BENCHMARK ELECTRONICS INC
Form 8-K
January 07, 2005

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): **January 6, 2005**

BENCHMARK ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

Texas	**1-10560**	**74-2211011**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3000 Technology Drive, Angleton, Texas	**77515**
(Address of principal executive offices)	(Zip code)

Registrant s telephone number, including area code: **(979) 849-6550**

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):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12(b) under the Exchange Act (17 CFR 240.14a-12(b))

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On January 6, 2005, Benchmark Electronics, Inc. issued a press release announcing that it continues to expect fourth quarter results to be in line with analysts consensus for the quarter ended December 31, 2004. A copy of the press release is attached as Exhibit 99.1 hereto and is hereby incorporated herein by reference. The information in this Form 8-K is being furnished under Item 2.02 and shall not be deemed to be filed for the purposes of Section 18 of the Securities and Exchange Act of 1934 (the Exchange Act), or otherwise subject to the liabilities of such section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9-01. Financial Statements and Exhibits.

(c) Exhibits

Exhibit 99.1 Press release dated January 6, 2005

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 hereunto duly authorized.

BENCHMARK ELECTRONICS, INC.

Dated: January 7, 2005

By: /s/ CARY T. FU
Cary T. Fu
Chief Executive Officer

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EXHIBITS INDEX

Exhibit Number	Description
Exhibit 99.1	**Press release dated January 6, 2005**

00;font-family:Times New Roman;font-size:6.5pt;font-weight:400;line-height:100%;vertical-align:top;"> (8)
10.14*
LTIP Unit Award Agreement, dated as of June 1, 2015, between Chatham Lodging Trust, Chatham Lodging, L.P. and Dennis Craven (Outperformance Plan) [8]
10.15*
LTIP Unit Award Agreement, dated as of June 1, 2015, between Chatham Lodging Trust, Chatham Lodging, L.P. and Peter Willis (Outperformance Plan) [8]
10.16
Agreement of Limited Partnership of Chatham Lodging, L.P.[5]
10.17
First Amendment to the Agreement of Limited Partnership of Chatham Lodging, L.P.[7]
10.18
Form of IHM Hotel Management Agreement[5]
10.19
Third Amended and Restated Limited Liability Company Agreement of INK Acquisition LLC, dated as of June 9, 2014, by and between Platform Member-T, LLC and Chatham Lodging, L.P.[9]
10.20
Second Amended and Restated Limited Liability Company Agreement of INK Acquisition III, LLC, dated as of June 9, 2014, by and between Platform Member Holdings-T Cam2, LLC and Chatham TRS Holding, Inc.[9]
10.21
Loan Agreement, dated as of June 9, 2014, between Grand Prix Sili II, LLC, as borrower, and JP Morgan Chase Bank, National Association, as lender.[9]
10.22
Limited Liability Company Agreement of IHP I Owner JV, LLC, dated as of November 17, 2014, by and between Platform Member II-T, LLC and Chatham IHP, LLC.[10]
10.23
Limited Liability Company Agreement of IHP I OPs JV, LLC, dated as of November 17, 2014, by and between Platform Member Holdings II-T Cam2, LLC and Chatham TRS Holding, Inc.[10]
10.24
Amended and Restated Credit Agreement, dated as of March 8, 2018, among Chatham Lodging Trust, Chatham Lodging, L.P., the lenders party thereto and Barclays Bank PLC, as administrative agent.
10.25*
Form of 2016 Time-Based LTIP Unit Award Agreement[12]
10.26*
Form of 2016 Performance-Based LTIP Unit Award Agreement[12]
10.27*
Form of 2017 Time-Based LTIP Unit Award Agreement[13]
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10.28*	Form of 2017 Performance-Based LTIP Unit Award Agreement(13)
10.29	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and Cantor Fitzgerald & Co.(14)
10.30	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and Barclays Capital Inc.(14)
10.31	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and BTIG, LLC(14)
10.32	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and Citigroup Global Markets Inc(14)
10.33	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and Robert W. Baird & Co. Incorporated(14)
10.34	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and Stifel, Nicolaus & Company, Incorporated(14)
10.35	Sales Agreement, dated December 28, 2017, by and among Chatham

	Lodging Trust, Chatham Lodging, L.P. and Wells Fargo Securities(14)
21.1	List of Subsidiaries of Chatham Lodging Trust
23.1	PricewaterhouseCoopers LLP Consent to include Report on Financial Statements of Chatham Lodging Trust
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH**	XBRL Taxonomy Extension Schema Document

101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Denotes management contract or compensation plan or arrangement in which trustees or officers are eligible to participate.

** Submitted electronically herewith. Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2018 and 2017; (ii) Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016; (iii) Consolidated Statements of Equity for the years ended December 31, 2018, 2017 and 2016; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016; and (v) Notes to the Consolidated Financial Statements.

(1)	Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on April 21, 2015 (File No. 001-34693).
(2)	Incorporated by reference to the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 15, 2013 (File No. 001-34693).
(3)	Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on May 5, 2015 (File No. 001-34693).
(4)	Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on February 5, 2015 (File No. 001-34693).
(5)	Incorporated by reference to Amendment No. 4 to the Registrant’s Registration Statement on Form S-11

	filed with the SEC on February 12, 2010 (File No. 333-162889).
(6)	Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 13, 2010 (File No. 001-34693).
(7)	Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 6, 2015 (File No. 001-34693).
(8)	Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 6, 2015 (File No. 001-34693).
(9)	Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2014 (File No. 001-34693).

(10)	Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on November 30, 2014 (File No. 001-34693).
(11)	Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on November 30, 2015 (File No. 001-34693).
(12)	Incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the SEC on February 29, 2016 (File No. 001-34693).
(13)	Incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q filed with the SEC on May 9, 2017 (File No. 001-34693).
(14)	Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on December 28, 2017 (File No. 001-34693).

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SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		CHATHAM LODGING TRUST
Dated:	February 25, 2019	/s/ JEFFREY H. FISHER
		Jeffrey H. Fisher
		Chairman of the Board, President and Chief Executive Officer
		(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ JEFFREY H. FISHER	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	February 25, 2019
Jeffrey H. Fisher		
/s/ JEREMY B. WEGNER	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 25, 2019
Jeremy B. Wegner		
/s/ MILES BERGER	Trustee	February 25, 2019
Miles Berger		

/s/ EDWIN B. BREWER, JR. Edwin B. Brewer, Jr.	Trustee	February 25, 2019
/s/ THOMAS J. CROCKER Thomas J. Crocker	Trustee	February 25, 2019
/s/ JACK P. DEBOER Jack P. DeBoer	Trustee	February 25, 2019
/s/ C. GERALD GOLDSMITH C. Gerald Goldsmith	Trustee	February 25, 2019
/s/ MARY ELIZABETH HIGGINS Mary Elizabeth Higgins	Trustee	February 25, 2019
/s/ ROBERT PERLMUTTER Robert Perlmutter	Trustee	February 25, 2019
/s/ ROLF E. RUHFUS Rolf E. Ruhfus	Trustee	February 25, 2019

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CHATHAM LODGING TRUST

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Schedule III - Real Estate and Accumulated Depreciation at December 31, 2018

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Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Chatham Lodging Trust

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Chatham Lodging Trust and its subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of operations, of equity and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedule listed in the index appearing under Item 15(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Annual Report on Internal Control over Financial Reporting appearing under Item9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP (signed)
Fort Lauderdale, Florida
February 25, 2019

We have served as the Company's auditor since 2009.

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CHATHAM LODGING TRUST
Consolidated Balance Sheets
(In thousands, except share and per share data)

	December 31, 2018		December 31, 2017	
Assets:				
Investment in hotel properties, net	$	1,373,773	$	1,320,082
Cash and cash equivalents	7,192		9,333	
Restricted cash	25,145		27,166	
Investment in unconsolidated real estate entities	21,545		24,389	
Hotel receivables (net of allowance for doubtful accounts of $264 and $200, respectively)	4,495		4,047	
Deferred costs, net	5,070		4,646	
Prepaid expenses and other assets	2,431		2,523	
Deferred tax asset, net	58		30	
Total assets	$	1,439,709	$	1,392,216
Liabilities and Equity:				
Mortgage debt, net	$	501,782	$	506,316
Revolving credit facility	81,500		32,000	
Accounts payable and accrued expenses	33,692		31,692	
Distributions and losses in excess of investments of unconsolidated real estate	9,650		6,582	

entities		
Distributions payable	5,667	5,846
Total liabilities	632,291	582,436
Commitments and contingencies (see note 13)		
Equity:		
Shareholders' Equity:		
Preferred shares, $0.01 par value, 100,000,000 shares authorized and unissued at December 31, 2018 and 2017	—	—
Common shares, $0.01 par value, 500,000,000 shares authorized; 46,525,652 and 45,375,266 shares issued and outstanding at December 31, 2018 and 2017, respectively	465	450
Additional paid-in capital	896,286	871,730
Retained earnings (distributions in excess of retained earnings)	(99,285)	(69,018)
Total shareholders' equity	797,466	803,162
Noncontrolling Interests:		
Noncontrolling interest in operating partnership	9,952	6,618

Total equity	807,418		809,780	
Total liabilities and equity	$	1,439,709	$	1,392,216

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

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CHATHAM LODGING TRUST
Consolidated Statements of Operations
(In thousands, except share and per share data)

	For the year ended December 31, 2018	2017	2016
Revenue:			
Room	$ 295,897	$ 278,466	$ 273,345
Food and beverage	8,880	6,255	6,221
Other	13,710	11,215	10,115
Cost reimbursements from unconsolidated real estate entities	5,743	5,908	6,190
Total revenue	324,230	301,844	295,871
Expenses:			
Hotel operating expenses:			
Room	63,877	59,151	57,209
Food and beverage	7,312	5,342	4,928
Telephone	1,766	1,647	1,712
Other hotel operating	3,296	2,886	2,358
General and administrative	25,567	23,639	22,274
Franchise and marketing fees	24,864	23,247	22,412
Advertising and promotions	6,227	5,380	5,147
Utilities	10,835	9,944	9,545
Repairs and maintenance	14,710	13,317	12,444
Management fees	10,754	9,898	9,389
Insurance	1,354	1,228	1,359
Total hotel operating expenses	170,562	155,679	148,777
Depreciation and amortization	48,169	46,292	48,775
Impairment loss	—	6,663	—
	23,678	20,916	21,564

Property taxes, ground rent and insurance			
General and administrative	14,120	12,825	11,119
Other charges	3,806	523	510
Reimbursable costs from unconsolidated real estate entities	5,743	5,908	6,190
Total operating expenses	266,078	248,806	236,935
Operating income before gain (loss) on sale of hotel property	58,152	53,038	58,936
Gain (loss) on sale of hotel property	(18)	3,327	—
Operating Income	58,134	56,365	58,936
Interest and other income	462	30	51
Interest expense, including amortization of deferred fees	(26,878)	(27,901)	(28,297)
Loss on early extinguishment of debt	—	—	(4)
Income (loss) from unconsolidated real estate entities	(876)	1,582	718
Loss on sale from unconsolidated real estate entities	—	—	(10)
Income before income tax benefit (expense)	30,842	30,076	31,394
Income tax benefit (expense)	28	(396)	301
Net income	30,870	29,680	31,695
Net income attributable to non-controlling interest	(229)	(202)	(212)
	$ 30,641	$ 29,478	$ 31,483

Net income attributable to common shareholders			
Income per Common Share - Basic:			
Net income attributable to common shareholders (Note 10)	$ 0.66	$ 0.73	$ 0.82
Income per Common Share - Diluted:			
Net income attributable to common shareholders (Note 10)	$ 0.66	$ 0.73	$ 0.81
Weighted average number of common shares outstanding:			
Basic	46,073,515	39,859,143	38,299,067
Diluted	46,243,660	40,112,266	38,482,875
Distributions per common share:	$ 1.32	$ 1.32	$ 1.38

The accompanying notes are an integral part of these consolidated financial statements.
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CHATHAM LODGING TRUST
Consolidated Statements of Equity
(In thousands, except share and per share data)

