

STRATEGIC HOTEL CAPITAL INC

Form 424B3

September 23, 2005

**Table of Contents**

Filed pursuant to Rule 424(b)(3)

Registration No. 333-127464

PROSPECTUS

## **Strategic Hotel Capital, Inc.**

### **4,000,000 Shares**

#### **8.50% Series A Cumulative Redeemable Preferred Shares**

**(Liquidation Preference \$25.00 per share)**

This prospectus relates to the offering for resale from time to time of up to 4,000,000 shares of our 8.50% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share, which we refer to in this prospectus as the Series A Preferred Shares, by any of the selling stockholders identified in this prospectus and any additional selling stockholders that may be identified in a supplement to this prospectus or an amendment to the registration statement of which this prospectus forms a part. We issued and sold 4,000,000 of the Series A Preferred Shares in a private placement in reliance on Section 4(2) of the Securities Act of 1933 (the Securities Act ) and Rule 144A under the Securities Act. The selling stockholders may offer the securities at fixed prices, at prevailing market prices at the time of sale, at varying prices or negotiated prices. We will not receive any cash proceeds from the selling stockholders' sales of these securities.

The Series A Preferred Shares will not be redeemable before March 16, 2010. Beginning March 16, 2010, we may redeem Series A Preferred Shares at \$25 per share plus accrued distributions. Distributions on the Series A Preferred Shares will be cumulative from the date of issuance and are payable quarterly, starting June 30, 2005.

For a more detailed description of the Series A Preferred Shares, see Description of Series A Preferred Shares beginning on page 12.

To ensure that we maintain our qualification as a real estate investment trust under the applicable provisions of the Internal Revenue Code of 1986, as amended, ownership of our equity securities by any person is subject to certain limitations. See Certain Provisions of Maryland Law and of our Charter and Bylaws Restrictions on Ownership and Transfer.

Shares of our common stock are listed on the New York Stock Exchange under the symbol SLH . There is currently no public trading market for the Series A Preferred Shares. We have applied to list the Series A Preferred Shares on the New York Stock Exchange. No assurances can be given that the shares will be so listed.

We maintain our executive offices at 77 West Wacker Drive, Suite 4600, Chicago, Illinois 60601. Our telephone number is (312) 658-5000.

**Investing in the Series A Preferred Shares involves risks. You should read the risk factors beginning on page 3 in their entirety.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this prospectus is September 21, 2005.**

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. The selling stockholders are offering to sell, and seeking offers to buy, the securities described in this prospectus only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus. You should not assume that the information appearing in this prospectus or any applicable prospectus supplement or the documents incorporated by reference herein or therein is accurate as of any date other than their respective dates. Our business, financial condition, results of operation and prospects may have changed since those dates.

As used in this prospectus, references to we , our , us , the Company and the REIT are to Strategic Hotel Capital, Inc. and, except as the context otherwise requires, its consolidated subsidiaries, including Strategic Hotel Funding, L.L.C. and its consolidated subsidiaries. References to SHC Funding or the limited liability company are to Strategic Hotel Funding, L.L.C. References to Whitehall are to Whitehall Street Real Estate Non-managing membership VII, Whitehall Street Real Estate Non-managing membership IX and their affiliates. Whitehall is controlled by The Goldman Sachs Group, Inc., which is the parent company of Goldman, Sachs & Co. References to Prudential are to Prudential Financial, Inc. and its affiliates, including Strategic Value Investors, LLC, The Prudential Insurance Company of America, Prudential Investment Management, Inc., PIC Realty Corporation and Prudential Assets, LLC, and to entities owning our securities over which Prudential Financial, Inc. or its affiliates have investment management discretion, including (SHC/Olayan) Redemption Vehicle, LLC and SVI (SHC/Houston) Redemption Vehicle, LLC.

