

Pebblebrook Hotel Trust
Form 10-Q
April 25, 2019

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

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 001-34571

PEBBLEBROOK HOTEL TRUST
(Exact Name of Registrant
as Specified in Its Charter)

Maryland 27-1055421
(State of Incorporation (I.R.S. Employer
or Organization) Identification No.)

7315 Wisconsin Avenue, 1100 West 20814
Bethesda, Maryland (Address of Principal Executive Offices) (Zip Code)
(240) 507-1300
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant: (1) 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 (2) 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 (§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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 19, 2019
Common shares of beneficial interest (\$0.01 par value per share)	130,631,217

Pebblebrook Hotel Trust
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Pebblebrook Hotel Trust

Consolidated Balance Sheets

(In thousands, except share data)

	March 31, 2019 (Unaudited)	December 31, 2018
ASSETS		
Investment in hotel properties, net	\$6,615,258	\$ 6,534,193
Ground lease asset, net	—	199,745
Cash and cash equivalents	51,417	83,366
Restricted cash	25,654	24,445
Hotel receivables (net of allowance for doubtful accounts of \$374 and \$526, respectively)	71,971	59,897
Prepaid expenses and other assets	68,897	76,702
Total assets	\$6,833,197	\$ 6,978,348
LIABILITIES AND EQUITY		
Debt	\$2,507,358	\$ 2,746,898
Accounts payable and accrued expenses	503,826	360,279
Deferred revenues	51,235	54,741
Accrued interest	5,800	2,741
Distribution payable	58,179	43,759
Total liabilities	3,126,398	3,208,418
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred shares of beneficial interest, \$.01 par value (liquidation preference \$510,000 at March 31, 2019 and at December 31, 2018), 100,000,000 shares authorized; 20,400,000 shares issued and outstanding at March 31, 2019 and December 31, 2018	204	204
Common shares of beneficial interest, \$.01 par value, 500,000,000 shares authorized; 130,484,956 issued and outstanding at March 31, 2019 and 130,311,289 issued and outstanding at December 31, 2018	1,305	1,303
Additional paid-in capital	4,063,830	4,065,804
Accumulated other comprehensive income (loss)	(7,709)	1,330)
Distributions in excess of retained earnings	(361,081)	(308,806)
Total shareholders' equity	3,696,549	3,759,835
Non-controlling interests	10,250	10,095
Total equity	3,706,799	3,769,930
Total liabilities and equity	\$6,833,197	\$ 6,978,348

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

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Pebblebrook Hotel Trust
Consolidated Statements of Operations and Comprehensive Income
(In thousands, except share and per-share data)
(Unaudited)

	For the three months ended March 31,	
	2019	2018
Revenues:		
Room	\$248,986	\$122,471
Food and beverage	86,750	44,568
Other operating	31,433	14,016
Total revenues	367,169	181,055
Expenses:		
Hotel operating expenses:		
Room	67,375	31,708
Food and beverage	63,357	30,596
Other direct and indirect	106,075	51,839
Total hotel operating expenses	236,807	114,143
Depreciation and amortization	54,302	24,902
Real estate taxes, personal property taxes, property insurance, and ground rent	31,437	12,115
General and administrative	8,629	2,337
Transaction costs	2,497	378
(Gain) loss and other operating expenses	3,560	(4,208)
Total operating expenses	337,232	149,667
Operating income (loss)	29,937	31,388
Interest expense	(29,328)	(9,811)
Other	9	2,510
Income (loss) before income taxes	618	24,087
Income tax (expense) benefit	5,037	429
Net income (loss)	5,655	24,516
Net income (loss) attributable to non-controlling interests	20	107
Net income (loss) attributable to the Company	5,635	24,409
Distributions to preferred shareholders	(8,139)	(4,023)
Net income (loss) attributable to common shareholders	\$(2,504)	\$20,386
Net income (loss) per share available to common shareholders, basic	\$(0.02)	\$0.29
Net income (loss) per share available to common shareholders, diluted	\$(0.02)	\$0.29
Weighted-average number of common shares, basic	130,431,074	68,876,444
Weighted-average number of common shares, diluted	130,431,074	69,208,048

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Pebblebrook Hotel Trust

Consolidated Statements of Operations and Comprehensive Income - Continued

(In thousands, except share and per-share data)

