Chatham Lodging Trust
Form 10-Q
August 02, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-34693

CHATHAM LODGING TRUST
(Exact Name of Registrant as Specified in Its Charter)

Maryland	27-1200777
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

222 Lakeview Avenue, Suite 200	
West Palm Beach, Florida	33401
(Address of Principal Executive Offices)	(Zip Code)

(561) 802-4477
(Registrant’s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

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

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

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

Class	Outstanding at August 2, 2017
Common Shares of Beneficial Interest ($0.01 par value per share)	39,236,397

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.
CHATHAM LODGING TRUST
Consolidated Balance Sheets
(In thousands, except share and per share data)

	June 30, 2017 (unaudited)	December 31, 2016
Assets:		
Investment in hotel properties, net	$ 1,215,677	$ 1,233,094
Cash and cash equivalents	12,794	12,118
Restricted cash	25,025	25,083
Investment in unconsolidated real estate entities	25,345	20,424
Hotel receivables (net of allowance for doubtful accounts of $234 and $155, respectively)	7,277	4,389
Deferred costs, net	4,263	4,642
Prepaid expenses and other assets	5,103	2,778
Deferred tax asset, net	—	426
Total assets	$ 1,295,484	$ 1,302,954
Liabilities and Equity:		
Mortgage debt, net	$ 528,077	$ 530,323
Revolving credit facility	45,000	52,500
Accounts payable and accrued expenses	27,823	27,782
Distributions and losses in excess of investments of unconsolidated real estate entities	5,780	6,017
Distributions payable	5,035	4,742
Total liabilities	611,715	621,364
Commitments and contingencies (Note 12)		
Equity:		
Shareholders’ Equity:		
Preferred shares, $0.01 par value, 100,000,000 shares authorized and unissued at June 30, 2017 and December 31, 2016	—	—
Common shares, $0.01 par value, 500,000,000 shares authorized; 39,225,717 and 38,367,014 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	388	380
Additional paid-in capital	739,476	722,019
Retained earnings (distributions in excess of retained earnings)	(61,474)	(45,657)
Total shareholders’ equity	678,390	676,742
Noncontrolling Interests:		
Noncontrolling interest in Operating Partnership	5,379	4,848
Total equity	683,769	681,590
Total liabilities and equity	$ 1,295,484	$ 1,302,954

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)
(unaudited)

	For the three months ended		For the six months ended	
	June 30, 2017	2016	June 30, 2017	2016
Revenue:				
Room	$ 72,801	$ 72,768	$ 137,194	$ 136,702
Food and beverage	1,473	1,726	2,975	3,234
Other	2,967	2,637	5,413	4,990
Cost reimbursements from unconsolidated real estate entities	668	870	1,549	1,924
Total revenue	77,909	78,001	147,131	146,850
Expenses:				
Hotel operating expenses:				
Room	15,024	14,574	28,529	28,385
Food and beverage	1,212	1,245	2,464	2,423
Telephone	387	430	795	851
Other hotel operating	710	638	1,310	1,227
General and administrative	5,974	5,700	11,628	11,196
Franchise and marketing fees	6,089	5,948	11,391	11,136
Advertising and promotions	1,270	1,344	2,602	2,696
Utilities	2,352	2,235	4,722	4,617
Repairs and maintenance	3,179	3,158	6,431	6,359
Management fees	2,588	2,384	4,835	4,613
Insurance	295	338	628	675
Total hotel operating expenses	39,080	37,994	75,335	74,178
Depreciation and amortization	11,714	12,281	23,718	24,756
Impairment loss	6,663	—	6,663	—
Property taxes, ground rent and insurance	5,573	5,014	10,361	10,037
General and administrative	3,287	2,972	6,555	6,084
Hotel property acquisition costs and other charges	15	298	15	310
Reimbursed costs from unconsolidated real estate entities	668	870	1,549	1,924
Total operating expenses	67,000	59,429	124,196	117,289
Operating income	10,909	18,572	22,935	29,561
Interest and other income	6	15	18	36
Interest expense, including amortization of deferred fees	(6,773)	(7,092)	(13,765)	(14,129)
Loss on early extinguishment of debt	—	—	—	(4)
Income from unconsolidated real estate entities	927	942	842	295
Loss on sale from unconsolidated real estate entities	—	(8)	—	(8)
Income before income tax expense	5,069	12,429	10,030	15,751
Income tax expense	—	(179)	(317)	(179)
Net income	5,069	12,250	9,713	15,572
Net income attributable to noncontrolling interests	(35)	(82)	(66)	(104)
Net income attributable to common shareholders	$ 5,034	$ 12,168	$ 9,647	$ 15,468
Income per Common Share - Basic:				
Net income attributable to common shareholders (Note 10)	$ 0.13	$ 0.32	$ 0.25	$ 0.40