This prospectus contains registered trademarks that are the exclusive property of their respective owners, which are companies other than us, including Embassy Suites®, Four Seasons®, Hilton®, Hyatt®, InterContinental®, Loews®, Marriott® and Ritz-Carlton®. None of the owners of these trademarks, their affiliates or any of their respective officers, directors, agents or employees is an issuer or underwriter of the securities being offered hereby. In addition, none of the owners of these trademarks, their affiliates or any of their respective officers, directors, agents or employees has or will have any liability arising out of or related to the sale or offer of the securities being offered hereby, including any liability or responsibility for any financial statements, projections or other financial information or other information contained in this prospectus or otherwise disseminated in connection with the offer or sale of the securities offered hereby.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the SEC using a shelf registration process or continuous offering process. Under this shelf registration process, the selling stockholders may, from time to time, sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities that may be offered by the selling stockholders. We may also file, from time to time, a prospectus supplement or an amendment to the registration statement of which this prospectus forms a part containing specific information about the selling stockholders and the terms of the securities being offered. That prospectus supplement or amendment may include additional risk factors or other special considerations applicable to those securities. Any prospectus supplement or amendment may also add, update, or change information in this prospectus. If there is any supplement or amendment, you should rely on the information in that prospectus supplement or amendment.

This prospectus and any accompanying prospectus supplement do not contain all of the information included in the registration statement. For further information, we refer you to the registration statement and any amendments to such registration statement, including its exhibits. Statements contained in this prospectus and any accompanying prospectus supplement about the provisions or contents of any agreement or other document are not necessarily complete. If the SEC's rules and regulations require that an agreement or document be filed as an exhibit to the registration statement, please see that agreement or document for a complete description of these matters.

You should read both this prospectus and any prospectus supplement together with additional information described below under the heading **Where You Can Find More Information**. Information incorporated by reference with the SEC after the date of this prospectus, or information included in any prospectus supplement or an amendment to the registration statement of which this prospectus forms a part, may add, update, or change information in this prospectus or any prospectus supplement. If information in these subsequent filings, prospectus supplements or amendments is inconsistent with this prospectus or any prospectus supplement, the information incorporated by reference or included in the subsequent prospectus supplement or amendment will supersede the information in this prospectus or any earlier prospectus supplement. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of each document.

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**FORWARD-LOOKING STATEMENTS**

Some of the statements contained in this prospectus constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, potential or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this prospectus reflect our current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. The factors that could cause actual results to differ materially from expected results include changes in economic, business, competitive market and regulatory conditions. Important risks and factors that could cause our actual results to differ materially from any forward-looking statements include, but are not limited to:

The factors discussed in this prospectus set forth under the section titled Risk Factors ;

Downturns in economic and market conditions, particularly levels of spending in the travel and leisure industries in the markets where we invest;

Hostilities, including future terrorist attacks, or apprehension of hostilities that affect travel within or to the United States, Mexico, Czech Republic, Germany, France or other countries where we invest;

Increases in interest rates and operating costs;

Difficulties in identifying properties to acquire and completing acquisitions;

Our ability to dispose of existing properties in a manner consistent with our investment strategy;

Risks related to natural disasters;

General volatility of the capital markets and the market price of our common shares;

Our failure to qualify and maintain our status as a real estate investment trust (a REIT );

Changes in real estate and zoning laws or regulations;

Increases in real property tax rates; and

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Changes in the competitive environment in our industry and the markets where we invest.

We do not intend, and disclaim any duty or obligation, to update or revise any industry information or forward-looking statements set forth in this prospectus to reflect new information, future events or otherwise.

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**RISK FACTORS**

*You should carefully consider the risk factors set forth below as well as the additional risk factors set forth in the documents incorporated herein by reference before purchasing the Series A Preferred Shares offered pursuant to this prospectus. See Incorporation by Reference. An investment in the Series A Preferred Shares involves a significant degree of risk, including but not limited to the risks described below and in the documents incorporated herein by reference. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such case, you could lose a portion of your original investment.*

**Risks Related to the Offering**

*A trading market for the Series A Preferred Shares may not develop.*

There is currently no public market for the Series A Preferred Shares and none may develop. If there is limited trading of the Series A Preferred Shares, this may adversely affect the price at which you can sell your Series A Preferred Shares and your ability to sell at the time you want to sell. Although we have applied for listing of the Series A Preferred Shares on the New York Stock Exchange, our listing application may not be approved. Even if the Series A Preferred Shares are approved for listing, an active trading market for such shares may never develop or be sustained following such listing.