(Unaudited)

For the three months ended March 31,

Aventisub

LLC⁽⁴⁾

8,706,526

8.3%

c/o Sanofi

54, rue La Boétie

75414 Paris France

Named Executive Officers and Directors

David Baltimore, Ph.D. ⁽⁵⁾	426,207	*
Kathryn J. Collier ⁽⁶⁾	45,234	*
Daniel R. Chevallard ⁽⁷⁾	375,440	*
Mark Deeg, M.D., Ph.D. ⁽⁸⁾	475,000	*
Paul C. Grint, M.D. ⁽⁹⁾		
Joseph P. Hagan ⁽¹⁰⁾	1,164,162	1.1%
Stelios Papadopoulos, Ph.D. ⁽¹¹⁾	1,908,684	1.8%
William H. Rastetter, Ph.D. ⁽¹²⁾	847,426	*
Hugh Rosen, M.D., Ph.D. ⁽¹³⁾	150,052	*
Timothy Wright, M.D. ⁽¹⁴⁾	853,020	*
Pascale Witz, MBA, MSc ⁽¹⁵⁾	94,087	*
All current executive officers and directors as a group (9 Persons) ⁽¹⁶⁾	5,684,702	5.4%

* Less than 1%.

- (1) Consists of shares beneficially owned, or that may be deemed to be beneficially owned, by FMR LLC, certain of its subsidiaries and affiliates, and other companies (collectively, the FMR Reporters). Does not reflect securities, if any, beneficially owned by certain other companies whose beneficial ownership of securities is disaggregated from that of the FMR Reporters in accordance with Securities and Exchange Commission Release No. 34-39538 (January 12, 1998). Abigail P. Johnson is a Director, the Vice Chairman, the Chief Executive Officer and the President of FMR LLC. Members of the Johnson family, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act (Fidelity Funds) advised by Fidelity Management & Research Company (FMR Co), a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds Boards of Trustees. On August 10, 2018, FMR, LLC filed an amended Schedule 13G indicating it had reduced its ownership in our stock to 8,537,762 shares, reducing FRM LLC s percentage ownership to 8.1%.
- (2) Consists of shares beneficially owned, or that may be deemed to be beneficially owned by, (a) Growth Equity Opportunities Fund V, LLC (GEO); (b) New Enterprise Associates 16, L.P. (NEA 16), which is the sole member of GEO, NEA Partners 16, L.P. (NEA Partners 16), which is the sole general partner of NEA 16; and NEA 16 GP, LLC (NEA 16 LLC and, together with NEA Partners 16, the Control Entities), which is the sole general partner of NEA Partners 16; and (c) Peter J. Barris (Barris), Forest Baskett (Baskett), Anthony A. Florence, Jr. (Florence), Mohamad H. Makhzoumi (Makhzoumi), Joshua Makower (Makower), David M. Mott (Mott), Che Puttagunta (Puttagunta), Jon M. Sakoda (Sakoda), Scott D. Sandell (Sandell), Peter W. Sonsini (Sonsini) and Ravi Viswanathan (Viswanathan) (together, the Managers). The Managers are the managers of NEA 16 LLC. The persons named herein are referred to individually herein as a Reporting Person and collectively as the Reporting Persons. GEO is the record owner of the GEO Shares. As the sole member of GEO, NEA 16 may be deemed to own beneficially the GEO Shares. As the general partner of NEA 16, NEA Partners 16 may be deemed to own beneficially the GEO Shares. As the sole general partner of NEA Partners 16, NEA 16 LLC may be deemed to own beneficially the GEO Shares. As members of NEA 16 LLC, each of the Managers may be deemed to own beneficially the GEO Shares. Each Reporting Person disclaims beneficial ownership of the GEO Shares other than those shares which such person owns of record.
- (3) Consists of shares beneficially owned, or that may be deemed to be beneficially owned, by BVF Inc., as the general partner of BVF, BVF2, and Trading Fund OS . BVF Partners, L.P., as the general partner of BVF, BVF2, the investment manager of Trading Fund OS, and the sole member of Partners OS, may be deemed to beneficially own the 13,974,249 shares of Common Stock beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and certain BVF Partners, L.P. managed accounts (the Partners Managed Accounts), including 2,865,734 shares of Common Stock held in the Partners Managed Accounts. Mr. Mark M. Lampert, as a director and officer of BVF Inc., may be deemed to beneficially own the 13,974,249 Common Stock beneficially owned by BVF Inc. The foregoing should not be construed in and of itself as an admission by any Reporting Person as to beneficial ownership of any Common Stock owned by another Reporting Person. Partners OS disclaims beneficial ownership of the Common Stock beneficially owned by Trading Fund OS. Each of Partners, BVF Inc. and Mr. Lampert disclaims beneficial ownership of the Common Stock beneficially owned by BVF, BVF2, Trading Fund OS, and the Partners Managed

