

NATIONWIDE HEALTH PROPERTIES INC

Form 10-Q

May 06, 2010

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**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 March 31, 2010.**

**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 1-9028**

**NATIONWIDE HEALTH PROPERTIES, INC.  
(Exact Name of Registrant as Specified in Its Charter)**

**Maryland  
(State or Other Jurisdiction of  
Incorporation or Organization)**

**95-3997619  
(I.R.S. Employer  
Identification Number)**

**610 Newport Center Drive, Suite 1150  
Newport Beach, California  
(Address of Principal Executive Offices)**

**92660  
(Zip Code)**

**(949) 718-4400**

**(Registrant's Telephone Number, Including Area Code)**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting  
company

(Do not check if a smaller  
reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, \$0.10 par value, outstanding at May 6, 2010: 119,797,061

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**NATIONWIDE HEALTH PROPERTIES, INC.**  
**FORM 10-Q**  
**MARCH 31, 2010**  
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**Table of Contents****Part I. Financial Information****Item 1. Financial Statements****NATIONWIDE HEALTH PROPERTIES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>March 31, 2010 (Unaudited)</b>	<b>December 31, 2009</b>
	<b>(Dollars in thousands)</b>	
<b>ASSETS</b>		
Investments in real estate:		
Land	\$ 317,531	\$ 318,457
Buildings and improvements	3,346,489	3,088,183
	3,664,020	3,406,640
Less accumulated depreciation	(606,231)	(585,294)
	3,057,789	2,821,346
Mortgage loans receivable, net	197,271	110,613
Mortgage loan receivable from related party		47,500
Investments in unconsolidated joint ventures	47,797	51,924
	3,302,857	3,031,383
Cash and cash equivalents	210,590	382,278
Receivables, net	8,750	6,605
Intangible assets	150,120	93,657
Other assets	141,327	133,152
	\$ 3,813,644	\$ 3,647,075
<b>LIABILITIES AND EQUITY</b>		
Unsecured senior credit facility	\$	\$
Senior notes	991,633	991,633
Notes and bonds payable	535,950	431,456
Accounts payable and accrued liabilities	125,244	132,915
Total liabilities	1,652,827	1,556,004
Redeemable OP unitholder interests	77,557	57,335
Commitments and contingencies		
Equity:		
NHP stockholders' equity:		
Preferred stock \$1.00 par value; 5,000,000 shares authorized; 7.750% Series B Convertible, none and 513,644 shares issued and outstanding at March 31, 2010 and December 31, 2009, stated at liquidation preference of \$100 per share		51,364
Common stock \$0.10 par value; 200,000,000 shares authorized; issued and outstanding: 118,184,009 and 114,320,786 at March 31, 2010 and December 31, 2009, respectively	11,818	11,432

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Capital in excess of par value	2,225,737	2,128,843
Cumulative net income	1,736,708	1,705,279
Accumulated other comprehensive loss	(1,385)	(823)
Cumulative dividends	(1,915,071)	(1,862,996)
Total NHP stockholders' equity	2,057,807	2,033,099
Noncontrolling interests	25,453	637
Total equity	2,083,260	2,033,736
	\$ 3,813,644	\$ 3,647,075

See accompanying notes.

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**NATIONWIDE HEALTH PROPERTIES, INC.**  
**CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(In thousands, except per share amounts)</b>	
Revenue:		
Triple-net lease rent	\$ 74,214	\$ 74,095
Medical office building operating rent	21,251	16,653
	95,465	90,748
Interest and other income	6,963	6,335
	102,428	97,083
Expenses:		
Interest expense	23,590	24,071
Depreciation and amortization	31,969	30,832
General and administrative	6,984	6,931
Acquisition costs	1,443	
Medical office building operating expenses	8,647	6,834
	72,633	68,668
Operating income	29,795	28,415
Income from unconsolidated joint ventures	1,347	1,013
Gain on debt extinguishment	75	
Income from continuing operations	31,217	29,428
Discontinued operations:		
Gains on sale of facilities, net	22	21,152
Income from discontinued operations		53
	22	21,205
Net income	31,239	50,633
Net loss (income) attributable to noncontrolling interests	190	(27)
Net income attributable to NHP	31,429	50,606
Preferred stock dividends		(1,452)
Net income attributable to NHP common stockholders	\$ 31,429	\$ 49,154
Basic earnings per share amounts:		
Income from continuing operations attributable to NHP common stockholders	\$ 0.27	\$ 0.27



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Discontinued operations attributable to NHP common stockholders			0.21
Net income attributable to NHP common stockholders	\$	0.27	\$ 0.48
Basic weighted average shares outstanding		117,048	102,355
Diluted earnings per share amounts:			
Income from continuing operations attributable to NHP common stockholders	\$	0.26	\$ 0.27
Discontinued operations attributable to NHP common stockholders			0.20
Net income attributable to NHP common stockholders	\$	0.26	\$ 0.47
Diluted weighted average shares outstanding		119,466	104,408
Dividends declared per share	\$	0.44	\$ 0.44

See accompanying notes.

