HEALTHCARE TRUST OF AMERICA, INC.
Form 10-Q
August 15, 2011

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

FORM 10-Q

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

For the quarterly period ended June 30, 2011

Or

o **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: 000-53206

Healthcare Trust of America, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**20-4738467**
(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)	(Zip Code)

(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.

þ Yes o 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).

þ Yes o 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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	o		Accelerated filer	o
Non-accelerated filer	þ	(Do not check if a smaller reporting company)	Smaller reporting company	o

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

As of August 10, 2011, there were 227,263,912 shares of common stock of Healthcare Trust of America, Inc. outstanding.

Healthcare Trust of America, Inc.
(A Maryland Corporation)
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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Healthcare Trust of America, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2011 and December 31, 2010
(Unaudited)

	June 30, 2011	December 31, 2010
ASSETS		
Real estate investments, net:		
Operating properties, net	$ 1,774,259,000	$ 1,772,923,000
Properties classified as held for sale, net	24,540,000	24,540,000
Total real estate investments, net	1,798,799,000	1,797,463,000
Real estate notes receivable, net	58,264,000	57,091,000
Cash and cash equivalents	154,287,000	29,270,000
Accounts and other receivables, net	13,190,000	16,385,000
Restricted cash and escrow deposits	15,106,000	26,679,000
Identified intangible assets, net	286,957,000	300,587,000
Non-real estate assets of properties held for sale	3,768,000	3,768,000
Other assets, net	49,957,000	40,552,000
Total assets	$ 2,380,328,000	$ 2,271,795,000
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage and secured term loans payable, net	$ 667,540,000	$ 699,526,000
Outstanding balance on unsecured revolving credit facility		7,000,000
Accounts payable and accrued liabilities	46,509,000	43,033,000
Derivative financial instruments interest rate swaps	1,685,000	1,527,000
Security deposits, prepaid rent and other liabilities	19,750,000	16,168,000
Identified intangible liabilities, net	12,307,000	13,059,000
Liabilities of properties held for sale	369,000	369,000
Total liabilities	748,160,000	780,682,000
Commitments and contingencies (Note 11)		
Redeemable noncontrolling interest of limited partners	3,775,000	3,867,000
Equity:		
Stockholders equity:		
Preferred stock, $0.01 par value; 200,000,000 shares authorized; none issued and outstanding		

Common stock, $0.01 par value; 1,000,000,000 shares authorized; 226,511,511 and 202,643,705 shares issued and outstanding as of June 30, 2011 and December 31, 2010, respectively		2,267,000		2,026,000
Additional paid-in capital		2,012,448,000		1,795,413,000
Accumulated deficit		(386,322,000)		(310,193,000)
Total stockholders equity		1,628,393,000		1,487,246,000
Total liabilities and equity	$	2,380,328,000	$	2,271,795,000

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
For the Three and Six Months Ended June 30, 2011 and 2010
(Unaudited)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenues:				
Rental income	$ 65,636,000	$ 44,873,000	$ 134,049,000	$ 87,182,000
Interest income from mortgage notes receivable and other income	1,648,000	1,649,000	3,297,000	4,288,000
Total revenues	67,284,000	46,522,000	137,346,000	91,470,000
Expenses:				
Rental expenses	21,629,000	16,000,000	45,401,000	30,585,000
General and administrative	6,755,000	3,070,000	14,063,000	6,675,000
Acquisition-related expenses (Note 3)	361,000	2,602,000	1,423,000	5,826,000
Depreciation and amortization	26,701,000	18,296,000	53,451,000	35,302,000
Total expenses	55,446,000	39,968,000	114,338,000	78,388,000
Income before other income (expense)	11,838,000	6,554,000	23,008,000	13,082,000
Other income (expense):				
Interest expense (including amortization of deferred financing costs and debt premium/discount):				
Interest expense related to mortgage loans payable, credit facility, and derivative financial instruments	(10,319,000)	(8,815,000)	(20,665,000)	(17,691,000)
Net (loss) gain on change in fair value of derivative financial instruments	(1,078,000)	2,095,000	(574,000)	3,656,000
Interest and dividend income	26,000	34,000	144,000	50,000
Income (loss) from continuing operations	467,000	(132,000)	1,913,000	(903,000)
Discontinued operations:				
Income from discontinued operations	695,000	377,000	1,439,000	666,000
Net income (loss)	1,162,000	245,000	3,352,000	(237,000)
Less: Net (income) loss attributable to noncontrolling interest of limited partners	9,000	(1,000)	(31,000)	(65,000)
Net income (loss) attributable to controlling interest	$ 1,171,000	$ 244,000	$ 3,321,000	$ (302,000)

Net income (loss) per share attributable to controlling interest on distributed and undistributed earnings basic and diluted:								
Continuing operations	$	0.01	$	0.00	$	0.01	$	0.00
Discontinued operations	$	0.00	$	0.00	$	0.00	$	0.00
Net income (loss) per share attributable to controlling interest	$	0.01	$	0.00	$	0.01	$	0.00
Weighted average number of shares outstanding								
Basic		228,340,776		154,594,418		221,606,526		149,990,622
Diluted		228,800,828		154,815,137		222,066,578		149,990,622

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
For the Six Months Ended June 30, 2011 and 2010
(Unaudited)

	Stockholders Equity				
	Common Stock				
	Number of Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total Equity
BALANCE December 31, 2009	140,590,686	$ 1,405,000	$ 1,251,996,000	$ (182,084,000)	$ 1,071,317,000
Issuance of common stock	21,404,471	212,000	206,617,000		206,829,000
Offering costs			(23,784,000)		(23,784,000)
Issuance of restricted common stock	150,000	2,000	1,498,000		1,500,000
Amortization of nonvested share based compensation			365,000		365,000
Issuance of common stock under the DRIP	2,743,824	27,000	26,039,000		26,066,000
Repurchase of common stock	(2,019,832)	(20,000)	(19,138,000)		(19,158,000)
Distributions				(54,300,000)	(54,300,000)
Adjustment to redeemable noncontrolling interests			(26,000)	301,000	275,000
Net loss attributable to controlling interest				(302,000)	(302,000)
BALANCE June 30, 2010	162,869,149	$ 1,626,000	$ 1,443,567,000	$ (236,385,000)	$ 1,208,808,000
BALANCE December 31, 2010	202,643,705	$ 2,026,000	$ 1,795,413,000	$ (310,193,000)	$ 1,487,246,000
Issuance of common stock	21,767,175	220,000	211,410,000		211,630,000
Offering costs			(15,355,000)		(15,355,000)
Issuance of restricted common stock	25,000				
Amortization of nonvested share based compensation			1,542,000		1,542,000
Issuance of common stock under the DRIP	3,909,772	39,000	37,104,000		37,143,000
Repurchase of common stock	(1,834,141)	(18,000)	(17,666,000)		(17,684,000)

Distributions				(79,450,000)	(79,450,000)
Net income attributable to controlling interest				3,321,000	3,321,000
BALANCE June 30, 2011	226,511,511	$ 2,267,000	$ 2,012,448,000	$ (386,322,000)	$ 1,628,393,000

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

Healthcare Trust of America, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2011 and 2010
(Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 3,352,000	$ (237,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization (including deferred financing costs, above/below market leases, debt premium/discount, leasehold interests, deferred rent, note receivable closing costs and discount, and lease inducements)	51,073,000	32,554,000
Stock based compensation, net of forfeitures	1,542,000	365,000
Bad debt expense	454,000	97,000
Change in fair value of derivative financial instruments	574,000	(4,643,000)
Changes in operating assets and liabilities:		
Accounts and other receivables, net	2,798,000	(1,240,000)
Other assets	(2,129,000)	772,000
Accounts payable and accrued liabilities	2,594,000	7,947,000
Accounts payable due to affiliates, net		(3,769,000)
Security deposits, prepaid rent and other liabilities	528,000	(70,000)
Net cash provided by operating activities	60,786,000	31,776,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of real estate operating properties	(29,733,000)	(193,325,000)
Capital expenditures	(5,886,000)	(11,043,000)
Escrow deposits	(2,890,000)	(19,070,000)
Release of restricted cash	14,463,000	
Real estate deposits		(2,984,000)
Real estate deposits paid	(2,000,000)	
Real estate deposits used	3,500,000	
Net cash used in investing activities	(22,546,000)	(226,422,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on mortgage loans payable	125,500,000	45,875,000
Purchase of noncontrolling interest		(3,900,000)
Payments on unsecured revolving credit facility	(7,000,000)	
Payments on mortgage loans payable	(163,907,000)	(27,726,000)
Proceeds from issuance of common stock	211,630,000	209,359,000
Deferred financing costs	(3,261,000)	(1,383,000)
Security deposits	231,000	539,000
Repurchase of common stock	(17,684,000)	(19,158,000)

Payment of offering costs		(17,627,000)		(23,784,000)
Distributions		(41,011,000)		(27,204,000)
Distributions to noncontrolling interest limited partner		(94,000)		(87,000)
Net cash provided by financing activities		86,777,000		152,531,000
NET CHANGE IN CASH AND CASH EQUIVALENTS		125,017,000		(42,115,000)
CASH AND CASH EQUIVALENTS Beginning of period		29,270,000		219,001,000
CASH AND CASH EQUIVALENTS End of period	$	154,287,000	$	176,886,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for:				
Interest	$	23,310,000	$	14,659,000
Income taxes	$	576,000	$	217,000
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:				
Investing activities:				
Accrued capital expenditures	$	2,325,000	$	4,452,000
The following represents significant activities in connection with our acquisitions of real estate investments:				
Assumed mortgage loans payable, net	$	6,657,000	$	40,067,000
Net change in security deposits, prepaid rent, and other liabilities	$		$	12,227,000
Issuance of operating partnership units in connection with Fannin acquisition	$		$	1,557,000
Financing activities:				
Issuance of common stock under the DRIP	$	37,143,000	$	26,066,000
Distributions declared but not paid including stock issued under the DRIP	$	13,642,000	$	9,585,000
Accrued offering costs	$		$	826,000
Adjustment to redeemable noncontrolling interests	$		$	(275,000)

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

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Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
As of and for the Three and Six Months Ended June 30, 2011 and 2010

The use of the words we, us or our refers to Healthcare Trust of America, Inc. and its subsidiaries, including Healthcare Trust of America Holdings, LP, except where the context otherwise requires.

