

STRATEGIC HOTELS & RESORTS, INC  
Form 10-Q  
August 07, 2012  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended June 30, 2012

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-32223

STRATEGIC HOTELS & RESORTS, INC.

(Exact name of registrant as specified in its charter)

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Maryland	33-1082757
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 West Madison Street, Suite 1700, Chicago, Illinois	60606-3415
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code: (312) 658-5000	

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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 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:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

Yes  No

The number of shares of common stock (par value \$0.01 per share) of the registrant outstanding as of August 6, 2012 was 204,308,710.



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**WHERE TO FIND MORE INFORMATION:**

We maintain a website at [www.strategichotels.com](http://www.strategichotels.com). Through our website, we make available, free of charge, our annual proxy statement, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). The SEC maintains a website that contains these reports at [www.sec.gov](http://www.sec.gov).

This report (and Exhibit 99.1 hereto) contains registered trademarks that are the exclusive property of their respective owners, which are companies other than us, including Fairmont®, Four Seasons®, Hilton®, Hyatt®, InterContinental®, Loews®, Marriott®, Michael Jordan's Steak House®, Renaissance®, Ritz-Carlton® and Westin®. None of the owners of these trademarks, their affiliates or any of their respective officers, directors, agents or employees has or will have any liability or responsibility for any financial statements, projections or other financial information or other information contained in this report.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

## STRATEGIC HOTELS &amp; RESORTS, INC. AND SUBSIDIARIES (SHR)

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Data)

	June 30, 2012	December 31, 2011
Assets		
Investment in hotel properties, net	\$ 1,661,252	\$ 1,692,431
Goodwill	40,359	40,359
Intangible assets, net of accumulated amortization of \$9,754 and \$8,915	30,147	30,635
Investment in unconsolidated affiliates	119,354	126,034
Cash and cash equivalents	76,180	72,013
Restricted cash and cash equivalents	46,243	39,498
Accounts receivable, net of allowance for doubtful accounts of \$1,547 and \$1,698	54,135	43,597
Deferred financing costs, net of accumulated amortization of \$5,309 and \$3,488	9,044	10,845
Deferred tax assets	1,964	2,230
Prepaid expenses and other assets	40,864	29,047
Total assets	\$ 2,079,542	\$ 2,086,689
Liabilities, Noncontrolling Interests and Equity		
Liabilities:		
Mortgages and other debt payable	\$ 995,817	\$ 1,000,385
Bank credit facility	50,000	50,000
Accounts payable and accrued expenses	228,936	249,179
Distributions payable	—	72,499
Deferred tax liabilities	47,509	47,623
Total liabilities	1,322,262	1,419,686
Noncontrolling interests in SHR's operating partnership	5,513	4,583
Equity:		
SHR's shareholders' equity:		
8.50% Series A Cumulative Redeemable Preferred Stock (\$0.01 par value per share; 4,148,141 shares issued and outstanding; liquidation preference \$25.00 per share plus accrued distributions and \$103,704 and \$130,148 in the aggregate)	99,995	99,995
8.25% Series B Cumulative Redeemable Preferred Stock (\$0.01 par value per share; 3,615,375 shares issued and outstanding; liquidation preference \$25.00 per share plus accrued distributions and \$90,384 and \$112,755 in the aggregate)	87,064	87,064
8.25% Series C Cumulative Redeemable Preferred Stock (\$0.01 par value per share; 3,827,727 shares issued and outstanding; liquidation preference \$25.00 per share plus accrued distributions and \$95,693 and \$119,377 in the aggregate)	92,489	92,489
Common shares (\$0.01 par value per share; 350,000,000 and 250,000,000 common shares authorized; 204,308,710 and 185,627,199 common shares issued and outstanding)	2,043	1,856
Additional paid-in capital	1,738,416	1,634,067

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Accumulated deficit	(1,213,052	)	(1,190,621	)
Accumulated other comprehensive loss	(62,853	)	(70,652	)
Total SHR's shareholders' equity	744,102		654,198	
Noncontrolling interests in consolidated affiliates	7,665		8,222	
Total equity	751,767		662,420	
Total liabilities, noncontrolling interests and equity	\$2,079,542		\$2,086,689	

See accompanying notes to unaudited condensed consolidated financial statements.

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STRATEGIC HOTELS & RESORTS, INC. AND SUBSIDIARIES (SHR)  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (In Thousands, Except Per Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues:				
Rooms	\$ 110,132	\$ 108,812	\$ 204,642	\$ 200,282
Food and beverage	71,931	74,441	134,410	137,323
Other hotel operating revenue	18,173	19,948	38,298	39,921
Lease revenue	1,165	1,277	2,330	2,492
Total revenues	201,401	204,478	379,680	380,018
Operating Costs and Expenses:				
Rooms	29,983	29,818		