

Castle Brands Inc
Form 8-K
December 02, 2009

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

December 2, 2009

Castle Brands Inc.

(Exact name of registrant as specified in its charter)

Delaware

001-32849

41-2103550

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

122 East 42nd Street, Suite 4700, New York,
New York

10168

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(646) 356-0200

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 7.01 Regulation FD Disclosure.

On December 2, 2009, CBI issued a press release regarding its bourbon business. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

Exhibit 99.1 Press Release issued by Castle Brands Inc. on December 2, 2009.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

December 2, 2009

Castle Brands Inc.

By: */s/ Alfred J. Small*

Name: Alfred J. Small

Title: Senior Vice President and Chief Financial Officer

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Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by Castle Brands Inc. on December 2, 2009

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- (1) Excludes the impact of the amortization of the noncash debt discounts related to the accounting required for our Exchangeable Notes.
- (2) Includes the impact of the amortization of the noncash debt discounts related to the accounting required for our Exchangeable Notes.

Liquidity Uses

Contractual Obligations

The following table provides information with respect to the Operating Partnership's contractual obligations as of June 30, 2011. The table includes the changes in our contractual obligations as result of transactions that occurred during the six months ended June 30, 2011, including the debt and ground lease obligations assumed with property

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acquisitions (see Note 2 to our consolidated financial statements for more information) and the amendment of the Credit Facility which extended the maturity date by two years. The table: (i) indicates the maturities and scheduled principal repayments of our secured debt, Exchangeable Notes, unsecured senior notes, and Credit Facility; (ii) indicates the scheduled interest payments of our fixed-rate and variable-rate debt as of June 30, 2011; (iii) provides information about the minimum commitments due in connection with our ground lease obligations and other lease and contractual commitments; and (iv) provides estimated redevelopment commitments as of June 30, 2011. Note that the table does not reflect our available debt maturity extension options and reflects gross aggregate principal amounts before the effect of unamortized discounts/premiums.

	Payment Due by Period				Total
	Less than 1 Year (Remainder of 2011)	1-3 Years (2012-2013)	3-5 Years (2014-2015)	More than 5 Years (After 2015)	
Principal payments secured debt ⁽¹⁾	\$ 72,262	\$ 163,676	\$ 39,325	\$ 200,028	\$ 475,291
Principal payments Exchangeable Notes ⁽²⁾		148,000	172,500		320,500
Principal payments unsecured senior notes ⁽³⁾⁽⁴⁾			408,000	250,000	658,000
Principal payments Credit Facility			245,000		245,000
Interest payments fixed-rate debt ⁽⁵⁾	38,381	121,555	96,959	92,961	349,856
Interest payments variable-rate debt ⁽⁶⁾	2,879	11,516	9,117		23,512
Ground lease obligations ⁽⁷⁾	1,041	3,852	3,700	133,212	141,805
Lease and contractual commitments ⁽⁸⁾	35,910	4,183	4,021		44,114
Redevelopment Commitments ⁽⁹⁾	13,000				13,000
Total	\$ 163,473	\$ 452,782	\$ 978,622	\$ 676,201	\$ 2,271,078

(1) Includes the \$52.0 million gross aggregate principal amount of the loan due in April 2012 before the effect of the unamortized discount of approximately \$0.4 million as of June 30, 2011. Also includes the \$30.0 million gross aggregate principal amount of the loan due in April 2015 before the effect of the unamortized premium of approximately \$0.9 million as of June 30, 2011.

(2) Represents gross aggregate principal amount before the effect of the unamortized discount of approximately \$17.1 million as of June 30, 2011.

(3) Represents gross aggregate principal amount before the effect of the unamortized discount of approximately \$2.1 million as of June 30, 2011.

(4) In July 2011, we issued unsecured senior notes with an aggregate principal balance of \$325.0 million that are scheduled to mature in July 2018. These senior notes are not included in the table presented above. The unsecured senior notes require semi-annual interest payments each January and July based on a stated annual interest rate of 4.80%.