1. Organization and Description of Business

Healthcare Trust of America, Inc., a Maryland corporation, was incorporated on April 20, 2006. We were initially capitalized on April 28, 2006 and consider that to be our date of inception.

We are a fully integrated, self-administered, and self-managed real estate investment trust, or REIT. Accordingly, our internal management team manages our day-to-day operations and oversees and supervises our employees and outside service providers. Acquisitions and asset management services are performed in-house by our employees, with certain monitored services provided by third parties at market rates. We do not pay acquisition, disposition, or asset management fees to an external advisor, and we have not and will not pay any internalization fees.

We provide stockholders the potential for income and growth through investment in a diversified portfolio of real estate properties. We focus primarily on medical office buildings and healthcare-related facilities. We also invest to a limited extent in other real estate-related assets. However, we do not presently intend to invest more than 15.0% of our total assets in such other real estate-related assets. We focus primarily on investments that produce recurring income. Subject to the discussion in Note 11, Commitments and Contingencies, we believe that we have qualified to be taxed as a REIT for federal income tax purposes and we intend to continue to be taxed as a REIT. We conduct substantially all of our operations through Healthcare Trust of America Holdings, LP, or our operating partnership.

As of June 30, 2011, we had made 78 portfolio acquisitions comprising approximately 11,107,000 square feet of gross leasable area, or GLA, which includes 242 buildings and two real estate-related assets. The aggregate purchase price of these acquisitions was $2,303,402,000. As of June 30, 2011, the average occupancy of these properties, including leases signed but not yet commenced, was approximately 91%.

On September 20, 2006, we commenced a best efforts initial public offering, or our initial offering, in which we offered up to 200,000,000 shares of our common stock for $10.00 per share in a primary offering and up to 21,052,632 shares of our common stock pursuant to our distribution reinvestment plan, or the DRIP, at $9.50 per share, aggregating up to $2,200,000,000. On March 19, 2010, we terminated our initial offering and commenced a best efforts follow-on public offering, or our follow-on offering, in which we offered up to 200,000,000 shares of our common stock for $10.00 per share in a primary offering and up to 21,052,632 shares of our common stock pursuant to the DRIP at $9.50 per share, aggregating up to $2,200,000,000. We stopped offering shares in the primary offering on February 28, 2011, but we continue to offer shares pursuant to the DRIP. In aggregate, we received and accepted subscriptions in our initial and follow-on offerings for 220,673,545 shares of our common stock, or $2,195,655,000, excluding shares of our common stock issued under the DRIP.

Our principal executive offices are located at 16435 N. Scottsdale Road, Suite 320, Scottsdale, Arizona, 85254. Our telephone number is (480) 998-3478. For investor services, contact DST Systems, Inc. by telephone at (888) 801-0107.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies presented below is designed to assist in understanding our interim condensed consolidated financial statements. Such interim 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 accounting principles generally accepted in the United States of America, or GAAP, in all material respects, and have been consistently applied in preparing our accompanying interim condensed consolidated financial statements.

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Basis of Presentation

Our accompanying interim condensed consolidated financial statements include our accounts and those of our operating partnership, the wholly-owned subsidiaries of our operating partnership and any variable interest entities, or VIEs, as defined in the Financial Accounting Standards Board, or the FASB, Accounting Standard Codification, or ASC, 810, *Consolidation*, or ASC 810. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. We operate in an umbrella partnership REIT, or UPREIT, structure in which wholly-owned subsidiaries of our operating partnership own all of the properties acquired on our behalf. We are the sole general partner of our operating partnership and, as of June 30, 2011 and December 31, 2010, we owned an approximately 99.93% and an approximately 99.92%, respectively, general partner interest in our operating partnership. As of June 30, 2011 and December 31, 2010, approximately 0.07% and 0.08%, respectively, of our operating partnership was owned by certain physician investors who obtained limited partner interests in connection with the Fannin acquisition in June 2010 (see Note 13).

Because we are the sole general partner of our operating partnership and have unilateral control over its management and major operating decisions (even if additional limited partners are admitted to our operating partnership), the accounts of our operating partnership are consolidated in our interim condensed consolidated financial statements.

Interim Unaudited Financial Data

Our accompanying interim condensed consolidated financial statements have been prepared by us in accordance with GAAP in conjunction with the rules and regulations of the Securities and Exchange Commission, or 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 interim condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Our accompanying interim 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 period. Interim results of operations are not necessarily indicative of the results to be expected for the full year; such results may be less favorable. Our accompanying interim condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in the 2010 Annual Report on Form 10-K.

Use of Estimates

The preparation of our interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates are made and evaluated on an on-going basis using information that is currently available as well as various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates, perhaps in material adverse ways, and those estimates could be different under different assumptions or conditions.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with a maturity of three months or less when purchased.

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Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Segment Disclosure

ASC 280, *Segment Reporting*, or ASC 280, establishes standards for reporting financial and descriptive information about an enterprise s reportable segment. We have determined that we have one reportable segment, with activities related to investing in medical office buildings, healthcare-related facilities, healthcare-related office properties and other real estate related assets. Our investments in real estate and other real estate related assets are geographically diversified and our chief operating decision maker evaluates operating performance on an individual asset level. As each of our assets has similar economic characteristics, tenants, and products and services, our assets have been aggregated into one reportable segment.

Recently Issued Accounting Pronouncements

Below are the recently issued accounting pronouncements and our evaluation of the impact of such pronouncements.

Fair Value Pronouncements

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820)*, or ASU 2010-06, which provides amendments to Subtopic 820-10 that require new disclosures and that clarify existing disclosures in order to increase transparency in financial reporting with regard to recurring and nonrecurring fair value measurements. ASU 2010-06 requires new disclosures with respect to the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for those transfers, as well as separate presentation about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). In addition, ASU 2010-06 provides amendments that clarify existing disclosures, requiring a reporting entity to provide fair value measurement disclosures for each class of assets and liabilities as well as disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. Finally, ASU 2010-06 amends guidance on employers disclosures about postretirement benefit plan assets under ASC 715, *Compensation Retirement Benefits*, to require that disclosures be provided by classes of assets instead of by major categories of assets. ASU 2010-06 is effective for the interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010. Accordingly, ASU 2010-06 became effective for us on January 1, 2010 (though the Level 3 activity disclosures only recently became effective for us on January 1, 2011). The adoption of ASU 2010-06 has not had a material impact on our consolidated financial statements.

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS (*Included in ASC 820, *Fair Value Measurement*), or ASU 2011-04, which amends existing guidance to provide common fair value measurements and related disclosure requirements between GAAP and International Financial Reporting Standards, or IFRS. Additional disclosure requirements in the amendment include: (1) for Level 3 fair value measurements, a description of the valuation processes used by the entity and a discussion of the sensitivity of the fair value measurements to changes in unobservable inputs; (2) discussion of the use of a nonfinancial asset that differs from the asset s highest and best use; and (3) the level of the fair value hierarchy of financial instruments for items that are not measured at fair value but for which disclosure of fair value is required. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011, with early adoption not permitted. We will adopt ASU 2011-04 in fiscal 2012. We are currently evaluating the impact ASU 2011-04 will have on our consolidated financial statements.

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Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Business Combination Pronouncements

On December 21, 2010, the FASB issued ASU 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations*, to address differences in the ways entities have interpreted the requirements of ASC 805, *Business Combinations*, or ASC 805, for disclosures about pro forma revenue and earnings in a business combination. The ASU states that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. In addition, the ASU expands the supplemental pro forma disclosures under ASC 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in this ASU are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of ASU 2010-29 has not had a material impact on our consolidated financial statements.

Other Pronouncements

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* (included in ASC 220, *Comprehensive Income*), or ASU 2011-05, which amends existing guidance to allow only two options for presenting the components of net income and other comprehensive income: (1) in a single continuous statement of comprehensive income, or (2) in two separate but consecutive financial statements consisting of an income statement followed by a statement of other comprehensive income. ASU 2011-05 requires retrospective application, and it is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. We do not anticipate that the adoption of ASU 2011-05 will have a material impact on our consolidated financial statements, though it could potentially impact the presentation of our financial statements in future periods.

