HEALTHCARE TRUST OF AMERICA, INC.
Form 10-Q
July 30, 2015

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

FORM 10-Q

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

For the quarterly period ended June 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.	x Yes	¨ No
Healthcare Trust of America Holdings, LP	x 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.	x Yes	¨ No
Healthcare Trust of America Holdings, LP	x 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 x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨

			(Do not check if a smaller reporting company)	
Healthcare Trust of America Holdings, LP	Large-accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x (Do not check if a smaller reporting company)	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	x No
Healthcare Trust of America Holdings, LP	¨ Yes	x No

As of July 27, 2015, there were 127,040,154 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 June 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 June 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.

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)

	June 30, 2015	December 31, 2014
ASSETS		
Real estate investments:		
Land	$298,995	$287,755
Building and improvements	2,872,709	2,665,777
Lease intangibles	435,218	419,288
	3,606,922	3,372,820
Accumulated depreciation and amortization	(617,105)	(549,976)
Real estate investments, net ($0 and $80,419 from consolidated VIEs, see Note 2)	2,989,817	2,822,844
Cash and cash equivalents	16,577	10,413
Restricted cash and escrow deposits	16,249	20,799
Receivables and other assets, net	148,343	144,106
Other intangibles, net	47,126	43,488
Total assets	$3,218,112	$3,041,650
LIABILITIES AND EQUITY		
Liabilities:		
Debt	$1,639,001	$1,412,461
Accounts payable and accrued liabilities	85,003	101,042
Derivative financial instruments - interest rate swaps	2,721	2,888
Security deposits, prepaid rent and other liabilities	43,176	32,687
Intangible liabilities, net	23,585	12,425
Total liabilities	1,793,486	1,561,503
Commitments and contingencies		
Redeemable noncontrolling interests	3,744	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; 125,194,108 and 125,087,268 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	1,252	1,251
Additional paid-in capital	2,283,737	2,281,932
Cumulative dividends in excess of earnings	(892,543)	(836,044)
Total stockholders’ equity	1,392,446	1,447,139
Noncontrolling interests	28,436	29,282
Total equity	1,420,882	1,476,421
Total liabilities and equity	$3,218,112	$3,041,650

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

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HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Rental income	$99,243	$88,946	$197,695	$179,398
Interest and other operating income	68	725	136	1,577
Total revenues	99,311	89,671	197,831	180,975
Expenses:				
Rental	29,237	27,064	59,934	56,653
General and administrative	6,224	5,903	12,799	12,202
Acquisition-related	1,101	4,869	2,458	5,845
Depreciation and amortization	38,066	33,602	74,661	68,544
Impairment	1,655	—	1,655	—
Total expenses	76,283	71,438	151,507	143,244
Income before other income (expense)	23,028	18,233	46,324	37,731
Interest expense:				
Interest related to derivative financial instruments	(820)	(1,370)	(1,375)	(2,715)
Net gain (loss) on change in fair value of derivative financial instruments	1,314	(2,580)	(696)	(3,421)
Total interest related to derivative financial instruments, including net change in fair value of derivative financial instruments	494	(3,950)	(2,071)	(6,136)
Interest related to debt	(14,159)	(11,779)	(27,963)	(23,683)
Gain on extinguishment of debt	121	365	121	365
Other income	4	14	19	40
Net income	$9,488	$2,883	$16,430	$8,317
Net income attributable to noncontrolling interests (1)	(196)	(28)	(334)	(170)
Net income attributable to common stockholders	$9,292	$2,855	$16,096	$8,147
Earnings per common share - basic: (2)				
Net income attributable to common stockholders	$0.07	$0.02	$0.13	$0.07
Earnings per common share - diluted: (2)				
Net income attributable to common stockholders	$0.07	$0.02	$0.13	$0.07
Weighted average number of common shares outstanding: (2)				
Basic	125,194	119,012	125,184	118,829
Diluted	127,124	120,275	127,114	120,094
Dividends declared per common share (2)	$0.29	$0.29	$0.58	$0.58

(1) Includes amounts attributable to redeemable noncontrolling interests.
(2) For the three and six months ended June 30, 2014, amounts have been adjusted retroactively to reflect a 1-for-2 reverse stock split effected December 15, 2014.
The accompanying notes are an integral part of these condensed consolidated financial statements.

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HEALTHCARE TRUST OF AMERICA, INC.
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 Interest	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	248	3	2,251	—	2,254	—	2,254
Repurchase and cancellation of common stock	(29)	(1)	(571)	—	(572)	—	(572)
Redemption of noncontrolling interest	25	—	244	—	244	(244)	—
Dividends	—	—	—	(68,453)	(68,453)	(693)	(69,146)
Net income	—	—	—	8,147	8,147	87	8,234
Balance as of June 30, 2014	119,455	$1,194	$2,147,740	$(802,366)	$1,346,568	$11,693	$1,358,261
Balance as of December 31, 2014	125,087	$1,251	$2,281,932	$(836,044)	$1,447,139	$29,282	$1,476,421
Share-based award transactions, net	155	1	3,103	—	3,104	—	3,104
Repurchase and cancellation of common stock	(48)	—	(1,298)	—	(1,298)	—	(1,298)
Dividends	—	—	—	(72,595)	(72,595)	(1,123)	(73,718)
Net income	—	—	—	16,096	16,096	277	16,373
Balance as of June 30, 2015	125,194	$1,252	$2,283,737	$(892,543)	$1,392,446	$28,436	$1,420,882

(1) For the six months ended June 30, 2014, amounts have been adjusted retroactively to reflect a 1-for-2 reverse stock split effected December 15, 2014.
The accompanying notes are an integral part of these condensed consolidated financial statements.

