

Chatham Lodging Trust
Form 8-K/A
September 23, 2011

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

FORM 8-K/A

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 14, 2011

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 Coconut Row, Suite 216

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))
-

TABLE OF CONTENTS

Item 9.01. Financial Statements and Exhibits

SIGNATURE

EXHIBIT INDEX

This Form 8-K/A amends and supplements the registrant's Form 8-K, as filed on July 18, 2011, to include historical financial statements and unaudited pro forma financial information required by Item 9.01 (a) and (b).

Item 9.01. Financial Statements and Exhibits.

(a) *Financial Statements of Businesses Acquired.*

Combined financial statements for the following hotels:

Residence Inn Anaheim in Garden Grove, CA

Residence Inn in Mission Valley, CA

Residence Inn in Tysons Corner, VA

Doubletree Guest Suites in Washington, D.C.

Homewood Suites in San Antonio, TX

Report of Independent Certified Public Accountants

Combined Balance Sheets as of June 30, 2011 (Unaudited) and December 31, 2010 and 2009

Combined Statements of Operations for the six-month periods ended June 30, 2011 and 2010 (Unaudited), and for the years ended December 31, 2010, 2009 and 2008

Combined Statements of Owner's Equity for the six-month period ended June 30, 2011 (Unaudited), and for the years ended December 31, 2010, 2009 and 2008.

Combined Statements of Cash Flows for the six-month periods ended June 30, 2011 and 2010 (Unaudited), and for the years ended December 31, 2010, 2009 and 2008

Notes to Combined Financial Statements

(b) *Pro Forma Financial Information.*

Chatham Lodging Trust

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2011

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the six months ended June 30, 2011

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2010

(c) *Exhibits.*

Exhibit

Number	Description
23.1	Consent of PricewaterhouseCoopers LLP

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

Date: September 23, 2011

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

EXHIBIT INDEX

Exhibit Number	Description
23.1	Consent of PricewaterhouseCoopers LLP

5 SISTERS HOTEL PORTFOLIO
(Debtor-in-Possession)
Unaudited Condensed Combined Financial Statements
June 30, 2011

5 Sisters Hotel Portfolio
(Debtor in Possession)
Condensed Combined Balance Sheets
(in thousands)

	June 30, 2011 (unaudited)	December 31, 2010
ASSETS		
Investment in hotel properties, net	\$ 177,230	\$ 177,024
Cash and cash equivalents	1,456	1,084
Restricted cash	2,549	5,255
Hotel receivable, (net of allowance for doubtful accounts of \$26 and \$24, respectively)	675	548
Deferred costs, net	424	560
Prepaid expenses and other assets	4	539
Total assets	\$ 182,338	\$ 185,010
LIABILITIES AND OWNER S EQUITY		
Debt	\$ 6,400	\$ 6,400
Accounts payable and accrued expenses	2,604	2,878
Liabilities subject to compromise	167,711	164,085
Total liabilities	176,715	173,363
Owner s Equity:		
Owner s equity	5,623	11,647
Total owner s equity	5,623	11,647
Total liabilities and owner s equity	\$ 182,338	\$ 185,010

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

5 Sisters Hotel Portfolio
(Debtor in Possession)
Condensed Combined Statements of Operations (Unaudited)
(in thousands)

	For the Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010
Revenue:		
Hotel operating revenue:		
Room	\$ 15,593	\$ 15,810
Other	1,207	964
Total revenue	16,800	16,774
Expenses:		
Hotel operating expenses:		
Room	3,204	2,936
Other	5,958	5,646
Total hotel operating expenses	9,162	8,582
Depreciation and amortization	2,913	2,973
Property taxes and insurance	1,168	1,465
Total operating expenses	13,243	13,020
Operating income	3,557	3,754
Interest expense, including amortization of deferred fees	(4,235)	(5,000)
Net loss	\$ (678)	\$ (1,246)

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

5 Sisters Hotel Portfolio
(Debtor in Possession)
Condensed Combined Statements of Owner s Equity (Unaudited)
For the Six Months Ended June 30, 2011
(in thousands)

	Owner s Equity
Balance at December 31, 2010	\$ 11,647
Distributions	(5,346)
Net loss	(678)
Balance at June 30, 2011	\$ 5,623

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

5 Sisters Hotel Portfolio
(Debtor in Possession)
Condensed Combined Statement of Cash Flows (Unaudited)
(In thousands)

	For the six months ended June 30	
	2011	2010
Cash flows from operating activities:		
Net loss	\$ (678)	\$ (1,246)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,913	2,973
Interest expense capitalized to debt		126
Amortization of deferred loan issuance costs	128	82
Changes in assets and liabilities:		
Hotel receivables	(127)	(429)
Deferred costs	(6)	
Prepaid expenses and other assets	535	106
Accounts payable and accrued expenses	3,352	2,817
Net cash provided by operating activities	6,117	4,429
Cash flows from investing activities:		
Improvements and additions to hotel properties	(3,105)	(69)
Restricted cash	2,706	(315)
Net cash used in investing activities	(399)	(384)
Cash flows from financing activities:		
Payments of debt		(619)
Capital distributions	(5,346)	(3,455)
Net cash used in financing activities	(5,346)	(4,074)
Net change in cash and cash equivalents	372	(29)
Cash and cash equivalents, beginning of period	1,084	1,123
Cash and cash equivalents, end of period	\$ 1,456	\$ 1,094
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 225	\$ 3,341
Supplemental disclosure of non-cash information:		
Accrued improvements and additions to hotel properties	\$ 24	\$ 4

During 2011, the company transferred the following:

Edgar Filing: Chatham Lodging Trust - Form 8-K/A

a) \$257 from liabilities subject to compromise to accounts payable and accrued expenses.

b) \$3,883 of accrued interest to liabilities subject to compromise.

