

Sunstone Hotel Investors, Inc.
Form 8-K
September 10, 2012

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): September 5, 2012

Sunstone Hotel Investors, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of

Incorporation or Organization)

001-32319
(Commission

File Number)

20-1296886
(I.R.S. Employer

Identification Number)

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120 Vantis, Suite 350

Aliso Viejo, California
(Address of Principal Executive Offices)

92656
(Zip Code)

(949) 330-4000

(Registrant's telephone number including area code)

N/A

(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))

Item 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On September 5, 2012, Sunstone Hotel Partnership, LLC (Borrower), a wholly owned subsidiary of Sunstone Hotel Investors, Inc. (Parent or the Company), in its capacity as Borrower, and the Company, amended its existing revolving credit agreement by entering into a Second Amendment to Credit Agreement and Second Amendment to Pledge Agreement (the Second Amendment), with certain subsidiaries of the Company, each lender party thereto and Bank of America, N.A., as Administrative Agent. Capitalized terms used herein and not otherwise defined have the meanings given to them in the Second Amendment.

The Second Amendment amends the Borrower s Credit Agreement dated November 1, 2010 (as amended by the Second Amendment, the Credit Agreement) to provide for a revolving credit facility in an aggregate principal amount of up to \$150 million, with a \$50 million sub-facility for letters of credit. The facility may be increased to up to \$350 million, subject to the receipt of additional commitments from lenders. There are currently no borrowings outstanding under the Credit Agreement.

The obligations of the lenders to make any advances under the Credit Agreement are subject to certain conditions, including that the outstanding borrowings do not exceed the Borrowing Base.

Amounts outstanding under the Credit Agreement bear interest at (i) LIBOR plus a margin ranging from 1.75% to 3.50% per annum for Eurodollar Rate Loans and (ii) Base Rate plus a margin ranging from 0.75% to 2.50% per annum for Base Rate Loans, in each case depending upon the Consolidated Leverage Ratio of the Company and its subsidiaries. The Second Amendment to the Credit Agreement eliminates the minimum 1% LIBOR floor. In addition, the interest rate will increase by 2.0% upon the occurrence and during the continuance of an Event of Default. An annual fee of 0.25% to 0.35% will be assessed on the unused portion of the Credit Agreement, depending upon the Consolidated Leverage Ratio of the Company and its subsidiaries.

The Credit Agreement contains customary financial covenants, including certain leverage ratios, coverage ratios and minimum tangible net worth as follows: (i) a maximum consolidated net debt to consolidated EBITDA (as each is described in the Credit Agreement) covenant ranging from 7.50 to 1.0, to 6.50 to 1.0; (ii) a minimum consolidated adjusted EBITDA to consolidated fixed charges (as each is described in the Credit Agreement) covenant ranging from 1.30 to 1.0, to 1.50 to 1.0; (iii) a minimum consolidated tangible net worth of \$937,501,500 plus 75% of the aggregate increase in Shareholders Equity of the Company and its subsidiaries; (iv) a maximum consolidated recourse indebtedness limit of 10% of consolidated tangible asset value of the Company and its subsidiaries and (v) a maximum consolidated secured indebtedness limit of 50% of consolidated tangible asset value of the Company and its subsidiaries.

The Credit Agreement will terminate on November 1, 2015, provided that the Borrower has the right to extend the lenders commitments for an additional one-year period, if, among other things, no default has occurred and is continuing or would result from such extension. The Borrower will pay the extending lenders a facility extension fee of 0.20% based on their respective commitments. The Borrower may, upon at least five business days notice, among other things, terminate in whole or in part any unused portion of the Credit Agreement.

The foregoing description of the Second Amendment and the Credit Agreement is a summary and is qualified in its entirety by the terms and provisions of the Second Amendment and the Credit Agreement filed as an exhibit to this report, the terms of which are incorporated herein by reference.

Certain of the lenders party to the Second Amendment and the Credit Agreement and the Administrative Agent, as well as certain of their affiliates, have performed, and may in the future perform, for the Company and its subsidiaries, various commercial banking, investment banking, underwriting and other financial advisory services, for which they have received and may in the future receive customary fees and expenses.

Item 2.03 CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT.

To the extent applicable, the contents of Item 1.01 above are incorporated into this Item 2.03 by this reference.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

Exhibit No.	Description
10.1	Second Amendment to Credit Agreement and Second Amendment to Pledge Agreement, dated September 5, 2012, among Sunstone Hotel Partnership, LLC, Sunstone Hotel Investors, Inc., certain subsidiaries of Sunstone Hotel Investors, Inc., each lender party thereto and Bank of America, N.A., as administrative agent.

SIGNATURE

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.

Sunstone Hotel Investors, Inc.

Date: September 10, 2012

By: /s/ John V. Arabia
John V. Arabia

Chief Financial Officer