Income per Common Share - Diluted:				
Net income attributable to common shareholders (Note 10)	$ 0.13	$ 0.31	$0.25	$0.40
Weighted average number of common shares outstanding:				
Basic	38,525,306	38,299,132	38,443,663	38,286,790
Diluted	38,749,661	38,477,212	38,659,189	38,446,918
Distributions declared per common share:	$ 0.33	$ 0.33	$0.66	$0.64

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)
(unaudited)

	Common Shares						
	Shares	Amount	Additional Paid - In Capital	Retained earnings (distributions in excess of retained earnings)	Total Shareholders' Equity	Noncontrolling Interest in Operating Partnership	Total Equity
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	34,339	—	550	—	550	—	550
Issuance of shares, net of offering costs of $1	9,278	1	191	—	192	—	192
Amortization of share based compensation	—	—	646	—	646	598	1,244
Dividends declared on common shares ($0.64 per share)	—	—	—	(24,586)	(24,586)	—	(24,586)
Distributions declared on LTIP units ($0.64 per unit)	—	—	—	—	—	(354)	(354)
Reallocation of noncontrolling interest	—	—	11	—	11	(11)	—
Net income	—	—	—	15,468	15,468	104	15,572
Balance, June 30, 2016	38,352,554	$ 380	$ 721,171	$ (36,399)	$ 685,152	$ 4,468	$ 689,620
Balance, January 1, 2017	38,367,014	$ 380	$ 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 $512	829,723	8	16,351	—	16,359	—	16,359
Issuance of restricted time-based shares	5,000	—	—	—	—	—	—
Amortization of share based compensation	—	—	421	—	421	1,115	1,536
Dividends declared on common shares ($0.66 per share)	—	—	—	(25,464)	(25,464)	—	(25,464)
Distributions declared on LTIP units ($0.66 per unit)	—	—	—	—	—	(465)	(465)
Reallocation of noncontrolling interest	—	—	185	—	185	(185)	—
Net income	—	—	—	9,647	9,647	66	9,713
Balance, June 30, 2017	39,225,717	$ 388	$ 739,476	$ (61,474)	$ 678,390	$ 5,379	$ 683,769

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)
(unaudited)

	For the six months ended June 30, 2017		2016	
Cash flows from operating activities:				
Net income	$ 9,713		$ 15,572	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	23,611		24,649	
Amortization of deferred franchise fees	107		107	
Amortization of deferred financing fees included in interest expense	141		548	
Impairment loss	6,663		—	
Loss on early extinguishment of debt	—		4	
Share based compensation	1,786		1,495	
Income from unconsolidated real estate entities	(842	)	(295	)
Changes in assets and liabilities:				
Hotel receivables	(2,887	)	(1,850	)
Deferred tax asset	426		—	
Deferred costs	(44	)	(94	)
Prepaid expenses and other assets	(2,349	)	(426	)
Accounts payable and accrued expenses	321		(98	)
Net cash provided by operating activities	36,646		39,612	
Cash flows from investing activities:				
Improvements and additions to hotel properties	(12,865	)	(11,774	)
Distributions from unconsolidated entities	719		4,069	
Investment in unconsolidated real estate entities	(5,037	)	—	
Restricted cash	58		(3,235	)
Net cash used in investing activities	(17,125	)	(10,940	)
Cash flows from financing activities:				

Borrowings on revolving credit facility	24,000			24,450		
Repayments on revolving credit facility	(31,500		)	(23,750		)
Payments on mortgage debt	(2,070		)	(1,784		)
Principal prepayment of mortgage debt	—			(5,954		)
Payment of financing costs	—			(50		)
Payment of offering costs	(512		)	(1		)
Proceeds from issuance of common shares	16,871			192		
Distributions-common shares/units	(25,634		)	(27,503		)
Net cash used in financing activities	(18,845		)	(34,400		)
Net change in cash and cash equivalents	676			(5,728		)
Cash and cash equivalents, beginning of period	12,118			21,036		
Cash and cash equivalents, end of period	$	12,794		$	15,308	
Supplemental disclosure of cash flow information:						
Cash paid for interest	$	13,297		$	13,486	
Cash paid for income taxes	$	294		$	485	

-continued-

Supplemental disclosure of non-cash investing and financing information:

On January 15, 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. On January 15, 2016, the Company issued 26,488 shares to its independent trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2015.