3. Real Estate Investments, Net, Assets Held for Sale, and Discontinued Operations

Investment in Operating Properties

Our investments in our consolidated operating properties consisted of the following as of June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Land	$ 165,767,000	$ 164,821,000
Building and improvements	1,743,494,000	1,711,054,000
Furniture and equipment	10,000	10,000
	1,909,271,000	1,875,885,000
Less: accumulated depreciation	(135,012,000)	(102,962,000)
Total	$ 1,774,259,000	$ 1,772,923,000

Depreciation expense related to our portfolio of operating properties for the three months ended June 30, 2011 and 2010 was $16,148,000 and $11,524,000, respectively. Depreciation expense related to our portfolio of operating properties for the six months ended June 30, 2011 and 2010 was $32,173,000 and $22,042,000, respectively.

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Assets Held for Sale and Discontinued Operations

Assets and liabilities of properties sold or to be sold are classified as held for sale, to the extent not sold, on the Company s interim condensed consolidated balance sheets, and the results of operations of such properties are included in discontinued operations on the Company s interim condensed consolidated statements of operations for all periods presented. Properties classified as held for sale at June 30, 2011 and December 31, 2010 include four buildings within our Senior Care 1 portfolio, which is a portfolio consisting of six buildings located in various cities throughout Texas and California. Pursuant to a master lease agreement in effect at the time of our purchase of this portfolio, the lessee of the four buildings within the portfolio that are located in Texas was afforded the option to purchase these buildings after the June 30, 2011 anniversary of the first five years of the ten year lease term. On December 31, 2010, the lessee opened escrow with a deposit of 5% of the minimum repurchase price and provided us with timely notice, as required by the agreement, of its intent to exercise this option. As a result of these actions, in accordance with ASC 360-10-45-9, *Property, Plant, and Equipment Overall Other Presentation Matters Long Lived Assets Classified as Held for Sale*, we determined that these four buildings met the criteria for held for sale designation as of December 31, 2010 and continue to meet such criteria as of June 30, 2011. We have therefore separately presented the assets and liabilities of these buildings on our interim condensed consolidated balance sheet.

The table below reflects the assets and liabilities of properties classified as held for sale as of June 30, 2011 and December 31, 2010:

Assets: Real Estate Investments, net

	June 30, 2011	December 31, 2010
Land	$ 2,302,000	$ 2,302,000
Building and improvements, net of accumulated depreciation of $2,161,000 as of June 30, 2011 and December 31, 2010	22,238,000	22,238,000
Total real estate investments of properties held for sale, net	$ 24,540,000	$ 24,540,000

Depreciation expense related to our properties classified as held for sale for the three months ended June 30, 2011 and 2010 was $0 and $197,000, respectively. Depreciation expense related to our properties classified as held for sale for the six months ended June 30, 2011 and 2010 was $0 and $393,000, respectively.

Assets: Identified Intangible Assets, net

	June 30, 2011	December 31, 2010
In place leases, net of accumulated amortization of $824,000 as of June 30, 2011 and December 31, 2010	$ 1,648,000	$ 1,648,000
	2,120,000	2,120,000

Tenant relationships, net of accumulated amortization of $376,000 as of June 30, 2011 and December 31, 2010				
Total identified intangible assets of properties held for sale, net	$	3,768,000	$	3,768,000

Amortization expense recorded on the identified intangible assets related to our properties classified as held for sale for the three months ended June 30, 2011 and 2010 was $0 and $109,000, respectively. Amortization expense recorded on the identified intangible assets related to our properties classified as held for sale for the six months ended June 30, 2011 and 2010 was $0 and $218,000, respectively.

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Liabilities: Identified Intangible Liabilities, net

	June 30, 2011	December 31, 2010
Below market leases, net of accumulated amortization of $184,000 as of June 30, 2011 and December 31, 2010	369,000	369,000
Total identified intangible liabilities of properties held for sale, net	$ 369,000	$ 369,000

Amortization expense recorded on the identified intangible liabilities related to our properties classified as held for sale for the three months ended June 30, 2011 and 2010 was $0 and $17,000, respectively. Amortization expense recorded on the identified intangible liabilities related to our properties classified as held for sale for the six months ended June 30, 2011 and 2010 was $0 and $34,000, respectively. Amortization expense on our identified intangible liabilities is recorded to rental income in our accompanying interim condensed consolidated statements of operations.

In accordance with ASC 205-20, *Presentation of Financial Statements Discontinued Operations,* the operating results of the buildings classified as held for sale have been reported within discontinued operations for all periods presented in our interim condensed consolidated statements of operations. The table below reflects the results of operations of the properties classified as held for sale at June 30, 2011, which are included within discontinued operations within the Company s interim condensed consolidated statements of operations for the three and six months ended June 30, 2011 and 2010.

The table below reflects the results of discontinued operations for the three months ended June 30, 2011 and 2010:

	Three Months Ended June 30, 2011	2010
Revenues:		
Rental income	$ 790,000	$ 806,000
Expenses:		
Rental expenses	95,000	89,000
Depreciation and amortization		306,000
Total expenses	95,000	395,000
Income before other income (expense)	$ 695,000	$ 411,000
Other income (expense):		
Interest expense:		
Interest expense related to mortgage loan payables and credit facility		(34,000)
Income from discontinued operations	$ 695,000	$ 377,000

Income from discontinued operations per common share basic and diluted	$ 0.00	$ 0.00
Weighted average number of shares outstanding		
Basic	228,340,776	154,594,418
Diluted	228,800,828	154,815,137

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Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The table below reflects the results of discontinued operations for the six months ended June 30, 2011 and 2010:

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenues:		
Rental income	$ 1,620,000	$ 1,611,000
Expenses:		
Rental expenses	181,000	175,000
Depreciation and amortization		611,000
Total expenses	181,000	786,000
Income before other income (expense)	$ 1,439,000	$ 825,000
Other income (expense):		
Interest expense:		
Interest expense related to mortgage loan payables and credit facility		(300,000)
Gain (loss) on derivative financial instruments		141,000
Income from discontinued operations	$ 1,439,000	$ 666,000
Income from discontinued operations per common share basic and diluted	$ 0.00	$ 0.00
Weighted average number of shares outstanding		
Basic	221,606,526	149,990,622
Diluted	222,066,578	149,990,622

Property Acquisitions during the six months ended June 30, 2011

During the six months ended June 30, 2011, we completed the acquisition of one two-building property portfolio as well as purchased additional buildings within two of our existing portfolios. The aggregate purchase price of these properties was $36,314,000. See Note 16, Business Combinations, for the allocation of the purchase price of the acquired properties to tangible assets and to identified intangible assets and liabilities based on their respective fair values. A portion of the aggregate purchase price for these acquisitions was initially financed or subsequently secured by $6,581,000 in mortgage loans payable. Total acquisition-related expenses of $1,423,000 include amounts for legal fees, closing costs, due diligence and other costs.

Acquisitions completed during the six months ended June 30, 2011 are set forth below:

	Date	Ownership	Purchase	Mortgage Loans

Property	Property Location	Acquired	Percentage	Price	Payable(1)
Phoenix Portfolio Paseo(2)	Phoenix, AZ	2/11/11	100%	$ 3,762,000	$ 2,147,000
Columbia Portfolio Northern Berkshire(2)	North Adams, MA	2/16/11	100	9,182,000	4,434,000
Holston Medical Portfolio	Bristol, TN	3/24/11	100	23,370,000	
				$ 36,314,000	$ 6,581,000

(1) Represents the amount of the mortgage loan payable assumed or newly placed on the property in connection with the acquisition or secured by the property subsequent to acquisition.

(2) Represent purchases of additional medical office buildings during the six months ended June 30, 2011 that are within portfolios we had previously acquired.

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

4. Real Estate Notes Receivable, Net

Real estate notes receivable, net consisted of the following as of June 30, 2011 and December 31, 2010:

Property Name Location of Property	Property Type	Interest Rate	Maturity Date	June 30, 2011	December 31, 2010
MacNeal Hospital Medical Office Building Berwyn, Illinois	Medical Office Building	5.95%(1)	11/01/11	$ 7,500,000	$ 7,500,000
MacNeal Hospital Medical Office Building Berwyn, Illinois	Medical Office Building	5.95(1)	11/01/11	7,500,000	7,500,000
St. Luke s Medical Office Building Phoenix, Arizona	Medical Office Building	5.85(2)	11/01/11	3,750,000	3,750,000
St. Luke s Medical Office Building Phoenix, Arizona	Medical Office Building	5.85(2)	11/01/11	1,250,000	1,250,000
Rush Presbyterian Medical Office Building Oak Park, Illinois	Medical Office Building	7.76(3)	12/01/14	41,150,000	41,150,000
Total real estate notes receivable				61,150,000	61,150,000
Add: Notes receivable closing costs, net(4)				422,000	540,000
Less: discount, net(4)				(3,308,000)	(4,599,000)
Real estate notes receivable, net				$ 58,264,000	$ 57,091,000

(1) The effective interest rate associated with these notes as of June 30, 2011 is 7.93%.

(2) The effective interest rate associated with these notes as of June 30, 2011 is 7.80%.

(3) Represents an average contractual interest rate for the life of the note with an effective interest rate of 8.60%.

(4) The closing costs and discount are amortized on a straight-line basis over the respective life, and impact the yield, of each note.

We monitor the credit quality of our real estate notes receivable portfolio on an ongoing basis by tracking possible credit quality indicators. As of June 30, 2011 and December 31, 2010, all of our real estate notes receivable were current and we have not provided for any allowance for losses on notes receivable. Additionally, as of June 30, 2011 and December 31, 2010, we have had no impairment with respect to our notes receivable. We made no significant purchases or sales of notes or other receivables during the six months ended June 30, 2011 and 2010.