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**NATIONWIDE HEALTH PROPERTIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF EQUITY**  
(Unaudited)  
(In thousands)

	Preferred Stock		NHP Stockholders Equity			Accumulated other		Noncontrolling interests	Total equity	
	Shares	Amount	Common stock Shares	Common stock Amount	Capital in excess of par value	Cumulative net income	Comprehensive income (loss)			Cumulative dividends
Balances at December 31, 2009	514	\$ 51,364	114,321	\$ 11,432	\$ 2,128,843	\$ 1,705,279	\$ (823)	\$ (1,862,996)	\$ 637	\$ 2,033,730
Comprehensive income:										
Net income						31,429			(190)	31,239
Amortization of gain on Treasury lock agreements							(126)			(126)
Pro rata share of accumulated other comprehensive loss from unconsolidated joint venture							(436)			(436)
Comprehensive income										30,677
Conversion/redemption of preferred stock	(514)	(51,364)	2,315	231	51,041					(9)
Issuance of common stock, net			1,548	155	45,821					45,976
Amortization of stock-based compensation					1,594					1,594
Common dividends								(52,075)		(52,075)
Adjust redeemable OP member interests to current redemption value					(1,562)					(1,562)
Non-cash contributions from noncontrolling interests									25,289	25,289
Distributions to noncontrolling interests									(283)	(283)
Balances at March 31, 2010		\$	118,184	\$ 11,818	\$ 2,225,737	\$ 1,736,708	\$ (1,385)	\$ (1,915,071)	\$ 25,453	\$ 2,083,260

See accompanying notes.

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**NATIONWIDE HEALTH PROPERTIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(In thousands)</b>	
Cash flows from operating activities:		
Net income	\$ 31,239	\$ 50,633
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	31,969	31,123
Stock-based compensation	1,594	1,573
Gain on re-measurement of equity interest upon acquisition, net	(620)	
Gains on sale of facilities, net	(22)	(21,152)
Gain on debt extinguishment	(75)	
Amortization of deferred financing costs	719	703
Mortgage and other loan premium amortization		19
Straight-line rent	(1,733)	(1,621)
Equity in earnings from unconsolidated joint ventures	(286)	5
Distributions of income from unconsolidated joint ventures	258	201
Changes in operating assets and liabilities:		
Receivables	(1,706)	(525)
Intangible and other assets	(210)	(987)
Accounts payable and accrued liabilities	(17,394)	(16,063)
Net cash provided by operating activities	43,733	43,909
Cash flows from investing activities:		
Acquisition of real estate and related assets and liabilities	(65,056)	(8,583)
Proceeds from sale of real estate facilities		36,284
Investment in mortgage and other loans receivable	(140,437)	(13,179)
Principal payments on mortgage and other loans receivable	1,270	5,445
Contributions to unconsolidated joint ventures		(110)
Distributions from unconsolidated joint ventures	751	559
Net cash (used in) provided by investing activities	(203,472)	20,416
Cash flows from financing activities:		
Repayment of senior notes		(27,000)
Issuance of notes and bonds payable		6,862
Principal payments on notes and bonds payable	(5,020)	(1,652)
Issuance of common stock, net	45,875	3,309
Redemption of preferred stock	(92)	
Distributions to noncontrolling interests	(283)	(364)
Distributions to redeemable OP unitholders	(370)	(682)
Dividends paid	(51,979)	(46,681)
Payment of deferred financing costs	(80)	(82)

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Net cash used in financing activities	(11,949)	(66,290)
Decrease in cash and cash equivalents	(171,688)	(1,965)
Cash and cash equivalents, beginning of period	382,278	82,250
Cash and cash equivalents, end of period	\$ 210,590	\$ 80,285
Supplemental schedule of cash flow information:		
Non-cash investing activities:		
Assumption of debt upon acquisition of real estate	\$ 109,514	\$
Retirement of mortgage loan receivable upon acquisition of real estate	\$ 47,500	\$
Capital contributions from noncontrolling interests upon acquisition of real estate	\$ 25,289	\$
Issuance of redeemable OP units upon acquisition of real estate	\$ 18,986	\$
Issuance of mortgage loan receivable upon sale of real estate	\$ 6,258	\$
Non-cash financing activities:		
Conversion of preferred stock to common stock	\$ 51,272	\$
Adjust redeemable OP unitholder interest to current redemption value	\$ 1,562	\$

See accompanying notes.