Accounts, and the filing of this statement shall not be construed as an admission that any such person or entity is the beneficial owner of any such securities.

- (4) Aventisub LLC is a subsidiary of Sanofi. Sanofi has the ability to exercise voting and dispositive power over the shares held by Aventisub LLC.
- (5) Includes 392,870 shares that Dr. Baltimore has the right to acquire from us within 60 days of July 31, 2018 pursuant to the exercise of stock options.
- (6) Includes 26,250 shares that Ms. Collier has the right to acquire from us within 60 days of July 31, 2018, pursuant to the exercise of stock options.
- (7) Includes 313,920 shares that Mr. Chevallard has the right to acquire from us within 60 days of July 31, 2018 pursuant to the exercise of stock options.
- (8) Includes 475,000 shares that Dr. Deeg has the right to acquire from us within 60 days of July 31, 2018 pursuant to the exercise of stock options. Dr. Deeg's employment ended on July 13, 2018 and his options will cancel on October 13, 2018 unless exercised.
- (9) Dr. Grint's employment ended on May 4, 2017.
- (10) Includes 912,865 shares that Mr. Hagan has the right to acquire from us within 60 days of July 31, 2018.
- (11) Includes 159,693 shares that Dr. Papadopoulos has the right to acquire from us within 60 days of July 31, 2018 pursuant to the exercise of stock options.
- (12) Includes 187,870 shares that Dr. Rastetter has the right to acquire from us within 60 days of July 31, 2018 pursuant to the exercise of stock options.
- (13) Includes 121,963 shares that Dr. Rosen has the right to acquire from us within 60 days of July 31, 2018.
- (14) Includes 558,295 shares that Dr. Wright has the right to acquire from us within 60 days of July 31, 2018.
- (15) Includes 63,750 shares that Ms. Witz has the right to acquire from us within 60 days of July 31, 2018.
- (16) Includes the shares described in notes (5) through (7) and (10) through (15).

STOCKHOLDERS SHARING THE SAME ADDRESS

SEC rules permit companies, brokers, banks or other agents to deliver a single copy of a proxy statement to households at which two or more stockholders reside. This practice, known as "householding," is designed to reduce duplicate mailings and save significant printing and postage costs as well as natural resources. Stockholders sharing an address who have been previously notified by their broker, bank or other agent and have consented to householding will receive only one copy of our proxy statement.

If you would like to opt out of this practice for future mailings and receive separate proxy statements and, if applicable, annual reports for each stockholder sharing the same address, please contact your broker, bank or other agent. You may also obtain a separate proxy statement without charge by contacting us at Regulus Therapeutics Inc., Attn: Investor Relations, 10614 Science Center Drive, San Diego, California 92121, or contact our Corporate Secretary by telephone at (858) 202-6300. We will promptly send additional copies of the proxy statement.

Stockholders sharing an address that are receiving multiple copies of the proxy statement can request delivery of a single copy of the proxy statement by contacting their broker, bank or other intermediary or by contacting us as indicated above.

OTHER MATTERS

We do not know of any business other than that described in this Proxy Statement that will be presented for consideration or action by the stockholders at the Special Meeting. If, however, any other business is properly brought before the Special Meeting, shares represented by proxies will be voted in accordance with the best judgment of the persons named in the proxies or their substitutes.

By Order of the Board of Directors

Christopher Aker
Vice President, Legal Affairs and Secretary
San Diego, California

, 2018

APPENDIX A

CERTIFICATE OF AMENDMENT OF

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

REGULUS THERAPEUTICS INC.

REGULUS THERAPEUTICS INC., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

FIRST: The name of this corporation is Regulus Therapeutics Inc. (the Company).

