

DiamondRock Hospitality Co  
Form 8-K/A  
June 23, 2006

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

**FORM 8-K/A**

(Amendment No. 1)  
**CURRENT REPORT PURSUANT TO  
SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported):**  
May 2, 2006

**DiamondRock Hospitality Company**

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*(Exact name of registrant as specified in charter)*

**Maryland**

**001-32514**

**20-1180098**

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*(State or Other Jurisdiction  
of Incorporation)*

*(Commission File Number)*

*(IRS Employer  
Identification No.)*

**6903 Rockledge Drive, Suite 800  
Bethesda, MD 20817**  
*(Address of Principal Executive Offices) (Zip Code)*

**(240) 744-1150**  
*(Registrant's telephone number, including area code)*

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. below):

- ..  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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## Edgar Filing: DiamondRock Hospitality Co - Form 8-K/A

DiamondRock Hospitality Company had reported in a Form 8-K filed on May 3, 2006 (the **Original Form 8-K** ) that it acquired the Westin Atlanta North at Perimeter Center in Atlanta, Georgia (the **Hotel** ). Pursuant to the rules of the United States Securities Exchange Commission, we have 71 days after the date on which the Original Form 8-K was filed to amend such filing to include audited financial statements for the Hotel. This Form 8-K/A is being filed to provide our investors with such financial statements and pro forma financial information. No other change is effected by this Form 8-K/A.

### **ITEM 9.01. Financial Statements and Exhibits.**

(a) *Financial Statements of Business Acquired.*

**UNAUDITED FINANCIAL STATEMENTS FOR THE WESTIN ATLANTA NORTH AT PERIMETER FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**

Balance Sheet (unaudited)  
Statements of Operations (unaudited)  
Statements of Cash Flows (unaudited)  
Notes to Financial Statements (unaudited)

**FINANCIAL STATEMENTS FOR THE WESTIN ATLANTA NORTH AT PERIMETER FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 WITH REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Report of Independent Registered Public Accounting Firm  
Audited Financial Statements  
Balance Sheets  
Statements of Income  
Statements of Cash Flows  
Notes to Financial Statements

(b) *Pro Forma Financial Information.*

Pro Forma Consolidated Balance Sheet as of March 24, 2006  
Notes to Unaudited Pro Forma Consolidated Balance Sheet as of March 24, 2006  
Pro Forma Consolidated Statement of Operations for the Quarter Ended March 24, 2006  
Notes to Pro Forma Consolidated Statement of Operations for the Fiscal Quarter Ended March 24, 2006  
Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2005  
Notes to Unaudited Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2005

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UNAUDITED FINANCIAL STATEMENTS

**Westin Atlanta North at Perimeter**

Three months ended March 31, 2006 and 2005

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Westin Atlanta North at Perimeter

Unaudited Financial Statements

March 31, 2006 and 2005

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Unaudited Financial Statements

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Westin Atlanta North at Perimeter

Balance Sheet

March 31, 2006 (unaudited)

	<u>2006</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 405,776
Guest and trade accounts receivable, net of allowance for doubtful accounts of \$0	387,879
Inventory	264,826
Prepaid expenses and other current assets	207,856
	<u>                    </u>
Total current assets	1,266,337
Goodwill	8,176,559
Property, buildings and equipment, net	46,256,156
	<u>                    </u>
Total assets	\$ 55,699,052
	<u>                    </u>
<b>Liabilities and equity of acquired property</b>	
Current liabilities:	
Bank overdraft	\$ 30,807
Accounts payable	64,579
Accrued liabilities	1,125,072
Advance deposits	257,588
	<u>                    </u>
Total current liabilities	1,478,046
Deferred tax liability	1,290,200
	<u>                    </u>
Total liabilities	2,768,246
Commitments and contingencies	
Equity of acquired property	52,930,806
	<u>                    </u>
Total liabilities and equity of acquired property	\$ 55,699,052
	<u>                    </u>

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

## Westin Atlanta North at Perimeter

## Statements of Operations

Three months ended March 31, 2006 and 2005 (unaudited)