As of June 30, 2017, the Company had accrued distributions payable of $5,035. These distributions were paid on July 28, 2017, except for $669 related to accrued but unpaid distributions on unvested performance based shares and LTIP units (See Note 11). As of June 30, 2016, the Company had accrued distributions payable of $4,658. These distributions were paid on July 29, 2016, except for $400 related to accrued but unpaid distributions on unvested performance based shares.

Accrued share based compensation of $250 and $250 is included in accounts payable and accrued expenses as of June 30, 2017 and 2016, respectively.

Accrued capital improvements of $1,921 and $2,918 are included in accounts payable and accrued expenses as of June 30, 2017 and 2016, respectively.

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

CHATHAM LODGING TRUST
Notes to the Consolidated Financial Statements
(in thousands, except share and per share data, unless otherwise specified)
(unaudited)

1. Organization

Chatham Lodging Trust ("we," "us" or the "Company") was formed as a Maryland real estate investment trust ("REIT") on October 26, 2009. The Company is internally-managed and invests primarily in upscale extended-stay and premium-branded select-service hotels.

In January 2014, the Company established an At the Market Equity Offering ("ATM Plan") whereby, from time to time, we may publicly offer and sell our common shares having an aggregate maximum offering price of up to $50 million 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, with Cantor Fitzgerald & Co. ("Cantor") acting as sales agent pursuant to a Sales Agreement (the "Cantor Sales Agreement"). On January 13, 2015, the Company entered into a Sales Agreement (the "Barclays Sales Agreement") with Barclays Capital Inc. ("Barclays") to add Barclays as an additional sales agent under the Company's ATM Plan. During the three months ended June 30, 2017, we issued 647,925 shares under the ATM Plan at a weighted average price of $20.43, which generated $12.9 million of net proceeds. As of June 30, 2017, we had issued 1,528,745 shares under the ATM Plan at a weighted average price of $22.22. As of June 30, 2017, there was approximately $16.0 million available for issuance under the ATM Plan.

In January 2014, the Company established a $25 million dividend reinvestment and stock purchase plan ("DRSPP"). Under the DRSPP, 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 prospectus for the DRSPP. In January 2017, we filed a new $25 million registration statement for the DRSPP to replace the prior existing program. During the three months ended June 30, 2017, we issued 175,133 shares under the DRSPP at a weighted average price of $20.12, which generated $3.5 million of net proceeds. As of June 30, 2017, we had issued 211,131 shares under the DRSPP at a weighted average price of $20.27. As of June 30, 2017, there was approximately $20.7 million available for issuance under the DRSPP.

The net proceeds from any share offerings or issuances 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. Chatham Lodging Trust is the sole general partner of the Operating Partnership and owns 100% of the common units of limited partnership interest in the Operating Partnership. 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.

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 is 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.

As of June 30, 2017, the Company wholly owned 38 hotels with an aggregate of 5,712 rooms located in 15 states and the District of Columbia. As of June 30, 2017, the Company also (i) held a 10.3% noncontrolling interest in a joint venture (the “NewINK JV”) with affiliates of Colony NorthStar, Inc. ("CLNS"), which was formed in the second quarter of 2014 and acquired 47 hotels comprising an aggregate of 6,097 rooms from a joint venture (the "Innkeepers JV") between the Company and Cerberus Capital Management ("Cerberus") and (ii) held a 10.0% noncontrolling interest in a separate joint venture (the "Inland JV") with affiliates of CLNS, which was formed in the fourth quarter of 2014 and acquired 48 hotels from Inland American Real Estate Trust, Inc. ("Inland"), comprising an aggregate of 6,401 rooms. We sometimes refer to the NewINK JV and Inland JV collectively as the ("JVs").