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HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net income	$16,430	$8,317
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other	72,905	66,990
Share-based compensation expense	3,104	2,254
Bad debt expense	289	(40)
Impairment	1,655	—
Gain on extinguishment of debt	(121)	(365)
Change in fair value of derivative financial instruments	696	3,421
Changes in operating assets and liabilities:		
Receivables and other assets, net	(3,885)	(2,864)
Accounts payable and accrued liabilities	(12,024)	(2,136)
Security deposits, prepaid rent and other liabilities	8,117	(2,365)
Net cash provided by operating activities	87,166	73,212
Cash flows from investing activities:		
Acquisition of real estate operating properties	(224,345)	(123,186)
Capital expenditures	(13,131)	(10,264)
Collection of real estate notes receivable	—	15,000
Restricted cash, escrow deposits and other assets	4,550	(1,236)
Net cash used in investing activities	(232,926)	(119,686)
Cash flows from financing activities:		
Proceeds from unsecured senior notes	—	297,615
Borrowings on unsecured revolving credit facility	361,000	153,000
Payments on unsecured revolving credit facility	(167,000)	(208,000)
Borrowings on unsecured term loans	100,000	—
Payments on secured real estate term loan and mortgage loans	(67,171)	(27,214)
Deferred financing costs	(276)	(3,553)
Security deposits	183	858
Proceeds from issuance of common stock, net	—	18,016
Repurchase and cancellation of common stock	(1,298)	(572)
Dividends	(72,584)	(68,161)
Distributions to noncontrolling interest of limited partners	(930)	(877)
Net cash provided by financing activities	151,924	161,112
Net change in cash and cash equivalents	6,164	114,638
Cash and cash equivalents - beginning of period	10,413	18,081
Cash and cash equivalents - end of period	$16,577	$132,719

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

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HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)
(Unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Real estate investments:		
Land	$298,995	$287,755
Building and improvements	2,872,709	2,665,777
Lease intangibles	435,218	419,288
	3,606,922	3,372,820
Accumulated depreciation and amortization	(617,105)	(549,976)
Real estate investments, net ($0 and $80,419 from consolidated VIEs, see Note 2)	2,989,817	2,822,844
Cash and cash equivalents	16,577	10,413
Restricted cash and escrow deposits	16,249	20,799
Receivables and other assets, net	148,343	144,106
Other intangibles, net	47,126	43,488
Total assets	$3,218,112	$3,041,650
LIABILITIES AND PARTNERS’ CAPITAL		
Liabilities:		
Debt	$1,639,001	$1,412,461
Accounts payable and accrued liabilities	85,003	101,042
Derivative financial instruments - interest rate swaps	2,721	2,888
Security deposits, prepaid rent and other liabilities	43,176	32,687
Intangible liabilities, net	23,585	12,425
Total liabilities	1,793,486	1,561,503
Commitments and contingencies		
Redeemable noncontrolling interests	3,744	3,726
Partners’ Capital:		
Limited partners’ capital, 1,929,942 and 2,154,942 units issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	28,166	29,012
General partners’ capital, 125,194,108 and 125,087,268 units issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	1,392,716	1,447,409
Total partners’ capital	1,420,882	1,476,421
Total liabilities and partners’ capital	$3,218,112	$3,041,650

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

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HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Rental income	$99,243	$88,946	$197,695	$179,398
Interest and other operating income	68	725	136	1,577
Total revenues	99,311	89,671	197,831	180,975
Expenses:				
Rental	29,237	27,064	59,934	56,653
General and administrative	6,224	5,903	12,799	12,202
Acquisition-related	1,101	4,869	2,458	5,845
Depreciation and amortization	38,066	33,602	74,661	68,544
Impairment	1,655	—	1,655	—
Total expenses	76,283	71,438	151,507	143,244
Income before other income (expense)	23,028	18,233	46,324	37,731
Interest expense:				
Interest related to derivative financial instruments	(820)	(1,370)	(1,375)	(2,715)
Net gain (loss) on change in fair value of derivative financial instruments	1,314	(2,580)	(696)	(3,421)
Total interest related to derivative financial instruments, including net change in fair value of derivative financial instruments	494	(3,950)	(2,071)	(6,136)
Interest related to debt	(14,159)	(11,779)	(27,963)	(23,683)
Gain on extinguishment of debt	121	365	121	365
Other income	4	14	19	40
Net income	$9,488	$2,883	$16,430	$8,317
Net income attributable to noncontrolling interests	(24)	(40)	(57)	(78)
Net income attributable to common unitholders	$9,464	$2,843	$16,373	$8,239
Earnings per common unit - basic: (1)				
Net income attributable to common unitholders	$0.07	$0.02	$0.13	$0.07
Earnings per common unit - diluted: (1)				
Net income attributable to common unitholders	$0.07	$0.02	$0.13	$0.07
Weighted average number of common units outstanding: (1)				
Basic	127,203	120,534	127,266	120,353
Diluted	127,203	120,534	127,266	120,353
Distributions declared per common unit (1)	$0.29	$0.29	$0.58	$0.58

(1) For the three and six months ended June 30, 2014, amounts have been adjusted retroactively to reflect a 1-for-2 reverse stock split effected December 15, 2014.
The accompanying notes are an integral part of these condensed consolidated financial statements.

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HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
(In thousands)
(Unaudited)

	General Partners' Capital		Limited Partners' Capital		Total Partners'
	Units [(1)]	Amount	Units [(1)]	Amount	Capital
Balance as of December 31, 2013	118,440	$1,387,476	1,527	$13,818	$1,401,294
Issuance of general partner units	771	17,742	—	—	17,742
Share-based award transactions, net	248	2,254	—	—	2,254
Redemptions of general partner units	(29)	(572)	—	—	(572)
Redemption of limited partner units	25	244	(25)	(244)	—
Distributions	—	(68,453)	—	(737)	(69,190)
Net income	—	8,147	—	92	8,239
Balance as of June 30, 2014	119,455	$1,346,838	1,502	$12,929	$1,359,767
Balance as of December 31, 2014	125,087	$1,447,409	2,155	$29,012	$1,476,421
Share-based award transactions, net	155	3,104	(225)	—	3,104
Redemption of general partner units	(48)	(1,298)	—	—	(1,298)
Distributions	—	(72,595)	—	(1,123)	(73,718)
Net income	—	16,096	—	277	16,373
Balance as of June 30, 2015	125,194	$1,392,716	1,930	$28,166	$1,420,882

(1) For the six months ended June 30, 2014, amounts have been adjusted retroactively to reflect a 1-for-2 reverse stock split effected December 15, 2014.
The accompanying notes are an integral part of these condensed consolidated financial statements.