*We could be prevented from paying dividends on the Series A Preferred Shares.*

You will only receive cash dividends on the Series A Preferred Shares if we have funds legally available for the payment of dividends and such payment is not restricted or prohibited by law. Our business may not generate sufficient cash flow from operations to enable us to pay dividends on the Series A Preferred Shares when payable. Accordingly, there is no guarantee that we will be able to pay any cash dividends on our Series A Preferred Shares.

*Holders of Series A Preferred Shares have limited voting rights and no rights as a holder of common stock.*

Except as expressly stated in the Articles Supplementary governing the Series A Preferred Shares, as a holder of Series A Preferred Shares, you will not have any relative, participating, optional or other special voting rights and powers and your approval will not be required for the taking of any corporate action. For example, your approval would not be required for any merger or consolidation in which we are involved or a sale of all or substantially all of our assets, except to the extent that such transaction materially adversely affects the express power, preferences, rights or privileges of the holders of Series A Preferred Shares. See Description of Series A Preferred Shares Voting Rights.



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All sales of the Series A Preferred Shares will be by or for the account of the selling stockholders named in this prospectus, in any supplement to this prospectus or in an amendment to the registration statement of which this prospectus forms a part. We will not receive any proceeds from the sale by any selling stockholders of the Series A Preferred Shares. We have agreed to pay all expenses of effecting the registration of the Series A Preferred Shares offered herein, other than underwriting discounts and selling commissions, relating to the sale or disposition of the Series A Preferred Shares, which will be paid by the selling stockholders.

**RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS**

The following table sets forth the ratio of earnings to combined fixed charges and preferred dividends for the periods indicated below.

<b>Six Months Ended June 30, 2005</b>	<b>Year Ended December 31,</b>				
	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
1.75	0.27	0.31	0.55	0.23	0.82

We have calculated our earnings by adding loss on debt extinguishments, fixed charges (excluding capitalized interest and preferred dividends), amortization of capitalized interest and distributed income of unconsolidated joint ventures, to income from continuing operations before minority interest, and by subtracting equity in earnings of unconsolidated joint ventures. Fixed charges consist of interest expense, including the amortization of capitalized debt issuance costs and capitalized interest costs and loss on debt extinguishments and preferred unit distributions. We computed our ratio of earnings to combined fixed charges and preferred dividends by dividing our earnings by our fixed charges and preferred dividends.

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**THE COMPANY**

We were incorporated in January 2004 to own and asset manage upper upscale and luxury hotels in North America and Europe. We went public in an initial public offering in June 2004. Our founder and accounting predecessor, Strategic Hotel Capital, L.L.C., or SHC LLC, was founded in 1997 by Laurence Geller, our President and Chief Executive Officer, Whitehall and others. We own our properties through our investment in SHC Funding, our operating partnership.

We:

own the fee interest in 11 hotels, comprising approximately 4,961 rooms, located in Arizona, California, Florida, Illinois and Louisiana and in Mexico;

lease three hotels from unaffiliated lessors: a ground lease in a hotel in Lincolnshire, Illinois and operating leases in hotels in Paris, France and Hamburg, Germany, comprising an aggregate of approximately 859 rooms;

own a 35% interest in a joint venture, with an unaffiliated party, that owns a hotel in Prague, Czech Republic comprising approximately 372 rooms, and we asset manage such hotel on behalf of the joint venture;

own an 85% interest in each of the InterContinental Hotel in Miami and the InterContinental Hotel in Chicago;

own a 31% interest in and act as asset manager for a joint venture, which joint venture is with two unaffiliated parties, that is developing the Four Seasons Residence Club Punta Mita, a luxury vacation home product that will be sold in fractional ownership interests on property adjacent to our Four Seasons Punta Mita Resort hotel in Mexico; and

asset manage seven hotels for SHC LLC under an asset management agreement. SHC LLC has entered into a purchase and sale agreement for the disposition of one of its properties that we manage.

