regard, the Committee will review with the full board any issues that arise with respect to the quality or integrity of the Company s financial statements, the Company s compliance with legal or regulatory requirements, the performance and independence of the Company s independent auditor, and the performance of the internal audit function, if any.

26. The Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.

27. Maintain minutes or other records of meetings and activities of the Committee.

Limitation of Audit Committee s Role

With respect to the foregoing responsibilities and processes, the Committee recognizes that the Company s financial management, including the internal audit staff, if any, as well as the independent auditor have more time, knowledge, and detailed information regarding the Company than do Committee members. Consequently, in discharging its oversight responsibilities, the Committee will not provide or be deemed to provide any expertise or special assurance as to the Company s financial statements or any professional certification as to the independent auditors work.

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While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor. It also is not the duty of the Committee to conduct investigations or to assure compliance with laws and regulations and the Company s internal policies and procedures.

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PROXY CARD
SYNAPTICS INCORPORATED
3120 SCOTT BLVD., SUITE 130
SANTA CLARA, CALIFORNIA 95054
2006 ANNUAL MEETING OF STOCKHOLDERS
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned stockholder of SYNAPTICS INCORPORATED, a Delaware corporation (the Company), hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement of the Company, each dated September 19, 2006, and hereby appoints Francis F. Lee and Russell J. Knittel, and each of them, proxies and attorneys-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the 2006 Annual Meeting of Stockholders of the Company, to be held on Tuesday, October 17, 2006, at 11:00 a.m., local time, at the Network Meeting Center located at 5201 Great America Parkway, Santa Clara, California 95054, and at any adjournment or adjournments thereof, and to vote all shares of the Company s Common Stock that the undersigned would be entitled to vote if then and there personally present, on the matters set forth on the reverse side.

A majority of such proxies or substitutes as shall be present and shall act at the meeting or any adjournment or adjournments thereof (or if only one shall be present and act, then that one) shall have and may exercise all of the powers of said proxies hereunder.

COMMENTS:

(Continued and to be signed on the other side.)

ANNUAL MEETING OF STOCKHOLDERS OF
SYNAPTICS INCORPORATED
October 17, 2006

Please date, sign and mail
your proxy card in the
envelope provided as soon
as possible.

↓ Please detach along perforated line and mail in the envelope provided.↓

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS AND FOR PROPO
AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK

Mark X HERE IF YOU PLAN TO ATTEND THE MEETING. o

To change the address on your account, please check the box at right and indicate your new address in the space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. o

Signature of Stockholder	Date:	Signature of Stockholder	Date:

Note Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.