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To qualify as a REIT, the Company cannot operate the 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 all of the 47 NewINK JV hotels and (ii) owns its 10% interest in all of the 48 Inland JV 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 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 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 June 30, 2017, Island Hospitality Management LLC (“IHM”), which is 51% owned by Jeffrey H. Fisher, the Company's Chairman, President and Chief Executive Officer, managed all 38 of the Company’s wholly owned hotels. As of June 30, 2017, all of the NewINK JV hotels were managed by IHM. As of June 30, 2017, 34 of the Inland JV hotels were managed by IHM and 14 of the Inland JV hotels were managed by Marriott International, Inc. ("Marriott").

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim 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”) applicable to interim financial information. These unaudited 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. Interim results are not necessarily indicative of full year performance due to seasonal and other factors, including the timing of the acquisition of hotels.

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. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited financial statements prepared in accordance with GAAP, and the related notes thereto as of December 31, 2016, which are included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

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.

3. Recently Issued Accounting Standards

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09 ("ASU 2014-09"), Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. In July 2015, the FASB voted to defer the effective date to January 1, 2018 with early adoption beginning January 1, 2017. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. The Company is finalizing its evaluation of each of its revenue streams under the new model and because of the short-term, day-to-day nature of the Company's hotel revenues, the pattern of revenue recognition is not expected to change significantly. The Company does not expect adoption of this standard will have a material impact on its consolidated financial statements.

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On February 25, 2016, the FASB issued ASU 2016-02 (“ASU 2016-02”), Leases, which relates to the accounting for leasing transactions. This standard requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. In addition, this standard requires both lessees and lessors to disclose certain key information about lease transactions. Leases with a term of 12 months or less will be accounted for similarly to existing guidance for operating leases today. The Company is the lessee on certain air/land rights arrangements and an office lease and expects to record right of use assets and lease liabilities for these leases under the new standard. This guidance is effective for the Company on January 1, 2019, however, early adoption is permitted. The standard requires a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

On August 26, 2016, the FASB issued ASU 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. This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years with earlier adoption permitted. The Company has certain cash payments and receipts related to debt extinguishment and distributions from equity method investments that will be affected by the new standard. The Company does not anticipate that this guidance will have a material impact the adoption of ASU 2016-15 to our consolidated financial statements.

On November 17, 2016, the FASB issued 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 will be effective for public companies for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years and all other entities for fiscal years beginning after December 15, 2018. The Company does not anticipate that this guidance will have a material impact on our consolidated financial statements.

On January 5, 2017, the FASB issued ASU 2017-01 ("ASU 2017-01"), Definition of a Business, which will likely result 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. This standard will be effective for public business entities with a calendar year end in 2018 and all other entities have an additional year to adopt. The Company does not anticipate that this guidance will have a material impact on our consolidated financial statements.

4. Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts at a level believed to be adequate to absorb estimated probable losses. That estimate is based on past loss experience, current economic and market conditions and other relevant factors. The allowance for doubtful accounts was $0.2 million and $0.2 million as of June 30, 2017 and December 31, 2016, respectively.

5. Investment in Hotel Properties

Investment in hotel properties as of June 30, 2017 and December 31, 2016 consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Land and improvements	$274,554	$274,554
Building and improvements	1,045,697	1,045,880
Furniture, fixtures and equipment	53,603	50,495

Renovations in progress	13,309	10,067
	1,387,163	1,380,996
Less: accumulated depreciation	(171,486)	(147,902)
Investment in hotel properties, net	$ 1,215,677	$ 1,233,094

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During the three and six months ended June 30, 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 flow attributable to the hotel over its remaining anticipated holding period and to its disposition. The Company determined that the estimated undiscounted future cash flow attributable to the hotels did not exceed their carrying value and impairment existed. As a result, the Company recorded a $6.7 million impairment charge in the consolidated statements of operations during the three and six months ended June 30, 2017. Fair value was determined based on a discounted cash flow model using 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 for additional hotels.

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, CLNS, which owns a 89.7% interest in the NewINK JV. As of June 30, 2017 and 2016, the Company’s share of partners’ capital in the NewINK JV was approximately $53.3 million and $12.9 million, respectively, and the total difference between the carrying amount of investment and the Company’s share of partners’ capital was approximately $59.1 million and $16.6 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 value of NewINK JV assets and liabilities were adjusted to reflect estimated fair market value at the time Colony merged with NorthStar.