	Common Shares		Additional Paid - In Capital	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interest in Operating Partnership	Total Equity
	Shares	Amount					
Balance January 1, 2016	38,308,937	379	719,773	(27,281)	692,871	4,131	697,002
Issuance of shares pursuant to Equity Incentive Plan	26,488	—	550	—	550	—	550
Issuance of shares, net of offering costs of $75	23,738	1	407	—	408	—	408
Issuance of restricted time-based shares	7,851	—	—	—	—	—	—
Amortization of share based compensation	—	—	1,278	—	1,278	1,235	2,513
Dividends declared on common shares ($1.30 per share)	—	—	—	(49,859)	(49,859)	—	(49,859)
Distributions declared on LTIP units ($1.30 per unit)	—	—	—	—	—	(719)	(719)
Reallocation of noncontrolling	—	—	11	—	11	(11)	—

interest							
Net income	—	—	—	31,483	31,483	212	31,695
Balance, December 31, 2016	38,36378014		722,019	(45,657)	676,742	4,848	681,590
Issuance of shares pursuant to Equity Incentive Plan	23,980	—	500	—	500	—	500
Issuance of shares, net of offering costs of $2,149	6,97970272		148,472	—	148,542	—	148,542
Issuance of restricted time-based shares	5,000	—	—	—	—	—	—
Amortization of share based compensation	—	—	815	—	815	2,469	3,284
Dividends declared on common shares ($1.32 per share)	—	—	—	(52,839)	(52,839)	—	(52,839)
Distributions declared on LTIP units ($1.32 per unit)	—	—	—	—	—	(977)	(977)
Reallocation of noncontrolling interest	—	—	(76)	—	(76)	76	—
Net income	—	—	—	29,478	29,478	202	29,680
Balance, December 31, 2017	45,375,266	$ 450	$ 871,730	$ (69,018)	$ 803,162	$ 6,618	$ 809,780
Issuance of shares pursuant to Equity Incentive Plan	21,670	—	500	—	500	—	500
Issuance of shares, net of offering costs of $518	1,1231516		23,953	—	23,968	—	23,968
Issuance of restricted time-based shares	5,000	—	—	—	—	—	—

Amortization of share based compensation	—	—		103	—	103	3,607	3,710
Dividends declared on common shares ($1.32 per share)	—	—		—	(60,908)	(60,908)	—	(60,908)
Distributions declared on LTIP units ($1.32 per unit)	—	—		—	—	—	(1,154)	(1,154)
Forfeited distributions on LTIP units	—	—		—	—	—	652	652
Net income	—	—		—	30,641	30,641	229	30,870
Balance, December 31, 2018	46,525	$5,652	465	$ 896,286	$ (99,285)	$ 797,466	$ 9,952	$ 807,418

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

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CHATHAM LODGING TRUST
Consolidated Statements of Cash Flows
(In thousands)

	For the year ended December 31,		
	2018	**2017**	**2016**
Cash flows from operating activities:			
Net income	$ 30,870	$ 29,680	$ 31,695
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	47,932	46,060	48,562
Amortization of deferred franchise fees	237	217	214
Amortization of deferred financing fees included in interest expense	902	648	1,076
Gain on sale of hotel property	18	(3,327)	—
Income on sale from unconsolidated real estate entities	—	—	10
Impairment loss	—	6,663	—
Loss on early extinguishment of debt	—	—	4
Loss on write-off of deferred franchise fee	—	16	—
Deferred tax expense (benefit)	(28)	396	(426)
Share based compensation	4,210	3,784	3,013
Income (loss) from unconsolidated real estate entities	876	(1,582)	(718)
Distributions from unconsolidated entities	—	667	—
Changes in assets and liabilities:			
Hotel receivables	(437)	353	47
Deferred costs	(243)	(935)	(94)
Prepaid expenses and other assets	64	356	2,288
Accounts payable and accrued expenses	1,814	3,693	1,998
Net cash provided by operating activities	86,215	86,689	87,669
Cash flows from investing activities:			
Improvements and additions to hotel properties	(31,417)	(30,233)	(22,496)

Acquisition of hotel properties, net of cash acquired	(70,020)	(138,248)	—
Proceeds from sale of hotel properties	—	12,555	—
Distributions from unconsolidated entities	5,036	2,551	7,228
Investment in unconsolidated real estate entities	—	(5,036)	—
Net cash used in investing activities	(96,401)	(158,411)	(15,268)
Cash flows from financing activities:			
Borrowings on revolving credit facility	149,000	129,000	43,450
Repayments on revolving credit facility	(99,500)	(149,500)	(56,530)
Payments on debt	(4,899)	(4,160)	(3,775)
Principal prepayment of mortgage debt	—	—	(5,954)
Payments of financing costs	(955)	—	(50)
Payment of offering costs	(518)	(2,149)	(75)
Proceeds from issuance of common shares	24,486	150,691	482
Forfeited distributions - non vested shares	—	(94)	(91)
Distributions-common shares/units	(61,590)	(52,617)	(52,966)
Net cash provided by (used in) financing activities	6,024	71,171	(75,509)
Net change in cash, cash equivalents and restricted cash	(4,162)	(551)	(3,108)
Cash, cash equivalents and restricted cash, beginning of period	36,499	37,050	40,158
Cash, cash equivalents and restricted cash, end of period	$ 32,337	$ 36,499	$ 37,050
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 25,328	$ 26,541	$ 26,836
Cash paid for income taxes	$ 887	$ 710	$ 742

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Supplemental disclosure of non-cash investing and financing information:
On January 16, 2019, the Company issued 27,870 shares to its independent trustees pursuant to the Company’s Equity Incentive Plan as compensation for services performed in 2018. On January 16, 2018, the Company issued 21,670 shares to its independent trustees pursuant to the Company’s Equity Incentive Plan as compensation for services performed in 2017. On January 16, 2017, the Company issued 23,980 shares to its independent trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2016.
As of December 31, 2018, the Company had accrued distributions payable of $5.7 million. These distributions were paid on January 25, 2019 except for $0.5 million related to accrued but unpaid distributions on unvested performance based shares (See Note 12). As of December 31, 2017, the Company had accrued distributions payable of $5.8 million. These distributions were paid on January 26, 2018 except for $0.8 million related to accrued but unpaid distributions on unvested performance based shares. As of December 31, 2016, the Company had accrued distributions payable of $4.7 million. These distributions were paid on January 27, 2017 except for $0.5 million related to accrued but unpaid distributions on unvested performance based shares.
Accrued share based compensation of $0.5 million, $0.5 million and $0.6 million is included in accounts payable and accrued expenses as of December 31, 2018, 2017 and 2016.
Accrued capital improvements of $2.4 million, $2.4 million and $2.0 million are included in accounts payable and accrued expenses as of December 31, 2018, 2017, and 2016 respectively.
The accompanying notes are an integral part of these consolidated financial statements.
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CHATHAM LODGING TRUST
Notes to the Consolidated Financial Statements
(Dollar amounts in thousands, except share and per share data)

1. Organization
Chatham Lodging Trust ("we," "us" or the "Company") was formed as a Maryland real estate investment trust on October 26, 2009. The Company is internally-managed and was organized to invest primarily in upscale extended-stay and premium-branded select-service hotels. The Company has elected to be treated as a real estate investment trust for federal income tax purposes ("REIT").

The Company had no operations prior to the consummation of its initial public offering ("IPO") in April 2010. The net proceeds from our share offerings are contributed to Chatham Lodging, L.P., our operating partnership (the "Operating Partnership"), in exchange for partnership interests. Substantially all of the Company's assets are held by, and all operations are conducted through, the Operating Partnership. The Company is the sole general partner of the Operating Partnership and owns 100% of the common units of limited partnership interest in the Operating Partnership ("common units"). Certain of the Company's executive officers hold vested and unvested long-term incentive plan units in the Operating Partnership ("LTIP units"), which are presented as non-controlling interests on our consolidated balance sheets.
As of December 31, 2018, the Company owned 42 hotels with an aggregate of 6,283 (unaudited) rooms located in 15 states and the District of Columbia (unaudited). As of December 31, 2018, the Company also (i) held a 10.3% noncontrolling interest in a joint venture (the "NewINK JV") with affiliates of Colony Capital, Inc. ("CLNY"), which was formed in the second quarter of 2014 to acquire 47 hotels from a joint venture (the "Innkeepers JV") between the Company and Cerberus Capital Management ("Cerberus"), comprising an aggregate of 6,098 (unaudited) rooms, (ii) held a 10.0% noncontrolling interest in a separate joint venture (the "Inland JV") with CLNY, which was formed in the fourth quarter of 2014 to acquire 48 hotels from Inland American Real Estate Trust, Inc. ("Inland"), comprising an aggregate of 6,402 (unaudited) rooms. We sometimes use the term, "JVs", which refers collectively to the NewINK JV and Inland JV.
To qualify as a REIT, the Company cannot operate its hotels. Therefore, the Operating Partnership and its subsidiaries lease the Company's wholly owned hotels to taxable REIT subsidiary lessees ("TRS Lessees"), which are wholly owned by the Company's taxable REIT subsidiary ("TRS") holding company. The Company indirectly (i) owns its 10.3% interest in 47 of the NewINK JV hotels and (ii) 10.0% interest in 48 of the Inland JV hotels. All of the NewINK JV hotels and Inland JV hotels are leased to TRS Lessees, in which the Company indirectly owns a noncontrolling interests through its TRS holding company. Each hotel is leased to a TRS Lessee under a percentage lease that provides for rental payments equal to the greater of (i) a fixed base rent amount or (ii) a percentage rent based on hotel room revenue. The initial term of each of the TRS leases is 5 years. Lease revenue from each TRS Lessee is eliminated in consolidation.
The TRS Lessees have entered into management agreements with third-party management companies that provide day-to-day management for the hotels. As of December 31, 2018, Island Hospitality Management Inc. ("IHM"), which is 51% owned by Mr. Fisher, managed all 42 of the Company's wholly owned hotels. As of December 31, 2018, all of the NewINK JV hotels were managed by IHM. As of December 31, 2018, 34 of the Inland JV hotels were managed by IHM and 14 hotels were managed by Marriott International, Inc. ("Marriott").

2. Summary of Significant Accounting Policies
Basis of Presentation
The accompanying consolidated financial statements and related notes have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and in conformity with the rules and regulations of the Securities and Exchange Commission ("SEC"). These consolidated financial statements, in the opinion of management, include all adjustments consisting of normal, recurring adjustments which are considered necessary for a fair statement of the consolidated balance sheets, consolidated statements of operations, consolidated statements of equity, and consolidated statements of cash flows for the periods presented.

The consolidated financial statements include all of the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions are eliminated in consolidation.

Reclassifications

Certain prior period revenue and expense amounts in the consolidated financial statements have been reclassified to be comparable to the current period presentations. The reclassification did not have any impact on the net income. In addition, in accordance with the SEC's Disclosure Update and Simplification release, dated August 18, 2018, the Company moved the Gain (loss) on sale of hotel property line on the Company's Consolidated Statements of Operations within Operating income for all periods presented.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, hotel receivables, accounts payable and accrued expenses, distributions payable and mortgage debt. Due to their relatively short maturities, the carrying values reported in the consolidated balance sheets for these financial instruments approximate fair value except for debt, the fair value of which is separately disclosed in Note 7.

Investment in Hotel Properties

The Company allocates the purchase prices of hotel properties acquired based on the fair value of the acquired real estate, furniture, fixtures and equipment, identifiable intangible assets and assumed liabilities. In making estimates of fair value for purposes of allocating the purchase price, the Company utilizes a number of sources of information that are obtained in connection with the acquisition of a hotel property, including valuations performed by independent third parties and information obtained about each hotel property resulting from pre-acquisition due diligence. Hotel property acquisition costs, such as transfer taxes, title insurance, environmental and property condition reviews, and legal and accounting fees were expensed in 2016 and 2015. On January 1, 2017, the Company early adopted ASU 2017-01 "Definition of a Business" and now capitalizes these costs for asset acquisitions.

The Company's investments in hotel properties are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for land improvements, 5 to 20 years for building improvements and one to ten years for furniture, fixtures and equipment. Renovations and/or replacements at the hotel properties that improve or extend the life of the assets are capitalized and depreciated over their useful lives, while repairs and maintenance are expensed as incurred. Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are removed from the Company's accounts and any resulting gain or loss is recognized in the consolidated statements of operations.

The Company will periodically review its hotel properties for impairment whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. Events or circumstances that may cause a review include, but are not limited to, adverse changes in the demand for lodging at the properties due to declining national or local economic conditions and/or new hotel construction in markets where the hotels are located. When such conditions exist, management will perform an analysis to determine if the estimated undiscounted future cash flows, without interest charges, from operations and the proceeds from the ultimate disposition of a hotel property exceed its carrying value. If the estimated undiscounted future cash flows are less than the carrying amount, an adjustment to reduce the carrying amount to the related hotel property's estimated fair market value is recorded and an impairment loss recognized. For the year ended December 31, 2017, the Company incurred an impairment loss on its Washington SHS, PA hotel (See footnote 5). For the years ended December 31, 2018 and 2016, there were no impairment losses.

For properties the Company considers held for sale, depreciation and amortization are no longer recorded and the value the properties is recorded at the lower of depreciated cost or fair value, less costs to sell. If circumstances arise that were previously considered unlikely, and, as a result, the Company decides not to sell a property previously classified as held for sale, the Company will reclassify such property as held and used. Such property is measured at the lower of its carrying amount (adjusted for any depreciation and amortization expense that would have been recognized had the property been continuously classified as held and used) or fair value at the date of the subsequent decision not to sell. The Company classifies properties as held for sale when all criteria within the Financial Accounting Standards Board's ("FASB") guidance on the impairment or disposal of long-lived assets are met. As of December 31, 2018, the Company had no hotel properties held for sale.

Investment in Unconsolidated Real Estate Entities
If it is determined that the Company does not have a controlling interest in a joint venture, either through its financial interest in a variable interest entity ("VIE") or in a voting interest entity, but does have the ability to exercise significant influence, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, advances to and commitments for the investee.

