

HEALTHCARE TRUST OF AMERICA, INC.
Form 10-Q
October 28, 2015

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

FORM 10-Q

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

For the quarterly period ended September 30, 2015

or

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

For the transition period from _____ to _____

Commission File Number: 001-35568 (Healthcare Trust of America, Inc.)

Commission File Number: 333-190916 (Healthcare Trust of America Holdings, LP)

HEALTHCARE TRUST OF AMERICA, INC.
HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
(Exact name of registrant as specified in its charter)

Maryland (Healthcare Trust of America, Inc.) 20-4738467
Delaware (Healthcare Trust of America Holdings, LP) 20-4738347
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

16435 N. Scottsdale Road, Suite 320
Scottsdale, Arizona 85254
(Address of principal executive offices)

(480) 998-3478
(Registrant's telephone number, including area code)

N/A

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 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.

Healthcare Trust of America, Inc. Yes No
Healthcare Trust of America Holdings, LP Yes No

Indicate by 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).

Healthcare Trust of America, Inc. Yes No
Healthcare Trust of America Holdings, LP Yes No

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

Healthcare Trust of America, Inc. Large-accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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(Do not check if a smaller reporting company)

Healthcare Trust of America Holdings, LP	Large-accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
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(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 Exchange Act).

Healthcare Trust of America, Inc. Yes No

Healthcare Trust of America Holdings, LP Yes No

As of October 26, 2015, there were 127,037,807 shares of Class A common stock of Healthcare Trust of America, Inc. outstanding.

Explanatory Note

This Quarterly Report combines the Quarterly Reports on Form 10-Q for the quarter ended September 30, 2015 of Healthcare Trust of America, Inc. (“HTA”), a Maryland corporation, and Healthcare Trust of America Holdings, LP (“HTALP”), a Delaware limited partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this Quarterly Report to “we,” “us,” “our,” “the Company” or “our Company” refer to HTA and HTALP, collectively, and all references to “common stock” shall refer to the Class A common stock of HTA.

HTA operates as a real estate investment trust (“REIT”) and is the general partner of HTALP. As of September 30, 2015, HTA owned a 98.5% partnership interest in HTALP, and other limited partners, including some of HTA’s directors, executive officers and their affiliates, owned the remaining partnership interest (including the long-term incentive plan (“LTIP”) units) in HTALP. As the sole general partner of HTALP, HTA has the full, exclusive and complete responsibility for HTALP’s day-to-day management and control, including its compliance with the Securities and Exchange Commission (“SEC”) filing requirements.

We believe it is important to understand the few differences between HTA and HTALP in the context of how we operate as an integrated consolidated company. HTA operates in an umbrella partnership REIT structure in which HTALP and its subsidiaries hold substantially all of the assets. HTA’s only material asset is its ownership of partnership interests of HTALP. As a result, HTA does not conduct business itself, other than acting as the sole general partner of HTALP, issuing public equity from time to time and guaranteeing certain debts of HTALP. HTALP conducts the operations of the business and issues publicly-traded debt, but has no publicly-traded equity. Except for net proceeds from public equity issuances by HTA, which are generally contributed to HTALP in exchange for partnership units of HTALP, HTALP generates the capital required for the business through its operations and by direct or indirect incurrence of indebtedness or through the issuance of its partnership units.

Noncontrolling interests, stockholders’ equity and partners’ capital are the primary areas of difference between the condensed consolidated financial statements of HTA and HTALP. Limited partnership units in HTALP are accounted for as partners’ capital in HTALP’s condensed consolidated balance sheets and as noncontrolling interest reflected within equity in HTA’s condensed consolidated balance sheets. The differences between HTA’s stockholders’ equity and HTALP’s partners’ capital are due to the differences in the equity issued by HTA and HTALP, respectively.

The Company believes combining the Quarterly Reports on Form 10-Q of HTA and HTALP, including the notes to the condensed consolidated financial statements, into this single Quarterly Report results in the following benefits:

- enhances stockholders’ understanding of HTA and HTALP by enabling stockholders to view the business as a whole in the same manner that management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure in this Quarterly Report applies to both HTA and HTALP; and
- creates time and cost efficiencies through the preparation of a single Quarterly Report instead of two separate Quarterly Reports.

In order to highlight the material differences between HTA and HTALP, this Quarterly Report includes sections that separately present and discuss areas that are materially different between HTA and HTALP, including:

- the condensed consolidated financial statements;
- certain accompanying notes to the condensed consolidated financial statements, including Note 7 - Debt, Note 9 - Stockholders’ Equity and Partners’ Capital, Note 11 - Per Share Data of HTA and Note 12 - Per Unit Data of HTALP;
- the Funds from Operations (“FFO”) and Normalized FFO in Part I, Item 2 of this Quarterly Report;
- the controls and procedures in Part I, Item 4 of this Quarterly Report; and
- the certifications of the Chief Executive Officer and the Chief Financial Officer included as Exhibits 31 and 32 to this Quarterly Report.

In the sections of this Quarterly Report that combine disclosure for HTA and HTALP, this Quarterly Report refers to actions or holdings as being actions or holdings of the Company. Although HTALP (directly or indirectly through one of its subsidiaries) is generally the entity that enters into contracts, holds assets and issues or incurs debt, management believes this presentation is appropriate for the reasons set forth above and because the business of the Company is a single integrated enterprise operated through HTALP.