	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>		
Rooms	\$ 3,166,211	\$ 2,911,734
Food and beverage	1,514,229	1,796,987
Telephone	88,946	115,032
Other	75,202	77,106
	<u>4,844,588</u>	<u>4,900,859</u>
<b>Departmental expenses:</b>		
Rooms	715,798	719,943
Food and beverage	984,405	1,170,479
Telephone	57,874	65,229
Other	32,301	40,314
	<u>1,790,378</u>	<u>1,995,965</u>
<b>Undistributed expenses:</b>		
Administrative and general	378,686	405,289
Marketing	394,471	404,546
Property operation, maintenance and energy costs	421,299	389,672
	<u>1,194,456</u>	<u>1,199,507</u>
Income before fixed charges and taxes	1,859,754	1,705,387
<b>Fixed charges:</b>		
Depreciation	495,601	500,976
Interest expense	2,025,094	381,253
Rent, local taxes and insurance	226,167	211,947
	<u>(887,108)</u>	<u>611,211</u>
(Loss) income before income taxes	(887,108)	611,211
Income tax (benefit) expense	(346,834)	236,012
	<u>(540,274)</u>	<u>375,199</u>
Net (loss) income	\$ (540,274)	\$ 375,199

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

## Westin Atlanta North at Perimeter

## Statements of Cash Flows

Three months ended March 31, 2006 and 2005 (unaudited)

	<u>2006</u>	<u>2005</u>
<b>Operating activities</b>		
Net (loss) income	\$ (540,274)	\$ 375,199
Adjustments to net (loss) income:		
Depreciation and amortization	689,763	516,726
Changes in working capital:		
Restricted cash	265,153	(130,254)
Guest and trade accounts receivable, net	86,351	(243,829)
Inventory	17,005	11,039
Prepaid expenses and other current assets	(135,773)	(44,834)
Accounts payable	5,838	33,498
Accrued liabilities and interest	(280,454)	270,575
Advance deposits	100,235	5,650
Deferred tax liability	(346,835)	(72,460)
	<u>(138,991)</u>	<u>721,310</u>
Cash (used for) from operating activities		
<b>Investing activities</b>		
Additions of property, buildings and equipment	(64,408)	(92,870)
	<u>(64,408)</u>	<u>(92,870)</u>
Cash used for investing activities		
<b>Financing activities</b>		
Change in bank overdraft	19,412	(17,268)
Principal payment on debt	(20,441,586)	(132,769)
Contributions/(distributions)	20,771,528	(395,932)
	<u>349,354</u>	<u>(545,969)</u>
Cash from (used for) financing activities		
Increase in cash and cash equivalents	145,955	82,471
Cash and cash equivalents beginning of period	259,821	288,253
	<u>\$ 405,776</u>	<u>\$ 370,724</u>
Cash and cash equivalents end of period		

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

Westin Atlanta North at Perimeter

Notes to Financial Statements

March 31, 2006 (unaudited)

## **1. Basis of Presentation and Significant Accounting Policies**

### **Basis of Presentation**

The real and personal property commonly known as the Westin Atlanta North at Perimeter (the Hotel), a 369-room hotel located in Atlanta, Georgia, was owned by Starwood CMBS I LLC, a wholly owned subsidiary of Starwood Hotels & Resorts Worldwide, Inc. (Starwood), until May 2, 2006. On May 2, 2006 all real and personal property of the Hotel was purchased by Noble-Diamondrock Perimeter Center Owner, LLC, a Delaware limited liability company (see Note 5).

### **Basis of Accounting**

The accompanying financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States and accounting practices commonly employed in the hospitality industry.

### **Cash and Cash Equivalents**

The Hotel considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

### **Accounts Receivable**

Accounts receivable consists primarily of meeting and banquet room rental and hotel guest receivables. The Hotel generally does not require collateral. Accounts receivable and all receivables deemed uncollectible are written off. Ongoing credit evaluations are performed and an allowance for potential credit losses is provided against the portion of accounts receivable that is estimated to be uncollectible. Historically, credit losses have not been significant.

### **Inventory**

Inventory consists of food and beverage stock items as well as linens, china, glass, silver, uniforms, utensils and guest items. The food and beverage inventory items are recorded at the lower of FIFO cost (first-in, first-out) or market. Significant purchases of linens, china, glass, silver, uniforms, utensils and guest room items are recorded at purchased cost and amortized to 50% of their cost over 36 months. Normal replacement purchases are expensed as incurred.