Investments in unconsolidated real estate entities are accounted for under the equity method of accounting and the Company records its equity in earnings or losses under the hypothetical liquidation of book value ("HLBV") method of accounting due to the structures and the preferences we receive on the distributions from our joint ventures pursuant to the respective joint venture agreements for those joint ventures. Under this method, the Company recognizes income and loss in each period based on the change in liquidation proceeds it would receive from a hypothetical liquidation of its investment based on depreciated book value. Therefore, income or loss may be allocated disproportionately as compared to the ownership percentages due to specified preferred return rate thresholds and may be more or less than actual cash distributions received and more or less than what the Company may receive in the event of an actual liquidation. In the event a basis difference is created between the carrying amount of the Company's share of partner's capital, the resulting amount is allocated based on the assets of the investee and, if assigned to depreciable or amortizable assets, then amortized as a component of income (loss) from unconsolidated real estate entities.

On January 1, 2016, the Company adopted accounting guidance under Accounting Standards Codification (ASC) Topic 810, "Consolidation," modifying the analysis it must perform to determine whether it should consolidate certain types of legal entities. The guidance does not amend the existing disclosure requirements for variable interest entities ("VIEs") or voting interest model entities. The guidance, however, modified the requirements to qualify under the voting interest model. Under the revised guidance, the Operating Partnership will be a VIE of the Company. As the Operating Partnership is already consolidated in the financial statements of the Company, the identification of this entity as a VIE has no impact on the consolidated financial statements of the Company. There were no other legal entities qualifying under the scope of the revised guidance that were consolidated as a result of the adoption. In addition, there were no other voting interest entities under prior existing guidance determined to be variable interest entities under the revised guidance.

The Company periodically reviews the carrying value of its investment in unconsolidated joint ventures to determine if circumstances indicate impairment to the carrying value of the investment that is other than temporary. When an impairment indicator is present, the Company will estimate the fair value of the investment. The Company's estimate of fair value takes into consideration factors such as expected future operating income, trends and prospects, as well as other factors. This determination requires significant estimates by management, including the expected cash flows to be generated by the assets owned and operated by the joint venture. To the extent impairment has occurred and is other than temporary, the loss will be measured as the excess of the carrying amount over the fair value of the Company's investment in the unconsolidated joint venture. As of December 31, 2018 and 2017, no JV investments were impaired.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions and short term liquid investments with an original maturity of three months or less. Cash balances in individual banks may exceed federally insurable limits.
Restricted Cash

Restricted cash represents purchase price deposits held in escrow for potential hotel acquisitions under contract and escrows for reserves such as reserves for capital expenditures, property taxes or insurance that are required pursuant to the Company's loans or hotel management agreements. Restricted cash on the accompanying consolidated balance sheets at December 31, 2018 and 2017 is $25.1 million and $27.2 million, respectively.

Hotel Receivables

Hotel receivables consist of amounts owed by guests staying in the hotels and amounts due from business and group customers. An allowance for doubtful accounts is provided and maintained at a level believed to be adequate to absorb estimated probable losses. At December 31, 2018 and 2017, the allowance for doubtful accounts was $0.3 million and $0.2 million, respectively.

Deferred Costs

Deferred costs consist of franchise agreement fees for the Company's hotels, costs associated with potential future acquisitions and loan costs related to the Company's senior unsecured revolving credit facility. Deferred costs consisted of the following at December 31, 2018 and 2017 (in thousands):

	December 31, 2018		December 31, 2017	
Loan costs	$	2,057	$	4,561
Franchise fees	4,471		4,407	
Other	133		21	
	6,661		8,989	
Less accumulated amortization	(1,591)		(4,343)	
Deferred costs, net	$	5,070	$	4,646

Loan costs are recorded at cost and amortized over the term of the loan applying the effective interest rate method. Franchise fees are recorded at cost and amortized over a straight-line basis over the term of the franchise agreements. For the years ended December 31, 2018, 2017 and 2016, amortization expense related to franchise fees of $0.2 million, $0.2 million and $0.2 million, respectively, is included in depreciation and amortization in the consolidated statements of operations. Amortization expense related to loan costs of $0.9 million, $0.6 million and $0.7 million for the years ended December 31, 2018, 2017 and 2016, respectively, is included in interest expense in the consolidated statements of operations. The change in loan costs and amortization is due to refinancing our senior unsecured credit facility in March 2018.

Mortgage Debt, net

Mortgage debt, net consists of mortgage loans on certain hotel properties less the costs associated with acquiring those loans. Mortgage debt consisted of the following at December 31, 2018 and 2017 (in thousands):

	December 31, 2018		December 31, 2017	
Mortgage debt	$	503,555	$	508,454
Deferred financing costs	(1,773)		(2,138)	
Mortgage debt, net	$	501,782	$	506,316

Deferred financing loan costs are recorded at cost and amortized over the term of the loan applying the effective interest rate method. For the years ended December 31, 2018, 2017 and 2016, amortization expense related to loan costs of $0.4 million, $0.1 million, $0.4 million, respectively, is included in interest expense in the consolidated statement of operations.

Prepaid Expenses and Other Assets

The Company's prepaid expenses and other assets consist of prepaid insurance, prepaid property taxes, deposits and hotel supplies inventory.

Distributions and Losses in Excess of Investments in Unconsolidated Real Estate Entities

At times, certain of the Company’s investments in unconsolidated entities' share of cumulative allocated losses and cash distributions received exceeds its cumulative allocated share of income and equity contributions. Although the Company typically does not make any guarantees of its investments in unconsolidated real estate entities other than certain customary non-recourse carve-out provisions, due to potential penalties along with potential upside from future financial returns, the Company generally intends to make any required capital contributions to maintain its ownership percentage and as such will record its share of cumulative allocated losses and cash distributions below zero. As a result, the carrying value of certain investments in unconsolidated entities is negative. Unconsolidated entities with negative carrying values are included in cash distributions and losses in excess of investments in unconsolidated entities in the Company’s consolidated balance sheets.

Revenue Recognition

Revenue from hotel operations is recognized when rooms are occupied and when services are provided. Revenue consists of amounts derived from hotel operations, including sales from room, meeting room, gift shop, in-room movie and other ancillary amenities. Sales, use, occupancy, and similar taxes are collected and presented on a net basis (excluded from revenue) in the accompanying consolidated statements of operations.

Share-Based Compensation

The Company measures compensation expense for the restricted share awards based upon the fair market value of its common shares at the date of grant. The Company measures compensation expense for the LTIP and Class A Performance units based upon the Monte Carlo approach using volatility, dividend yield and a risk free interest rate in the valuation. Compensation expense is recognized on a straight-line basis over the vesting period and is included in general and administrative expense in the accompanying consolidated statements of operations. The Company pays dividends on vested and non-vested restricted shares, except for performance-based shares, for which dividends on unvested shares are not paid until those shares are vested. The Company has also issued Class A Performance LTIP units from time to time as part of its compensation practices. Prior to vesting, holders of Class A Performance LTIP Units will not be entitled to vote their Class A Performance LTIP units. In addition, under the terms of the Class A Performance LTIP units, a holder of a Class A Performance LTIP unit will generally (i) be entitled to receive 10% of the distributions made on a common unit of the Operating Partnership during the period prior to vesting of such Class A Performance LTIP unit (the “Pre-Vesting Distributions”), (ii) be entitled, upon the vesting of such Class A Performance LTIP unit, to receive a special one-time “catch-up” distribution equal to the aggregate amount of distributions that were paid on a common unit during the period prior to vesting of such Class A Performance LTIP unit minus the aggregate amount of Pre-Vesting Distributions paid on such Class A Performance LTIP unit, and (iii) be entitled, following the vesting of such Class A Performance LTIP unit, to receive the same amount of distributions paid on a common unit of the Operating Partnership.

Earnings Per Share

A two class method is used to determine earnings per share. Basic earnings per share ("EPS") is computed by dividing net income (loss) available for common shareholders, adjusted for dividends on unvested share grants, by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income (loss) available for common shareholders, adjusted for dividends or distributions, on unvested share grants and LTIP units, by the weighted average number of common shares outstanding plus potentially dilutive securities such as share grants or shares issuable in the event of conversion of common units. No adjustment is made for shares that are anti-dilutive during the period. The Company’s restricted share awards and LTIP units that are subject solely to time-based vesting conditions are entitled to receive dividends or distributions on the Company's common shares or the Operating Partnership's common units, respectively, if declared. In addition, dividends on the Class A Performance LTIP units are paid the equivalent of 10% of the declared dividends on the Company's common shares. The rights to these dividends or distributions declared are non-forfeitable. As a result, the unvested restricted shares and LTIP units that are subject solely to time-based vesting conditions, as well as 10% of the unvested Class A Performance LTIP units, qualify as participating securities requiring the allocation of earnings under the two-class method to calculate EPS. The percentage of earnings allocated to these participating securities is based on the proportion of the weighted average of these outstanding participating securities to the sum of the basic weighted average common shares outstanding and the weighted average of these outstanding participating securities. Basic EPS is then computed by dividing income less earnings allocable to these participating securities by the basic weighted average number of shares outstanding. Diluted EPS is computed similar to basic EPS, except the weighted average number of shares outstanding is increased to include the effect of potentially dilutive securities.

Income Taxes

The Company elected to be taxed as a REIT for federal income tax purposes. In order to qualify as a REIT under the Internal Revenue Code of 1986, as amended, the Company must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its annual REIT taxable income to its shareholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, the Company generally will not be subject to federal income tax to the extent the Company distributes its REIT taxable income to its shareholders. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its REIT taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the IRS grants the Company relief under certain statutory provisions.

The Company leases its wholly owned hotels to TRS Lessees, which are wholly owned by the Company's taxable REIT subsidiary (a "TRS") which, in turn is wholly owned by the Operating Partnership. Additionally, the Company indirectly owns its interest in the hotels owned by the NewINK JV (47 hotels) and the Inland JV (48 hotels) through the Operating Partnership. All of the NewINK JV hotels and Inland JV hotels are leased to TRS Lessees in which the Company indirectly owns a noncontrolling interests through its TRS holding company. The TRS is subject to federal and state income taxes and the Company accounts for taxes, where applicable, in accordance with the provisions of FASB Accounting Standards Codification 740 using the asset and liability method which recognizes deferred tax assets and liabilities for future tax consequences arising from differences between financial statement carrying amounts and income tax bases. On December 22, 2017, the TCJA was enacted. The TCJA includes a number of changes to the existing U.S. tax code, most notably a reduction of the U.S. corporate income tax rate from 35% to 21% effective for tax years beginning after December 31, 2017. Changes in tax rates and tax laws are accounted for in the period of enactment. Therefore, as a result of the TCJA being signed into law, the net deferred tax assets before valuation allowance were reduced by $0.6 million with a corresponding net adjustment to current year tax expense for the remeasurement of the Company's U.S. net deferred tax assets. Our federal income tax expense for periods beginning in 2018 will be based on the new rate.

As of December 31, 2018, the Company is no longer subject to U.S federal income tax examinations for years before 2015 and with few exceptions to state examinations before 2015. The Company evaluates whether a tax position of the Company is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company has reviewed its tax positions for open tax years and has concluded no provision for income taxes is required in the Company's consolidated financial statements as of December 31, 2018. Interest and penalties related to uncertain tax benefits, if any, in the future will be recognized as operating expense.
During the third quarter of 2018, management was notified that the Company's TRS was going to be examined by the Internal Revenue Service for the tax year ended December 31, 2016. The examination remains open. The Company believes it does not need to record a liability related to matters contained in the tax period open to examination. However, should the Company experience an unfavorable outcome in the matter, such outcome could have a material impact on its results of operations, financial position and cash flows.

Organizational and Offering Costs

The Company expenses organizational costs as incurred. Offering costs, which include selling commissions, are recorded as a reduction in additional paid-in capital in shareholders' equity as shares are sold. For offering costs incurred prior to potential share offerings, these costs are initially recorded in deferred costs on the balance sheet and then recorded as a reduction to additional paid-in capital as shares are sold through the subsequent share offering. As of December 31, 2018 and 2017, the Company had $0 and $0 recorded in deferred costs related to deferred offering costs, respectively.

Segment Information

Management evaluates the Company's hotels as a single industry segment because all of the hotels have similar economic characteristics and provide similar services to similar types of customers.

Recently Issued Accounting Standards

the FASB issued updated accounting guidance which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new accounting guidance requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on whether or not the lease is effectively a financed purchase by the lessee. The classification of the lease will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases. We will adopt the new accounting guidance on January 1, 2019 and apply it based on the optional transition method provided for, which allows entities to recognize a cumulative-effect adjustment to the balance sheet on the adoption date. Upon adoption, we expect to apply the package of practical expedients made available under the new accounting guidance and also make an accounting policy election to not recognize right-of-use assets or lease liabilities for leases with terms of 12 months or less. For our ground lease agreements and corporate office lease agreement, all of which are currently accounted for as operating leases, we will recognize lease liabilities with corresponding right-of use assets of a similar amount which will have a material impact on our consolidated balance sheet.