HEALTHCARE TRUST OF AMERICA, INC. AND HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
Real estate investments:		
Land	\$298,515	\$287,755
Building and improvements	2,871,512	2,665,777
Lease intangibles	430,678	419,288
	3,600,705	3,372,820
Accumulated depreciation and amortization	(641,619	) (549,976
Real estate investments, net (\$0 and \$80,419 from consolidated VIEs)	2,959,086	2,822,844
Cash and cash equivalents	11,146	10,413
Restricted cash and escrow deposits	17,714	20,799
Receivables and other assets, net	148,447	144,106
Other intangibles, net	43,193	43,488
Total assets	\$3,179,586	\$3,041,650
LIABILITIES AND EQUITY		
Liabilities:		
Debt	\$1,575,965	\$1,412,461
Accounts payable and accrued liabilities	95,029	101,042
Derivative financial instruments - interest rate swaps	4,254	2,888
Security deposits, prepaid rent and other liabilities	39,261	32,687
Intangible liabilities, net	26,970	12,425
Total liabilities	1,741,479	1,561,503
Commitments and contingencies		
Redeemable noncontrolling interests	3,756	3,726
Equity:		
Preferred stock, \$0.01 par value; 200,000,000 shares authorized; none issued and outstanding	—	—
Class A common stock, \$0.01 par value; 1,000,000,000 shares authorized; 127,037,807 and 125,087,268 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	1,270	1,251
Additional paid-in capital	2,328,702	2,281,932
Cumulative dividends in excess of earnings	(923,556	) (836,044
Total stockholders' equity	1,406,416	1,447,139
Noncontrolling interests	27,935	29,282
Total equity	1,434,351	1,476,421
Total liabilities and equity	\$3,179,586	\$3,041,650

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

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Rental income	\$ 103,875	\$ 95,277	\$ 301,570	\$ 274,675
Interest and other operating income	67	257	203	1,834
Total revenues	103,942	95,534	301,773	276,509
Expenses:				
Rental	32,921	28,526	92,855	85,179
General and administrative	6,430	5,935	19,229	18,137
Acquisition-related	907	2,802	3,365	8,647
Depreciation and amortization	40,518	35,802	115,179	104,346
Impairment	—	—	1,655	—
Total expenses	80,776	73,065	232,283	216,309
Income before other income (expense)	23,166	22,469	69,490	60,200
Interest expense:				
Interest related to derivative financial instruments	(903	) (1,433	) (2,278	) (4,148
(Loss) gain on change in fair value of derivative financial instruments, net	(2,383	) 2,564	(3,079	) (857
Total interest related to derivative financial instruments, including net change in fair value of derivative financial instruments	(3,286	) 1,131	(5,357	) (5,005
Interest related to debt	(13,536	) (14,119	) (41,499	) (37,802
Gain on sales of real estate, net	152	11,766	152	11,766
(Loss) gain on extinguishment of debt, net	(14	) (5,028	) 107	(4,663
Other income	72	1	91	41
Net income	\$ 6,554	\$ 16,220	\$ 22,984	\$ 24,537
Net income attributable to noncontrolling interests ⁽¹⁾	(91	) (188	) (425	) (358
Net income attributable to common stockholders	\$ 6,463	\$ 16,032	\$ 22,559	\$ 24,179
Earnings per common share - basic: ⁽²⁾				
Net income attributable to common stockholders	\$ 0.05	\$ 0.13	\$ 0.18	\$ 0.20
Earnings per common share - diluted: ⁽²⁾				
Net income attributable to common stockholders	\$ 0.05	\$ 0.13	\$ 0.18	\$ 0.20
Weighted average common shares outstanding: ⁽²⁾				
Basic	126,863	119,484	125,750	119,049
Diluted	128,793	120,716	127,680	120,304
Dividends declared per common share ⁽²⁾	\$ 0.30	\$ 0.29	\$ 0.88	\$ 0.87

(1) Includes amounts attributable to redeemable noncontrolling interests.

(2) For the three and nine months ended September 30, 2014, amounts have been adjusted retroactively to reflect a 1-for-2 reverse stock split effected on December 15, 2014.

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

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Class A Common Stock ⁽¹⁾		Additional Paid-In Capital ⁽¹⁾	Cumulative Dividends in Excess of Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount					
Balance as of December 31, 2013	118,440	\$1,184	\$2,128,082	\$(742,060)	\$ 1,387,206	\$ 12,543	\$1,399,749
Issuance of common stock	771	8	17,734	—	17,742	—	17,742
Share-based award transactions, net	254	3	3,276	—	3,279	—	3,279
Repurchase and cancellation of common stock	(29)	(1)	(571)	—	(572)	—	(572)
Redemption of noncontrolling interest	36	—	362	—	362	(362)	—
Dividends	—	—	—	(103,097)	(103,097)	(854)	(103,951)
Net income	—	—	—	24,179	24,179	236	24,415
Balance as of September 30, 2014	119,472	\$1,194	\$2,148,883	\$(820,978)	\$ 1,329,099	\$ 11,563	