We do not operate any of our hotels directly; instead we employ internationally known hotel management companies to operate them for us under management contracts or operating leases. Our existing hotels are operated under the widely recognized upper upscale and luxury brands of Embassy Suites®, Four Seasons®, Hilton®, Hyatt®, InterContinental®, Loews®, Marriott® and Ritz-Carlton®.

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**SELLING STOCKHOLDERS**

We originally issued 4,000,000 Series A Preferred Shares on March 16, 2005 in a private placement to Deutsche Bank Securities and Goldman, Sachs & Co., as initial purchasers. The initial purchasers then resold the Series A Preferred Shares in transactions not requiring registration under the Securities Act or applicable state securities laws to persons the initial purchasers reasonably believed to be qualified institutional buyers, as defined in Rule 144A under the Securities Act, in compliance with Rule 144A.

This prospectus relates to resales of the Series A Preferred Shares by the selling stockholders as described below under Plan of Distribution. We filed the registration statement of which this prospectus forms a part with the SEC pursuant to the registration rights granted in connection with the original issue of the Series A Preferred Shares to afford the holders of the Series A Preferred Shares the opportunity to sell their securities in public transactions rather than pursuant to exemptions from the registration and prospectus delivery requirements of the Securities Act. To take advantage of that opportunity, a holder of the Series A Preferred Shares must provide information about itself and the securities it is selling as required under the Securities Act.

The selling stockholders listed below and the beneficial owners of the Series A Preferred Shares and their transferees, pledgees, donees or other successors, if not identified in this prospectus then so identified in supplements to this prospectus or in an amendment to the registration statement of which this prospectus forms a part, as required, are the selling stockholders under this prospectus. The following table sets forth information, as of a recent practicable date prior to the effectiveness of the registration statement of which this prospectus forms a part, with respect to the selling stockholders named below and the respective:

number of Series A Preferred Share owned by each selling stockholder that may be offered pursuant to this prospectus; and

number of Series A Preferred Shares owned by each selling stockholder prior to this offering.

number of Series A Preferred Shares owned by each selling stockholder following the completion of this offering, assuming all the Series A Preferred Shares that may be offered pursuant to this prospectus are sold by the selling stockholder.

The information is based on information provided by or on behalf of the selling stockholders to us in selling stockholders questionnaires and is as of the date specified by the holders of the questionnaires. We have not sought to verify the information contained in the table. Because the selling stockholders may offer all or some portion of the Series A Preferred Shares pursuant to this prospectus, and because we are not currently aware of any agreements, arrangements or understandings with respect to the sale of these securities, we cannot predict the number of shares or principal amount of the securities that will be held by the selling stockholders upon termination of this offering. In addition, some of the selling stockholders may have sold, transferred or otherwise disposed of all or a portion of their securities since the date on which they provided the information about themselves and the securities they were selling in transactions exempt from the registration requirements of the Securities Act. See Plan of Distribution.

Unless otherwise disclosed in the footnotes to the table below, no selling stockholder has, or within the past three years has had, any position, office or other material relationship with us or any of our predecessors or affiliates.

Each selling stockholder listed below may, under this prospectus, from time to time offer and sell some, all or none of the number of Series A Preferred Shares listed below opposite its name. Prior to any use of this prospectus in connection with an offering of these securities by a

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beneficial owner not listed as a selling stockholder below or its transferee, pledgee, donee or other successor, the name and information with respect to such person will be set forth in a supplement to this prospectus or in an amendment to the registration statement of which this prospectus forms a part.

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<b>Name of Selling Stockholder</b>	<b>Number of Series A Preferred Shares That May Be Offered Hereby</b>	<b>Number of Series A Preferred Shares Owned Prior to this Offering</b>	<b>Number of Series A Preferred Shares Owned After this Offering</b>
Security Capital Preferred Growth Incorporated <sup>1</sup>	1,100,000	1,100,000	0
Cohen & Steers Utility Fund, Inc. <sup>2</sup>	28,200	28,200	0
Cohen & Steers Realty Income Fund, Inc. <sup>3</sup>	129,700	129,700	0
Cohen & Steers Quality Income Realty Fund, Inc. <sup>4</sup>	132,200	132,200	0
Cohen & Steers Premium Income Realty Fund, Inc. <sup>5</sup>	111,200	111,200	0
Cohen & Steers Advantage Income Realty Fund, Inc. <sup>6</sup>	87,900	87,900	0
Cohen & Steers Capital Management, Inc. <sup>7</sup>	59,700	59,700	0
ING Clarion Global Real Estate Income Fund <sup>8</sup>	275,000	275,000	0
The Commerce Insurance Company <sup>9</sup>	215,000	215,000	0

