

HERSHA HOSPITALITY TRUST  
Form 10-Q  
August 07, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(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, 2009

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: 001-14765

HERSHA HOSPITALITY TRUST  
(Exact Name of Registrant as Specified in Its Charter)

Maryland  
(State or Other Jurisdiction of Incorporation or Organization)

251811499  
(I.R.S. Employer Identification No.)

44 Hersha Drive  
Harrisburg, Pennsylvania  
(Address of Registrant's Principal Executive Offices)

17102  
(Zip Code)

Registrant's telephone number, including area code: (717) 236-4400

Indicate by check mark whether the registrant (i) 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 (ii) 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 (Sec.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. (Check one):

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Small reporting company

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

Yes  No

As of June 30, 2009, the number of Priority Class A Common Shares of Beneficial Interest outstanding was 49,129,932.

Hersha Hospitality Trust  
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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
AS OF JUNE 30, 2009 [UNAUDITED] AND DECEMBER 31, 2008  
[IN THOUSANDS, EXCEPT SHARE AMOUNTS]

	June 30, 2009	December 31, 2008
Assets:		
Investment in Hotel Properties, net of Accumulated Depreciation	\$ 1,003,855	\$ 982,082
Investment in Unconsolidated Joint Ventures	44,814	46,283
Development Loans Receivable	68,810	81,500
Cash and Cash Equivalents	12,691	15,697
Escrow Deposits	13,648	12,404
Hotel Accounts Receivable, net of allowance for doubtful accounts of \$58 and \$120	9,306	6,870
Deferred Financing Costs, net of Accumulated Amortization of \$4,673 and \$3,606	8,101	9,157
Due from Related Parties	3,171	3,595
Intangible Assets, net of Accumulated Amortization of \$709 and \$595	7,499	7,300
Other Assets	14,384	13,517
Hotel Assets Held for Sale	26,901	-
<b>Total Assets</b>	<b>\$ 1,213,180</b>	<b>\$ 1,178,405</b>
Liabilities and Equity:		
Line of Credit	\$ 113,521	\$ 88,421
Mortgages and Notes Payable, net of unamortized discount of \$56 and \$61	663,351	655,360
Accounts Payable, Accrued Expenses and Other Liabilities	31,789	17,745
Dividends and Distributions Payable	3,867	11,240
Due to Related Parties	227	302
Liabilities Related to Hotel Assets Held for Sale	18,707	-
<b>Total Liabilities</b>	<b>831,462</b>	<b>773,068</b>
<b>Redeemable Noncontrolling Interests - Common Units (Note 1)</b>	<b>\$ 17,549</b>	<b>\$ 18,739</b>
Equity:		
Shareholders' Equity:		
Preferred Shares - 8% Series A, \$.01 Par Value, 2,400,000 Shares Issued and Outstanding (Aggregate Liquidation Preference \$60,000) at June 30, 2009 and December 31, 2008	24	24
Common Shares - Class A, \$.01 Par Value, 150,000,000 and 80,000,000 Shares Authorized at June 30, 2009 and December 31, 2008, 49,129,932 and 48,276,222 Shares Issued and Outstanding at June 30, 2009 and December 31, 2008, respectively	491	483
	-	-

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Common Shares - Class B, \$.01 Par Value, 1,000,000 Shares Authorized, None Issued and Outstanding		
Accumulated Other Comprehensive Loss	(74 )	(109 )
Additional Paid-in Capital	464,870	463,772
Distributions in Excess of Net Income	(135,353 )	(114,207 )
Total Shareholders' Equity	329,958	349,963
Noncontrolling Interests (Note 1):		
Noncontrolling Interests - Common Units	32,571	34,781
Noncontrolling Interests - Consolidated Joint Ventures	1,640	1,854
Total Noncontrolling Interests	34,211	36,635
Total Equity	364,169	386,598
Total Liabilities and Equity	\$ 1,213,180	\$ 1,178,405

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

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HERSHA HOSPITALITY TRUST AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009 AND 2008 [UNAUDITED]  
[IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]