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HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2015	2014
Cash flows from operating activities:		
Net income	$16,430	$8,317
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other	72,905	66,990
Share-based compensation expense	3,104	2,254
Bad debt expense	289	(40)
Impairment	1,655	—
Gain on extinguishment of debt	(121)	(365)
Change in fair value of derivative financial instruments	696	3,421
Changes in operating assets and liabilities:		
Receivables and other assets, net	(3,885)	(2,864)
Accounts payable and accrued liabilities	(12,024)	(2,136)
Security deposits, prepaid rent and other liabilities	8,117	(2,365)
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Capital expenditures	(13,131)	(10,264)
Collection of real estate notes receivable	—	15,000
Restricted cash, escrow deposits and other assets	4,550	(1,236)
Net cash used in investing activities	(232,926)	(119,686)
Cash flows from financing activities:		
Proceeds from unsecured senior notes	—	297,615
Borrowings on unsecured revolving credit facility	361,000	153,000
Payments on unsecured revolving credit facility	(167,000)	(208,000)
Borrowings on unsecured term loans	100,000	—
Payments on secured real estate term loan and mortgage loans	(67,171)	(27,214)
Deferred financing costs	(276)	(3,553)
Security deposits	183	858
Proceeds from issuance of general partner units, net	—	18,016
Repurchase and cancellation of general partner units	(1,298)	(572)
Distributions to general partner	(72,584)	(68,161)
Distributions to limited partners and redeemable noncontrolling interests	(930)	(877)
Net cash provided by financing activities	151,924	161,112
Net change in cash and cash equivalents	6,164	114,638
Cash and cash equivalents - beginning of period	10,413	18,081
Cash and cash equivalents - end of period	$16,577	$132,719

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

HEALTHCARE TRUST OF AMERICA, INC. AND HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise indicated or unless the context requires otherwise the use of the words “we,” “us” or “our” refers to Healthcare Trust of America, Inc. and Healthcare Trust of America Holdings, LP, collectively.

1. Organization and Description of Business

HTA, a Maryland corporation, and HTALP, a Delaware limited partnership, were incorporated or formed, as applicable, on April 20, 2006. HTA operates as a REIT and is the general partner of HTALP, which is the operating partnership. As of June 30, 2015, HTA owned a 98.5% partnership interest and other limited partners, including some of HTA’s directors, executive officers and their affiliates, owned the remaining partnership interest (including the 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. 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.

HTA is one of the largest publicly-traded REITs focused on medical office buildings (“MOBs”) in the United States (“U.S.”) based on gross leasable area (“GLA”). We are primarily focused on acquiring, owning and operating high quality MOBs that are predominantly located on the campuses of, or aligned with, nationally or regionally recognized healthcare systems. In addition, we have strong industry relationships, a stable and diversified tenant mix and an extensive and active acquisition network. Our primary objective is to maximize stockholder value with disciplined growth through strategic investments that provide an attractive risk-adjusted return for our stockholders by consistently increasing our cash flow. In pursuing this objective, we: (i) seek internal growth through proactive asset management, leasing and property management oversight; (ii) target mid-sized acquisitions of MOBs in markets with dominant healthcare systems, and with attractive demographics that complement our existing portfolio; and (iii) actively manage our balance sheet to maintain flexibility with conservative leverage. HTA has qualified to be taxed as a REIT for federal income tax purposes and intends to continue to be taxed as a REIT.

We primarily invest in MOBs that are located on health system campuses, in community-core locations, or around university medical centers which we believe are core, critical real estate. We also focus on our key markets that have certain demographic and macro-economic trends and where we can utilize our institutional property management and leasing platform to generate strong tenant relationships and operating cost efficiencies. Our portfolio consists of MOBs and other facilities that serve the healthcare industry with an aggregate purchase price of $3.6 billion through June 30, 2015.

Effective December 15, 2014, HTA completed a reverse stock split (the “Reverse Stock Split”) of its common stock. As a result of the Reverse Stock Split, every two issued and outstanding shares of common stock were converted into one share of common stock. HTA’s par value and shares authorized remained unchanged. Concurrently with the Reverse Stock Split, HTALP effected a corresponding Reverse Stock Split of its outstanding units of limited partnership interests. The weighted average number of shares/units and per share/unit amounts for the three and six months ended June 30, 2014 have been adjusted retroactively to reflect the Reverse Stock Split.

Our principal executive office is located at 16435 North Scottsdale Road, Suite 320, Scottsdale, Arizona, 85254.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies presented below is designed to assist in understanding our condensed consolidated financial statements. Such condensed consolidated financial statements and the accompanying notes are the representations of our management, who are responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles (“GAAP”), in all material respects, and have been consistently applied in preparing our accompanying condensed consolidated financial statements.

Basis of Presentation

Our accompanying condensed consolidated financial statements include our accounts and those of our subsidiaries and any consolidated variable interest entities (“VIEs”). All inter-company balances and transactions have been eliminated in the accompanying condensed consolidated financial statements.

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HEALTHCARE TRUST OF AMERICA, INC. AND HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Interim Unaudited Financial Data

Our accompanying condensed consolidated financial statements have been prepared by us in accordance with GAAP in conjunction with the rules and regulations of the SEC. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, our accompanying condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Our accompanying condensed consolidated financial statements reflect all adjustments, which are, in our opinion, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. Interim results of operations are not necessarily indicative of the results to be expected for the full year; such results may be less favorable for the full year. Our accompanying condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our 2014 Annual Report on Form 10-K.