On January 1, 2018, the Company adopted accounting guidance under Accounting Standards Codification (ASU) Topic 2014-09, "Revenue from Contracts with Customers" on a modified retrospective basis. Our current revenue streams are not affected under the new model and we did not recognized a cumulative effect adjustment as part of the modified retrospective method of adoption. Furthermore, the new accounting guidance will not materially impact the recognition of or the accounting for disposition of hotels, since we primarily dispose of hotels to third parties in exchange for cash with few contingencies. As it relates to capitalization of costs to acquire customer contracts, the Company has elected to use the Financial Accounting Standards Board's ("FASB") practical expedient which allows us to expense costs to acquire customer contracts as they are incurred due to their short-term nature for a specified number of nights that never exceed one year. This guidance applies to all contracts as of the adoption date. The Company has applied all relevant disclosures of this standard.

On January 1, 2018, the Company adopted accounting guidance under 2016-15 ("ASU 2016-15"), *Classification of Certain Cash Receipts and Cash Payments,* which clarifies and provides specific guidance on eight cash flow classification issues with an objective to reduce the current diversity in practice. The Company has certain cash payments and receipts related to debt extinguishment that is affected by the new standard. The Company has historically classified distributions received from equity method investments under the cumulative earnings approach. As such, there was no impact due to application of the new guidance. The Company applied the new guidance on a retrospective basis.

On January 1, 2018, the Company adopted accounting guidance under ASU 2016-18 ("ASU 2016-18"), *Restricted Cash,* which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. This standard addresses presentation of restricted cash in the consolidated statements of cash flows only. Restricted cash represents purchase price deposits held in escrow for potential hotel acquisitions under contract and escrow reserves such as reserves for capital expenditures, property taxes or insurance that are required pursuant to the Company's loans. The Company applied the new guidance on a retrospective basis.

On January 5, 2017, the FASB issued ASU 2017-01 ("ASU 2017-01"), *Definition of a Business,* which results in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical and oil and gas. Application of the changes would also affect the accounting for disposal transactions. The changes to the definition of a business will likely result in more of the Company's property acquisitions qualifying as asset acquisitions, which will permit capitalization of acquisition costs. This standard is effective for public business entities with a calendar year end in 2018 and all other entities have an additional year to adopt. The Company has adopted this guidance as of 2017. The adoption did not have a material impact on our consolidated financial statements.

3. Acquisition of Hotel Properties

Hotel Purchase Price Allocation

We acquired the Residence Inn Summerville ("RI Summerville") hotel in Summerville, SC for $20.8 million on August 27, 2018, the Dallas Downtown Courtyard ("Dallas DT") hotel in Dallas, TX for $49.0 million on December 5, 2018, the Hilton Garden Inn Portsmouth ("Portsmouth") hotel in Portsmouth, NH for $43.4 million on September 20, 2017, the Courtyard Summerville ("Summerville") hotel in Summerville, SC for $20.2 million on November 15, 2017 and the Embassy Suites Springfield Embassy ("Springfield") hotel in Springfield, VA for $68.1 million on December 6, 2017. No acquisitions were completed in 2016. The allocation of the purchase price of each of the hotels acquired by the Company in 2018, based on the fair value on the date of its acquisition, dollars (in thousands):

	RI Summerville		Dallas DT		HGI Portsmouth		CY Summerville		ES Springfield		Total	
Acquisition date	8/27/2018		12/5/2018		9/20/2017		11/15/2017		12/6/2017			
Number of rooms (unaudited)	96		167		131		96		219		709	
Land	$	2,300	$	2,900	$	3,600	$	2,500	$	7,700	$	19,000
Building and improvements	17,060		42,760		37,630		16,923		58,807		173,180	
Furniture, fixtures and equipment	1,234		3,340		2,120		730		1,490		8,914	
Cash	—		5		8		1		3		17	
Accounts receivable	—		8		32		1		—		41	
Prepaid expenses and other assets	—		68		12		28		129		237	
Accounts payable and accrued expenses	(9)		(33)		(27)		(1)		(51)		(121)	
Net assets acquired, net of cash	$	20,585	$	49,043	$	43,367	$	20,181	$	68,075	$	201,251

The value of the assets acquired was primarily based on a sales comparison approach (for land) and a depreciated replacement cost approach (for building and improvements and furniture, fixtures and equipment). The sales comparison approach uses inputs of recent land sales in the respective hotel markets. The depreciated replacement cost approach uses inputs of both direct and indirect replacement costs using a nationally recognized authority on replacement cost information as well as the age, square footage and number of rooms of the respective assets. Property acquisition costs of $0.1 million and $0.7 million, respectively, were capitalized in 2018 and 2017.

The amount of revenue and operating income from the hotels acquired in 2018 and 2017 from their respective date of acquisition through December 31, 2018 is as follows (in thousands):

		For the Year Ended December 31, 2018						**For the Year Ended December 31, 2017**	
	Acquisition Date	**Revenue**		**Operating Income**		**Revenue**		**Operating Income**	
Hilton Garden Inn Portsmouth, NH	9/20/17	$	9,160	$	3,977	$	2,453	$	1,116
Courtyard Summerville,	11/15/17	3,969		1,643		384		152	

SC					
Embassy Suites Springfield, VA	12/6/17	13,886	5,573	674	161
Residence Inn Summerville, SC	8/27/18	875	176	—	—
Courtyard Dallas Downtown, TX	12/5/18	258	38	—	—
Total		$ 28,148	$ 11,407	**$ 3,511**	**$ 1,429**

On August 29, 2017, the Company purchased a parcel of land in Los Angeles county, California for $6.5 million.

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4. Disposition of Hotel Properties

On December 20, 2017, the Company sold the Homewood Suites by Hilton Carlsbad (North San Diego County) for $33.0 million and recognized a gain on sale of a hotel property of $3.3 million. The buyer assumed the mortgage loan secured by the hotel of $20.0 million. Proceeds from the sale were used to repay amounts outstanding on the Company's senior unsecured revolving credit facility. This sale did not represent a strategic shift that had or will have a major effect on the Company's operations and financial results, and therefore, did not qualify to be reported as discontinued operations.

For the years ended December 31, 2018, 2017 and 2016, the Company's consolidated statements of operations included operating income of $0.0 million, $2.8 million and $2.5 million, respectively related to the Homewood Suites by Hilton Carlsbad (North San Diego County).

5. Investment in Hotel Properties

Investment in hotel properties as of December 31, 2018 and 2017 consisted of the following (in thousands):

	December 31, 2018		December 31, 2017	
Land and improvements	$	296,253	$	291,054
Building and improvements	1,214,780		1,140,477	
Furniture, fixtures and equipment	73,411		63,443	
Renovations in progress	25,370		13,262	
	1,609,814		1,508,236	
Less: accumulated depreciation	(236,041)		(188,154)	
Investment in hotel properties, net	$	1,373,773	$	1,320,082

During the year ended December 31, 2017, the Company identified indicators of impairment at its Washington SHS, PA hotel, primarily due to decreased operating performance and continued economic weakness. As such, the Company was required to perform a test of recoverability. This test compared the sum of the estimated future undiscounted cash flows attributable to the hotel over our remaining anticipated holding period and its expected value upon disposition to our carrying value for the hotel. The Company determined that the estimated undiscounted future cash flow attributable to the hotel did not exceed its carrying value and an impairment existed. As a result, the Company recorded a $6.7 million impairment charge in the consolidated statements of operations during the year ended December 31, 2017. Fair value was determined based on a discounted cash flow model using our estimates of future cash flows and third-party market data, considered Level 3 inputs. We may record additional impairment charges if operating results of this hotel are materially different from our forecasts, the economy and lodging industry weakens, or we shorten our contemplated holding period.

6. Investment in Unconsolidated Entities

On June 9, 2014, the Company acquired a 10.3% interest in the NewINK JV, a joint venture between affiliates of NorthStar Realty Finance Corp. ("NorthStar") and the operating partnership. The Company accounts for this investment under the equity method. NorthStar merged with Colony Capital, Inc. ("Colony") on January 10, 2017 to form a new company, CLNY, which owns an 89.7% interest and the Company owns a 10.3% interest in the NewINK JV. The value of NewINK JV assets and liabilities were adjusted to reflect estimated fair market value at the time Colony merged with NorthStar. As of December 31, 2018 and December 31, 2017, the Company's share of partners' capital in the NewINK JV is approximately $47.5 million and $51.8 million, respectively, and the total difference between the carrying amount of the investment and the Company's share of partners' capital is approximately $57.1 million and $58.4 million (for which the basis difference related to amortizing assets is being recognized over the life of the related assets as a basis difference adjustment). The Company serves as managing member of the NewINK JV. During the years ended December 31, 2018 and 2017, the Company received cash distributions from the NewINK JV as follows (in thousands):

	For the year ended December 31,	
	2018	2017
Cash generated from other activities and excess cash	$ 3,186	$ 2,518
Total	**$ 3,186**	**$ 2,518**

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On November 17, 2014, the Company acquired a 10.0% interest in Inland JV, a joint venture between affiliates of NorthStar and the Operating Partnership. The Company accounts for this investment under the equity method. NorthStar merged with Colony Capital, Inc. ("Colony") on January 10, 2017 to form a new company, CLNY, which owns a 90.0% interest in the Inland JV. The value of Inland JV assets and liabilities were adjusted to reflect estimated fair market value at the time Colony merged with NorthStar. As of December 31, 2018 and 2017, the Company's share of partners capital in the Inland JV was approximately $32.3 million and $35.5 million, respectively, and the total difference between the carrying amount of the investment and the Company's share of partners' capital is approximately $10.7 million and $11.1 million, respectively (for which the basis difference related to amortizing assets is being recognized over the life of the related assets as a basis difference adjustment). The Company serves as managing member of the Inland JV. During the years ended December 31, 2018 and 2017, the Company received cash distributions from the Inland JV as follows (in thousands):

	For the year ended December 31, 2018	2017
Cash generated from other activities and excess cash	$ 1,850	$ 700
Total	**$ 1,850**	**$ 700**

On May 9, 2017, the NewINK JV refinanced the $840.0 million loan collateralized by the 47 hotels with a new $850.0 million loan. The new non-recourse loan is with Morgan Stanley Bank, N.A. The new loan bears interest at a rate of LIBOR plus a spread of 2.79%, has an initial maturity of June 7, 2019 and three one-year extension options.

On June 9, 2017, the Inland JV refinanced the $817.0 million loan collateralized by the 48 hotels with a new $780.0 million non-recourse loan with Column Financial, Inc. On June 9, 2017, the Company contributed an additional $5.0 million of capital related to its share in the Inland JV to reduce the debt collateralized by the 48 hotels. The new loan bears interest at a rate of LIBOR plus a spread of 3.3%, has an initial maturity of July 9, 2019 and three one-year extension options.

The Company’s ownership interests in the JVs are subject to change in the event that either the Company or CLNY calls for additional capital contributions to the respective JVs necessary for the conduct of business, including contributions to fund costs and expenses related to capital expenditures. In connection with (i) the non-recourse mortgage loan secured by the NewINK JV properties and the related non-recourse mezzanine loan secured by the membership interests in the owners of the NewINK JV properties and (ii) the non-recourse mortgage loan secured by the Inland JV properties, the Operating Partnership provided the applicable lenders with customary environmental indemnities, as well as guarantees of certain customary non-recourse carveout provisions such as fraud, material and intentional misrepresentations and misapplication of funds. In some circumstances, such as the bankruptcy of the applicable borrowers, the guarantees are for the full amount of the outstanding debt, but in most circumstances, the guarantees are capped at 15% of the debt outstanding at the time in question (in the case of the NewINK JV loans) or 20% of the debt outstanding at the time in question (in the case of the Inland JV loans). In connection with each of the NewINK JV and Inland JV loans, the Operating Partnership has entered into a contribution agreement with its JV partner whereby the JV partner is, in most cases, responsible to cover such JV partner’s pro rata share of any amounts due by the Operating Partnership under the applicable guarantees and environmental indemnities. The Company manages the JVs and will receive a promote interest in each applicable JV if it meets certain return thresholds for such JV. CLNY may also approve certain actions by the JVs without the Company’s consent, including certain property dispositions conducted at arm’s length, certain actions related to the restructuring of the applicable JV and removal of the Company as managing member in the event the Company fails to fulfill its material obligations under the applicable joint venture agreement.