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**NATIONWIDE HEALTH PROPERTIES, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2010  
(Unaudited)**

**1. Organization**

Nationwide Health Properties, Inc., a Maryland corporation, is a real estate investment trust ( REIT ) that invests in healthcare related real estate, primarily senior housing, long-term care properties and medical office buildings. Whenever we refer herein to NHP or to us or use the terms we or our, we are referring to Nationwide Health Properties, Inc. and its subsidiaries, unless the context otherwise requires.

We primarily make our investments by acquiring an ownership interest in senior housing and long-term care facilities and leasing them to unaffiliated tenants under triple-net master leases that transfer the obligation for all facility operating costs (including maintenance, repairs, taxes, insurance and capital expenditures) to the tenant. We also invest in medical office buildings which are not generally subject to triple-net leases and generally have several tenants under separate leases in each building, thus requiring active management and responsibility for many of the associated operating expenses (although many of these are, or can effectively be, passed through to the tenants). Some of the medical office buildings are subject to triple-net leases. In addition, but to a much lesser extent because we view the risks of this activity to be greater due to less favorable bankruptcy treatment and other factors, from time to time, we extend mortgage loans and other financing to operators. For the three months ended March 31, 2010, approximately 93% of our revenues were derived from leases, with the remaining 7% from mortgage loans, other financing activities and other miscellaneous income.

We believe we have operated in such a manner as to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code ). We intend to continue to qualify as such and therefore distribute at least 90% of our REIT taxable income (computed without regard to the dividends paid deduction and excluding capital gain) to our stockholders. If we qualify for taxation as a REIT, and we distribute 100% of our taxable income to our stockholders, we will generally not be subject to U.S. federal income taxes on our income that is distributed to stockholders. Accordingly, no provision has been made for federal income taxes.

As of March 31, 2010, we had investments in 606 healthcare facilities and one land parcel located in 43 states, consisting of:

Consolidated facilities:

- 251 assisted and independent living facilities;
- 167 skilled nursing facilities;
- 9 continuing care retirement communities;
- 7 specialty hospitals;
- 19 triple-net medical office buildings, one of which is operated by a consolidated joint venture (see Note 5); and
- 67 multi-tenant medical office buildings, 20 of which are operated by consolidated joint ventures (see Note 5).

Unconsolidated facilities:

- 19 assisted and independent living facilities;
- 14 skilled nursing facilities; and
- 1 continuing care retirement community.

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Mortgage loans secured by:

- 26 medical office buildings;
- 16 skilled nursing facilities;
- 9 assisted and independent living facilities;
- 1 continuing care retirement community; and
- 1 land parcel.

As of March 31, 2010, our directly owned facilities, other than our multi-tenant medical office buildings, were operated by 84 different healthcare providers, including the following publicly traded companies:

	<b>Number of Facilities Operated</b>
Assisted Living Concepts, Inc.	4
Brookdale Senior Living, Inc.	96
Emeritus Corporation	6
Extendicare, Inc.	1
HealthSouth Corporation	2
Kindred Healthcare, Inc.	1
Sun Healthcare Group, Inc.	4

Two of our triple-net lease tenants each accounted for more than 10% of our revenues at March 31, 2010 as follows:

Brookdale Senior Living, Inc.	14.3%
Hearthstone Senior Services, L.P.	10.1%

**2. Summary of Significant Accounting Policies***Basis of Presentation*

We have prepared the condensed consolidated financial statements included herein without audit. These financial statements include all adjustments that are, in the opinion of management, necessary for a fair presentation of the results of operations for the three months ended March 31, 2010 and 2009 pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). All such adjustments are of a normal recurring nature. Certain items in prior period financial statements have been reclassified to conform to current year presentation, including those required by the provisions of Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 360, *Property, Plant and Equipment* ( ASC 360 ), which require the operating results of any assets with their own identifiable cash flows that are disposed of or held for sale and in which we have no continuing interest to be removed from income from continuing operations and reported as discontinued operations. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ( GAAP ) have been condensed or omitted pursuant to these rules and regulations. Although we believe that the disclosures in the financial statements included herein are adequate to make the information presented not misleading, these condensed consolidated financial statements should be read in conjunction with our financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the SEC. The results of operations for the three months ended March 31, 2010 and 2009 are not necessarily indicative of the results for a full year.

We have evaluated events subsequent to March 31, 2010 for their impact on our condensed consolidated financial statements.

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