<sup>1</sup> This Selling Stockholder indicated that the portfolio management committee of Security Capital Research & Management Incorporated ("SC-R&M") (Security Capital Preferred Growth Incorporated's ("SC-Preferred Growth's") investment advisor pursuant to an investment advisory agreement) exercises voting and dispositive power with respect to these Series A Preferred Shares. The portfolio management committee of SC-R&M consists of Anthony R. Manno Jr., President and Managing Director, Kenneth D. Statz, Managing Director, David E. Rosenbaum, Managing Director and Kevin W. Bedell, Managing Director. SC-R&M does not own an equity interest in SC-Preferred Growth. SC-R&M is a wholly owned subsidiary of JPMorgan Chase & Co. JPMorgan Chase & Co. is affiliated with registered broker-dealers.

<sup>2</sup> This Selling Stockholder is a reporting company under the Securities and Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.

<sup>3</sup> This Selling Stockholder is a reporting company under the Securities and Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.

<sup>4</sup> This Selling Stockholder is a reporting company under the Securities and Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.

<sup>5</sup> This Selling Stockholder is a reporting company under the Securities and Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.

<sup>6</sup> This Selling Stockholder is a reporting company under the Securities and Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.

<sup>7</sup> Shares indicated as owned by such entity are owned directly by various private investment accounts, primarily employee benefit plans for which Cohen & Steers Capital Management, Inc. serves as the investment advisor. Cohen & Steers Capital Management, Inc. is a reporting company under the Securities and Exchange Act of 1934 and the identities of its management are disclosed in its public filings.

<sup>8</sup> This Selling Stockholder is a reporting company under the Securities Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.

<sup>9</sup> This Selling Stockholder indicated that John Weston Hawie, Chief Investment Officer of The Commerce Insurance Company and American Commerce Insurance Company, exercises voting and dispositive power with respect to these Series A Preferred Shares.

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American Commerce Insurance Company <sup>10</sup>	40,000	40,000	0
Wachovia Capital Markets LLC <sup>11</sup>	285,000	285,000	0
Columbia-Woodbourne Holdings LLC <sup>12</sup>	60,000	60,000	0
Scudder RREEF Real Estate Fund II, Inc. <sup>13</sup>	332,500	332,500	0
Fidelity Securities Fund: Real Estate Income Fund <sup>14</sup>	119,500	119,500	0
Fidelity Advisor Series IV: Fidelity Real Estate High Income Portfolio <sup>15</sup>	50,000	50,000	0

<sup>10</sup> This Selling Stockholder indicated that John Weston Hawie, Chief Investment Officer of The Commerce Insurance Company and American Commerce Insurance Company, exercises voting and dispositive power with respect to these Series A Preferred Shares.

<sup>11</sup> This Selling Stockholder is a reporting company under the Securities Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings. This Selling Stockholder is also a registered broker-dealer.

<sup>12</sup> This Selling Stockholder indicated that Michael L. Steinberg of Woodbourne Investment Management LLC exercises voting and dispositive power with respect to these Series A Preferred Shares.

<sup>13</sup> This Selling Stockholder is a reporting company under the Securities Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.

<sup>14</sup> The entity is a registered investment fund (the Fund) advised by Fidelity Management & Research Company (FMR Co.), a registered investment adviser under the Investment Advisers Act of 1940, as amended. FMR Co., 82 Devonshire Street, Boston, Massachusetts 02109, a wholly-owned subsidiary of FMR Corp. and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940 is the beneficial owner of 0 shares of the Common Stock outstanding of the Company as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Act of 1940.

Edward C. Johnson 3d, FMR Corp, through its control of FMR Co., and the Fund each has sole power to dispose of the Securities owned by the Fund.