- (5) As of June 30, 2011, 85.6% of our debt was contractually fixed. The information in the table above reflects our projected interest rate obligations for these fixed-rate payments based on the contractual interest rates, interest payment dates, and scheduled maturity dates.
- (6) As of June 30, 2011, 14.4% of our debt bore interest at variable rates. The variable interest rate payments are based on LIBOR plus a spread of 1.750% as of June 30, 2011. The information in the table above reflects our projected interest rate obligations for these variable-rate payments based on outstanding principal balances and the effective interest rates as of June 30, 2011, the scheduled interest payment dates, and the contractual maturity dates.
- (7) One of our ground lease obligations is subject to a fair market value adjustment every five years; however, the lease includes ground rent subprotection and infrastructure rent credits which currently limit our annual rental obligations to \$1.0 million. The contractual obligations for that ground lease included above assumes the lesser of \$1.0 million or annual lease rental obligation in effect as of June 30, 2011. Another one of our ground lease obligations includes a component which is based on the percentage of gross income that exceeds the minimum ground rent. The minimum rent is subject to increases every five years based on 50% of the average annual percentage rent for the previous five years. Currently gross income does not exceed the threshold requiring us to pay percentage rent. The contractual obligations for that ground lease included above assumes the annual lease rental obligation in effect as of June 30, 2011.
- (8) Amounts represent commitments under signed leases and contracts for operating properties, excluding tenant-funded tenant improvements. The timing of these expenditures may fluctuate.
- (9) Amounts represent contractual commitments for redevelopment projects under construction at June 30, 2011. The timing of these expenditures may fluctuate based on the ultimate progress of construction.

Distribution Requirements

For a discussion of our dividend and distribution requirements, please see the Distribution Requirements discussion under Liquidity and Capital Resources of the Company.

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Other Potential Liquidity Uses

In 2010 we acquired ten properties for approximately \$637.6 million in cash and to date in 2011 we have acquired eight properties for approximately \$378.6 million in cash, all of which we funded through various capital raising activities. We continually evaluate property acquisition opportunities as they arise. As a result, at any point in time we may have one or more potential acquisitions under consideration that are in varying stages of evaluation, negotiation or due diligence review, including potential acquisitions under contract. We expect that any material acquisitions will be funded with borrowings under our Credit Facility, the public or private issuance of new debt or equity securities, or potentially through the disposition of assets under our capital recycling program.

We may seek to repurchase Exchangeable Notes depending on prevailing market conditions, our liquidity requirements, and other factors.

Factors That May Influence Future Sources of Capital and Liquidity of the Company and the Operating Partnership

We continue to evaluate sources of financing for our business activities, including borrowings under the Credit Facility, issuance of public and private unsecured debt, fixed-rate secured mortgage financing, and offerings of the Company's common stock. However, the Operating Partnership's ability to obtain new financing or refinance existing borrowings on favorable terms could be impacted by various factors including the state of economic conditions, significant tenant defaults, a decline in the demand for office or industrial properties, a decrease in market rental rates or market values of real estate assets in our submarkets, and the amount of future borrowings. These events could result in the following:

Decreases in our cash flows from operations, which could create further dependence on our Credit Facility;

An increase in the proportion of variable-rate debt, which could increase our sensitivity to interest rate fluctuations in the future; and

A decrease in the value of our properties, which could have an adverse effect on the Operating Partnership's ability to incur additional debt, refinance existing debt at competitive rates, or comply with its existing debt obligations.

In addition to the factors noted above, the Operating Partnership's credit ratings are subject to ongoing evaluation by credit rating agencies and may be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. In the event that the Operating Partnership's credit ratings are downgraded, we may incur higher borrowing costs and may experience difficulty in obtaining additional financing or refinancing existing indebtedness.

Debt Covenants

The Credit Facility, unsecured senior notes, and certain other secured debt arrangements contain covenants and restrictions requiring us to meet certain financial ratios and reporting requirements. Key existing financial covenants and their covenant levels include:

Covenant Level	Actual Performance at June 30, 2011
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Credit Facility (as defined in the Credit Agreement):

Total debt to total asset value	less than 60%	39%
Fixed charge coverage ratio	greater than 1.5x	2.5x
Unsecured debt ratio	greater than 1.67x	2.35x
Unencumbered asset pool debt service coverage	greater than 2.0x	3.8x

Unsecured Senior Notes due 2015 and 2020 (as defined in the Indentures):

Total debt to total asset value	less than 60%	44%
Interest coverage	greater than 1.5x	3.0x
Secured debt to total asset value	less than 40%	12%
Unencumbered asset pool value to unsecured debt	greater than 150%	240%

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The Operating Partnership was in compliance with all its debt covenants as of June 30, 2011. Our current expectation is that the Operating Partnership will continue to meet the requirements of its debt covenants in both the short and long term. However, in the event of a renewed economic slow down and continued volatility in the credit markets, there is no certainty that the Operating Partnership will be able to continue to satisfy all the covenant requirements.