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The Company's investments in the NewInk JV and the Inland JV are $(9.7) million and $21.5 million, respectively, at December 31, 2018. The following tables sets forth the total assets, liabilities, equity and components of net income (loss), including the Company's share, related to all JVs for the years ended December 31, 2018, 2017 and 2016 (in thousands):

Balance Sheet						
	December 31, 2018		**December 31, 2017**		**December 31, 2016**	
Assets						
Investment in hotel properties, net	$	2,309,396	$	2,363,726	$	1,849,295
Other assets	118,600		130,910		143,769	
Total Assets	$	2,427,996	$	2,494,636	$	1,993,064
Liabilities						
Mortgages and notes payable, net	$	1,606,334	$	1,597,351	$	1,656,949
Other Liabilities	37,051		38,773		34,567	
Total Liabilities	1,643,385		1,636,124		1,691,516	
Equity						
Chatham Lodging Trust	79,744		87,326		30,428	
Joint Venture Partner	704,867		771,186		271,120	
Total Equity	784,611		858,512		301,548	
Total Liabilities and Equity	$	2,427,996	$	2,494,636	$	1,993,064

	For the year ended December 31,					
	2018		**2017**		**2016**	
Revenue	$	498,507	$	487,174	$	484,708
Total hotel operating expenses	329,756		294,280		289,569	
	$	168,751	$	192,894	$	195,139

Hotel operating income						
Net income (loss) from continuing operations	$	(24,400)	$	(107)	$	964
Loss on sale of hotels	$	—	$	—	$	—
Net income (loss)	**$**	**(24,400)**	**$**	**(107)**	**$**	**964**
Income (loss) allocable to the Company	$	(2,472)	$	7	$	118
Basis difference adjustment	$	1,596	$	1,575	$	600
Total income (loss) from unconsolidated real estate entities attributable to Chatham	**$**	**(876)**	**$**	**1,582**	**$**	**718**

7. Debt

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The Company's mortgage loans and its senior unsecured revolving credit facility are collateralized by first-mortgage liens on certain of the Company's properties. The mortgages are non-recourse except for instances of fraud or misapplication of funds. Debt consisted of the following (in thousands):

Loan/Collateral	Interest Rate	Maturity Date	12/31/18 Property Carrying Value	Balance Outstanding as of December 31, 2018	Balance Outstanding as of December 31, 2017
Senior Unsecured Revolving Credit Facility (1)	4.45%	March 8, 2022	$ —	$ 81,500	$ 32,000
Residence Inn by Marriott New Rochelle, NY	5.75%	September 1, 2021	18,400	13,361	13,762
Residence Inn by Marriott San Diego, CA	4.66%	February 6, 2023	45,971	27,885	28,469
Homewood Suites by Hilton San Antonio, TX	4.59%	February 6, 2023	31,091	15,916	16,253
Residence Inn by Marriott Vienna, VA	4.49%	February 6, 2023	30,906	21,782	22,251
Courtyard by Marriott Houston, TX	4.19%	May 6, 2023	31,667	17,976	18,375
Hyatt Place Pittsburgh, PA	4.65%	July 6, 2023	35,736	21,989	22,437
Residence Inn by Marriott Bellevue, WA	4.97%	December 6, 2023	65,840	44,680	45,462
Residence Inn by Marriott Garden Grove, CA	4.79%	April 6, 2024	37,398	32,620	33,160
Residence Inn by Marriott Silicon Valley I, CA	4.64%	July 1, 2024	80,231	64,800	64,800
Residence Inn by Marriott Silicon Valley II, CA	4.64%	July 1, 2024	82,460	70,700	70,700
Residence Inn by Marriott San Mateo, CA	4.64%	July 1, 2024	62,090	48,600	48,600
Residence Inn by Marriott Mountain View, CA	4.64%	July 1, 2024	55,597	37,900	37,900
SpringHill Suites by Marriott	4.62%	July 6, 2024	35,657	30,000	30,000

Savannah, GA							
Hilton Garden Inn Marina del Rey, CA (2)	4.68%	July 6, 2024	40,560		21,355		21,760
Homewood Suites by Hilton Billerica, MA	4.32%	December 6, 2024	14,870		15,965		16,225
Hampton Inn & Suites Houston Medical Cntr., TX	4.25%	January 6, 2025	14,642		18,026		18,300
Total debt before unamortized debt issue costs			**$**	**683,116**	**$ 585,055**	**$**	**540,454**
Unamortized mortgage debt issue costs					(1,773)		(2,138)
Total debt outstanding					**583,282**		**538,316**

1. The interest rate for the senior unsecured revolving credit facility is variable and based on LIBOR plus an applicable margin ranging from 1.55% to 2.3%, or prime plus an applicable margin of 0.55% to 1.3%.

On March 8, 2018, we refinanced our senior unsecured credit facility with a new facility having a maturity date in March 2023, which includes the option to extend the maturity by an additional year, and replaces our previous $250.0 million senior unsecured credit facility that was scheduled to mature in 2020. Borrowing costs have been reduced by 0 to 15 basis points from comparable leverage-based pricing levels in our previous credit facility. At December 31, 2018 current leverage level, the borrowing cost under the new facility is LIBOR plus 1.65 percent. We were in compliance with all financial covenants at December 31, 2018.

At December 31, 2018 and 2017, the Company had $81.5 million and $32.0 million, respectively, of outstanding borrowings under its senior unsecured revolving credit facility. At December 31, 2018, the maximum borrowing availability under the senior unsecured revolving credit facility was $250.0 million.

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates. All of the Company's mortgage loans are fixed-rate. Rates take into consideration general market conditions, quality and estimated value of collateral and maturity of debt with similar credit terms and are classified within level 3 of the fair value hierarchy. The estimated fair value of the Company's fixed rate debt as of December 31, 2018 and 2017 was $489.0 million and $506.6 million, respectively.

The Company estimates the fair value of its variable rate debt by taking into account general market conditions and the estimated credit terms it could obtain for debt with a similar maturity and that is classified within level 3 of the fair value hierarchy. As of December 31, 2018, the Company's only variable rate debt is under its senior unsecured revolving credit facility. The estimated fair value of the Company's variable rate debt as of December 31, 2018 and 2017 was $81.5 million and $32.0 million, respectively.

As of December 31, 2018, the Company was in compliance with all of its financial covenants. At December 31, 2018, the Company's consolidated fixed charge coverage ratio was and the bank covenant is 1.5. Future scheduled principal payments of debt obligations as of December 31, 2018, for each of the next five calendar years and thereafter are as follows (in thousands):

	Amount	
2019	$	6,992
2020	9,536	
2021	21,962	
2022	91,454	
2023	142,546	
Thereafter	312,565	
Total	**$**	**585,055**

8. Income Taxes

The components of income tax expense for the following periods are as follows (in thousands):

	For the year ended December 31,					
	2018		**2017**		**2016**	
Current:						
Federal	$	—	$	—	$	56
State	—		—		69	
Current tax expense	$	—	$	—	$	125
Deferred:						
Federal	28		(350)		380	
State	—		(46)		46	
Deferred tax benefit (expense)	28		(396)		426	
Total tax benefit (expense)	$	28	$	(396)	$	301

The difference between income tax expense and the amount computed by applying the statutory federal income tax rate to the combined income of the Company's TRS before taxes were as follows (in thousands):

	For the year ended December 31,					
	2018		**2017**		**2016**	
Book income (loss) before income taxes of the TRS	$	(6,040)	$	(4,261)	$	974
	$	(1,268)	$	(1,449)	$	331

Statutory rate of 21% for 2018 and 34% for prior years applied to pre-tax income			
Effect of state and local income taxes, net of federal tax benefit	(200)	(108)	38
Tax reform impact	—	644	—
Provision to return adjustment	—	5	(406)
Permanent adjustments	12	13	16
Change in valuation allowance	1,456	1,289	(299)
Valuation allowance release	(28)	—	—
Other	—	2	19
Total income tax (benefit) expense	$ (28)	$ 396	$ (301)
Effective tax rate	.46%	(9.29)%	(30.90)%

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On December 22, 2017, the TCJA was enacted. The TCJA includes a number of changes to the existing U.S. tax code, most notably a reduction of the U.S. corporate income tax rate from 35% to 21% effective for tax years beginning after December 31, 2017. Changes in tax rates and tax laws are accounted for in the period of enactment. Therefore, as a result of the TCJA being signed into law, the net deferred tax assets before valuation allowance were reduced by $0.6 million with a corresponding net adjustment to current year tax expense for the remeasurement of the Company's U.S. net deferred tax assets. Our federal income tax expense for periods beginning in 2018 will be based on the new rate.

At December 31, 2018, our TRS had a gross deferred tax asset associated with future tax deductions of $.

At December 31, 2018 and 2017, the Company had valuation allowances against certain deferred tax assets totaling $3.3 million and $1.3 million, respectively. The increase in valuation allowance was primarily from the increase in the net operating losses incurred during the year. The tax effect of each type of temporary difference and carry forward that gives rise to the deferred tax asset as of December 31, 2018 and 2017 are as follows (in thousands):

	For the year ended December 31,	
	2018	2017
Total deferreds:		
Allowance for doubtful accounts	$ 68	$ 51
Accrued compensation	731	505
AMT credit	58	30
Total book to tax difference in partnership	(193)	(579)
Net operating loss	2,654	1,312
Valuation allowance	(3,260)	(1,289)
Net deferred tax asset	**$ 58**	**$ 30**

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. The Company's TRS is expecting increased taxable losses in 2019. As of December 31, 2018, the TRS continues to recognize a full valuation allowance equal to 100% of the gross deferred tax assets, with the exception of the AMT tax credit, due to the uncertainty of the TRS's ability to utilize these deferred tax assets. Management will continue to monitor the need for a valuation allowance.

During the third quarter of 2018, the Company was notified that the tax return of the Company's TRS was going to be examined by the Internal Revenue Service for the tax year ended December 31, 2016. The examination remains open. The Company believes it does not need to record a liability related to matters contained in the tax period open to examination. However, should the Company experience an unfavorable outcome in the matter, such outcome could have a material impact on its results of operations, financial position and cash flows.

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9. Dividends Declared and Paid

The Company declared regular common share dividends of $1.32 per share and distributions on LTIP units of $1.32 per unit for the year ended December 31, 2018. The dividends and distributions and their tax characterization were as follows:

	Record Date	Payment Date	Common share distribution amount	LTIP unit distribution amount	Taxable Ordinary Income	Return of Capital
January	1/31/2018	2/23/2018	$ 0.11	$ 0.11	$ 0.0954	$ 0.0146
February	2/28/2018	3/30/2018	0.11	0.11	0.0954	0.0146
March	3/29/2018	4/27/2018	0.11	0.11	0.0954	0.0146
1st Quarter 2018			**$ 0.33**	**$ 0.33**	**$ 0.2862**	**$ 0.0438**
April	4/30/2018	5/25/2018	$ 0.11	$ 0.11	$ 0.0954	$ 0.0146
May	5/31/2018	6/29/2018	0.11	0.11	0.0954	0.0146
June	6/29/2018	7/27/2018	0.11	0.11	0.0954	0.0146
2nd Quarter 2018			**$ 0.33**	**$ 0.33**	**$ 0.2862**	**$ 0.0438**
July	7/31/2018	8/31/2018	$ 0.11	$ 0.11	$ 0.0954	$ 0.0146
August	8/31/2018	9/28/2018	0.11	0.11	0.0954	0.0146
September	9/28/2018	10/26/2018	0.11	0.11	0.0954	0.0146
3rd Quarter 2018			**$ 0.33**	**$ 0.33**	**$ 0.2862**	**$ 0.0438**
October	10/31/2018	11/30/2018	$ 0.11	$ 0.11	$ 0.0954	$ 0.0146
November	11/30/2018	12/28/2018	0.11	0.11	0.0954	0.0146
December	12/31/2018	1/25/2019	0.11	0.11	0.0954	0.0146
4th Quarter 2018			**$ 0.33**	**$ 0.33**	**$ 0.2862**	**$ 0.0438**
Total 2018			**$ 1.32**	**$ 1.32**	**$ 1.1448**	**$ 0.1752**

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	Record Date	Payment Date	Common share distribution amount	LTIP unit distribution amount	Taxable Ordinary Income	Unrecap. Sec 1250 Gain
January	1/31/2017	2/24/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
February	2/28/2017	3/31/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
March	3/31/2017	4/28/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
1st Quarter 2017			**$ 0.33**	**$ 0.33**	**$ 0.3126**	**$ 0.0174**
April	4/28/2017	5/26/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
May	5/26/2017	6/30/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
June	6/30/2017	7/28/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
2nd Quarter 2017			**$ 0.33**	**$ 0.33**	**$ 0.3126**	**$ 0.0174**
July	7/31/2017	8/25/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
August	8/31/2017	9/29/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
September	9/29/2017	10/27/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
3rd Quarter 2017			**$ 0.33**	**$ 0.33**	**$ 0.3126**	**$ 0.0174**
October	10/31/2017	11/24/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
November	11/30/2017	12/29/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
December	12/29/2017	1/26/2018	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
4th Quarter 2017			**$ 0.33**	**$ 0.33**	**$ 0.3126**	**$ 0.0174**
Total 2017			**$ 1.32**	**$ 1.32**	**$ 1.2504**	**$ 0.0696**

For the year ended December 31, 2018, approximately 86.7% of the distributions paid to stockholders were considered ordinary income and approximately 13.3% were considered return of capital. For the year ended December 31, 2017, approximately 94.7% of the distributions paid to stockholders were considered ordinary income and approximately 5.3% were considered section 1250 unrecaptured gain.