Variable Interest Entities

During 2014, we made loans totaling $80.5 million to five entities to acquire MOBs in order to facilitate potential Internal Revenue Code Section 1031 tax-deferred exchanges (the “Exchanges”). As of December 31, 2014, our consolidated financial statements included the five VIEs as we were deemed to be the primary beneficiary. During the three months ended June 30, 2015, we elected not to consummate the five outstanding Exchanges and accordingly the rights to the title and interests of the MOBs were transferred to us.

Real Estate Investments

Depreciation expense of buildings and improvements for the three months ended June 30, 2015 and 2014, was $24.7 million and $21.0 million, respectively. Depreciation expense of buildings and improvements for the six months ended June 30, 2015 and 2014, was $48.0 million and $42.4 million, respectively.

Recoverability of Real Estate Investments

Operating properties are evaluated for potential impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment losses are recorded when indicators of impairment are present and the carrying amount of the asset is greater than the sum of future undiscounted cash flows expected to be generated by that asset over the remaining expected holding period. We would recognize an impairment loss when the carrying amount is not recoverable to the extent the carrying amount exceeds the fair value of the property. The fair value is generally based on discounted cash flow analyses, based on executed sales agreements or management’s best estimate of market comparables, future occupancy levels, rental rates, capitalization rates, lease-up periods and capital requirements. See Note 4 for further discussion.

Recently Issued or Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (i.e., payment) to which the company expects to be entitled in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. In July 2015, the FASB deferred the effective date of ASU 2014-09 to the first interim period within annual reporting periods beginning after December 15, 2017 along with the ability to early adopt as of the original effective date. We do not anticipate early adoption and are still evaluating the impact of adopting ASU 2014-09 on our financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation - Amendments to the Consolidation Analysis (Topic 810). ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. The amendments in ASU 2015-02 affect the following areas: (i) limited partnerships and similar legal entities; (ii) evaluating fees paid to a decision maker or a service provider as a variable interest; (iii) the effect of fee arrangements on the primary beneficiary determination; (iv) the effect of related parties on the primary beneficiary determination; and (v) certain investment funds. ASU 2015-02 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015 with early adoption permitted. We do not believe ASU

2015-02 will have a significant impact on our financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30). ASU 2015-03 changes the presentation of debt issuance costs by requiring these costs related to a recognized debt liability to be presented in the consolidated balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by these amendments. ASU 2015-03 is effective for the fiscal years beginning after December 15, 2015, and requires retrospective application. We are still evaluating the impact of adopting ASU 2015-03 on our financial statements.

3. Business Combinations

For the six months ended June 30, 2015, our acquisitions had an aggregate purchase price of $225.5 million. We incurred $1.0 million of costs attributable to these acquisitions, which were recorded in acquisition-related expenses in the accompanying condensed consolidated statements of operations.

Since the acquisitions were determined to be individually not significant, but significant on a collective basis, the allocations for the 2015 acquisitions are set forth below in the aggregate (in thousands):

Acquisitions through June 30, 2015	Total	
Land	$11,240	
Building and improvements	200,071	
Below market leasehold interests	2,350	
Above market leases	3,279	
In place leases	19,403	
Below market leases	(5,912	)
Above market leasehold interests	(6,086	)
Net assets acquired	224,345	
Other, net	1,165	
Aggregate purchase price	$225,510	

The acquired intangible assets and liabilities, referenced above, had weighted average lives of 15.5 years and 47.0 years, respectively.

The acquisitions completed during the six months ended June 30, 2014 were determined to be individually not significant, but significant on a collective basis. The allocations for these acquisitions are set forth below in the aggregate (in thousands):

Acquisitions through June 30, 2014	Total	
Land	$46,102	
Building and improvements	153,186	
Below market leasehold interests	98	
Above market leases	871	
In place leases	15,112	
Below market leases	(674	)
Above market debt, net	(2,664	)
Net assets acquired	212,031	
Other, net	(531	)
Aggregate purchase price	$211,500	

The acquired intangible assets and liabilities, referenced above, had weighted average lives of 11.1 years and 9.4 years, respectively.

4. Impairment and Dispositions

During the six months ended June 30, 2015, we recorded an impairment charge of $1.7 million on a MOB that was being marketed for sale. In July 2015, we completed the disposition of this building and a separate portfolio of MOBs for an aggregate gross sales price of $34.9 million. These dispositions did not meet the requirements to be classified as held for sale as of June 30, 2015, as due diligence was on-going and the completion of the sales were not reasonably assured as of the end of the quarter.

HEALTHCARE TRUST OF AMERICA, INC. AND HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

5. Intangible Assets and Liabilities

Intangible assets and liabilities consisted of the following as of June 30, 2015 and December 31, 2014 (in thousands, except weighted average remaining amortization period):

	June 30, 2015		December 31, 2014		
	Balance	Weighted Average Remaining Amortization Period in Years	Balance	Weighted Average Remaining Amortization Period in Years	Balance Sheet Classification
Assets:					
In place leases	$249,330	9.2	$231,370	8.8	Lease intangibles
Tenant relationships	185,888	10.4	187,918	10.3	Lease intangibles
Above market leases	29,944	5.8	26,676	5.5	Other intangibles, net
Below market leasehold interests	35,300	64.1	32,950	67.3	Other intangibles, net
	500,462		478,914		
Accumulated amortization	(204,760)		(182,149)		
Total	$295,702	15.4	$296,765	15.2	
Liabilities:					
Below market leases	$20,043	19.1	$14,188	11.5	Intangible liabilities, net
Above market leasehold interests	9,943	52.5	3,857	32.1	Intangible liabilities, net
	29,986		18,045		
Accumulated amortization	(6,401)		(5,620)		
Total	$23,585	32.4	$12,425	17.1	

The following is a summary of the net intangible amortization for the three and six months ended June 30, 2015 and 2014 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Amortization recorded against rental income related to above or below market leases	$444	$509	$919	$1,029
Rental expense related to above or below market leasehold interests	128	98	233	246
Amortization expense related to in place leases and tenant relationships	12,149	11,699	24,105	24,181