Consolidated Historical Cash Flow Summary

Our historical cash flow activity for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 is as follows:

	2011	2010	Six Months Ended June 30, Dollar Change (\$ in thousands)	Percentage Change
Net cash provided by operating activities	\$ 56,465	\$ 57,388	\$ (923)	(1.6)%
Net cash used in investing activities	(435,519)	(414,108)	(21,411)	5.2%
Net cash provided by financing activities	389,626	376,265	13,361	3.6%

Operating Activities

Our cash flows from operations depends on numerous factors including the occupancy level of our portfolio, the rental rates achieved on our leases, the collectability of rent and recoveries from our tenants, the level of operating expenses, the impact of property acquisitions and related financing activities, and other general and administrative costs. Our net cash provided by operating activities decreased by \$0.9 million, or 1.6%, for the six months ended June 30, 2011 compared to the six months ended June 30, 2010 primarily due to increased interest expense attributable to the increase in our average outstanding debt balances as a result of our acquisition activity partially offset by an increase in Net Operating Income generated primarily from our Acquisitions Portfolio. See additional information under the caption -Rental Operations.

Investing Activities

Our net cash used in investing activities is generally used to fund property acquisitions, recurring and nonrecurring capital expenditures for our operating properties, and development and redevelopment projects. Our net cash used in investing activities increased \$21.4 million, or 5.2%, for the six months ended June 30, 2011 compared to the six months ended June 30, 2010. This net increase was primarily attributable to our increased acquisition activity and the \$16.5 million in escrow deposits paid for potential future acquisitions.

Financing Activities

Our net cash provided by financing activities is generally impacted by our capital raising activities net of dividends and distributions paid to common and preferred security holders. Net cash provided by financing activities increased by \$13.4 million, or 3.6%, for the six months ended June 30, 2011 compared to the six months ended June 30, 2010, and was primarily attributable to the following:

A net increase of approximately \$17.5 million attributable to our various capital raising activities;

An offsetting decrease of \$6.5 million as a result of the dividends paid on the 6.0 million common shares we issued in our April 2011 equity offering.

Consolidated Off-Balance Sheet Arrangements

As of June 30, 2011 and as of the date this report was filed, we did not have any off-balance sheet transactions, arrangements, or obligations, including contingent obligations.

Table of Contents**Non-GAAP Supplemental Financial Measure: Funds From Operations**

We calculate FFO in accordance with the White Paper on FFO approved by the Board of Governors of NAREIT. The White Paper defines FFO as net income or loss calculated in accordance with GAAP, excluding extraordinary items, as defined by GAAP, and gains and losses from sales of depreciable operating property, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), and after adjustment for unconsolidated partnerships and joint ventures.

We believe that FFO is a useful supplemental measure of our operating performance. The exclusion from FFO of gains and losses from the sale of operating real estate assets allows investors and analysts to readily identify the operating results of the assets that form the core of our activity and assists in comparing those operating results between periods. Also, because FFO is generally recognized as the industry standard for reporting the operations of REITs, it facilitates comparisons of operating performance to other REITs. However, other REITs may use different methodologies to calculate FFO, and accordingly, our FFO may not be comparable to all other REITs.

Implicit in historical cost accounting for real estate assets in accordance with GAAP is the assumption that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies using historical cost accounting alone to be insufficient. Because FFO excludes depreciation and amortization of real estate assets, we believe that FFO along with the required GAAP presentations provides a more complete measurement of our performance relative to our competitors and a more appropriate basis on which to make decisions involving operating, financing, and investing activities than the required GAAP presentations alone would provide.

However, FFO should not be viewed as an alternative measure of our operating performance since it does not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, which are significant economic costs and could materially impact our results from operations.

The following table presents our FFO for the three and six months ended June 30, 2011 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Net (loss) income available to common stockholders	\$ (317)	\$ (1,783)	\$ 717	\$ 3,103
Adjustments:				
Net (loss) income attributable to noncontrolling common units of the Operating Partnership	(10)	(60)	24	132
Depreciation and amortization of real estate assets	31,970	23,501	61,029	44,229
Funds From Operations ⁽¹⁾	\$ 31,643	\$ 21,658	\$ 61,770	\$ 47,464

(1) Reported amounts are attributable to common stockholders and common unitholders.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposures to market risk have not changed materially since December 31, 2010. For a discussion of quantitative and qualitative disclosures about market risk, see Item 7A: Quantitative and Qualitative Disclosures About Market Risk in the Company's and the Operating Partnership's annual report on Form 10-K for the year ended December 31, 2010.

ITEM 4. CONTROLS AND PROCEDURES

Kilroy Realty Corporation

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended, is processed, recorded, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures as of June 30, 2011, the end of the period covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded, as of that time, that disclosure controls and procedures were effective at the reasonable assurance level.