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10. Shareholders' Equity

Common Shares

The Company is authorized to issue up to 500,000,000 common shares of beneficial interest, $.01 par value per share ("common shares"). Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Holders of the Company’s common shares are entitled to receive dividends when authorized by the Company's Board of Trustees. As of December 31, 2018, 46,525,652 common shares were outstanding.

In January 2014, we established a $25 million dividend and reinvestment and stock purchase plan (the "Prior DRSPP"). We filed a new $50 million shelf registration statement for the dividend reinvestment and stock purchase plan (the "New DRSPP" and together with the Prior DRSPP, the "DRSPPs") on December 28, 2017 to replace the prior expiring program. Under the DRSPPs, shareholders may purchase additional common shares by reinvesting some or all of the cash dividends received on the Company's common shares. Shareholders may also make optional cash purchases of the Company's common shares subject to certain limitations detailed in the prospectuses for the DRSPPs. During the year ended December 31, 2018, we issued 766,574 shares under the New DRSPP at a weighted average price of $22.08, which generated $16.9 million of proceeds. As of December 31, 2018 and December 31, 2017, respectively, we had issued 1,508,046 and 741,730 shares under the DRSPPs at a weighted average price of $21.55 and $21.00 per share, respectively. As of December 31, 2018, there were common shares having a maximum aggregate sales price of approximately $32.5 million available for issuance under the New DRSPP.

In January 2014, the Company established the Prior ATM Plan whereby, from time to time, the Company may publicly offer and sell up to $50 million of its common shares by means of ordinary brokers' transactions on the New York Stock Exchange (the "NYSE"), in negotiated transactions or in transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933. We filed a $100 million registration statement for a new ATM program (the "ATM Plan" and together with the Prior ATM Plan, the "ATM Plans") on December 28, 2017 to replace the prior program. At the same time, the Company entered into sales agreements with Cantor Fitzgerald & Co. ("Cantor"), Barclays Capital Inc. ("Barclays"), Robert W. Baird & Co. Incorporated ("Baird"), BTIG, LLC ("BTIG"), Citigroup Global Markets Inc. ("Citigroup"), Stifel, Nicolaus & Company, Incorporated ("Stifel") and Wells Fargo Securities, LLC ("Wells Fargo") as sales agents. During the year ended December 31, 2018, we issued 350,975 shares under the ATM Plan at a weighted average price of $21.55, which generated $7.6 million of proceeds. As of December 31, 2018 and December 31, 2017, respectively, we had issued 2,498,670 and 2,147,695 shares under the ATM Plans at a weighted average price of $21.83 and $21.87 per share, respectively, in addition to the offerings above. As of December 31, 2018, there were common shares having a maximum aggregate sales price of approximately $92.4 million available for issuance under the ATM Plan.

Preferred Shares

The Company is authorized to issue up to 100,000,000 preferred shares, $.01 par value per share. No preferred shares were outstanding at December 31, 2018 and 2017.

Holders of common units in the Operating Partnership, if and when issued, will have certain redemption rights, which will enable the unit holders to cause the Operating Partnership to redeem their units in exchange for, at the Company’s option, cash per unit equal to the market price of the Company’s common shares at the time of redemption or for the Company’s common shares on a one-for-one basis. The number of shares issuable upon exercise of the redemption rights will be adjusted upon the occurrence of share splits, mergers, consolidations or similar pro-rata share transactions, which otherwise would have the effect of diluting the ownership interests of limited partners or shareholders. As of December 31, 2018 and 2017, there were no Operating Partnership common units held by unaffiliated third parties.

11. Earnings Per Share

The two class method is used to determine earnings per share because unvested restricted shares and unvested LTIP units are considered to be participating shares. The LTIP units held by the non-controlling interest holders, which may be converted to common shares of beneficial interest, have been excluded from the denominator of the diluted earnings per share calculation as there would be no effect on the amounts since limited partners' share of income or loss would also be added back to net income or loss. Unvested restricted shares, unvested long-term incentive plan units and unvested Class A Performance LTIP units that could potentially dilute basic earnings per share in the future would not be included in the computation of diluted loss per share for the periods where a loss has been recorded, because they would have been anti-dilutive for the periods presented. The following is a reconciliation of the amounts used in calculating basic and diluted net income per share (in thousands, except share and per share data):

	For the year ended December 31,					
	2018		2017		2016	
Numerator:						
Net income	$	30,641	$	29,478	$	31,483
Dividends paid on unvested shares and LTIP units	(310)		(235)		(189)	
Net income attributable to common shareholders	$	30,331	$	29,243	$	31,294
Denominator:						
Weighted average number of common shares - basic	46,073,515		39,859,143		38,299,067	
Effect of dilutive securities:						
Unvested shares	170,145		253,123		183,808	
Weighted average number of common shares - diluted	46,243,660		40,112,266		38,482,875	
Basic income per Common Share:						
Net income attributable to common shareholders per weighted average common share	$	0.66	$	0.73	$	0.82

Diluted income per Common Share:						
Net income attributable to common shareholders per weighted average common share	$	0.66	$	0.73	$	0.81

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12. Equity Incentive Plan

The Company maintains its Equity Incentive Plan to attract and retain independent trustees, executive officers and other key employees and service providers. The plan provides for the grant of options to purchase common shares, share awards, share appreciation rights, performance units, and other equity-based awards. The plan was amended and restated as of May 17, 2013 to increase the maximum number of shares available under the plan to 3,000,000 shares. Share awards under this plan generally vest over three to five years, though compensation for the Company's independent trustees includes shares granted that vest immediately. The Company pays dividends on unvested shares and units, except for performance-based shares and outperformance based units, for which dividends on unvested performance-based shares and units are accrued and not paid until those shares or units vest. Certain awards may provide for accelerated vesting if there is a change in control. As of December 31, 2018, there were 1,400,529 common shares available for issuance under the Equity Incentive Plan.

Restricted Share Awards

From time to time, the Company may award restricted shares under the Equity Incentive Plan as compensation to officers, employees and non-employee trustees. The Company recognizes compensation expense for the restricted shares on a straight-line basis over the vesting period based on the fair market value of the shares on the date of issuance.

A summary of the Company's restricted share awards for the years ended December 31, 2018, 2017 and 2016 is as follows:

	December 31, 2018		December 31, 2017		December 31, 2016	
	Number of Shares	Weighted - Average Grant Date Fair Value	Number of Shares	Weighted - Average Grant Date Fair Value	Number of Shares	Weighted - Average Grant Date Fair Value
Non-vested at beginning of the period	57,514	$ 23.78	110,825	$ 22.05	170,480	$ 21.38
Granted	5,000	17.40	5,000	20.20	—	—
Vested	(30,084)	26.24	(32,441)	25.77	(59,655)	20.14
Forfeited	(24,096)	20.21	(25,870)	13.17	—	—
Unvested at end of the period	8,334	$ 18.52	57,514	$ 23.78	110,825	$ 22.05

As of December 31, 2018 and 2017, there were $0.1 million and $0.1 million, respectively, of unrecognized compensation costs related to restricted share awards. As of December 31, 2018, these costs were expected to be recognized over a weighted–average period of approximately 2.4 years. For the years ended December 31, 2018, 2017 and 2016, the Company recognized approximately $0.1 million, $0.8 million and $1.3 million, respectively, of expense related to the restricted share awards. This expense is included in general and administrative expenses in the accompanying consolidated statements of operations.

Long-Term Incentive Plan Awards

LTIP units are a special class of partnership interests in the Operating Partnership which may be issued to eligible participants for the performance of services to or for the benefit of the Company. Under the Equity Incentive Plan, each LTIP unit issued is deemed equivalent to an award of one common share thereby reducing the number of shares available for other equity awards on a one-for-one basis.

A summary of the Company's LTIP unit awards for the years ended years ended December 31, 2018, 2017 and 2016 is as follows:

	December 31, 2018		December 31, 2017		December 31, 2016	
	Number of Shares	Weighted - Average Grant Date Fair Value	Number of Shares	Weighted - Average Grant Date Fair Value	Number of Shares	Weighted - Average Grant Date Fair Value
Non-vested at beginning of the period	482,056	$ 16.58	295,551	$ 14.36	183,300	$ 14.13
Granted	244,917	16.94	223,922	$ 19.20	112,251	$ 14.73
Vested	(67,275)	15.42	(37,417)	$ 14.73	—	$ —
Forfeited	(183,300)	14.13	—	$ —	—	$ —
Non-vested at end of period	476,398	$ 17.73	482,056	$ 16.58	295,551	$ 14.36

Outperformance Plan LTIP Awards

On June 1, 2015, the Company's Operating Partnership, granted 183,300 Class A Performance LTIP units, as recommended by the Compensation Committee of the Board (the "Compensation Committee"), pursuant to long-term, multi-year performance plan (the "Outperformance Plan"). As of June 1, 2018, the Class A Performance LTIP units did not meet the required market based Total Shareholder Return ("TSR") measurements and therefore, the accrued dividends and units have been forfeited. The Company will continue to amortize the remaining expense related to these awards over the next two years due to the awards being market based.

Time-Based LTIP Awards

On March 1, 2018, the Company’s Operating Partnership, upon the recommendation of the Compensation Committee, granted 97,968 time-based awards (the “2018 Time-Based LTIP Unit Award”). The grants were made pursuant to award agreements that provide for time-based vesting (the "LTIP Unit Time-Based Vesting Agreement").

Time-Based LTIP Unit Awards will vest ratably provided that the recipient remains employed by the Company through the applicable vesting date, subject to acceleration of vesting in the event of the recipient’s death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company). Prior to vesting, a holder is entitled to receive distributions on the LTIP Units that comprise the 2018 Time-Based LTIP Unit Awards and the prior year LTIP unit Awards set forth in the table above.

Performance-Based LTIP Awards

On March 1, 2018, the Company’s Operating Partnership, upon the recommendation of the Compensation Committee, also granted 146,949 performance-based awards (the "2018 Performance-Based LTIP Unit Awards"). The grants were made pursuant to award agreements that have market based vesting conditions. The Performance-Based LTIP Unit Awards are comprised of Class A Performance LTIP units that will vest only if and to the extent that (i) the Company achieves certain long-term market based TSR criteria established by the Compensation Committee and (ii) the recipient remains employed by the Company through the applicable vesting date, subject to acceleration of vesting in the event of the recipient’s death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company. Compensation expense is based on an estimated value of $17.02 per 2018 Performance-Based LTIP Unit Award, which takes into account that some or all of the awards may not vest if long-term market based TSR criteria are not met during the vesting period.

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The 2018 Performance-Based LTIP Unit Awards may be earned based on the Company's relative TSR performance for the three-year period beginning on March 1, 2018 and ending on February 28, 2021. The 2018 Performance-Based LTIP Unit Awards, if earned, will be paid out between 50% and 150% of target value as follows:

	Relative TSR Hurdles (Percentile)	Payout Percentage
Threshold	25th	50%
Target	50th	100%
Maximum	75th	150%

Payouts at performance levels in between the hurdles will be calculated by straight-line interpolation.

The Company estimated the aggregate compensation cost to be recognized over the service period determined as of the grant date under ASC 718, excluding the effect of estimated forfeitures, using the Monte Carlo Approach. In determining the discounted value of the LTIP units, the Company considered the inherent uncertainty that the LTIP units would never reach parity with the other common units of the Operating Partnership and thus have an economic value of zero to the grantee. Additional factors considered in estimating the value of the LTIP units included discounts for illiquidity; expectations for future dividends; risk free interest rates; stock volatility; and economic environment and market conditions.

	Grant Date	**Number of Units Granted**	**Estimated Value per Unit**	**Volatility**	**Dividend Yield**	**Risk Free Interest Rate**
Outperformance Plan	6/1/2015	183,300	$14.13	26%	4.5%	0.95%
2016 Time-Based LTIP Unit Awards	1/28/2016	72,966	$16.69	28%	—%	0.79%
2016 Performance-Based LTIP Unit Awards	1/28/2016	39,285	$11.09	30%	5.8%	1.13%
2017 Time-Based LTIP Unit Awards	3/1/2017	89,574	$18.53	24%	—%	0.92%
2017 Performance-Based LTIP Unit Awards	3/1/2017	134,348	$19.65	25%	5.8%	1.47%
2018 Time-Based LTIP Unit Awards	3/1/2018	97,968	$16.83	26%	—%	2.07%
2018 Performance-Based LTIP Unit Awards	3/1/2018	146,949	$17.02	26%	6.20%	2.37%

Company recorded $3.6 million, $2.5 million and $1.2 million in compensation expense related to the LTIP units for years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, there was $5.0

million and $4.4 million, respectively, of total unrecognized compensation cost related to LTIP units. This cost is expected to be recognized over approximately 1.8 years, which represents the weighted average remaining vesting period of the LTIP units.