	Three Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenue:				
Hotel Operating Revenues	\$57,973	\$63,709	\$100,544	\$112,943
Interest Income from Development Loans	2,166	2,153	4,563	4,173
Land Lease Revenue	1,328	1,390	2,649	2,724
Other Revenues	149	342	365	594
Total Revenues	61,616	67,594	108,121	120,434
Operating Expenses:				
Hotel Operating Expenses	31,791	33,976	60,141	64,011
Hotel Ground Rent	291	216	583	442
Land Lease Expense	732	745	1,456	1,494
Real Estate and Personal Property Taxes and Property Insurance	3,394	2,820	6,609	5,858
General and Administrative	1,374	1,478	2,853	3,036
Stock Based Compensation	499	313	921	627
Acquisition and Terminated Transaction Costs	37	49	44	49
Depreciation and Amortization	10,900	9,505	21,478	18,596
Total Operating Expenses	49,018	49,102	94,085	94,113
Operating Income	12,598	18,492	14,036	26,321
Interest Income	50	101	110	183
Interest Expense	10,951	10,058	21,326	20,308
Other Expense	31	159	81	187
Income (loss) before loss (income) from Unconsolidated Joint Venture Investments and Discontinued Operations	1,666	8,376	(7,261 )	6,009
(Loss) income from Unconsolidated Joint Venture Investments	(395 )	1,360	(1,724 )	622
Income (loss) from Continuing Operations	1,271	9,736	(8,985 )	6,631
Discontinued Operations (Note 12):				
Income (loss) from Discontinued Operations	213	226	(214 )	(554 )
Net Income (loss)	1,484	9,962	(9,199 )	6,077
(Income) loss allocated to Noncontrolling Interests	(451 )	(1,737 )	1,602	(730 )
Preferred Distributions	(1,200 )	(1,200 )	(2,400 )	(2,400 )
Net (Loss) income applicable to Common Shareholders	\$(167 )	\$7,025	\$(9,997 )	\$2,947

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HERSHA HOSPITALITY TRUST AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009 AND 2008 [UNAUDITED]  
[IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]

	Three Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Earnings Per Share:				
BASIC				
(Loss) income from continuing operations applicable to common shareholders	\$0.00	\$0.16	\$(0.21 )	\$0.08
Income (loss) from discontinued operations applicable to common shareholders	0.00	0.00	0.00	(0.01 )
Net (loss) income applicable to common shareholders	\$0.00	\$0.16	\$(0.21 )	\$0.07
DILUTED				
Income (loss) from continuing operations applicable to common shareholders	\$0.00	* \$0.16	* \$(0.21 )*	* \$0.08 *
Income (loss) from discontinued operations applicable to common shareholders	0.00	* 0.00	* 0.00	* (0.01 ) *
Net (loss) income applicable to common shareholders	\$0.00	* \$0.16	* \$(0.21 )*	* \$0.07 *
Weighted Average Common Shares Outstanding:				
Basic	47,964,818	44,253,641	47,876,175	42,572,390
Diluted	47,964,818*	44,253,641*	47,876,175*	42,572,390*

\*Income allocated to noncontrolling interest in Hersha Hospitality Limited Partnership has been excluded from the numerator and units of limited partnership interest in Hersha Hospitality Limited Partnership have been omitted from the denominator for the purpose of computing diluted earnings per share since the effect of including these amounts in the numerator and denominator would have no impact. Weighted average units of limited partnership interest in Hersha Hospitality Limited Partnership outstanding for the three months ended June 30, 2009 and 2008 were 8,746,300 and 7,447,149, respectively. Weighted average units of limited partnership interest in Hersha Hospitality Limited Partnership outstanding for the six months ended June 30, 2009 and 2008 were 8,746,300 and 7,312,974, respectively. Unvested stock awards have been omitted from the denominator for the purpose of computing diluted earnings per share for the three months ended June 30, 2009 and 2008, and for the six months ended June 30, 2009 and 2008 since the effect of including these awards in the denominator would be anti-dilutive to income from continuing operations applicable to common shareholders.

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.



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HERSHA HOSPITALITY TRUST AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 [UNAUDITED]  
[IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]

	Shareholders' Equity						Noncontrolling Interests			Redeemable		
	Series A Preferred Shares	Class A Common Shares	Class B Common Shares	Additional Paid-in Capital	Other Comprehensive Income	Distributions in Excess of Net Earnings	Total Shareholders' Equity	Common Units	Joint Ventures	Noncontrolling Interests	Total Equity	Common Units
Balance at December 31, 2008	\$24	\$483	\$-	\$463,772	\$(109)	\$(114,207)	\$349,963	\$34,781	\$1,854	\$36,635	\$386,598	\$18,700
Common Share Issuance, net of costs	-	1	-	129	-	-	130	-	-	-	130	-
Dividends and Distribution declared:												
Preferred Shares (\$1.00 per share)	-	-	-	-	-	(2,400 )	(2,400 )	-	-	-	(2,400 )	-
Common Shares (\$0.23 per share)	-	-	-	-	-	(11,149 )	(11,149 )	-	-	-	(11,149 )	-
Common Units (\$0.23 per share)	-	-	-	-	-	-	-	(1,307 )	-	(1,307 )	(1,307 )	(705 )
Dividend Reinvestment Plan	-	-	-	19	-	-	19	-	-	-	19	-
Stock Based Compensation												
Restricted Share Award Grants	-	7	-	(7 )	-	-	-	-	-	-	-	-
Restricted Share Award Vesting	-	-	-	873	-	-	873	-	-	-	873	-
Share Grants to Trustees	-	-	-	84	-	-	84	-	-	-	84	-
Comprehensive Loss:												
Other Comprehensive Income	-	-	-	-	35	-	35	-	-	-	35	-
Net Loss	-	-	-	-	-	(7,597 )	(7,597 )	(903 )	(214 )	(1,117 )	(8,714 )	(485 )
Total Comprehensive							(7,562 )	(903 )	(214 )	(1,117 )	(8,679 )	(485 )