Neither FMR Corp. nor Edward C. Johnson 3d, Chairman of FMR Corp., has the sole power to vote or direct the voting of the shares owned directly by the Fund, which power resides with the Fund's Board of Trustees.

The Fund is an affiliate of a broker-dealer. The Fund purchased the Securities in the ordinary course of business and, as the time of the purchase of the Securities to be resold, the Fund did not have any agreement or understandings, directly or indirectly, with any person to distribute the notes or conversion shares.

The holdings are as of July 5, 2005.

<sup>15</sup> The entity is a registered investment fund (the Fund) advised by Fidelity Management & Research Company (FMR Co.), a registered investment adviser under the Investment Advisers Act of 1940, as amended. FMR Co., 82 Devonshire Street, Boston, Massachusetts 02109, a wholly-owned subsidiary of FMR Corp. and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940 is the beneficial owner of 0 shares of the Common Stock outstanding of the Company as a

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Fidelity Management Trust Company on behalf of accounts managed by it <sup>16</sup>	28,500	28,500	0
Fidelity Monthly Income Fund <sup>17</sup>	3,000	3,000	0
Scudder RREEF Real Estate Fund, Inc. <sup>18</sup>	167,500	167,500	0
ARBCO Associates, LP <sup>19</sup>	20,000	20,000	0
Kayne Anderson Capital Income Partners (QP), LP <sup>20</sup>	31,700	31,700	0
Kayne Anderson REIT Fund, LP <sup>21</sup>	47,500	47,500	0

(... cont d)

result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Act of 1940.

Edward C. Johnson 3d, FMR Corp, through its control of FMR Co., and the Fund each has sole power to dispose of the Securities owned by the Fund.

Neither FMR Corp. nor Edward C. Johnson 3d, Chairman of FMR Corp., has the sole power to vote or direct the voting of the shares owned directly by the Fund, which power resides with the Fund's Board of Trustees.

The Fund is an affiliate of a broker-dealer. The Fund purchased the Securities in the ordinary course of business and, as the time of the purchase of the Securities to be resold, the Fund did not have any agreement or understandings, directly or indirectly, with any person to distribute the notes or conversion shares.

The holdings are as of July 5, 2005.

<sup>16</sup> Shares indicated as owned by such entity are owned directly by various private investment accounts, primarily employee benefit plans for which Fidelity Management Trust Company ( FMTC ) serves as trustee or managing agent. FMTC is a wholly-owned subsidiary of FMR Corp. and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, as amended. FMTC is the beneficial owner of 0 shares of the Common Stock outstanding of the Company as a result of its serving as investment manager of the institutional account(s). Edward C. Johnson 3d and FMR Corp., through its control of Fidelity Management Trust Company, each has sole dispositive power over 0 shares and sole power to vote or to direct the voting of 0 shares of Common Stock owned by the institutional account(s) as reported above.

These holdings are as of July 5, 2005.

<sup>17</sup> The entity is an Ontario Mutual Fund Trust. Its trustee and manager is Fidelity Investment Canada Limited ( FICL ). FICL is advised by FMR Co. FMR Co. shares investment power over the notes and the conversion shares held by the selling securityholder with Mr. Edward C. Johnson 3rd. These holdings are as of July 5, 2005.

None of the Selling Holders listed above has, or within the past three years has had, any position, office or other material relationship with the Company or any of its predecessors or affiliates.

Because the Selling Holders may offer all or some portion of the above referenced security pursuant to this Prospectus or otherwise, no estimate can be given as to the amount or percentage of such securities that will be held by the Selling Holders upon termination of any such sale. In addition, the Selling Holders identified above may have sold, transferred or otherwise disposed of all or a portion of such securities since July 5, 2005 in transactions exempt from the registration requirements of the Securities Act of 1933. The Selling Holders may sell all, part or none of the securities listed above.

<sup>18</sup> This Selling Stockholder is a reporting company under the Securities Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.

<sup>19</sup> This Selling Stockholder has indicated that Richard A. Kayne exercises voting and dispositive power with respect to these Series A Preferred Shares.

<sup>20</sup> This Selling Stockholder has indicated that Richard A. Kayne exercises voting and dispositive power with respect to these Series A Preferred Shares.