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Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

5. Identified Intangible Assets, Net

Identified intangible assets, net for our operating properties consisted of the following as of June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
In place leases, net of accumulated amortization of $53,380,000 and $42,361,000 as of June 30, 2011 and December 31, 2010, respectively (with a weighted average remaining life of 153 months and 154 months as of June 30, 2011 and December 31, 2010, respectively)	$ 117,141,000	$ 122,682,000
Above market leases, net of accumulated amortization of $7,768,000 and $5,971,000 as of June 30, 2011 and December 31, 2010, respectively (with a weighted average remaining life of 86 months and 89 months as of June 30, 2011 and December 31, 2010, respectively)	16,166,000	17,943,000
Tenant relationships, net of accumulated amortization of $32,934,000 and $23,561,000 as of June 30, 2011 and December 31, 2010, respectively (with a weighted average remaining life of 161 months and 168 months as of June 30, 2011 and December 31, 2010, respectively)	127,262,000	133,901,000
Below market leasehold interests, net of accumulated amortization of $935,000 and $526,000 as of June 30, 2011 and December 31, 2010, respectively (with a weighted average remaining life of 839 months and 855 months as of June 30, 2011 and December 31, 2010, respectively)	26,388,000	26,061,000
Total	$ 286,957,000	$ 300,587,000

For identified intangible assets, net associated with our properties classified as held for sale as of June 30, 2011 and December 31, 2010, see Note 3, Real Estate Investments, Net, Assets Held for Sale, and Discontinued Operations.

Amortization expense recorded on the identified intangible assets related to our operating properties for the three months ended June 30, 2011 and 2010 was $11,374,000 and $7,394,000, respectively, which included $891,000 and $718,000, respectively, of amortization recorded against rental income for above market leases and $205,000 and $83,000, respectively, of amortization recorded against rental expenses for below market leasehold interests. Amortization expense recorded on the identified intangible assets related to our operating properties for the six months ended June 30, 2011 and 2010 was $22,991,000 and $14,414,000, respectively, which included $1,799,000 and $1,319,000, respectively, of amortization recorded against rental income for above market leases and $409,000 and $160,000, respectively, of amortization recorded against rental expenses for below market leasehold interests.

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

6. Other Assets, Net

Other assets, net for our operating properties consisted of the following as of June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Deferred financing costs, net of accumulated amortization of $3,168,000 and $5,015,000 as of June 30, 2011 and December 31, 2010, respectively	$ 10,078,000	$ 8,620,000
Lease commissions, net of accumulated amortization of $1,621,000 and $1,132,000 as of June 30, 2011 and December 31, 2010, respectively	5,924,000	4,275,000
Lease inducements, net of accumulated amortization of $615,000 and $527,000 as of June 30, 2011 and December 31, 2010, respectively	1,129,000	1,284,000
Deferred rent receivable	23,717,000	17,422,000
Prepaid expenses, deposits, and other assets	9,109,000	8,951,000
Total	$ 49,957,000	$ 40,552,000

Amortization and depreciation expense recorded on deferred financing costs, lease commissions, lease inducements and other assets for the three months ended June 30, 2011 and 2010 was $1,168,000 and $587,000, respectively, of which $857,000 and $462,000, respectively, of amortization was recorded against interest expense for deferred financing costs and $34,000 and $(41,000), respectively, of amortization was recorded against rental income for lease inducements in our accompanying interim condensed consolidated statements of operations. Amortization and depreciation expense recorded on deferred financing costs, lease commissions, lease inducements and other assets for the six months ended June 30, 2011 and 2010 was $2,453,000 and $1,384,000, respectively, of which $1,870,000 and $943,000, respectively, of amortization was recorded against interest expense for deferred financing costs and $87,000 and $128,000, respectively, of amortization was recorded against rental income for lease inducements in our accompanying interim condensed consolidated statements of operations.

7. Mortgage Loans Payable, Net and Secured Real Estate Term Loan

Mortgage loans and secured real estate term loan payable were $664,733,000 ($667,540,000, including premium) and $696,558,000 ($699,526,000, including premium) as of June 30, 2011 and December 31, 2010, respectively. As of June 30, 2011, we had fixed and variable rate mortgage loans and a secured real estate term loan (discussed in further detail below) with effective interest rates ranging from 1.69% to 12.75% per annum and a weighted average effective interest rate of 4.96% per annum. As of June 30, 2011, we had $473,513,000 ($476,320,000, including premium) of fixed rate debt, or 71.2% of our mortgage loans payable and secured real estate term loan, at a weighted average interest rate of 6.02% per annum and $191,220,000 of variable rate debt, or 28.8% of our mortgage loans payable and secured real estate term loan, at a weighted average interest rate of 2.35% per annum. As of December 31, 2010, we had fixed and variable rate mortgage loans with effective interest rates ranging from 1.61% to 12.75% per annum and a weighted average effective interest rate of 4.95% per annum. As of December 31, 2010, we had $470,815,000 ($473,783,000, including premium) of fixed rate debt, or 67.6% of mortgage loans payable, at a weighted average interest rate of 6.02% per annum and $225,743,000 of variable rate debt, or 32.4% of mortgage loans payable, at a weighted average interest rate of 2.72% per annum.

On February 1, 2011, we closed a senior secured real estate term loan in the amount of $125,500,000 from Wells Fargo Bank, National Association, or Wells Fargo Bank. The primary purposes of the term loan included refinancing four Wells Fargo Bank loans totaling approximately $89,969,000 and providing new financing on three of our existing properties. Interest is payable monthly at a rate of one-month LIBOR plus 2.35%, which, as of June 30, 2011, equated to 2.54%. Including the impact of the interest rate swap discussed below, the weighted average rate associated with this term loan is 3.07%. The weighted average rate on these four loans prior to the refinancing was 4.18% (including the impact of interest rate swaps). The term loan matures on December 31, 2013 and includes two 12-month extension options, subject to the satisfaction of certain conditions. The loan agreement

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

for the term loan includes customary financial covenants for loans of this type, including a maximum ratio of total indebtedness to total assets, a minimum ratio of EBITDA to fixed charges, and a minimum level of tangible net worth. In addition, the term loan agreement for this secured term loan includes events of default that we believe are usual for loans and transactions of this type. The term loan is secured by 25 buildings within 12 property portfolios in 13 states and has a two year period in which no prepayment is permitted. Our operating partnership has guaranteed 25% of the principal balance and 100% of the interest under the term loan.

In anticipation of the term loan, we purchased an interest rate swap on November 3, 2010, with Wells Fargo Bank as counterparty, for a notional amount of $75,000,000. The interest rate swap was amended on January 25, 2011. The interest rate swap is secured by the pool of assets collateralizing the secured term loan. The effective date of the swap is February 1, 2011, and matures no later than December 31, 2013. The swap will fix one-month LIBOR at 1.0725%, which, when added to the spread of 2.35%, will result in a total interest rate of approximately 3.42% for $75,000,000 of the term loan during the initial term. We have not designated this swap as an accounting hedge. As of December 31, 2010, we had $2,400,000 on deposit in a collateral account related to this interest rate swap. This amount was reimbursed to us in full upon the closing of the term loan on February 1, 2011.

We are required by the terms of the applicable loan documents related to our mortgage loans payable and secured term loan to meet certain financial covenants, such as debt service coverage ratios, rent coverage ratios and reporting requirements. As of June 30, 2011, we believe that we were in compliance with all such financial covenants and requirements on our mortgage loans payable and secured term loan. As of December 31, 2010, we were in compliance with all such financial covenants and requirements on $638,558,000 of our mortgage loans payable and had made appropriate adjustments to comply with such covenants on $58,000,000 of our mortgage loans payable by maintaining a deposit of $12,000,000 within a restricted collateral account. On May 3, 2011, we paid off this $58,000,000 principal balance and thus withdrew our deposit of $12,000,000 from the restricted collateral account.

Mortgage loans payable, net, and secured term loan consisted of the following as of June 30, 2011 and December 31, 2010:

Property	Interest Rate	Maturity Date	June 30, 2011(a)	December 31, 2010(b)
Fixed Rate Debt:				
Southpointe Office Parke and Epler Parke I	6.11%	09/01/16	$ 9,069,000	$ 9,121,000
Crawfordsville Medical Office Park and Athens Surgery Center	6.12	10/01/16	4,232,000	4,256,000
The Gallery Professional Building	5.76	03/01/17	5,983,000	6,000,000
Lenox Office Park, Building G	5.88	02/01/17	11,938,000	12,000,000
Commons V Medical Office Building	5.54	06/11/17	9,600,000	9,672,000
Yorktown Medical Center and Shakerag Medical Center	5.52	05/11/17	13,346,000	13,434,000
Thunderbird Medical Plaza	5.67	06/11/17	13,647,000	13,740,000
Gwinnett Professional Center	5.88	01/01/14	5,365,000	5,417,000
Northmeadow Medical Center	5.99	12/01/14	7,461,000	7,545,000
Medical Portfolio 2	5.91	07/01/13	13,919,000	14,024,000