During the three and six months ended June 30, 2017 and 2016, the Company received cash distributions from the NewINK JV as follows (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Cash generated from other activities and excess cash	$719	$1,747	$719	$2,569
Total	$719	$1,747	$719	$2,569

On November 17, 2014, the Company acquired a 10.0% interest in the 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, CLNS, which owns a 90.0% interest in the Inland JV. As of June 30, 2017 and 2016, the Company's share of partners' capital in the Inland JV was approximately $36.6 million and $23.1 million, respectively, and the total difference between the carrying amount of the investment and the Company's share of partners' capital is approximately $11.3 million and $0.0 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 value of Inland JV assets and liabilities were adjusted to reflect estimated fair market value at the time Colony merged with NorthStar. The Company serves as managing member of the Inland JV. During the three and six months ended June 30, 2017 and 2016, the Company received no cash distributions from the Inland JV.

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.

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The Company’s ownership interests in the JVs are subject to change in the event that either the Company or CLNS 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 loans) or 20% of the debt outstanding at the time in question (in the case of the Inland loans). In connection with each of the NewINK and Inland 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. CLNS 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.

The Company's investment in the NewINK JV and the Inland JV were $(5.8) million and $25.3 million, respectively, at June 30, 2017 and $(6.0) million and $20.4 million, respectively, at December 31, 2016. The following table sets forth the combined components of net income (loss), including the Company’s share, related to the NewINK JV and Inland JV for the three months ended June 30, 2017 and 2016 (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Revenue	$130,192	$130,813	$238,766	$239,260
Total hotel operating expenses	81,747	74,604	156,704	142,452
Operating income	$48,445	$56,209	$82,062	$96,808
Net income (loss) from continuing operations	$8,075	$7,769	$562	$(121)
Net income (loss)	$8,075	$7,769	$562	$(121)
Income (loss) allocable to the Company	$825	$792	$65	$(5)
Basis difference adjustment	102	150	777	300
Total loss from unconsolidated real estate entities attributable to the Company	$927	$942	$842	$295

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7. Debt

The Company's mortgage loans 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. Mortgage and senior unsecured revolving credit facility debt consisted of the following (dollars in thousands):

Collateral	Interest Rate	Maturity Date	6/30/17 Property Carrying Value	Balance Outstanding on Loan as of June 30, 2017	December 31, 2016
Senior Unsecured Revolving Credit Facility [1]	3.35 %	November 25, 2019	$ —	$ 45,000	$ 52,500
Residence Inn by Marriott New Rochelle, NY	5.75 %	September 1, 2021	19,612	13,953	14,141
Residence Inn by Marriott San Diego, CA	4.66 %	February 6, 2023	44,298	28,749	29,026
Homewood Suites by Hilton San Antonio, TX	4.59 %	February 6, 2023	32,320	16,415	16,575
Residence Inn by Marriott Vienna, VA	4.49 %	February 6, 2023	30,581	22,476	22,699
Courtyard by Marriott Houston, TX	4.19 %	May 6, 2023	32,478	18,568	18,758
Hyatt Place Pittsburgh, PA	4.65 %	July 6, 2023	35,251	22,652	22,864
Residence Inn by Marriott Bellevue, WA	4.97 %	December 6, 2023	68,314	45,835	46,206
Residence Inn by Marriott Garden Grove, CA	4.79 %	April 6, 2024	39,400	33,418	33,674
Residence Inn by Marriott Silicon Valley I, CA	4.64 %	July 1, 2024	81,009	64,800	64,800
Residence Inn by Marriott Silicon Valley II, CA	4.64 %	July 1, 2024	88,655	70,700	70,700
Residence Inn by Marriott San Mateo, CA	4.64 %	July 1, 2024	63,962	48,600	48,600
Residence Inn by Marriott Mountain View, CA	4.64 %	July 6, 2024	56,007	37,900	37,900
SpringHill Suites by Marriott Savannah, GA	4.62 %	July 6, 2024	36,906	30,000	30,000
Hilton Garden Inn Marina del Rey, CA	4.68 %	July 6, 2024	42,461	21,953	22,145
Homewood Suites by Hilton Billerica, MA	4.32 %	December 6, 2024	11,454	16,225	16,225