<sup>21</sup> This Selling Stockholder has indicated that Richard A. Kayne exercises voting and dispositive power with respect to these Series A Preferred Shares.

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Kayne Anderson Income Partners, LP <sup>22</sup>	7,900	7,900	0
Kayne Anderson Non-Traditional Investments, LP <sup>23</sup>	20,000	20,000	0
Kayne Anderson Capital Income Fund Ltd. <sup>24</sup>	7,900	7,900	0
Millenco, L.P. <sup>25</sup>	120,000	120,000	0
Seafin & Co. <sup>26</sup>	24,550	24,550	0
Janus World Funds <sup>27</sup>	42,450	42,450	0
Neuberger Berman Realty Income Fund Inc. <sup>28</sup>	40,000	40,000	0
Neuberger Berman Real Estate Securities Income Fund Inc. <sup>29</sup>	50,000	50,000	0
Quadrant Fund, Inc. <sup>30</sup>	30,000	30,000	0

- <sup>22</sup> This Selling Stockholder has indicated that Richard A. Kayne exercises voting and dispositive power with respect to these Series A Preferred Shares.
- <sup>23</sup> This Selling Stockholder has indicated that Richard A. Kayne exercises voting and dispositive power with respect to these Series A Preferred Shares.
- <sup>24</sup> This Selling Stockholder has indicated that Richard A. Kayne exercises voting and dispositive power with respect to these Series A Preferred Shares.
- <sup>25</sup> Millennium Management, L.L.C. a Delaware limited liability company, is the general partner of Millenco, L.P., a Delaware limited partnership and registered broker-dealer, and consequently may be deemed to have voting control and investment discretion over securities owned by Millenco, L.P. Israel A. Englander is the managing member of Millennium Management, L.L.C. As a result, Mr. Englander may be deemed to be the beneficial owner of any shares deemed to be beneficially owned by Millennium Management, L.L.C. The foregoing should not be construed in and of itself as an admission by either of Millennium Management, L.L.C. or Mr. Englander as to beneficial ownership of the shares of the Company's stock owned by Millenco, L.P.
- <sup>26</sup> Seafin & Co. is nominee for Janus High Yield Fund, a series of Janus Investment Fund. Janus Investment Fund is a reporting company under the Securities Exchange Act of 1934 and the identities of its management are disclosed in its public filings.
- <sup>27</sup> Janus World Funds holds these Series A Preferred Shares on behalf of its fund High Yield Fund. Janus World Funds indicated that Richard G. Smith, Portfolio Manager, exercises voting and dispositive power with respect to these Series A Preferred Shares.
- <sup>28</sup> This Selling Stockholder is a reporting company under the Securities Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.
- <sup>29</sup> This Selling Stockholder is a reporting company under the Securities Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.
- <sup>30</sup> This Selling Stockholder is a reporting company under the Securities Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.



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Quadrant Parallel Fund, LLC <sup>31</sup>	37,154	37,154	0
Quadrant Fund REIT, Inc. <sup>32</sup>	7,846	7,846	0
Dividend Capital Realty Income Allocation Fund <sup>33</sup>	172,000	172,000	0
Inland Western Retail Real Estate Trust, Inc. <sup>34</sup>	100,000	100,000	0
Cashel Capital L.P. <sup>35</sup>	15,000	15,000	0
Deutsche Bank Securities Inc. <sup>36</sup>	700	700	0
Miscellaneous other holders	400	400	0

<sup>31</sup> The Selling Stockholder has indicated that Jeff Williams and Kurt Wright, portfolio managers of the Selling Stockholder, exercise voting and dispositive power with respect to these Series A Preferred Shares.

<sup>32</sup> The Selling Stockholder has indicated that Jeff Williams and Kurt Wright, portfolio managers of the Selling Stockholder, exercise voting and dispositive power with respect to these Series A Preferred Shares.

<sup>33</sup> This Selling Stockholder is a reporting company under the Securities Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.

<sup>34</sup> This Selling Stockholder is a reporting company under the Securities Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings.