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Loss												
Balance at June 30, 2009	\$24	\$491	\$-	\$464,870	\$(74 )	\$(135,353)	\$329,958	\$32,571	\$1,640	\$34,211	\$364,169	\$17,5
Balance at December 31, 2007	\$24	\$412	\$-	\$397,127	\$(23 )	\$(67,135 )	\$330,405	\$42,845	\$1,908	\$44,753	\$375,158	\$-
Unit Conversion	-	-	-	282	-	-	282	(282 )	-	(282 )	-	-
Reallocation of Noncontrolling Interest	-	-	-	1,772	-	-	1,772	(1,772 )	-	(1,772 )	-	-
Common Units Issued for Acquisitions	-	-	-	-	-	-	-	21,623	-	21,623	21,623	-
Common Share Issuance, net of costs	-	66	-	61,944	-	-	62,010	-	-	-	62,010	-
Dividends and Distribution declared:												
Preferred Shares (\$1.00 per share)	-	-	-	-	-	(2,400 )	(2,400 )	-	-	-	(2,400 )	-
Common Shares (\$0.36 per share)	-	-	-	-	-	(16,085 )	(16,085 )	-	-	-	(16,085 )	-
Common Units (\$0.36 per share)	-	-	-	-	-	-	-	(2,895 )	-	(2,895 )	(2,895 )	-
Dividend Reinvestment Plan	-	-	-	15	-	-	15	-	-	-	15	-
Stock Based Compensation												
Restricted Share Award Grant	-	2	-	(2 )	-	-	-	-	-	-	-	-
Restricted Share Award Vesting	-	-	-	573	-	-	573	-	-	-	573	-
Share Grants to Trustees	-	1	-	91	-	-	92	-	-	-	92	-
Comprehensive Income (Loss):												
Other Comprehensive Income	-	-	-	-	2	-	2	-	-	-	2	-
Net Income (Loss)	-	-	-	-	-	5,347	5,347	918	(187 )	730	6,077	-
Total Comprehensive							5,349	918	(187 )	730	6,079	-

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Income (Loss)

Balance at June

30, 2008	\$24	\$481	\$-	\$461,802	\$(21 )	\$(80,273 )	\$382,013	\$60,437	\$1,721	\$62,157	\$444,170	\$-
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The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

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HERSHA HOSPITALITY TRUST AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 [UNAUDITED]  
[IN THOUSANDS]

	For the Six Months Ended	
	June 30, 2009	June 30, 2008
Operating activities:		
Net (loss) income	\$(9,199 )	\$6,077
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	22,084	19,536
Amortization of intangible assets and deferred costs	1,177	719
Interest income from development loans paid in-kind	(2,061 )	-
Equity in loss (income) of unconsolidated joint venture investments	1,724	(622 )
Distributions from unconsolidated joint venture investments	400	1,415
(Gain) loss recognized on change in fair value of derivative instrument	(151 )	32
Stock based compensation	921	627
Change in assets and liabilities:		
(Increase) decrease in:		
Hotel accounts receivable	(2,230 )	(3,652 )
Escrow Deposits	(1,244 )	36
Other assets	(3,290 )	216
Due from related parties	1,061	(1,087 )
Increase (decrease) in:		
Due to related parties	(1,125 )	410
Accounts payable, accrued expenses and other liabilities	1,233	(990 )
Net cash provided by operating activities	9,300	22,717
Investing activities:		
Purchase of hotel property assets	(4,794 )	(57,312 )
Capital expenditures	(4,033 )	(13,022 )
Cash paid for franchise fee intangible	-	(12 )
Investment in development loans receivable	(2,000 )	(29,700 )
Repayment of development loans receivable	-	15,416
Distributions from unconsolidated joint venture investments	100	347
Advances and capital contributions to unconsolidated joint venture investments	(753 )	(96 )
Net cash used in investing activities	(11,480 )	(84,379 )
Financing activities:		
Proceeds from (repayments of) borrowings under line of credit, net	25,100	3,900
Principal repayment of mortgages and notes payable	(3,313 )	(2,297 )
Proceeds from mortgages and notes payable	182	31,589
Cash paid for mortgage defeasance deposit	-	(9,000 )
Cash paid for deferred financing costs	(11 )	(80 )
Proceeds from issuance of common shares, net of issuance costs	131	62,009
Dividends paid on common shares	(17,366 )	(14,820 )
Dividends paid on preferred shares	(2,400 )	(2,400 )
Distributions paid on common units	(3,149 )	(2,594 )

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Net cash (used in) provided by financing activities	(826 )	66,307
Net (decrease) increase in cash and cash equivalents	(3,006 )	4,645
Cash and cash equivalents - beginning of period	15,697	12,327