6. Receivables and Other Assets

Receivables and other assets consisted of the following as of June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015	December 31, 2014
Accounts receivables, net	$20,631	$16,468
Other receivables	8,313	10,639
Deferred financing costs, net	15,528	16,929
Deferred leasing costs, net	18,086	17,281
Straight-line rent receivables, net	61,731	56,433
Prepaid expenses, deposits, equipment and other, net	23,203	24,642
Derivative financial instruments - interest rate swaps	851	1,714

Total	$148,343	$144,106

The following is a summary of amortization of deferred leasing costs and deferred financing costs for the three and six months ended June 30, 2015 and 2014 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Amortization expense related to deferred leasing costs	$942	$815	$1,928	$1,689
Interest expense related to deferred financing costs	841	629	1,683	1,595

7. Debt

Debt consisted of the following as of June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015	December 31, 2014
Unsecured revolving credit facility	$230,000	$36,000
Unsecured term loans	455,000	355,000
Unsecured senior notes	600,000	600,000
Fixed rate mortgages	325,464	392,399
Variable rate mortgages	29,238	29,474
	1,639,702	1,412,873
Net discount	(701)	(412)
Total	$1,639,001	$1,412,461

Unsecured Credit Agreement

Unsecured Revolving Credit Facility

On February 11, 2015, HTA and HTALP executed an amendment to the unsecured revolving credit and term loan facility (the "Unsecured Credit Agreement") which added an additional lender and increased the amount available under the unsecured revolving credit facility from $800.0 million to $850.0 million. The other existing terms of the Unsecured Credit Agreement were unchanged. The actual amount of credit available to us is a function of certain loan-to-value and debt service coverage ratios set forth in the credit facility. The maximum principal amount of the credit facility may be increased, subject to additional financing being provided by our existing lenders or new lenders being added to the unsecured revolving credit facility. The unsecured revolving credit facility matures on January 31, 2020.

Borrowings under the unsecured revolving credit facility accrue interest equal to adjusted LIBOR, plus a margin ranging from 0.875% to 1.55% per annum based on our credit rating. We also pay a facility fee ranging from 0.125% to 0.30% per annum on the aggregate commitments under the unsecured revolving credit facility. As of June 30, 2015, the margin associated with our borrowings was 1.05% per annum and the facility fee was 0.20% per annum.

Unsecured Term Loan

As of June 30, 2015, we had a $300.0 million unsecured term loan outstanding that was guaranteed by HTA. During the six months ended June 30, 2015, we borrowed an additional $100.0 million. Borrowings accrue interest equal to adjusted LIBOR, plus a margin ranging from 0.90% to 1.80% per annum based on our credit rating. The margin associated with our borrowings as of June 30, 2015 was 1.15% per annum. Including the impact of the interest rate swaps associated with our unsecured term loan, the interest rate was 1.56% per annum, based on our current credit rating. The unsecured term loan matures on January 31, 2019 and includes a one-year extension, at the option of the borrower, subject to certain conditions.

$155.0 Million Unsecured Term Loan

As of June 30, 2015, HTALP had a $155.0 million unsecured term loan outstanding that is guaranteed by HTA. The loan matures on July 19, 2019 and the interest rate thereon is equal to LIBOR, plus a margin ranging from 1.55% to 2.40% per annum based on our credit rating. The margin associated with our borrowings as of June 30, 2015 was 1.70% per annum. We have interest rate swaps in place that fix the interest rate at 2.99% per annum, based on our current credit rating. The maximum principal amount under this unsecured term loan may be increased by us, subject to such additional financing being provided by our existing lender.

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HEALTHCARE TRUST OF AMERICA, INC. AND HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

$300.0 Million Unsecured Senior Notes due 2021

As of June 30, 2015, HTALP had $300.0 million of unsecured senior notes outstanding that are guaranteed by HTA and mature on July 15, 2021. The unsecured senior notes are registered under the Securities Act of 1933, as amended (the “Securities Act”), bear interest at 3.375% per annum and are payable semi-annually. The unsecured senior notes were offered at 99.205% of the principal amount thereof, with an effective yield to maturity of 3.50% per annum.

$300.0 Million Unsecured Senior Notes due 2023

As of June 30, 2015, HTALP had $300.0 million of unsecured senior notes outstanding that are guaranteed by HTA and mature on April 15, 2023. The unsecured senior notes are registered under the Securities Act, bear interest at 3.70% per annum and are payable semi-annually. The unsecured senior notes were offered at 99.186% of the principal amount thereof, with an effective yield to maturity of 3.80% per annum.

Fixed and Variable Rate Mortgages

As of June 30, 2015, HTALP and its subsidiaries had fixed and variable rate mortgages with interest rates ranging from 1.64% to 6.49% per annum and a weighted average interest rate of 5.33% per annum. Including the impact of the interest rate swap associated with our variable rate mortgage, the weighted average interest rate was 5.60% per annum.

Future Debt Maturities

The following table summarizes the debt maturities and scheduled principal repayments of our indebtedness as of June 30, 2015 (in thousands):

Year	Amount
2015	$10,802
2016	69,657
2017	116,626
2018	14,429
2019	464,280
Thereafter	963,908
Total	$1,639,702

The above scheduled debt maturities do not include the extension available to us under the Unsecured Credit Agreement as discussed above.

We are required by the terms of our applicable debt agreements to meet various affirmative and negative covenants that we believe are customary for these types of facilities, such as limitations on the incurrence of debt by us and our subsidiaries that own unencumbered assets, limitations on the nature of HTALP’s business, and limitations on distributions by HTALP and its subsidiaries that own unencumbered assets. Our debt agreements also impose various financial covenants on us, such as a maximum ratio of total indebtedness to total asset value, a minimum ratio of EBITDA to fixed charges, a minimum tangible net worth covenant, a maximum ratio of unsecured indebtedness to unencumbered asset value, rent coverage ratios and a minimum ratio of unencumbered Net Operating Income (“NOI”) to unsecured interest expense. As of June 30, 2015, we believe that we were in compliance with all such financial covenants and reporting requirements. In addition, certain of our debt agreements include events of default provisions that we believe are customary for these types of facilities, including restricting HTA from making dividend distributions to its stockholders in the event HTA is in default thereunder, except to the extent necessary for HTA to maintain its REIT status.