Renaissance Medical Centre	5.38	09/01/15	18,292,000	18,464,000
Renaissance Medical Centre	12.75	09/01/15	1,238,000	1,240,000
Medical Portfolio 4	5.50	06/01/19	6,306,000	6,404,000
Medical Portfolio 4	6.18	06/01/19	1,618,000	1,625,000
Marietta Health Park	5.11	11/01/15	7,200,000	7,200,000
Hampden Place	5.98	01/01/12	8,429,000	8,551,000
Greenville Patewood	6.18	01/01/16	35,387,000	35,609,000
Greenville Greer	6.00	02/01/17	8,359,000	8,413,000
Greenville Memorial	6.00	02/01/17	4,426,000	4,454,000
Greenville MMC	6.25	06/01/20	22,607,000	22,743,000
Sun City-Note B	6.54	09/01/14	14,699,000	14,819,000
Sun City-Note C	6.50	09/01/14	4,347,000	4,412,000
Sun City Note D	6.98	09/01/14	13,740,000	13,839,000
King Street	5.88	03/05/17	6,309,000	6,429,000
Wisconsin MOB II Mequon	6.25	07/10/17	9,893,000	9,952,000
Balfour Concord Denton	7.95	08/10/12	4,524,000	4,592,000

Healthcare Trust of America, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Property	Interest Rate	Maturity Date	June 30, 2011(a)		December 31, 2010(b)
Pearland-Broadway	5.57	09/01/12	2,339,000		2,361,000
7900 Fannin-Note A	7.30	01/01/21	21,677,000		21,783,000
7900 Fannin-Note B	7.68	01/01/16	815,000		819,000
Deaconess Evansville	4.90	08/06/15	20,997,000		21,151,000
Overlook	6.00	11/05/16	5,366,000		5,408,000
Triad	5.60	09/01/22	11,882,000		11,961,000
Santa Fe Building 1640	5.57	07/01/15	3,517,000		3,555,000
Rendina Wellington	5.97	12/01/16	8,252,000		8,296,000
Rendina Gateway	6.49	09/01/18	10,498,000		10,596,000
Columbia Patroon Creek Note A	6.10	06/01/16	22,930,000		23,123,000
Columbia Patroon Creek Note B	6.10	06/01/16	866,000		890,000
Columbia 1092 Madison	6.25	02/01/18	1,985,000		2,006,000
Columbia FL Orthopaedic	5.45	07/10/13	6,920,000		7,041,000
Columbia Capital Region Health Park	6.51	07/10/12	21,929,000		22,309,000
Columbia Putnam	5.33	05/01/15	19,168,000		19,329,000
Columbia CDPHP	5.40	06/01/16	21,017,000		21,182,000
Phoenix Estrella	6.26	08/01/17	20,572,000		20,695,000
Phoenix MOB IV	6.01	06/11/17	4,323,000		4,355,000
Phoenix Paseo	6.32	10/11/16	2,133,000		
Columbia N. Berkshire	6.01	12/11/12	4,393,000		
Total fixed rate debt			473,513,000		470,815,000
Variable Rate Debt:					
Chesterfield Rehabilitation Center	1.84(c)	12/30/11	21,560,000		22,000,000
Park Place Office Park	1.74(c)	12/31/10		(d)	10,943,000
Highlands Ranch Medical Plaza	1.74(c)	12/31/10		(e)	8,853,000
Medical Portfolio 1	1.87(c)	02/28/11		(e)	19,580,000
Medical Portfolio 3	2.44(c)	06/26/11		(d)	58,000,000
SouthCrest Medical Plaza	2.39(c)	06/30/11		(e)	12,870,000
Wachovia Pool Loans	4.65(c)	06/30/11		(e)	48,666,000
Cypress Station Medical Office Building	1.94(c)	09/01/11	6,986,000		7,043,000
Decatur Medical Plaza	2.19(c)	09/26/11	7,900,000		7,900,000
Mountain Empire Portfolio	2.29(c)	09/28/11	18,172,000		18,408,000
Wells Fargo Secured Real Estate Term Loan	2.54(c)	12/31/13	125,500,000		
Sun City-Sun 1	1.69(c)	12/31/14	1,708,000		2,000,000
Sun City-Sun 2	1.69(c)	12/31/14	9,394,000		9,480,000
Total variable rate debt			191,220,000		225,743,000
Total fixed and variable debt			664,733,000		696,558,000

Add: Net premium	2,807,000	2,968,000
Mortgage loans payable, net	$ 667,540,000	$ 699,526,000

(a) As of June 30, 2011, we had variable rate mortgage loans on 5 of our properties, as well as a real estate term loan secured by certain of our properties, with effective interest rates ranging from 1.69% to 2.54% per annum and a weighted average effective interest rate of 2.35% per annum. However, as of June 30, 2011, we had fixed rate interest rate swaps and caps on the entire principal balances of our Decatur, Mountain Empire, and Sun City-Sun 2 variable rate mortgage loans payable as well as on $75,000,000 of our secured real estate term loan, thereby effectively fixing our interest rates on those debt instruments at 5.16%, 5.87%, 2.00%, and 3.42%, respectively.

(b) As of December 31, 2010, we had variable rate mortgage loans on 15 of our properties with effective interest rates ranging from 1.76% to 4.65% per annum and a weighted average effective interest rate of 2.72% per annum. As of December 31, 2010, we had fixed rate interest rate swaps and caps on our Medical Portfolio 1, Decatur, Mountain Empire, and Sun City-Sun 2 variable rate mortgage loans payable, thereby effectively fixing our interest rates on those mortgage loans payable at 5.23%, 5.16%, 5.87%, and 2.00%, respectively.

(c) Represents the interest rate in effect as of June 30, 2011.

(d) Represent loan balances that we have repaid during the six months ended June 30, 2011.

(e) Represent bank loans, the aggregate principal balance of which as of December 31, 2010 was $89,969,000, which were refinanced using the proceeds of our $125,500,000 senior secured real estate term loan, as discussed above within this Note 7. We closed on this term loan with Wells Fargo Bank on February 1, 2011.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

As of June 30, 2011, the principal payments due on our mortgage loans payable and secured term loan for the six months ending December 31, 2011 and for each of the next four years ending December 31 and thereafter is as follows:

Year	Amount
2011	$ 58,952,000
2012	48,786,000
2013	153,358,000
2014	58,981,000
2015	72,625,000
Thereafter	272,031,000
Total	$ 664,733,000

The table above does not reflect all available extension options. Of the amounts maturing in 2011, $33,058,000 have two one-year extensions available and $21,560,000 have a one-year extension available. At present, there are no extension options associated with our debt that matures in 2012.

8. Derivative Financial Instruments

ASC 815, *Derivatives and Hedging*, or ASC 815, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. We utilize derivatives such as fixed interest rate swaps and interest rate caps to add stability to interest expense and to manage our exposure to interest rate movements. Consistent with ASC 815, we record derivative financial instruments on our accompanying condensed consolidated balance sheets as either an asset or a liability measured at fair value. ASC 815 permits special hedge accounting if certain requirements are met. Hedge accounting allows for gains and losses on derivatives designated as hedges to be offset by the change in value of the hedged item(s) or to be deferred in other comprehensive income.

As of June 30, 2011 and December 31, 2010, no derivatives were designated as fair value hedges or cash flow hedges. Derivatives not designated as hedges are not speculative and are used to manage our exposure to interest rate movements, but do not meet the strict hedge accounting requirements of ASC 815. Changes in the fair value of derivative financial instruments are recorded in gain on derivative financial instruments in our accompanying condensed consolidated statements of operations.

The following table lists the derivative financial instruments held by us as of June 30, 2011:

Notional Amount	Index	Rate	Fair Value	Instrument	Maturity
$ 7,900,000	LIBOR	5.16	(75,000)	Swap	09/26/11
16,747,000	LIBOR	5.87	(1,136,000)	Swap	09/28/13

75,000,000	LIBOR	3.42	(474,000)	Swap	12/31/13
9,406,000	LIBOR	2.00	264,000	Cap	12/31/14

The following table lists the derivative financial instruments held by us as of December 31, 2010:

Notional Amount	Index	Rate	Fair Value	Instrument	Maturity
$ 19,507,000	LIBOR	5.23	(109,000)	Swap	01/31/11
7,900,000	LIBOR	5.16	(185,000)	Swap	09/26/11
16,912,000	LIBOR	5.87	(1,233,000)	Swap	09/28/13
75,000,000	LIBOR	3.42	297,000	Swap	12/31/13
9,480,000	LIBOR	2.00	383,000	Cap	12/31/14

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As of June 30, 2011 and December 31, 2010, the fair value of our derivative financial instruments was as follows:

	Asset Derivatives				Liability Derivatives			
	June 30, 2011		December 31, 2010		June 30, 2011		December 3	
not designated as	Balance Sheet		Balance Sheet		Balance Sheet		Balance Sheet	
ruments:	Location	Fair Value	Location	Fair Value	Location	Fair Value	Location	
Swaps	Other Assets	$	Other Assets	$ 297,000	Derivative Financial Instruments	$ 1,685,000	Derivative Financial Instruments	$
Cap	Other Assets	$ 264,000	Other Assets	$ 383,000				

For the three and six months ended June 30, 2011 and 2010, our derivative financial instruments associated with our operating properties had the following effect on our condensed consolidated statements of operations:

Derivatives not designated as hedging instruments under:	Location of Gain (Loss) Recognized	Amount of Gain (Loss) Recognized Three Months Ended June 30, 2011	Amount of Gain (Loss) Recognized Three Months Ended June 30, 2010	Amount of Gain (Loss) Recognized Six Months Ended June 30, 2011	Amount of Gain (Loss) Recognized Six Months Ended June 30, 2010
Interest Rate Swaps	Gain (loss) on derivative instruments	$ (934,000)	$ 2,343,000	$ (455,000)	$ 4,099,000
Interest Rate Cap	Gain (loss) on derivative instruments	$ (144,000)	$ (248,000)	$ (119,000)	$ (443,000)

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 we could also be declared in default on our interest rate swap derivative obligations resulting in an acceleration of payment. In addition, we are exposed to credit risk in the event of non-performance by our derivative counterparties. We believe we mitigate our 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, 2011 and December 31, 2010, there have been no termination events or events of default related to the interest rate swaps.