SECOND: The date on which the Company's Certificate of Incorporation was originally filed with the Secretary of State of the State of Delaware is January 2, 2009.

THIRD: The Board of Directors of the Company, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions amending its Amended and Restated Certificate of Incorporation, as heretofore amended (the Certificate of Incorporation), as follows:

Effective as of the effective time of 5:00 p.m., Eastern time, on the date this Certificate of Amendment is filed with the Secretary of State of the State of Delaware (the Effective Time), each [, five (5), six (6), seven (7), eight (8), nine (9), ten (10), eleven (11), twelve (12), thirteen (13), fourteen (14), fifteen (15), sixteen (16), seventeen (17), eighteen (18), nineteen (19), twenty (20)] shares of the Company's Common Stock, par value \$0.001 per share, issued and outstanding immediately prior to the Effective Time shall, automatically and without any action on the part of the Company or the respective holders thereof, be combined into one (1) share of Common Stock without increasing or decreasing the par value of each share of Common Stock (the Reverse Split); *provided, however*, no fractional shares of Common Stock shall be issued as a result of the Reverse Split and, in lieu thereof, upon receipt after the Effective Time by the exchange agent selected by the Company of a properly completed and duly executed transmittal letter and, where shares are held in certificated form, the surrender of the stock certificate(s) formerly representing shares of pre-Reverse Split Common Stock, any stockholder who would otherwise be entitled to a fractional share of post-Reverse Split Common Stock as a result of the Reverse Split, following the Effective Time (after taking into account all fractional shares of post-Reverse Split Common Stock otherwise issuable to such stockholder), shall be entitled to receive a cash payment (without interest) equal to the fractional share of post-Reverse Split Common Stock to which such stockholder would otherwise be entitled multiplied by the average of the closing sales prices of a share of the Company's Common Stock (as adjusted to give effect to the Reverse Split) on The Nasdaq Global Market during regular trading hours for the five (5) consecutive trading days immediately preceding the date this Certificate of Amendment is filed with the Secretary of State of the State of Delaware. Each stock certificate that, immediately prior to the Effective Time, represented shares of pre-Reverse Split Common Stock shall, from and after the Effective Time, automatically and without any action on the part of the Company or the respective holders thereof, represent

¹ These amendments approve the combination of any whole number of shares of Regulus's common stock between and including five (5) and twenty (20) into one (1) share of Regulus's common stock. By these amendments, the stockholders would approve each of the alternate amendments proposed by Regulus's Board of Directors. If the reverse stock split proposal is approved by stockholders, the Certificate of Amendment filed with the Secretary of State of the State of Delaware will include only that reverse stock split ratio determined by Regulus's Board of

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Directors to be in the best interests of Regulus and its stockholders. The other amendments will be abandoned pursuant to Section 242(c) of the General Corporation Law of the State of Delaware. Regulus's Board of Directors may also elect not to effect any reverse stock split, in which case all proposed alternate amendments will be abandoned.

that number of whole shares of post-Reverse Split Common Stock into which the shares of pre-Reverse Split Common Stock represented by such certificate shall have been combined (as well as the right to receive cash in lieu of any fractional shares of post-Reverse Split Common Stock as set forth above; provided, however, that each holder of record of a certificate that represented shares of pre-Reverse Split Common Stock shall receive, upon surrender of such certificate, a new certificate representing the number of whole shares of post-Reverse Split Common Stock into which the shares of pre-Reverse Split Common Stock represented by such certificate shall have been combined pursuant to the Reverse Split, as well as any cash in lieu of fractional shares of post-Reverse Split Common Stock to which such holder may be entitled as set forth above. The Reverse Split shall be effected on a record holder-by-record holder basis, such that any fractional shares of post-Reverse Split Common Stock resulting from the Reverse Split and held by a single record holder shall be aggregated.

FOURTH: The foregoing amendment was submitted to the stockholders of the Company for their approval, and was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware and shall be effective as of 5:00 p.m., Eastern time, on the date this Certificate of Amendment is filed with the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, REGULUS THERAPEUTICS INC. has caused this Certificate of Amendment to be signed by its President and Chief Executive Officer this day of , 2018.

REGULUS THERAPEUTICS INC.

By:

Joseph Hagan
President and Chief Executive Officer