8. Derivative Financial Instruments

The following table lists the derivative financial instrument assets and (liabilities) held by us as of June 30, 2015 (in thousands):

Notional Amount	Index	Rate	Fair Value	Instrument	Maturity
$100,000	LIBOR	0.86%	$(430)	Swap	6/15/2016
50,000	LIBOR	1.39	62	Swap	7/17/2019
105,000	LIBOR	1.24	789	Swap	7/17/2019
26,486	LIBOR + 1.45%	4.98	(2,291)	Swap	5/1/2020

HEALTHCARE TRUST OF AMERICA, INC. AND HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table lists the derivative financial instrument assets and (liabilities) held by us as of December 31, 2014 (in thousands):

Notional Amount	Index	Rate	Fair Value	Instrument	Maturity
$100,000	LIBOR	0.86 %	$(443)	Swap	6/15/2016
50,000	LIBOR	1.39	317	Swap	7/17/2019
105,000	LIBOR	1.24	1,397	Swap	7/17/2019
26,874	LIBOR + 1.45%	4.98	(2,445)	Swap	5/1/2020

As of June 30, 2015 and December 31, 2014, the gross fair value of our derivative financial instruments was as follows (in thousands):

	Asset Derivatives			Liability Derivatives		
		Fair Value			Fair Value	
Derivatives Not Designated as Hedging Instruments:	Balance Sheet Location	June 30, 2015	December 31, 2014	Balance Sheet Location	June 30, 2015	December 31, 2014
Interest rate swaps	Receivables and other assets	$851	$1,714	Derivative financial instruments	$2,721	$2,888

There were no derivatives offset in our accompanying condensed consolidated balance sheets as of June 30, 2015 and December 31, 2014. As of June 30, 2015 and December 31, 2014, we had derivatives subject to enforceable master netting arrangements which allowed for net cash settlement with the respective counterparties (in thousands):

	June 30, 2015			December 31, 2014		
	Gross Amounts	Amounts Subject to Enforceable Master Netting Arrangements	Net Amounts	Gross Amounts	Amounts Subject to Enforceable Master Netting Arrangements	Net Amounts
Asset derivatives	$851	$—	$851	$1,714	$—	$1,714
Liability derivatives	2,721	—	2,721	2,888	—	2,888

We have agreements with each of our interest rate swap derivative counterparties that contain a provision whereby if we default on certain of our unsecured indebtedness, then our counterparties could declare us in default on our interest rate swap derivative obligations resulting in an acceleration of the indebtedness. In addition, we are exposed to credit risk in the event of non-performance by our derivative counterparties. We believe we mitigate the credit risk by entering into agreements with credit-worthy counterparties. We record counterparty credit risk valuation adjustments on interest rate swap derivative assets in order to properly reflect the credit quality of the counterparty. In addition, our fair value of interest rate swap derivative liabilities is adjusted to reflect the impact of our credit quality. As of June 30, 2015, there have been no termination events or events of default related to our interest rate swaps.

9. Stockholders' Equity and Partners' Capital

HTALP's partnership agreement provides that it will distribute cash flows from operations and net sale proceeds to its partners in accordance with their overall ownership interests at such times and in such amounts as the general partner determines. Dividend distributions are made such that a holder of one partnership unit in HTALP will receive distributions from HTALP in an amount equal to the dividend distributions paid to the holder of one share of HTA's common stock. In addition, for each share of common stock issued or redeemed by HTA, HTALP issues or redeems a corresponding number of partnership units.

Common Stock Offerings

On February 28, 2014, HTA amended the at-the-market (“ATM”) offering program of its common stock with an aggregate sales price of up to $300.0 million, primarily to add sales agents to the program. During the six months ended June 30, 2015, HTA did not issue and sell any shares of its common stock under the ATM offering program and as of June 30, 2015, $256.6 million remained available for issuance under the ATM. In July 2015, HTA issued and sold 1,800,000 shares of common stock, at an average price of $25.00 per share.

Common Stock Dividends

See our accompanying condensed consolidated statements of operations for the dividends declared during three and six months ended June 30, 2015 and 2014.

Incentive Plan

HTA's Amended and Restated 2006 Incentive Plan (the "Plan") permits the grant of incentive awards to our employees, officers, non-employee directors and consultants as selected by our Board of Directors. The Plan authorizes the granting of awards in any of the following forms: options; stock appreciation rights; restricted stock; restricted or deferred stock units; performance awards; dividend equivalents; other stock-based awards, including units in HTALP; and cash-based awards. Subject to adjustment as provided in the Plan, the aggregate number of awards reserved and available for issuance under the Plan is 5,000,000. As of June 30, 2015, there were 2,135,810 awards available for grant under the Plan.

LTIP Units

Awards under the LTIP consist of Series C units in HTALP, and are subject to the achievement of certain performance and market conditions in order to vest. Once vested, the Series C units are converted into common units of HTALP, which may be converted into shares of HTA's common stock. The LTIP awards were fully expensed in 2013, except for 225,000 units with a grant date fair value of $20.00 per unit that would only vest in the event of a change in control prior to May 16, 2015. These units were forfeited in May 2015.

Restricted Common Stock

For the three and six months ended June 30, 2015, we recognized compensation expense of $1.2 million and $3.1 million, respectively, which was recorded in general and administrative expenses. For the three and six months ended June 30, 2014, we recognized compensation expense of $0.9 million and $2.3 million, respectively, which was recorded in general and administrative expenses.