9. Revolving Credit Facility

On November 22, 2010, we entered into a credit agreement, or the credit agreement, with JPMorgan Chase Bank, N.A., as administrative agent, or JPMorgan, Wells Fargo Bank and Deutsche Bank Securities Inc., as syndication agents, U.S. Bank National Association and Fifth Third Bank, as documentation agents, and the lenders named therein to obtain an unsecured revolving credit facility in an aggregate maximum principal amount of $275,000,000, or the unsecured credit facility. In anticipation of this new credit facility, we voluntarily closed on August 19, 2010 the $80,000,000 secured revolving facility we originally entered into in 2007. No borrowings were made on this previous credit facility during the years ended December 31, 2010 or 2009.

On May 13, 2011, we increased our unsecured revolving credit facility from an aggregate maximum principal of $275,000,000 to $575,000,000 as well as extended its maturity date from November 2013 to May 2014, pursuant to an amendment to the credit agreement.

The actual amount of credit available under the credit agreement is a function of certain loan-to-cost, loan-to-value and debt service coverage ratios contained in the credit agreement. Subject to the terms of the credit agreement, the maximum principal amount of the credit agreement may be increased, subject to such additional financing being offered and provided by existing lenders or new lenders under the credit agreement. Borrowings under this revolving credit facility accrue interest at a rate per annum equal to the Adjusted LIBO Rate plus a margin ranging from 2.50% to 3.50% based on our operating partnership s total leverage ratio, which we refer to as Eurodollar loans. Our operating partnership is required to pay a fee on the unused portion of the lenders commitments under the credit agreement at a rate dependent on the proportion of the average daily used amount to the lenders commitments. The margin associated with borrowings during the three and six months ended June 30, 2011 was 2.50% and the average daily commitment fee for both the three and six months ended June 30, 2011 was

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0.5%. As of June 30, 2011 and December 31, 2010, we had $0 and $7,000,000, respectively, outstanding on our unsecured revolving credit facility. The $7,000,000 drawn as of December 31, 2010 for the purpose of funding the acquisition of operating properties was repaid in full on January 31, 2011.

The credit agreement contains various affirmative and negative covenants that we believe are usual and customary for facilities and transactions of this type, including limitations on the incurrence of debt by us, our operating partnership and its subsidiaries that own unencumbered assets, limitations on the nature of our operating partnership s business, and limitations on distributions by our operating partnership and its subsidiaries that own unencumbered assets. Pursuant to the credit agreement, beginning with the quarter ending September 30, 2011, our operating partnership may not make cash distribution payments to us and we may not make cash distributions to our stockholders in excess of the greater of: (i) 100% of normalized adjusted FFO (as defined in the credit agreement) for the period of four quarters ending September 30, 2011 and December 31, 2011, (ii) 95% of normalized adjusted FFO for the period of four quarters ending March 31, 2012 and (iii) 90% of normalized adjusted FFO for the period of four quarters ending June 30, 2012 and thereafter. Shares of our common stock issued under the DRIP are not subject to the limitation on distribution payments. Additionally, the credit agreement also imposes a number of financial covenants on us and our operating partnership, including: 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; a minimum ratio of unencumbered net operating income to unsecured indebtedness; and a minimum ratio of unencumbered asset value to total commitments. As of June 30, 2011 and December 31, 2010, we were in compliance with these covenants and we believe we will remain in compliance in the quarter ending September 30, 2011. In addition, the credit agreement includes events of default that we believe are usual for facilities and transactions of this type, including restricting us from making distributions to our stockholders in the event we are in default under the credit agreement, except to the extent necessary for us to maintain our REIT status.

10. Identified Intangible Liabilities, Net

Identified intangible liabilities, net for our operating properties consisted of the following as of June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Below market leases, net of accumulated amortization of $5,360,000 and $4,550,000 as of June 30, 2011 and December 31, 2010, respectively (with a weighted average remaining life of 205 months and 213 months as of June 30, 2011 and December 31, 2010, respectively)	$ 8,577,000	$ 9,271,000
Above market leasehold interests, net of accumulated amortization of $97,000 and $40,000 as of June 30, 2011 and December 31, 2010, respectively (with a weighted average remaining life of 734 months and 738 months as of June 30, 2011 and December 31, 2010, respectively)	$ 3,730,000	$ 3,788,000
Total	$ 12,307,000	$ 13,059,000

For identified intangible liabilities, net associated with our properties classified as held for sale as of June 30, 2011 and December 31, 2010, see Note 3, Real Estate Investments, Net, Assets Held for Sale, and Discontinued Operations.

Amortization expense recorded on the identified intangible liabilities attributable to our operating properties for the three months ended June 30, 2011 and 2010 was $435,000 and $420,000, respectively, which included $405,000 and $407,000, respectively, of amortization recorded to rental income for below market leases and $30,000 and $13,000, respectively of amortization recorded within rental expense for above market leasehold interests. Amortization expense recorded on the identified intangible liabilities attributable to our operating properties for the six months ended June 30, 2011 and 2010 was $868,000 and $846,000, respectively, which included $811,000 and $833,000, respectively, of amortization recorded to rental income for below market leases

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and $57,000 and $13,000, respectively, of amortization recorded within rental expense for above market leasehold interests.

11. Commitments and Contingencies

Litigation

We are not presently subject to any material litigation nor, to our knowledge, is any material litigation threatened against us, which if determined unfavorably to us, would have a material effect on our consolidated financial position, results of operations or cash flows.

Environmental Matters

We follow the policy of monitoring our properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist at our properties, we are not currently aware of any environmental liability with respect to our properties that would have a material effect on our consolidated financial position, results of operations or cash flows. Further, we are not aware of any material environmental liability or any unasserted claim or assessment with respect to an environmental liability that we believe would require additional disclosure or the recording of a loss contingency.

Other Organizational and Offering Expenses

During the time that we were offering shares under our initial and follow-on offerings as a self-managed company, we were responsible for all of our organizational and offering expenses, including those incurred in connection with our follow-on offering, which terminated on February 28, 2011, except for shares issued pursuant to the DRIP. These other organizational and offering expenses included all expenses (other than selling commissions and dealer manager fees, which generally represented 7.0% and 3.0% of our gross offering proceeds, respectively) paid by us in connection with our follow-on offering.

Tax Status

We have requested a closing agreement with the Internal Revenue Service, or IRS, granting us relief for any preferential dividends we may have paid. One of the requirements for qualification as a REIT is that a REIT distribute each year at least 90% of its REIT taxable income, determined without regard to the dividends paid deduction and by excluding net capital gain. Preferential dividends cannot be used to satisfy the REIT distribution requirements. In 2007, 2008 and through July 2009, shares of common stock issued pursuant to our DRIP were treated as issued as of the first day following the close of the month for which the distributions were declared, and not on the date that the cash distributions were paid to stockholders not participating in our DRIP. Because we declare distributions on a daily basis, including with respect to shares of common stock issued pursuant to our DRIP, the IRS could take the position that distributions paid by us during these periods were preferential. In addition, during the six months beginning September 2009 through February 2010, we paid certain IRA custodial fees with respect to IRA accounts that invested in our shares. The payment of such amounts could also be treated as dividend distributions to the IRAs, and therefore could result in our being treated as having made additional preferential dividends to our stockholders.

We cannot assure you that the IRS will accept our proposal for a closing agreement. Even if the IRS accepts our proposal, we may be required to pay a penalty if the IRS were to view the prior operation of our DRIP or the payment of such fees as preferential dividends. We cannot predict whether such a penalty would be imposed or, if so, the amount of the penalty. If the IRS does not agree to our proposal for a closing agreement and treats the foregoing amounts as preferential dividends, we will pay a deficiency dividend pursuant to the deficiency dividend

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provisions of Section 860 of the Internal Revenue Code of 1986, as amended, or the Code, in the amount necessary to permit us to continue our qualification as a REIT and to satisfy our distribution requirements. We estimate a probable loss of $200,000 if we obtain the closing agreement. If we cannot obtain a closing agreement, we would likely pursue the deficiency dividend procedure which would require us to pay a penalty of approximately $500,000.

Other

Our other commitments and contingencies include the usual obligations of real estate owners and operators in the normal course of business. In our opinion, these matters are not expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

12. Related Party Transactions

Upon the effectiveness of our initial offering on September 20, 2006, we entered into the Advisory Agreement with Grubb & Ellis Healthcare REIT Advisor, LLC, or our former advisor, and Grubb & Ellis Realty Investors, LLC, or GERI, and a dealer manager agreement with Grubb & Ellis Securities, Inc., our former dealer manager. These agreements entitled our former advisor, our former dealer manager and their affiliates to specified compensation for certain services as well as reimbursement of certain expenses.