There have been no significant changes that occurred during the quarter covered by this report in the Company's internal control over financial reporting identified in connection with the evaluation referenced above that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Kilroy Realty, L.P.

The Operating Partnership maintains disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed in the Operating Partnership's reports under the Securities Exchange Act of 1934, as amended, is processed, recorded, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Operating Partnership carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures as of June 30, 2011, the end of the period covered by this report. Based on the foregoing, the Operating Partnership's Chief Executive Officer and Chief Financial Officer concluded, as of that time, that disclosure controls and procedures were effective at the reasonable

assurance level.

There have been no significant changes that occurred during the quarter covered by this report in the Operating Partnership's internal control over financial reporting identified in connection with the evaluation referenced above that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not defendants in, and our properties are not subject to, any legal proceedings that, if determined adversely to us, would have a material adverse effect upon our financial condition, results of operations, or cash flows.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in the Company's and the Operating Partnership's annual report on Form 10-K for the year ended December 31, 2010.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS-None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES-None

ITEM 4. (REMOVED and RESERVED)

ITEM 5. OTHER INFORMATION-None

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ITEM 6. EXHIBITS

Exhibit Number	Description
3.(i)1	Kilroy Realty Corporation Articles of Restatement ⁽¹⁾
3.(i)2	Certificate of Limited Partnership of Kilroy Realty, L.P. ⁽²⁾
3.(i)3	Amendment to the Certificate of Limited Partnership of Kilroy Realty, L.P. ⁽²⁾
3.(ii)1	Second Amended and Restated Bylaws of Kilroy Realty Corporation ⁽³⁾
3.(ii)2	Amendment No. 1 to Second Amended and Restated Bylaws of Kilroy Realty Corporation ⁽⁴⁾
4.1	Supplemental Indenture, dated July 5, 2011, among Kilroy Realty, L.P., as issuer, Kilroy Realty Corporation, as guarantor, and U.S. Bank National Association, as trustee ⁽⁵⁾
10.1	First Amendment to Revolving Credit Agreement, dated June 22, 2011 ⁽⁶⁾
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Kilroy Realty Corporation
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Kilroy Realty Corporation
31.3*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Kilroy Realty, L.P.
31.4*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Kilroy Realty, L.P.
32.1*	Section 1350 Certification of Chief Executive Officer of Kilroy Realty Corporation
32.2*	Section 1350 Certification of Chief Financial Officer of Kilroy Realty Corporation
32.3*	Section 1350 Certification of Chief Executive Officer of Kilroy Realty, L.P.
32.4*	Section 1350 Certification of Chief Financial Officer of Kilroy Realty, L.P.
101.1	The following Kilroy Realty Corporation and Kilroy Realty, L.P. financial information for the quarter ended June 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Equity (unaudited), (iv) Consolidated Statements of Capital (v) Consolidated Statements of Cash Flows (unaudited) and (vi) Notes to Consolidated Financial Statements (unaudited). ⁽⁷⁾

* Filed herewith

- (1) Previously filed by Kilroy Realty Corporation as an exhibit on Form 10-K for the year ended December 31, 2009.
- (2) Previously filed by Kilroy Realty, L.P. as an exhibit to the General Form for Registration of Securities on Form 10 as filed with the Securities and Exchange Commission on August 18, 2010.
- (3) Previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on December 12, 2008.
- (4) Previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on May 27, 2009.
- (5) Previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P. as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on July 6, 2011.
- (6) Previously filed by Kilroy Realty Corporation and Kilroy Realty, L.P. as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on June 23, 2011.

(7) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on July 26, 2011.

Kilroy Realty Corporation

By: /s/ John B. Kilroy, Jr.

John B. Kilroy, Jr.
*President and Chief Executive
Officer (Principal Executive Officer)*

By: /s/ Tyler H. Rose

Tyler H. Rose
*Executive Vice President and Chief Financial Officer
(Principal Financial Officer)*

By: /s/ Heidi R. Roth

Heidi R. Roth
*Senior Vice President and Controller
(Principal Accounting Officer)*

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on July 26, 2011.

Kilroy Realty, L.P.

BY: Kilroy Realty Corporation

Its general partner

By: /s/ John B. Kilroy, Jr.

John B. Kilroy, Jr.
*President and Chief Executive
Officer (Principal Executive Officer)*

By: /s/ Tyler H. Rose

Tyler H. Rose
*Executive Vice President and Chief Financial Officer
(Principal Financial Officer)*

By: /s/ Heidi R. Roth

Heidi R. Roth
*Senior Vice President and Controller
(Principal Accounting Officer)*