Board of Trustee Share Compensation

For 2018, 2017 and 2016, each independent trustee was compensated $0.1 million for their services. Each trustee may elect to receive up to 100% of their compensation in the form of shares, but must receive at least 50% in the form of shares. In January 2018, 2017 and 2016, the Company issued 21,670, 23,980 and 26,488 common shares, respectively, to its independent trustees as compensation for services performed in 2017, 2016 and 2015, respectively. The quantity of shares was calculated based on the average of the closing price for the Company's common shares on the NYSE for the last ten trading days preceding the reporting date. On January 16, 2019, the Company distributed 27,870 common shares to its independent trustees for services performed in 2018.

13. Commitments and Contingencies

Litigation

The nature of the operations of the Company's hotels exposes those hotels, the Company and the Operating Partnership to the risk of claims and litigation in the normal course of their business. IHM is currently a defendant in two class action lawsuits pending in the Santa Clara County Superior Court. The first class action lawsuit was filed on October 21, 2016 under the title Ruffy, et al, v. Island Hospitality Management, LLC, et al. Case No. 16-CV-301473 and the second class action lawsuit was filed on March 21, 2018 under the title Doonan, et al, v. Island Hospitality Management, LLC, et al. Case No 18-CV-325187. The class actions relate to hotels operated by IHM in the state of California and owned by affiliates of the Company and the NewINK JV, and/or certain third parties. The complaint alleges various wage and hour law violations based on alleged misclassification of certain hotel managerial staff and violation of certain California statutes regarding incorrect information contained on employee paystubs. The plaintiffs seek injunctive relief, money damages, penalties, and interest. None of the potential classes has been certified and we are defending our case vigorously. As of December 31, 2018, included in accounts payable and accrued expenses is $0.1 million which represents an estimate of the Company's total exposure to the litigations based on standard indemnification obligations under hotel management agreements with IHM.

Hotel Ground Rent

The Courtyard Altoona hotel is subject to a ground lease with an expiration date of April 30, 2029 with an extension option by the Company of up to 12 additional terms of five years each. Monthly payments are determined by the quarterly average room occupancy of the hotel. Rent currently is equal to approximately $8,400 per month when monthly occupancy is less than 85% and can increase up to approximately $20,000 per month if occupancy is 100%, with minimum rent increased by two and one-half percent (2.5%) on an annual basis.

The Residence Inn San Diego Gaslamp hotel is subject to a ground lease with an expiration of January 31, 2065 with an extension option by the Company of up to three additional terms of ten years each. Monthly payments are currently approximately $40,300 per month and increase 10% every 5 years. The hotel is subject to supplemental rent payments annually calculated as 5% of gross revenues during the applicable lease year, minus 12 times the monthly base rent scheduled for the lease year.

At the Residence Inn New Rochelle hotel is subject to an air rights lease and garage lease that each expires on December 1, 2104. The lease agreements with the City of New Rochelle cover the space above the parking garage that is occupied by the hotel as well as 128 parking spaces in a parking garage that is attached to the hotel. The annual base rent for the garage lease is the hotel's proportionate share of the city's adopted budget for the operations, management and maintenance of the garage and established reserves to fund the cost of capital repairs. Aggregate rent for 2018 under these leases amounted to approximately $29,000 per quarter.

The Hilton Garden Inn Marina del Rey hotel is subject to a ground lease with an expiration of December 31, 2067. Minimum monthly payments are currently approximately $47,500 per month and a percentage rent payment less the minimum rent is due in arrears equal to 5% to 25% of gross income based on the type of income.

Office Lease

The Company entered into a corporate office lease in September 2015. The lease is for a term of 11 years and includes a 12-month rent abatement period and certain tenant improvement allowances. The Company has a renewal option of up to 2 successive terms of five years each. The Company shares the space with related parties and is reimbursed for the pro-rata share of rentable space occupied by the related parties.

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Future minimum rental payments under the terms of all non-cancellable operating ground leases and the office lease under which the Company is the lessee are expensed on a straight-line basis regardless of when payments are due. The following is a schedule of the minimum future payments required under the ground, air rights, garage leases and office lease as of December 31, 2018, for each of the next five calendar years and thereafter (in thousands):

	Amount	
	Other(1)	**Office Lease**
2019	$ 1,273	$ 792
2020	1,320	812
2021	1,326	831
2022	1,329	853
2023	1,332	874
Thereafter	69,225	2,436
Total	**$ 75,805**	**$ 6,598**

(1) Other leases included ground, garage and air rights leases at our hotels.

Management Agreements

The management agreements with Concord had an initial ten-year term that would have expired on February 28, 2017. The management agreements with Concord were terminated as of December 31, 2016. The Company entered into management agreements with IHM for the hotels previously managed by Concord beginning January 1, 2017.

The management agreements with IHM have an initial term of five years and automatically renew for two five-year periods unless IHM provides written notice to us no later than 90 days prior to the then current term's expiration date of their intent not to renew. The IHM management agreements provide for early termination at the Company's option upon sale of any IHM-managed hotel for no termination fee, with six months advance notice. The IHM management agreements may be terminated for cause, including the failure of the managed hotel to meet specified performance levels. Base management fees are calculated as a percentage of the hotel's gross room revenue. If certain financial thresholds are met or exceeded, an incentive management fee is calculated as 10% of the hotel's net operating income less fixed costs, base management fees and a specified return threshold. The incentive management fee is capped at 1% of gross hotel revenues for the applicable calculation.

As of December 31, 2018, terms of the Company's management agreements are (dollars are not in thousands):

Property	Management Company	Base Management Fee	Monthly Accounting Fee	Monthly Revenue Management Fee	Incentive Management Fee Cap
Courtyard Altoona	IHM	3.0%	$ 1,500	$ 1,000	1.0%
Springhill Suites Washington	IHM	3.0%	1,200	1,000	1.0%
Homewood Suites by Hilton Boston-Billerica/ Bedford/ Burlington	IHM	3.0%	1,200	1,000	1.0%
Homewood Suites by Hilton Minneapolis-Mall of America	IHM	3.0%	1,200	1,000	1.0%
Homewood Suites by Hilton Nashville-Brentwood	IHM	3.0%	1,200	1,000	1.0%
Homewood Suites by Hilton Dallas-Market Center	IHM	3.0%	1,200	1,000	1.0%
Homewood Suites by Hilton Hartford-Farmington	IHM	3.0%	1,200	1,000	1.0%
Homewood Suites by Hilton Orlando-Maitland	IHM	3.0%	1,200	1,000	1.0%
Hampton Inn & Suites Houston-Medical Center	IHM	3.0%	1,000	1,000	1.0%
Residence Inn Long Island Holtsville	IHM	3.0%	1,000	1,000	1.0%
Residence Inn White Plains	IHM	3.0%	1,000	750	1.0%
Residence Inn New Rochelle	IHM	3.0%	1,000	750	1.0%
Residence Inn Garden Grove	IHM	3.0%	1,200	1,000	1.0%
Residence Inn Mission Valley	IHM	3.0%	1,200	1,000	1.0%
Homewood Suites by Hilton San Antonio River Walk	IHM	3.0%	1,200	1,000	1.0%
Residence Inn Washington DC	IHM	3.0%	1,200	1,000	1.0%
Residence Inn Tysons Corner	IHM	3.0%	1,200	1,000	1.0%
Hampton Inn Portland Downtown	IHM	3.0%	1,000	550	1.0%
Courtyard Houston	IHM	3.0%	1,000	550	1.0%
Hyatt Place Pittsburgh North Shore	IHM	3.0%	1,500	1,000	1.0%
Hampton Inn Exeter	IHM	3.0%	1,200	1,000	1.0%
Hilton Garden Inn Denver Tech	IHM	3.0%	1,500	1,000	1.0%
Residence Inn Bellevue	IHM	3.0%	1,200	1,000	1.0%
Springhill Suites Savannah	IHM	3.0%	1,200	1,000	1.0%
Residence Inn Silicon Valley I	IHM	3.0%	1,200	1,000	1.0%

Residence Inn Silicon Valley II	IHM	3.0%	1,200	1,000	1.0%
Residence Inn San Mateo	IHM	3.0%	1,200	1,000	1.0%
Residence Inn Mountain View	IHM	3.0%	1,200	1,000	1.0%
Hyatt Place Cherry Creek	IHM	3.0%	1,500	1,000	1.0%
Courtyard Addison	IHM	3.0%	1,500	1,000	1.0%
Courtyard West University Houston	IHM	3.0%	1,500	1,000	1.0%
Residence Inn West University Houston	IHM	3.0%	1,200	1,000	1.0%
Hilton Garden Inn Burlington	IHM	3.0%	1,500	1,000	1.0%
Residence Inn San Diego Gaslamp	IHM	3.0%	1,500	1,000	1.0%
Hilton Garden Inn Marina del Rey	IHM	3.0%	1,500	1,000	1.0%
Residence Inn Dedham	IHM	3.0%	1,200	1,000	1.0%
Residence Inn Il Lugano	IHM	3.0%	1,500	1,000	1.0%
Hilton Garden Inn Portsmouth	IHM	3.0%	1,500	1,000	1.0%
Courtyard Summerville	IHM	3.0%	1,500	1,000	1.0%
Embassy Suites Springfield	IHM	3.0%	1,500	1,000	1.0%
Residence Inn Summerville	IHM	3.0%	1,500	1,000	1.0%
Courtyard Dallas	IHM	3.0%	1,500	1,000	1.0%

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Management fees totaled approximately $10.8 million, $9.9 million and $9.4 million, respectively, for the years ended December 31, 2018, 2017 and 2016. Incentive management fees paid to IHM for the years ended years ended December 31, 2018, 2017 and 2016 were $0.1 million, $0.2 million and $0.3 million, respectively. There have been no incentive management fees accrued or paid to Concord.

Franchise Agreements

The fees associated with the franchise agreements are calculated as a specified percentage of the hotel's gross room revenue. Terms of the Company's franchise agreements are as of December 31, 2018:

Property	**Franchise/Royalty Fee**	**Marketing/Program Fee**	**Expiration**
Homewood Suites by Hilton Boston-Billerica/ Bedford/ Burlington	4.0%	4.0%	2025
Homewood Suites by Hilton Minneapolis-Mall of America	4.0%	4.0%	2025
Homewood Suites by Hilton Nashville-Brentwood	4.0%	4.0%	2025
Homewood Suites by Hilton Dallas-Market Center	4.0%	4.0%	2025
Homewood Suites by Hilton Hartford-Farmington	4.0%	4.0%	2025
Homewood Suites by Hilton Orlando-Maitland	4.0%	4.0%	2025
Hampton Inn & Suites Houston-Medical Center	5.0%	4.0%	2035
Courtyard Altoona	5.5%	2.0%	2030
Springhill Suites Washington	5.0%	2.5%	2030
Residence Inn Long Island Holtsville	5.5%	2.5%	2025
Residence Inn White Plains	5.5%	2.5%	2030
Residence Inn New Rochelle	5.5%	2.5%	2030
Residence Inn Garden Grove	5.0%	2.5%	2031
Residence Inn Mission Valley	5.0%	2.5%	2031
Homewood Suites by Hilton San Antonio River Walk	4.0%	4.0%	2026
Residence Inn Washington DC	5.5%	2.5%	2033
Residence Inn Tysons Corner	5.0%	2.5%	2031
Hampton Inn Portland Downtown	6.0%	4.0%	2032
Courtyard Houston	5.5%	2.0%	2030
Hyatt Place Pittsburgh North Shore	5.0%	3.5%	2030
Hampton Inn Exeter	6.0%	4.0%	2031
Hilton Garden Inn Denver Tech	5.5%	4.3%	2028
Residence Inn Bellevue	5.5%	2.5%	2033
Springhill Suites Savannah	5.0%	2.5%	2033

Residence Inn Silicon Valley I	5.5%	2.5%	2029
Residence Inn Silicon Valley II	5.5%	2.5%	2029
Residence Inn San Mateo	5.5%	2.5%	2029
Residence Inn Mountain View	5.5%	2.5%	2029
Hyatt Place Cherry Creek	3% to 5%	3.5%	2034
Courtyard Addison	5.5%	2.0%	2029
Courtyard West University Houston	5.5%	2.0%	2029
Residence Inn West University Houston	6.0%	2.5%	2024
Hilton Garden Inn Burlington	5.5%	4.3%	2029
Residence Inn San Diego Gaslamp	6.0%	2.5%	2035
Hilton Garden Inn Marina del Rey	3% to 5.5%	4.3%	2030
Residence Inn Dedham	6.0%	2.5%	2030
Residence Inn Il Lugano	3% to 6%	2.5%	2045
Hilton Garden Inn Portsmouth	5.5%	4.0%	2037
Courtyard Summerville	6.0%	2.5%	2037
Embassy Suites Springfield	5.5%	4.0%	2037
Residence Inn Summerville	6.0%	2.5%	2038
Courtyard Dallas	4% to 6%	2.0%	2038

Franchise and marketing/program fees totaled approximately $24.9 million, $23.2 million and $22.4 million, respectively, for the years ended December 31, 2018, 2017 and 2016.