Westin Atlanta North at Perimeter

Notes to Financial Statements (continued)

**1. Basis of Presentation and Significant Accounting Policies (continued)**

**Property, Buildings and Equipment**

Property, buildings and equipment are stated at cost. Costs of improvements that extend the life of the property, buildings, and equipment are capitalized; costs of normal repairs and maintenance are charged to expense as incurred. Property, buildings and equipment (including information technology software) are depreciated using the straight-line method over estimated useful lives (15 to 40 years for buildings and improvements and 5 to 15 years for furniture, fixtures and equipment). Interest costs relating to qualifying assets under construction are capitalized until such time as the assets are ready for their intended use. Interest costs capitalized were not significant in 2006 and 2005.

**Goodwill**

An allocation of goodwill was made to the Hotel from Starwood. The Hotel reviews all goodwill for impairment by comparison of fair value to book value annually, or upon the occurrence of a trigger event. Impairment charges, if any, will be recognized in operating results. In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, the Hotel has completed its annual recoverability tests on goodwill and intangible assets, which did not result in any impairment charges.

**Income Taxes**

The Hotel provides for incomes taxes in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns.

Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the new rate is enacted.

**Revenue Recognition**

The Hotel's revenues are derived from its operations and include revenues from the rental of rooms, food and beverage sales, telephone usage and other service revenue. Revenue is recognized when rooms are occupied and services have been performed.

## Westin Atlanta North at Perimeter

## Notes to Financial Statements (continued)

**1. Basis of Presentation and Significant Accounting Policies (continued)****Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Debt Defeasance**

In February 2006, Starwood Hotels & Resorts Worldwide, Inc. and Starwood Hotels & Resorts (collectively, the Seller) defeased approximately \$470 million of debt, including the portion allocated to the Hotel. In order to accomplish this, the Seller purchased Treasury securities sufficient to make the monthly debt service payments and the balloon payments due under the loan agreement. The Treasury securities were then substituted for the real estate and hotels that originally served as collateral for the debt. As part of the defeasance, the Treasury securities and the debt were transferred to a third party successor borrower who in turn is liable for all obligations under this debt. As such, the allocated portion of the debt is no longer reflected on the Hotel's balance sheet. Defeasance costs allocated to the Hotel of \$1,475,000 are included in interest expense in the statement of operations.

**3. Commitments and Contingencies**

In the normal course of business, the Hotel is subject to certain claims and litigation, including unasserted claims. The Hotel, based on its current knowledge and discussions with its legal counsel, is of the opinion that such legal matters will not have a material adverse effect on the financial position or results of operations of the Hotel.

**4. Equity**

Activity in the equity of acquired property account for the three-months ended March 31, 2006 is as follows:

	<u>2006</u>
Balance, beginning of period	\$ 32,699,552
Net loss	(540,274)
Net capital contributions	<u>20,771,528</u>
Balance, end of period	<u>\$ 52,930,806</u>

Westin Atlanta North at Perimeter

Notes to Financial Statements (continued)

**5. Subsequent Events**

On May 2, 2006, Starwood CMBS I LLC, a wholly owned subsidiary of Starwood, sold all of the real and personal property of the Hotel to Noble-Diamondrock Perimeter Center Owner, LLC for approximately \$61.5 million. Prior to the sale, Starwood entered into a transaction to defease the debt secured by the Hotel (see Note 2).

FINANCIAL STATEMENTS

**Westin Atlanta North at Perimeter**

Years ended December 31, 2005 and 2004  
with Report of Independent Registered Public Accounting Firm

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Westin Atlanta North at Perimeter

Financial Statements

December 31, 2005 and 2004

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**Report of Independent Registered Public Accounting Firm**

To Starwood Hotels & Resorts Worldwide, Inc.

We have audited the accompanying balance sheets of the Westin Atlanta North at Perimeter (the Hotel ) as of December 31, 2005 and 2004, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Hotel s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Westin Atlanta North at Perimeter at December 31, 2005 and 2004, and its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

June 14, 2006

Westin Atlanta North at Perimeter

Balance Sheets

December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 259,821	\$ 288,253
Restricted cash	265,153	208,975
Guest and trade accounts receivable, net of allowance for doubtful accounts of \$8,060 and \$11,514, respectively	474,230	544,151
Inventory		