

STRATEGIC HOTELS & RESORTS, INC

Form 8-K

July 07, 2011

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) June 30, 2011

Strategic Hotels & Resorts, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation)

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001-32223
(Commission File Number)

33-1082757
(I.R.S. Employer Identification No.)

200 West Madison Street, Suite 1700, Chicago, Illinois
(Address of principal executive offices)

60606
(Zip Code)

(312) 658-5000

(Registrant's telephone number, including area code)

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 (see General Instruction A.2):

- 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))

Item 1.01 Entry into a Material Definitive Agreement.

On June 30, 2011, Strategic Hotel Funding, L.L.C. (the Borrower), the operating company of Strategic Hotels & Resorts, Inc. (the Company or Parent Guarantor), entered into a Credit Agreement (the Credit Agreement) with Deutsche Bank Trust Company Americas as administrative agent (the Administrative Agent) and the various financial institutions as are or may become parties thereto (together with the Administrative Agent, the Lenders).

The Credit Agreement provides the Borrower with a senior secured revolving credit facility (the Credit Facility) in the amount of \$300,000,000 (as such amount may be increased or decreased pursuant to the Credit Agreement, the Revolving Loan Commitment Amount), maturing on June 30, 2014 (subject to a one-year extension as further described below or earlier termination upon the occurrence of certain events of default), that will be used for the Borrower's ongoing working capital requirements and for general corporate purposes. The Credit Facility includes swingline loan and letter of credit subfacilities. All or a portion of the Revolving Loan Commitment Amount may be available from time to time under the Credit Facility, with such available amount being determined at the time of a borrowing request based upon certain calculations that take into account, among other things, the appraised values of the Borrowing Base Properties (as defined in the Credit Agreement), the initial list of which consists of the hotels commonly known as the Ritz-Carlton Laguna Niguel, the Ritz-Carlton Half Moon Bay, the Marriott Lincolnshire and the Four Seasons Punta Mita.

The Credit Agreement contains an accordion feature allowing for additional borrowing capacity up to \$400,000,000, subject to the satisfaction of customary conditions as set forth in the Credit Agreement. The Credit Facility's interest rate is based upon a leverage-based pricing grid ranging from LIBOR plus 2.75% to LIBOR plus 3.75%. The initial interest rate is the sum of LIBOR plus a margin of 3% per annum.

The Borrower may prepay the Credit Facility, in whole or in part and without penalty, subject to certain conditions set forth in the Credit Agreement. The Credit Facility is also subject to mandatory prepayment under certain circumstances as set forth in the Credit Agreement. In addition, if the total amount outstanding under the Credit Facility exceeds certain thresholds, the Borrower must repay such excess amount immediately and must also provide cash collateral in an amount equal to the excess to collateralize any outstanding letters of credit.

The Lenders' commitments with respect to the Credit Facility and swingline loans expire, and the Borrower's repayment obligations mature on, June 30, 2014, subject to a one-year extension at the request of the Borrower upon the satisfaction of certain conditions set forth in the Credit Agreement.

The Credit Agreement is secured by, among other things, unconditional guarantees executed by the Parent Guarantor and certain subsidiaries of the Borrower (the Subsidiary Guarantors) as well as the pledge of equity collateral consisting of the Subsidiary Guarantors. The Credit Agreement also imposes certain additional terms and conditions with respect to the Borrowing Base Properties. Failure to comply with such terms and conditions may result in a substantial reduction of the borrowing base and, therefore, the available amount of credit under the Credit Agreement.

The Credit Agreement contains representations and warranties and affirmative, negative and financial covenants that are customary for facilities of this type. The negative covenants include, without limitation, certain limitations on the ability to: incur liens and certain indebtedness; consummate mergers, consolidations or asset sales; make certain loans, guarantees and investments; declare or pay dividends; redeem, retire or repurchase any capital stock; and engage in certain business lines. The financial covenants require the Borrower to maintain a specific level of net worth and other financial markers. The Credit Agreement also includes certain events of default customary for credit facilities of this type including, among others, the failure to make payments when due, insolvency, breaches of representations and warranties, the failure of the Parent Guarantor to maintain its status as a Real Estate Investment Trust, and the occurrence of certain reportable events under the Employee Retirement Income Security Act of 1974, as amended.

The Credit Facility replaces the Borrower's \$350,000,000 credit facility with Deutsche Bank Trust Company Americas as administrative agent and the various financial institutions and parties thereto, originally entered into pursuant to a credit agreement dated March 9, 2007 (the "2007 Credit Facility"). The 2007 Credit Facility, which was set to mature in March 2012, was terminated on June 30, 2011.

The foregoing description of the Credit Facility is qualified in its entirety by reference to the Credit Agreement, a copy of which is attached hereto as Exhibit 10.1.

Item 1.02 Termination of a Material Definitive Agreement.

As described above in Item 1.01 - Entry into a Material Definitive Agreement of this Current Report on Form 8-K (this "Current Report"), the Credit Facility replaces the 2007 Credit Facility, which was terminated on June 30, 2011. No borrowings were outstanding under the 2007 Credit Facility at the time of termination. The Company terminated interest rate swaps with a notional amount of \$300 million at a cost of approximately \$29.6 million.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth above in Item 1.01 - Entry into a Material Definitive Agreement of this Current Report is incorporated herein by reference.

Item 7.01 Regulation FD Disclosure.

A copy of the press release announcing the closing of the Credit Facility is attached hereto as Exhibit 99.1 and is incorporated herein solely for purposes of this Item 7.01 disclosure.

The information in Item 7.01 of this Current Report, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of such section. The information in Item 7.01 of this Current Report, including Exhibit 99.1, shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any incorporation by reference language in any such filing.

This Current Report contains forward-looking statements about the Company. Except for historical information, the matters discussed in this Current Report are forward-looking statements subject to certain risks and uncertainties that could cause the actual results to differ materially, including but not limited to the following: availability of capital; ability to obtain, refinance or restructure debt or comply with covenants contained in the Company's debt facilities; volatility in equity or debt markets; rising interest rates and operating costs; rising insurance premiums; cash available for capital expenditures; competition; demand for hotel rooms in the Company's current and proposed market areas; economic conditions generally and in the real estate market specifically, including deterioration of economic conditions and the extent of its effect on business and leisure travel and the lodging industry; ability to dispose of existing properties in a manner consistent with the Company's disposition strategy; delays in construction and development; demand for hotel condominiums; marketing challenges associated with entering new lines of business; the failure of closing conditions to be satisfied; risks related to natural disasters; the effect of threats of terrorism and increased security precautions on travel patterns and hotel bookings; the outbreak of hostilities and international political instability; legislative or regulatory changes, including changes to laws governing the taxation of REITs; and changes in generally accepted accounting principles, policies and guidelines applicable to REITs.

Additional risks are discussed in the Company's filings with the Securities and Exchange Commission. Although the Company believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. The forward-looking statements are made as of the date of this Current Report, and the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit Number | Description |
|----------------|--|
| 10.1 | Credit Agreement, dated as of June 30, 2011, among Strategic Hotel Funding, L.L.C., Deutsche Bank Trust Company Americas, as administrative agent, and the various financial institutions as are or may become parties thereto |
| 99.1 | Press release dated July 1, 2011 |

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.

July 7, 2011

STRATEGIC HOTELS & RESORTS, INC.

By: /s/ Paula Maggio
Name: Paula Maggio
Title: Senior Vice President, General Counsel and
Secretary

EXHIBIT INDEX

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