<sup>35</sup> The Selling Stockholder has indicated that James Lang, Joseph McInerney and Ryan McGuire, authorized officers of Cashel Capital Advisors Inc., the managing member of Cashel Capital LLC, the general partner of Cashel Capital L.P., exercise voting and dispositive power with respect to these Series A Preferred Shares.

<sup>36</sup> This Selling Stockholder is a reporting company under the Securities Exchange Act of 1934 and the identities of its management are disclosed in the Selling Stockholder's public filings. This Selling Stockholder is also a registered broker-dealer.

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**DESCRIPTION OF SERIES A PREFERRED SHARES**

*The summary of certain terms and provisions of the Series A Preferred Shares contained in this prospectus does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the articles supplementary relating to the Series A Preferred Shares and our Amended and Restated Articles of Incorporation, as amended and supplemented, which are incorporated by reference herein.*

**General**

Our board of directors is authorized to cause us to issue, from our authorized but unissued shares of preferred stock, shares of preferred stock in series and to establish from time to time the number of preferred shares to be included in such series and to fix the designation and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of the shares of each such series.

The Series A Preferred Shares were validly issued, fully paid and non-assessable. The holders of the Series A Preferred Shares have no preemptive rights with respect to any of our stock or any securities convertible into or carrying rights or options to purchase any such stock. The Series A Preferred Shares are not subject to any sinking fund or other obligation of us to redeem or retire the Series A Preferred Shares. Unless otherwise redeemed by us, the Series A Preferred Shares will have a perpetual term with no maturity. Holders of Series A Preferred Shares are not entitled to statutory appraisal rights.

The transfer agent, registrar and dividend disbursing agent for the Series A Preferred Shares is LaSalle Bank, N.A., Chicago, Illinois.

We have filed an application to list the Series A Preferred Shares on the New York Stock Exchange. No assurances can be given that the Series A Preferred Shares will be so listed.

**Ranking**

The Series A Preferred Shares rank senior to our common stock and any other shares of junior stock that we may issue in the future, and equal to any shares of parity stock that we may issue in the future, in each case with respect to payment of dividends and amounts upon liquidation, dissolution or winding up.

**Dividends**

Holders of the Series A Preferred Shares shall be entitled to receive, when and as authorized by the Board of Directors and declared by us out of funds legally available for the payment of dividends, cumulative, preferential cash dividends at the rate of 8.50% of the liquidation preference

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per annum (equivalent to \$2.125 per share per annum). Such dividends shall be cumulative from the date of original issue and shall be payable quarterly in arrears on the last day of each March, June, September and December or, if not a business day, the next succeeding business day (each such day being a dividend payment date). The first dividend, which was paid on June 30, 2005, was for more than a full quarter. Such dividend was, and any dividend payable on the Series A Preferred Shares for any partial dividend period will be, computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in our records at the close of business on the applicable record date, which shall be on such date designated by the board of directors for the payment of dividends that is not more than 50 nor less than 10 days prior to such dividend payment date (which we refer to as a dividend record date), which in the normal course we would expect to be on or about the 15<sup>th</sup> day prior to the dividend payment date.

No dividends on Series A Preferred Shares shall be declared or paid or set apart for payment by us at such time as the terms and provisions of any agreement we have entered into, including any agreement relating to our indebtedness for borrowed money, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series A Preferred Shares will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the Series A Preferred Shares will not bear interest. Holders of the Series A Preferred Shares will not be entitled to any dividends in excess of full cumulative dividends as described above.

If, for any taxable year, we elect to designate as capital gain dividends (as defined in Section 857 of the Internal Revenue Code of 1986, as amended (the Code)), any portion of the dividends (as determined for U.S. Federal income tax purposes) paid or made available for the year to holders of all classes of shares, then the portion of such designated amount that shall be allocable to the holders of Series A Preferred Shares shall be the amount that the total dividends (as determined for U.S. Federal income tax purposes) paid or made available to the holders of the Series A Preferred Shares for the year bears to the total dividends paid or made available for the year to holders of all classes of shares.

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If any Series A Preferred Shares are outstanding, no full dividends shall be declared or paid or set apart for payment on any series of preferred stock ranking, as to dividends, on a parity with or junior to the Series A Preferred Shares for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payments on the Series A Preferred