In 2008, we announced our plans to transition to a self-managed company. As part of our transition to self-management, on November 14, 2008, we amended and restated the Advisory Agreement effective as of October 24, 2008 to reduce acquisition and asset management fees, to eliminate the need to pay disposition or internalization fees, to set the framework for our transition to self-management, and to create an enterprise value for our company. On November 14, 2008, as part of our transition to self-management, we also amended the partnership agreement for our operating partnership. Pursuant to the terms of the partnership agreement as amended, our former advisor had the ability to elect to defer its right, if applicable, to receive a subordinated distribution from our operating partnership after the termination or expiration of the advisory agreement upon certain liquidity events if specified stockholder return thresholds were met. This right was subject to a number of conditions and had been the subject of dispute between the parties, as well as monetary and other claims.

On May 21, 2009, we provided notice to Grubb & Ellis Securities that we would proceed with a dealer manager transition pursuant to which Grubb & Ellis Securities ceased to serve as our dealer manager for our initial offering at the end of the day on August 28, 2009. Commencing August 29, 2009, Realty Capital Securities, LLC, an unaffiliated third party, assumed the role of dealer manager for the remainder of the offering period. The Advisory Agreement expired in accordance with its terms on September 20, 2009.

On October 18, 2010, we and our former advisor and certain of its affiliates entered into a redemption, termination and release agreement, or the Redemption Agreement. Pursuant to the Redemption Agreement, we purchased the limited partner interest, including all rights with respect to a subordinated distribution upon the occurrence of specified liquidity events and other rights held by our former advisor in our operating partnership, for $8,000,000. In addition, pursuant to the Redemption Agreement the parties resolved all monetary claims and other matters between them, and entered into certain mutual and other releases of the parties. We believe that the execution of the Redemption Agreement represents the final stage of our successful separation from Grubb & Ellis and that the Redemption Agreement further positions us to take advantage of potential strategic opportunities in the future.

13. Redeemable Noncontrolling Interest of Limited Partners

As of June 30, 2011 and December 31, 2010, we owned an approximately 99.93% and an approximately 99.92%, respectively, general partner interest in our operating partnership. As of June 30, 2011, and December 31,

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2010, approximately 0.07% and 0.08% of our operating partnership was owned by individual physician investors that elected to exchange their partnership interests in the partnership that owns the 7900 Fannin medical office building for limited partner units of our operating partnership. We acquired the majority interest in the Fannin partnership on June 30, 2010. In aggregate, as of June 30, 2011, approximately 0.07% of the earnings of our operating partnership are allocated to the redeemable noncontrolling interest of limited partners.

On June 30, 2010, we completed the acquisition of the majority interest in the Fannin partnership, which owns the 7900 Fannin medical office building located in Houston, Texas on the Texas Medical Center campus. At closing, we acquired the general partner interest and 84% of the limited partner interests in the Fannin partnership. The original physician investors were provided the right to remain in the Fannin partnership, receive limited partner units in our operating partnership, and/or receive cash. Some of the original physician investors elected to remain in the Fannin partnership post-closing as limited partners. Those investors electing to remain in the Fannin partnership or to receive limited partner units in our operating partnership were provided opportunities for future redemption of their interests/units, exercisable at the option of the holder during periods specified within the agreement.

As of December 31, 2009, we owned an 80.0% interest in the JV Company that owns the Chesterfield Rehabilitation Center, which was originally purchased on December 20, 2007. The redeemable noncontrolling interest balance related to this arrangement at December 31, 2009 was comprised of the noncontrolling interest s initial contribution, 20.0% of the earnings at the Chesterfield Rehabilitation Center, and accretion of the change in the redemption value over the period from the purchase date to January 1, 2011, the earliest redemption date. On March 24, 2010, our subsidiary exercised its call option to buy, for $3,900,000, 100% of the interest owned by its joint venture partner, BD St. Louis, in the JV Company. As a result of the closing of the purchase on March 24, 2010, we own a 100% interest in the Chesterfield Rehabilitation Center, and the associated redeemable noncontrolling interest balance related to this entity was reduced to zero.

Redeemable noncontrolling interests are accounted for in accordance with ASC 480, *Distinguishing Liabilities From Equity,* or ASC 480, at the greater of their carrying amount or redemption value at the end of each reporting period. Changes in the redemption value from the purchase date to the earliest redemption date are accreted using the straight-line method. Additionally, as the noncontrolling interests provide for redemption features not solely within the control of the issuer, we classify such interests outside of permanent equity in accordance with Accounting Series Release 268: *Presentation in the Financial Statements of Redeemable Preferred Stock* , as applied in ASU No. 2009-4, *Accounting for Redeemable Equity Instruments*. As of June 30, 2011 and 2010, redeemable noncontrolling interest of limited partners was $3,775,000 and $4,203,000, respectively. Below is a table reflecting the activity of the redeemable noncontrolling interests.

Balance as of December 31, 2009	$	3,549,000
Net income attributable to noncontrolling interest of limited partners		65,000
Distributions		(87,000)
Valuation adjustment to noncontrolling interests		570,000
Purchase of Chesterfield 20% interest		(3,900,000)
Addition of noncontrolling interest attributable to the Fannin acquisition		4,006,000
Balance as of June 30, 2010	$	4,203,000
Balance as of December 31, 2010	$	3,867,000

Net income attributable to noncontrolling interest of limited partners		31,000
Distributions		(123,000)
Balance as of June 30, 2011	$	3,775,000

The $(9,000) in net loss and the $31,000 in net income attributable to noncontrolling interest shown on our June 30, 2011 interim condensed consolidated Statement of Operations reflects net income (loss) attributable to the Fannin partnership during the three and six months ended June 30, 2011, respectively.

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14. Stockholders Equity

Common Stock

Through June 30, 2011, we granted an aggregate of 833,500 shares of restricted common stock to our independent directors, executive officers, and other employees pursuant to the terms and conditions of our 2006 Incentive Plan and Amended 2006 Incentive Plan, employment agreements, and the employee retention program described in our 2010 Annual Report on Form 10-K, filed on March 25, 2011. Through June 30, 2011, we issued 219,479,534 shares of our common stock to stockholders in connection with our initial offering and follow-on offering and 15,581,637 shares of our common stock under the DRIP, and we repurchased 9,122,160 shares of our common stock under our share repurchase plan. As of June 30, 2011 and December 31, 2010, we had 226,772,511 and 202,643,705 shares of our common stock outstanding, respectively.

Pursuant to our follow-on offering, we offered to the public up to 200,000,000 shares of our common stock for $10.00 per share and up to 21,052,632 shares of our common stock pursuant to the DRIP at $9.50 per share. Our charter authorizes us to issue 1,000,000,000 shares of our common stock. On February 28, 2011, we stopped offering shares in our primary offering. However, for noncustodial accounts, subscription agreements signed on or before February 28, 2011 with all documents and funds received by end of business March 15, 2011 were accepted. For custodial accounts, subscription agreements signed on or before February 28, 2011 with all documents and funds received by end of business March 31, 2011 were accepted.

On December 20, 2010, our stockholders approved an amendment to our charter to provide for the reclassification and conversion of our common stock in the event our shares are listed on a national securities exchange to implement a phased in liquidity program. We proposed these amendments and submitted them for approval by our stockholders to prepare our company in the event we pursue a listing. Under the phased in liquidity program, our common stock would reclassify and convert into shares of Class A common stock and Class B common stock immediately prior to a listing. In the event of a listing, the shares of Class A common stock would be immediately listed on a national securities exchange. The shares of Class B common stock would not be listed. Rather, those shares would convert into shares of Class A common stock and become listed in defined phases, over a defined period of time within 18 months of a listing. The phased in liquidity program is intended to provide for our stock to be transitioned into the public market in a way that minimizes the stock-pricing instability that could result from concentrated sales of our stock.

Preferred Stock

Our charter authorizes us to issue 200,000,000 shares of our $0.01 par value preferred stock. As of June 30, 2011 and December 31, 2010, no shares of preferred stock were issued and outstanding.

Distribution Reinvestment Plan

We adopted the DRIP that allows stockholders to purchase additional shares of common stock through the reinvestment of distributions, subject to certain conditions. We registered and reserved 21,052,632 shares of our common stock for sale pursuant to the DRIP in our initial offering and we registered and reserved 21,052,632 shares of our common stock for sale pursuant to the DRIP in our follow-on offering. For the three months ended June 30, 2011 and 2010, $19,492,000 and $13,544,000, respectively, in distributions were reinvested and 2,051,815 and 1,425,722 shares of our common stock, respectively, were issued under the DRIP. For the six months ended June 30, 2011 and 2010, $37,143,000 and $26,066,000, respectively, in distributions were reinvested and 3,909,772 and

2,743,824 shares of our common stock, respectively, were issued under the DRIP. As of June 30, 2011 and December 31, 2010, a total of $148,026,000 and $110,882,000, respectively, in distributions were reinvested and 15,581,637 and 11,671,865 shares of our common stock, respectively, were issued under the DRIP. With the termination of our follow-on offering on February 28, 2011, except for the DRIP, we will periodically review potential alternatives for our DRIP, including the suspension or termination of the plan.

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See Note 19, Subsequent Events, for discussion of the amended and restated distribution reinvestment plan, which was adopted by our board of directors on August 1, 2011 and became effective on August 11, 2011.

Share Repurchase Plan

Our board of directors has approved a share repurchase plan that allows for share repurchases by us when certain criteria are met by requesting stockholders. Share repurchases will be made at the sole discretion of our board of directors. On November 24, 2010, we, with the approval of our board of directors and at its sole discretion, elected to amend and restate our share repurchase plan. Starting in the first calendar quarter of 2011, we will fund a maximum of $10 million of share repurchase requests per quarter, subject to available funding. Funds for the repurchase of shares of our common stock will come exclusively from the proceeds we receive from the sale of shares of our common stock under the DRIP during the relevant quarter. In addition, with the termination of our follow-on offering on February 28, 2011, except for the DRIP, we will periodically review potential alternatives for our share repurchase plan, including the suspension or termination of the plan.