As of June 30, 2015, there was $5.5 million of unrecognized compensation expense net of estimated forfeitures, which will be recognized over a remaining weighted average period of 1.8 years.

The following is a summary of the activity in our restricted common stock during 2015:

	Restricted Common Stock	Weighted Average Grant Date Fair Value
Balance as of December 31, 2014	463,050	$20.90
Granted	174,948	26.95
Vested	(114,529)	21.89
Forfeited	(19,898)	22.75
Balance as of June 30, 2015	503,571	$22.63

10. Fair Value of Financial Instruments

Financial Instruments Reported at Fair Value - Recurring

The table below presents our assets and liabilities measured at fair value on a recurring basis as of June 30, 2015, aggregated by the applicable Level in the fair value hierarchy (in thousands):

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Derivative financial instruments	$—	$851	$—	$851
Liabilities:				
Derivative financial instruments	$—	$2,721	$—	$2,721

The table below presents our assets and liabilities measured at fair value on a recurring basis as of December 31, 2014, aggregated by the applicable Level in the fair value hierarchy (in thousands):

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Derivative financial instruments	$—	$1,714	$—	$1,714
Liabilities:				
Derivative financial instruments	$—	$2,888	$—	$2,888

Financial Instruments Reported at Fair Value - Non-Recurring

The table below presents our assets measured at fair value on a non-recurring basis as of June 30, 2015, aggregated by the applicable Level in the fair value hierarchy (in thousands). There were no assets measured at fair value on a non-recurring basis in 2014.

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
MOB (1)	$—	$973	$—	$973

(1) During the three months ended June 30, 2015, we recognized a $1.7 million impairment charge to the carrying value of a MOB. The estimate of fair value as of June 30, 2015 was based upon a pending sales agreement on this MOB. In July 2015, we completed the disposition of this MOB.

There have been no transfers of assets or liabilities between Levels. We will record any such transfers at the end of the reporting period in which a change of event occurs that results in a transfer. Although we have determined that the majority of the inputs used to value our interest rate swap derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with these instruments utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our interest rate swap derivative positions and have determined that the credit valuation adjustments are not significant to their overall valuation. As a result, we have determined that our interest rate swap derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Financial Instruments Disclosed at Fair Value

We consider the carrying values of cash and cash equivalents, accounts and other receivables, restricted cash and escrow deposits and accounts payable and accrued liabilities to approximate fair value for these financial instruments because of the short period of time between origination of the instruments and their expected realization. All of these financial instruments are considered Level 2.

The fair value of debt is estimated using borrowing rates available to us with similar terms and maturities which is considered a Level 2 input. As of June 30, 2015, the fair value of the debt was $1,665.2 million compared to the carrying value of $1,639.0 million. As of December 31, 2014, the fair value of the debt was $1,447.4 million compared to the carrying value of $1,412.5 million.

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11. Per Share Data of HTA

HTA includes unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents as "participating securities" pursuant to the two-class method. The resulting classes are our common stock and restricted stock. For the three and six months ended June 30, 2015 and 2014, all of HTA's earnings were distributed and the calculated earnings per share amount would be the same for all classes.

The following is the reconciliation of the numerator and denominator used in basic and diluted earnings per share of HTA common stock for the three and six months ended June 30, 2015 and 2014 (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator:				
Net income	$9,488	$2,883	$16,430	$8,317
Net income attributable to noncontrolling interests	(196)	(28)	(334)	(170)
Net income attributable to common stockholders	$9,292	$2,855	$16,096	$8,147
Denominator: (1)				
Weighted average number of shares outstanding - basic	125,194	119,012	125,184	118,829
Dilutive shares	1,930	1,263	1,930	1,265
Weighted average number of shares outstanding - diluted	127,124	120,275	127,114	120,094
Earnings per common share - basic (1)				
Net income attributable to common stockholders	$0.07	$0.02	$0.13	$0.07
Earnings per common share - diluted (1)				
Net income attributable to common stockholders	$0.07	$0.02	$0.13	$0.07

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

12. Per Unit Data of HTALP

The following is the reconciliation of the numerator and denominator used in basic and diluted earnings per unit of HTALP for the three and six months ended June 30, 2015 and 2014 (in thousands, except per unit data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator:				
Net income	$9,488	$2,883	$16,430	$8,317
Net income attributable to noncontrolling interests	(24)	(40)	(57)	(78)
Net income attributable to common unitholders	$9,464	$2,843	$16,373	$8,239
Denominator: (1)				
Weighted average number of units outstanding - basic	127,203	120,534	127,266	120,353
Dilutive units	—	—	—	—
Weighted average number of units outstanding - diluted	127,203	120,534	127,266	120,353
Earnings per common unit - basic: (1)				
Net income attributable to common unitholders	$0.07	$0.02	$0.13	$0.07
Earnings per common unit - diluted: (1)				
Net income attributable to common unitholders	$0.07	$0.02	$0.13	$0.07

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

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13. Supplemental Cash Flow Information

The following is the supplemental cash flow information for the six months ended June 30, 2015 and 2014 (in thousands):

	Six Months Ended June 30,	
	2015	2014
Interest paid	$26,684	$21,688
Income taxes paid	541	738
Supplemental Disclosure of Noncash Activities:		
Investing Activities:		
Accrued capital expenditures	$2,839	$454
The following represents the significant increase (decrease) in certain assets and liabilities in connection with our acquisitions:		
Debt and interest rate swaps	$—	$88,845
Financing Activities:		
Dividend distributions declared, but not paid	$36,307	$34,365

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

The use of the words “we,” “us” or “our” refers to HTA and HTALP, collectively.

The following discussion should be read in conjunction with our condensed consolidated financial statements and notes appearing elsewhere in this Quarterly Report on Form 10-Q, as well as with the audited consolidated financial statements, accompanying notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our 2014 Annual Report on Form 10-K. Such condensed consolidated financial statements and information have been prepared to reflect HTA’s and HTALP’s financial position as of June 30, 2015 and December 31, 2014, together with results of operations and cash flows for the three and six months ended June 30, 2015 and 2014.