14. Related Party Transactions

Mr. Fisher owns 51% of IHM. As of December 31, 2018, the Company had hotel management agreements with IHM to manage 42 of its wholly owned hotels. As of December 31, 2018, all 47 hotels owned by the NewINK JV and 34 of the 48 hotels owned by the Inland JV were managed by IHM. Hotel management, revenue management and accounting fees accrued or paid to IHM for the hotels owned by the Company for the years ended December 31, 2018, 2017 and 2016 were $10.8 million, $9.9 million and $9.2 million, respectively. At December 31, 2018 and 2017, the amounts due to IHM were $1.1 million and $1.2 million, respectively. Incentive management fees paid to IHM by the Company for the years ended December 31, 2018, 2017 and 2016 were $0.1 million, $0.2 million and $0.3 million, respectively. The Company provides services to an entity Castleblack Owner Holding, LLC. ("Castleblack") which is 97.5% owned by affiliates of CLNY and 2.5% owned by Mr. Fisher. For the years ended December 31, 2018 and 2017 the company provided services of $0.4 million and zero, respectively.

Cost reimbursements from unconsolidated real estate entities revenue represents reimbursements of costs incurred on behalf of the NewINK and Inland JVs and Castleblack. These costs relate primarily to corporate payroll costs at the NewINK and Inland JVs and Castleblack where the Company is the employer and shared office expenses. As the Company records cost reimbursements based upon costs incurred with no added markup, the revenue and related expense has no impact on the Company’s operating income or net income. Cost reimbursements from the JVs are recorded based upon the occurrence of a reimbursed activity.

Various shared office expenses and rent are paid by the Company and allocated to the NewINK JV, the Inland JV, Castleblack and IHM based on the amount of square footage occupied by each entity. Insurance expenses for medical, workers compensation and general liability are paid by the NewINK JV and allocated back to the hotel properties or applicable entity for the years ended December 31, 2018, 2017 and 2016 were $7.5 million, $6.8 million and $6.9 million, respectively.

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15. Quarterly Operating Results (unaudited)

	Quarter Ended - 2018			
	March 31	June 30	September 30	December 31
	(in thousands, except share and per share data)			
Total revenue	$ 72,915	$ 85,374	$ 88,897	$ 77,044
Total operating expenses	62,630	66,237	68,522	68,707
Operating income	10,285	19,137	20,375	8,337
Net income attributable to common shareholders	2,848	13,387	14,580	(174)
Income (loss) per common share, basic (1)	0.06	0.29	0.31	0.00
Income (loss) per common share, diluted (1)	0.06	0.29	0.31	0.00
Weighted average number of common shares outstanding:				
Basic	45,753,792	45,867,625	46,149,765	46,513,688
Diluted	46,022,690	46,084,688	46,384,969	46,765,797

	Quarter Ended - 2017			
	March 31	June 30	September 30	December 31
	(in thousands, except share and per share data)			
Total revenue	$ 69,887	$ 78,647	$ 82,145	$ 71,165
Total operating expenses	57,861	67,738	61,785	58,095
Operating income	12,026	10,909	20,360	13,070
Net income attributable to common shareholders	4,613	5,034	14,393	5,438

Income per common share, basic (1)	0.12	0.13	0.36	0.12
Income per common share, diluted (1)	0.12	0.13	0.36	0.12
Weighted average number of common shares outstanding:				
Basic	38,361,113	38,525,306	39,298,974	43,205,683
Diluted	38,573,928	38,749,661	39,550,494	43,522,022

(1) The sum of per share amounts for the four quarters may differ from the annual per share amounts due to the required method of computing weighted-average number of common shares outstanding in the respective periods and share offerings that occurred during the year. Unvested restricted shares and unvested LTIP units could potentially dilute basic earnings per share in the future were not included in the computation of diluted loss per share, for the periods where a loss has been recorded, because they would have been anti-dilutive for the periods presented.

CHATHAM LODGING TRUST
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2018
(in thousands)

			Initial Cost				Gross Amount at End of Year						
Description	**Year of Acquisition**	**Encumbrances**	**Land**	**Buildings & Improvements**	**Cost Cap. Sub. To Acq. Land**	**Cost Cap. Sub. To Acq. Bldg & Improvements**	**Land**	**Buildings & Improvements**	**Total**	**Bldg & Improvements**	**Accumulated Depreciation**	**Year of Original Construction**	**Depreciation Life**
Homewood Suites Orlando - Maitland, FL	2010	—	$ 1,800	$ 7,200	$ 34	$ 5,139	$ 1,834	$ 12,339	$ 14,173	$ 12,339	$ 2,932	2000	(1)
Homewood Suites Boston - Billerica, MA	2010	15,965	1,470	10,555	48	3,597	1,518	14,152	15,670	14,152	2,890	1999	(1)
Homewood Suites Minneapolis - Mall of America, Bloomington, MN	2010	—	3,500	13,960	19	3,992	3,519	17,952	21,471	17,952	4,007	1998	(1)
Homewood Suites Nashville - Brentwood, TN	2010	—	1,525	9,300	12	3,563	1,537	12,863	14,400	12,863	2,856	1998	(1)
Homewood Suites Dallas - Market Center, Dallas, TX	2010	—	2,500	7,583	30	3,276	2,530	10,859	13,389	10,859	2,344	1998	(1)
Homewood Suites Hartford - Farmington, CT	2010	—	1,325	9,375	92	1,281	1,417	10,656	12,073	10,656	2,588	1999	(1)
Hampton Inn & Suites Houston - Houston, TX	2010	18,026	3,200	12,709	56	1,595	3,256	14,304	17,560	14,304	3,170	1997	(1)
Residence Inn Holtsville - Holtsville, NY	2010	—	2,200	18,765	—	1,159	2,200	19,924	22,124	19,924	4,443	2004	(1)
Courtyard Altoona	2010	—	—	10,730	—	1,068	—	11,798	11,798	11,798	2,728	2001	(1)

- Altoona, PA													
SpringHill Suites Washington - Washington, PA	2010	—	1,000	10,692	—	(5,604)	1,000	5,088	6,088	5,088	2,453	2000	(1)
Residence Inn White Plains - White Plains, NY	2010	—	2,200	17,677	—	7,463	2,200	25,140	27,340	25,140	5,642	1982	(1)
Residence Inn New Rochelle - New Rochelle, NY	2010	13,361	—	20,281	9	3,117	9	23,398	23,407	23,398	5,288	2000	(1)
Residence Inn Garden Grove - Garden Grove, CA	2011	32,620	7,109	35,484	—	1,926	7,109	37,410	44,519	37,410	7,405	2003	(1)
Residence Inn Mission Valley - San Diego, CA	2011	27,885	9,856	39,535	—	2068	9,856	41,603	51,459	41,603	7,666	2003	(1)
Homewood Suites San Antonio - San Antonio, TX	2011	15,916	5,999	24,764	7	5,181	6,006	29,945	35,951	29,945	5,900	1996	(1)
Residence Inn Washington DC - Washington, DC	2011	—	6,083	22,063	28	5,597	6,111	27,660	33,771	27,660	5,968	1974	(1)
Residence Inn Tyson's Corner - Vienna, VA	2011	21,782	5,752	28,917	—	568	5,752	29,485	35,237	29,485	5,491	2001	(1)
Hampton Inn Portland Downtown - Portland, ME	2012	—	4,315	22,664	—	248	4,315	22,912	27,227	22,912	3,460	2011	(1)
Courtyard Houston - Houston,	2013	17,976	5,600	27,350	—	2,143	5,600	29,493	35,093	29,493	4,285	2010	(1)

TX													
Hyatt Place Pittsburgh - Pittsburgh, PA	2013	21,989	3,000	35,576	—	1208	3,000	36,784	39,784	36,784	5,049	2011	(1)
Hampton Inn & Suites Exeter - Exeter, NH	2013	—	1,900	12,350	4	118	1,904	12,468	14,372	12,468	1,692	2010	(1)
Hilton Garden Inn Denver Tech - Denver, CO	2013	—	4,100	23,100	5	595	4,105	23,695	27,800	23,695	3,274	1999	(1)
Residence Inn Bellevue - Bellevue, WA	2013	44,680	13,800	56,957	—	2,151	13,800	59,108	72,908	59,108	7,846	2008	(1)
SpringHill Suites Savannah - Savannah, GA	2013	30,000	2,400	36,050	—	1,324	2,400	37,374	39,774	37,374	4,942	2009	(1)
Residence Inn Silicon Valley I - Sunnyvale, CA	2014	64,800	42,652	45,846	—	448	42,652	46,294	88,946	46,294	14,049	1983	(1)
Residence Inn Silicon Valley II - Sunnyvale, CA	2014	70,700	46,474	50,380	—	1047	46,474	51,427	97,901	51,427	15,564	1985	(1)
Residence Inn San Mateo - San Mateo, CA	2014	48,600	38,420	31,352	—	507	38,420	31,859	70,279	31,859	9,656	1985	(1)
Residence Inn Mt. View - Mountain View, CA	2014	37,900	22,019	31,813	—	9,807	22,019	41,620	63,639	41,620	10,888	1985	(1)
Hyatt Place Cherry Creek - Cherry Creek, CO	2014	—	3,700	26,300	—	1,651	3,700	27,951	31,651	27,951	3,065	1987	(1)
	2014	—	2,413	21,554	—	2,236	2,413	23,790	26,203	23,790	2,579	2000	(1)

Courtyard Addison - Dallas, TX													
Courtyard West University - Houston, TX	2014	—	2,012	17,916	—	478	2,012	18,394	20,406	18,394	1,938	2004	(1)
Residence Inn West University - Houston, TX	2014	—	3,640	25,631	—	1,476	3,640	27,107	30,747	27,107	2,958	2004	(1)
Hilton Garden Inn Burlington - Burlington, MA	2014	—	4,918	27,193	—	1,471	4,918	28,664	33,582	28,664	3,192	1975	(1)
Residence Inn Gaslamp - San Diego, CA	2015	—	—	89,040	—	1,688	—	90,728	90,728	90,728	8,799	2009	(1)
Hilton Garden Inn Marina del Rey, CA	2015	21,355	—	43,210	—	627	—	43,837	43,837	43,837	3,652	2013	(1)
Residence Inn Dedham, MA	2015	—	4,230	17,304	—	37	4,230	17,341	21,571	17,341	1,504	1998	(1)
Residence Inn Ft. Lauderdale, FL	2015	—	9,200	24,048	—	1041	9,200	25,089	34,289	25,089	2,110	2008	(1)

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			Initial Cost				Gross Amount at End of Year						
Description	**Year of Acquisition**	**Encumbrances**	**Land**	**Buildings & Improvements**	**Cost Cap. Sub. To Acq. Land**	**Cost Cap. Sub. To Acq. Bldg & Improvements**	**Land**	**Buildings & Improvements**	**Total**	**Bldg & Improvements**	**Accumulated Depreciation**	**Year of Original Construction**	**Depreciation Life**
Warner Center	2017	—	6,500	—	99	—	6,599	—	6,599	—	—		(1)
Hilton Garden Inn Portsmouth, NH	2017	—	3,600	37,630	—	254	3,600	37,884	41,484	37,884	1215	2006	(1)
Courtyard Summerville, SC	2017	—	2,500	16,923	—	129	2,500	17,052	19,552	17,052	480	2014	(1)
Embassy Suites Springfield, VA	2017	—	7,700	58,807	—	264	7,700	59,071	66,771	59,071	1583	2013	(1)
Residence Inn Summerville, SC	2018	—	2,300	17,060	—	198	2,300	17,258	19,558	17,258	150	2018	(1)
Courtyard Dallas Downtown, TX	2018	—	2,900	42,760	—	73	2,900	42,833	45,733	42,833	79	2018	(1)
Grand Total(s)			$ 295,812	1,138,404	443	$ 76,205	$ 296,255	1,214,609	1,510,864	1,214,609	187,780		

(1) Depreciation is computed based upon the following estimated useful lives:

	Years
Building	40
Land improvements	20
Building improvements	5-20

Notes:

(a) The change in total cost of real estate assets for the year ended is as follows:

	2018	2017	2016	2015	2014	2013	
Balance at the beginning of the year	$ 1,431,374	$ 1,320,273	$ 1,306,192	$ 1,105,504	$ 654,560	423,729	
Acquisitions	65,020	133,660	—	187,032	444,233	222,273	
Dispositions during the year	—	(33,053)	—	—	—	—	
Capital expenditures and		14,470	10,494	14,081	13,656	6,711	8,558

transfers from construction-in-progress											
Investment in Real Estate	$	1,510,864	$	1,431,374	$	1,320,273	$	1,306,192	$	1,105,504	$ 654,560

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(b) The change in accumulated depreciation and amortization of real estate assets for the year ended is as follows:

Balance at the beginning of the year	$ 148,071	$ 116,866	$ 83,245	$ 50,910	$ 28,980	17,398
Depreciation and amortization	39,709	36,401	33,621	32,335	21,930	11,582
Dispositions during the year	$ —	$ (5196)	$ —	$ —	$ —	$ —
Balance at the end of the year	$ 187,780	$ 148,071	$ 116,866	$ 83,245	$ 50,910	$ 28,980

(c) The aggregate cost of properties for federal income tax purposes (in thousands) is approximately $1,511,033 as of December 31, 2018.