For the three months ended June 30, 2011 and 2010, we repurchased 1,012,293 shares of our common stock, at an average price of $9.65 per share, for an aggregate amount of $9,768,000 and 1,120,434 shares of our common stock, at an average price of $9.48 per share, for an aggregate amount of $10,625,000, respectively. For the three months ended June 30, 2011 and 2010, we were unable to repurchase a total of 2,724,700 and 0 shares requested to be repurchased, respectively, due to the limitations of our share repurchase plan. For the six months ended June 30, 2011 and 2010, we repurchased 1,834,141 shares of our common stock, at an average price of $9.64 per share, for an aggregate amount of $17,684,000 and 2,019,832 shares of our common stock, at an average price of $9.48 per share, for an aggregate amount of $19,158,000, respectively. For the six months ended June 30, 2011 and 2010, we were unable to repurchase a total of 6,805,466 and 0 shares requested to be repurchased, respectively, due to the limitations of our share repurchase plan. As of June 30, 2011 and December 31, 2010, we had repurchased a total of 9,122,160 shares of our common stock, at an average price of $9.52 per share, for an aggregate amount of $86,883,000 and 7,288,019 shares of our common stock, at an average price of $9.49 per share, for an aggregate amount of $69,199,000, respectively.

Amended and Restated 2006 Incentive Plan and 2006 Independent Directors Compensation Plan

On February 24, 2011, as a result of our Compensation Committee s and Board of Directors comprehensive review of our compensation structure, our Board of Directors amended and restated our 2006 Incentive Plan, or the Amended and Restated 2006 Plan. Consistent with the original plan, the Amended and Restated 2006 Plan permits the grant of incentive awards to our employees, officers, non-employee directors, and consultants as selected by our Board or the Compensation Committee. Our philosophy regarding compensation is to structure employee compensation to promote and reward performance-based behavior, which results in risk-managed, added value to our Company and stockholders. The plan is designed to provide maximum flexibility to our Company consistent with our current size, the stage of our life cycle, and our overall strategic plan. As and when our Board and Compensation Committee determine various performance-based awards, the details of such awards, such as vesting terms and post-termination exercise periods, will be addressed in the individual award agreements.

The Amended and Restated 2006 Incentive 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 operating partnership, and cash-based awards. Subject to adjustment as provided in the Amended and Restated 2006 Incentive Plan, the aggregate number of shares of our common stock reserved and available for issuance pursuant to awards granted under the Amended and Restated 2006 Incentive Plan is 10,000,000 (which includes 2,000,000 shares originally reserved for issuance under the plan and 8,000,000 new shares added pursuant to the amendment and restatement).

Unless otherwise provided in an award certificate or any special plan document governing an award, upon the termination of a participant s service due to death or disability (as defined in the Amended and Restated 2006

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Incentive Plan), (1) all of that participant s outstanding options and stock appreciation rights will become fully vested and exercisable; (2) all time-based vesting restrictions on that participant s outstanding awards will lapse; and (3) the payout level under all of that participant s outstanding performance-based awards will be determined and deemed to have been earned based upon an assumed achievement of all relevant performance goals at the target level, and the awards will payout on a pro rata basis, based on the time within the performance period that has elapsed prior to the date of termination.

Unless otherwise provided in an award certificate or any special plan document governing an award, upon the occurrence of a change in control of the company (as defined in the Amended and Restated 2006 Incentive Plan) in which awards are not assumed by the surviving entity or otherwise equitably converted or substituted in connection with the change in control in a manner approved by the compensation committee or our board of directors: (1) all outstanding options and stock appreciation rights will become fully vested and exercisable; (2) all time-based vesting restrictions on outstanding awards will lapse as of the date of termination; and (3) the payout level under outstanding performance-based awards will be determined and deemed to have been earned as of the effective date of the change in control based upon an assumed achievement of all relevant performance goals at the target level, and the awards will payout on a pro rata basis, based on the time within the performance period that has elapsed prior to the change in control. With respect to awards assumed by the surviving entity or otherwise equitably converted or substituted in connection with a change in control, if within one year after the effective date of the change in control, a participant s employment is terminated without cause or the participant resigns for good reason (as such terms are defined in the Amended and Restated 2006 Incentive Plan), then: (1) all of that participant s outstanding options and stock appreciation rights will become fully vested and exercisable; (2) all time-based vesting restrictions on that participant s outstanding awards will lapse as of the date of termination; and (3) the payout level under all of that participant s performance-based awards that were outstanding immediately prior to effective time of the change in control will be determined and deemed to have been earned as of the date of termination based upon an assumed achievement of all relevant performance goals at the target level, and the awards will payout on a pro rata basis, based on the time within the performance period that has elapsed prior to the date of termination.

The fair value of each share of restricted common stock and restricted common stock unit that has been granted under the plan is estimated at the date of grant at $10.00 per share, the per share price of shares in our initial and follow-on offerings, and is amortized on a straight-line basis over the vesting period. Shares of restricted common stock and restricted common stock units may not be sold, transferred, exchanged, assigned, pledged, hypothecated or otherwise encumbered. Such restrictions expire upon vesting. For the three months ended June 30, 2011 and 2010, we recognized compensation expense of $645,000 and $209,000, respectively, related to the restricted common stock grants. For the six months ended June 30, 2011 and 2010, we recognized compensation expense of $1,542,000 and $365,000, respectively, related to the restricted common stock grants. Such compensation expense is included in general and administrative expenses in our accompanying interim condensed consolidated statements of operations. Shares of restricted common stock have full voting rights and rights to dividends. Shares of restricted common stock units do not have voting rights or rights to dividends.

A portion of our awards may be paid in cash in lieu of stock in accordance with the respective employment agreement and vesting schedule of such awards. These awards are revalued every reporting period end with the cash redemption liability reflected on our consolidated balance sheets, if material. For the three months ended June 30, 2011 and 2010, 16,667 shares and 0 shares, respectively, were settled in cash. For the six months ended June 30, 2011 and 2010, 41,667 shares and 0 shares, respectively, were settled in cash.

As of June 30, 2011 and December 31, 2010, there was approximately $5,036,000 and $4,143,000, respectively, of total unrecognized compensation expense net of estimated forfeitures, related to nonvested shares of restricted common stock. As of June 30, 2011, this expense is expected to be recognized over a remaining weighted average period of 2.1 years.

As of June 30, 2011 and December 31, 2010, the fair value of the nonvested shares of restricted common stock and restricted common stock units was $6,735,000 and $4,352,000, respectively. A summary of the status of the

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nonvested shares of restricted common stock and restricted common stock units as of June 30, 2011 and December 31, 2010, and the changes for the six months ended June 30, 2011, is presented below:

	Restricted Common Stock/Units	Weighted Average Grant Date Fair Value
Balance December 31, 2010	435,168	$10.00
Granted, net	286,000	$10.00
Vested	(47,667)	$10.00
Forfeited		
Balance June 30, 2011	673,501	$10.00
Nonvested Shares Expected to vest June 30, 2011	673,501	$10.00

15. Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements and Disclosures*, or ASC 820, defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, as opposed to a transaction-specific measurement and most of the provisions were effective for our consolidated financial statements beginning January 1, 2008.

Fair value is defined by ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate the fair value. Financial assets and liabilities are measured using inputs from three levels of the fair value hierarchy, as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date. An active market is defined as a market in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active (markets with few transactions), inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that derived principally from or corroborated by observable market data correlation or other means (market corroborated inputs).

Level 3 Unobservable inputs, only used to the extent that observable inputs are not available, reflect our assumptions about the pricing of an asset or liability.

ASC 825, *Financial Instruments*, or ASC 825, requires disclosure of fair value of financial instruments in interim financial statements as well as in annual financial statements.

We use fair value measurements to record fair value of certain assets and to estimate fair value of financial instruments not recorded at fair value but required to be disclosed at fair value.

Financial Instruments Reported at Fair Value

Cash and Cash Equivalents

We invest in money market funds which are classified within Level 1 of the fair value hierarchy because they are valued using unadjusted quoted market prices in active markets for identical securities.

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Derivative Financial Instruments

Currently, we use interest rate swaps and interest rate caps to manage interest rate risk associated with floating rate debt. The valuation of these instruments is determined by a third-party expert using a proprietary model that utilizes widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative, and observable inputs. As such, we classify these inputs as Level 2 inputs. The proprietary model reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates, and implied volatilities. The fair values of interest rate swaps and interest rate caps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

To comply with the provisions of ASC 820, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although we have determined that the majority of the inputs used to value our interest rate swap and interest rate cap 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, as of June 30, 2011, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our interest rate swap and interest rate cap 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 and interest rate cap derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

As of June 30, 2011, there have been no transfers of assets or liabilities between levels.

Assets and Liabilities at Fair Value

The table below presents our assets and liabilities measured at fair value on a recurring basis as of June 30, 2011, aggregated by the level in the fair value hierarchy within which those measurements fall.

	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		264,000		264,000
Total assets at fair value	$	$ 264,000	$	$ 264,000
Liabilities				
Derivative financial instruments	$	$ (1,685,000)	$	$ (1,685,000)