The information set forth below is intended to provide readers with an understanding of our financial condition, changes in financial condition and results of operations.

- Forward-Looking Statements;
- Executive Summary;
- Company Highlights;
- Critical Accounting Policies;
- Recently Issued or Adopted Accounting Pronouncements;
- Factors Which May Influence Results of Operations;
- Results of Operations;
- Non-GAAP Financial Measures;
- Liquidity and Capital Resources;
- Commitments and Contingencies;
- Debt Service Requirements;
- Off-Balance Sheet Arrangements;
- Inflation; and
- Federal Income Tax Changes and Updates for Incorporation in Existing Registration Statements.

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the safe harbor from civil liability provided for such statements by the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”)). Such statements include, in particular, statements about our plans, strategies and prospects and estimates regarding future MOB market performance. Additionally, such statements are subject to certain risks and uncertainties, as well as known and unknown risks, which could cause actual results to differ materially and in adverse ways from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods. Forward-looking statements are generally identifiable by the use of such terms as “expect,” “project,” “may,” “should,” “could,” “would,” “intend,” “plan,” “anticipate,” “estimate,” “believe,” “co “predict,” “potential,” “pro forma” or the negative of such terms and other comparable terminology. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this Quarterly Report on Form 10-Q is filed with the SEC. We cannot guarantee the accuracy of any such forward-looking statements contained in this Quarterly Report on Form 10-Q, and we do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

Any such forward-looking statements reflect our current views about future events, are subject to unknown risks, uncertainties, and other factors, and are based on a number of assumptions involving judgments with respect to, among other things, future economic, competitive and market conditions, all of which are difficult or impossible to predict accurately. To the extent that our assumptions differ from actual results, our ability to meet such forward-looking statements, including our ability to generate positive cash flow from operations, provide dividends to stockholders and maintain the value of our real estate properties, may be significantly hindered. Factors that might impair our ability to meet such forward-looking statements include, without limitation, those discussed in Part I, Item 1A - Risk Factors in our 2014 Annual Report on Form 10-K, which is incorporated herein.

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Forward-looking statements express expectations of future events. All forward-looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties that could cause actual events or results to differ materially from those projected. Due to these inherent uncertainties, our stockholders are urged not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date made. In addition, we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to projections over time, except as required by law.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning us and our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

Executive Summary

HTA is one of the largest publicly-traded REITs focused on MOBs in the U.S. based on GLA. HTA conducts substantially all of its operations through HTALP. We are primarily focused on acquiring, owning and operating high quality MOBs that are predominantly located on the campuses of, or aligned with, nationally or regionally recognized healthcare systems. Our primary objective is to maximize stockholder value with disciplined growth through strategic investments and to provide an attractive risk-adjusted return for our stockholders by consistently increasing our cash flow. In pursuing this objective we: (i) generate internal growth through proactive asset management, leasing and property management; (ii) target accretive investments in MOBs that are on the campuses of, or aligned with, healthcare systems and located in markets with attractive demographics that complement our existing portfolio; and (iii) actively manage our balance sheet to maintain flexibility with low leverage.

Since 2006, we have invested $3.6 billion to create a portfolio of MOBs and other healthcare assets totaling approximately 15.4 million square feet of GLA throughout the U.S. Approximately 96% of our portfolio, based on GLA, is located on the campuses of, or aligned with, nationally or regionally recognized healthcare systems. We continue to focus on building relationships with strong tenants and healthcare systems that are leaders in their markets. The leased rate for our portfolio was 91.7% (includes leases which have been executed, but which have not yet commenced) and the occupancy rate was 91.1% as of June 30, 2015. Approximately 60% of our annualized base rent as of June 30, 2015 was derived from tenants that have (or whose parent companies have) a credit rating from a nationally recognized rating agency.

Our portfolio is diversified geographically across 28 states, with no state having more than 13% of our total GLA as of June 30, 2015. We are concentrated in locations that we have determined to be strategic based on demographic trends and projected demand for MOBs, and we expect to continue to invest in these markets. We have concentrations in the following key markets: Albany, Atlanta, Boston, Charleston, Dallas, Denver, Greenville, Honolulu, Houston, Indianapolis, Miami, Orlando, Phoenix, Pittsburgh, Raleigh, Tampa and White Plains.

Company Highlights

Portfolio Operating Performance

- For the three months ended June 30, 2015, we had net income of $9.5 million, compared to $2.9 million for the three months ended June 30, 2014. For the six months ended June 30, 2015, we had net income of $16.4 million, compared to $8.3 million for the six months ended June 30, 2014.
- For the three months ended June 30, 2015, HTA's Normalized FFO was $0.38 per diluted share, or $48.5 million, an increase of $0.02 per diluted share, or 6%, compared to the three months ended June 30, 2014. For the three months ended June 30, 2015, HTALP's Normalized FFO was $0.38 per diluted unit, or $48.5 million, an increase of $0.02 per diluted unit, or 6%, compared to the three months ended June 30, 2014.
- For the six months ended June 30, 2015, HTA's Normalized FFO was $0.75 per diluted share, or $95.2 million, an increase of $0.03 per diluted share, or 4%, compared to the six months ended June 30, 2014. For the six months ended June 30, 2015, HTALP's Normalized FFO was $0.75 per diluted unit, or $95.2 million, an increase of $0.04 per diluted unit, or 6%, compared to the six months ended June 30, 2014.
- For additional information on Normalized FFO, see "FFO and Normalized FFO" below, which includes a reconciliation to net income attributable to common stockholders/unitholders and an explanation of why we present this non-GAAP financial measure.

- For the three months ended June 30, 2015, our total revenue increased 10.8%, or $9.6 million, to $99.3 million, compared to the three months ended June 30, 2014. For the six months ended June 30, 2015, our total revenue increased 9.3%, or $16.9 million, to $197.8 million, compared to the six months ended June 30, 2014