

Edgar Filing: Chatham Lodging Trust - Form 8-K

Chatham Lodging Trust
Form 8-K
May 28, 2014

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): May 27, 2014

CHATHAM LODGING TRUST

(Exact name of Registrant as specified in its charter)

Maryland (State or Other Jurisdiction of Incorporation or Organization)	001-34693 (Commission File Number)	27-1200777 (I.R.S. Employer Identification No.)
50 Cocoanut Row, Suite 211 Palm Beach, Florida (Address of principal executive offices)	33480 (Zip Code)	
(561) 802-4477 (Registrant's telephone number, including area code)		
Not Applicable (Former name or former address, if changed from last report)		

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:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 8.01 Other Events

Hotel Under Contract

As previously disclosed in a Current Report on Form 8-K filed on May 14, 2014 by Chatham Lodging Trust (“Chatham”), an affiliate of Chatham entered into a purchase and sale agreement (the “Purchase and Sale Agreement”), dated May 8, 2014, by and among Chatham Lodging, L.P., NewINK LLC (“NewINK JV”), certain entities affiliated with Cerberus Capital Management (“Cerberus”) and certain individual owners and operating lessees, pursuant to which (i) Cerberus agreed to sell its interest in a joint venture that owns a 51-hotel portfolio (the “Innkeepers JV”) to NewINK JV (the “Innkeepers JV Sale”) and (ii) Chatham agreed to acquire four hotels located in Silicon Valley in California comprising an aggregate of 751 rooms (the “Silicon Valley Portfolio”). Pursuant to the Purchase and Sale Agreement, Chatham will acquire the Silicon Valley Portfolio for a gross purchase price of \$341.5 million less reserve credits of \$15.1 million for a net purchase price of \$326.4 million. NewINK JV is expected to assign to NorthStar Realty Finance Corp. (“Northstar”) the right to acquire Cerberus’ interest in the Innkeepers JV. Upon completion of the transactions, NorthStar will own an 89.7% ownership interest in the Innkeepers JV and its 47-hotel portfolio, while Chatham will own the remaining 10.3% ownership interest in the Innkeepers JV, which is equal to Chatham’s original interest in the initial Innkeepers JV and will own a 100% interest in the Silicon Valley Portfolio. Completion of each of the Innkeepers JV Sale and the acquisition of the Silicon Valley Portfolio is contingent upon satisfaction of certain closing conditions. Accordingly, until the closing of these acquisitions, there can be no assurance that NorthStar will complete the Innkeepers JV Sale or that Chatham will complete its acquisition of the Silicon Valley Portfolio.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

Combined financial statements for the following hotels - probable acquisition:

Residence Inn Mountain View
Residence Inn San Mateo
Residence Inn Silicon Valley I
Residence Inn Silicon Valley II

Report of Independent Certified Public Accountants

Combined Balance Sheets as of March 31, 2014 (Unaudited) and December 31, 2013 and 2012

Combined Statements of Operations for the three month periods ended March 31, 2014 and 2013 (Unaudited) and for the years ended December 31, 2013 and 2012

Combined Statements of Owners Equity (Deficit) for the three months ended March 31, 2014 (Unaudited) and for the years ended December 31, 2013 and 2012

Combined Statements of Cash Flows for the three month periods ended March 31, 2014 and 2013 (Unaudited) and for the years ended December 31, 2013 and 2012

Notes to Financial Statements

(b) Pro Forma Financial Information.

Chatham Lodging Trust

Unaudited Pro Forma Consolidated Balance Sheet as of March 31, 2014

Unaudited Pro Forma Consolidated Statement of Operations for the three months ended March 31, 2014

Unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 2013

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of PricewaterhouseCoopers LLP

3

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.

CHATHAM LODGING TRUST

Dated: May 27, 2014

/s/ Dennis M. Craven
By: Dennis M. Craven
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
23.1	Consent of PricewaterhouseCoopers LLP

5

SILICON VALLEY PORTFOLIO
Unaudited - Financial Statements
March 31, 2014

6

Silicon Valley Portfolio
 Condensed Combined Balance Sheets
 (in thousands)

	March 31, 2014 (unaudited)	December 31, 2013
Assets:		
Investment in hotel properties, net	\$ 143,439	\$ 145,571
Cash and cash equivalents	1,602	1,811
Restricted cash	13,620	13,281
Accounts receivable (net of allowance for doubtful accounts of \$31 and \$31, respectively)	767	537
Deferred costs, net	4,279	4,689
Prepaid expenses and other assets	726	553
Total assets	\$ 164,433	\$ 166,442
Liabilities and Owners Deficit:		
Liabilities		
Debt	\$215,868	\$215,868
Accounts payable and accrued expenses	1,921	1,883
Total liabilities	217,789	217,751
Owners deficit	(53,356) (51,309
Total liabilities and owners deficit	\$ 164,433	\$ 166,442

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

Edgar Filing: Chatham Lodging Trust - Form 8-K

Silicon Valley Portfolio
 Condensed Combined Statements of Operations (Unaudited)
 (in thousands)

	For the Three Months Ended	
	March 31, 2014	March 31, 2013
Revenue:		
Room	\$10,135	\$9,318
Other	119	94
Total revenue	10,254	9,412
Expenses:		
Hotel operating expenses:		
Room	1,398	1,339
Telephone expense	43	42
Other expense	29	31
General and administration	641	628
Franchise fees	745	715
Advertising and promotions	186	195
Utilities	260	238
Repairs and maintenance	421	368
Management fees	224	207
Insurance	40	45
Total hotel operating expenses	3,987	3,808
Depreciation and amortization	2,671	2,759
Property taxes and insurance	474	461
General and administrative	108	98
Total operating expenses	7,240	7,126
Operating income	3,014	2,286
Interest and other income	8	12
Interest expense, including amortization of deferred fees	(2,676) (2,354
Net income (loss)	\$346	\$(56

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

Silicon Valley Portfolio
Condensed Combined Statements of Owners Deficit (Unaudited)
For the Three Months Ended March 31, 2014
(in thousands)

	Total Deficit	
Balance at December 31, 2013	\$(51,309)
Distribution to owners	(2,393)
Net income	346	
Balance at March 31, 2014	\$(53,356)

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

Edgar Filing: Chatham Lodging Trust - Form 8-K

Silicon Valley Portfolio
 Condensed Combined Statement of Cash Flows (Unaudited)
 (in thousands)

	For the Three Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Net income (loss)	\$346	\$(56)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation expense	2,663	2,585
Amortization of deferred franchise fees	8	175
Amortization of deferred financing fees included in interest expense	410	29
Changes in assets and liabilities:		
Accounts receivable	(230)	(185)
Prepaid expenses and other assets	(174)	(238)
Deferred costs	—	65
Accounts payable and accrued expenses	87	(1,065)
Net cash provided by operating activities	3,110	1,310
Cash flows from investing activities:		
Capital expenditures	(579)	(1,723)
Change in restricted cash	(339)	