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

**5 Sisters Hotel Portfolio
(Debtor in Possession)**

Notes to Condensed Combined Financial Statements (Unaudited)

(1) General

The statements presented herein have been prepared in conformity with accounting principles generally accepted in the United States of America and should be read in conjunction with the audited balance sheet as of December 31, 2010, and the related statements of operations, changes in owner's equity, and cash flows for the year ended December 31, 2010. The 5 Sisters Hotel Portfolio includes the Residence Inn Anaheim, Residence Inn San Diego Mission Valley, Residence Inn Tysons Corner, Doubletree Guest Suites Washington, D.C. and Homewood Suites on the Riverwalk San Antonio. In the opinion of management, all adjustments that are deemed necessary have been made in order to fairly present the unaudited interim financial statements for the period and accounting policies have been consistently applied.

(2) Investment in Hotel Properties, net

Investment in hotel properties, net consists of the following at June 30, 2011 and December 31, 2010 (in thousands):

	June 30, 2011	December 31, 2010
Land	\$ 27,444	\$ 27,444
Building and improvements	162,086	161,328
Furniture, fixtures, and equipment	7,953	7,725
Subtotal	197,483	196,497
Less: accumulated depreciation	(20,253)	(19,473)
Investment in hotel properties, net	\$ 177,230	\$ 177,024

(3) Liabilities Subject to Compromise

As a result of the bankruptcy reorganization plan there are certain liabilities that have been reclassified to Liabilities Subject to Compromise (LSTC) on the accompanying Condensed Combined Balance Sheets. The following is a detailed list of these liabilities at June 30, 2011 and December 31, 2010 (in thousands):

	June 30, 2011	December 31, 2010
Debt	\$ 158,191	\$ 158,191
Accrued Interest	10,223	6,340
Real estate taxes payable		194
LSTC Accounts Payable	2,347	2,253
LSTC Adequate Protection Pay	(3,050)	(2,893)
Total	\$ 167,711	\$ 164,085

LSTC Accounts Payable represents pre petition liabilities to general creditors. LSTC Adequate Protection Pay represents payments that have been advanced to the lenders as part of the bankruptcy proceedings.

(4) Interest Expense

The Company filed for bankruptcy on July 19, 2010. As a result of the bankruptcy reorganization there was no additional interest recognized on the debt related to Residence Inn Anaheim, Garden Grove, CA after the bankruptcy filing date. The additional contractual interest for 2011 would have been \$1,119.

5 SISTERS HOTEL PORTFOLIO
(Debtor-in-Possession)
Combined Financial Statements
For the Years Ended December 31, 2010, 2009 and 2008

Report of Independent Certified Public Accountants

To the Shareholders of Chatham Lodging Trust

In our opinion, the accompanying combined balance sheets and the related combined statements of operations, of owner's equity and of cash flows present fairly, in all material respects, the financial position of 5 Sisters Hotel Portfolio (Debtor in Possession) (the Company) at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years ended December 31, 2010, 2009 and, 2008 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Fort Lauderdale, Florida

September 23, 2011

**5 Sisters Hotel Portfolio
(Debtor in Possession)
Combined Balance Sheets
(in thousands)**

	December 31, 2010	December 31, 2009
ASSETS		
Investment in hotel properties, net	\$ 177,024	\$ 183,891
Cash and cash equivalents	1,084	1,123
Restricted cash	5,255	815
Hotel receivable, (net of allowance for doubtful accounts of \$24 and \$20, respectively)	548	540
Deferred costs, net	560	1,380
Prepaid expenses and other assets	539	385
 Total assets	 \$ 185,010	 \$ 188,134
 LIABILITIES AND OWNER S EQUITY		
Debt	\$ 6,400	\$ 158,049
Accounts payable and accrued expenses	2,878	3,248
Liabilities subject to compromise	164,085	
 Total liabilities	 173,363	 161,297
 Owner s Equity		
Owner s equity	11,647	26,837
 Total owners s equity	 11,647	 26,837
 Total liabilities and owner s equity	 \$ 185,010	 \$ 188,134

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

5 Sisters Hotel Portfolio
(Debtor in Possession)
Combined Statements of Operations
(in thousands)

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Revenue:			
Room	\$ 31,533	\$ 30,091	\$ 36,155
Other	2,016	1,972	2,511
Total revenue	33,549	32,063	38,666
Expenses:			
Hotel operating expenses:			
Room	6,108	5,345	6,197
Other	11,533	10,854	11,994
Total hotel operating expenses	17,641	16,199	18,191
Depreciation and amortization	5,941	5,424	6,104
Property taxes and insurance	2,694	2,746	2,643
Impairment charges	3,348		
Total operating expenses	29,624	24,369	26,938
Operating income	3,925	7,694	11,728
Interest and other income		1	3
Interest expense, including amortization of deferred fees	(10,749)	(10,162)	(10,160)
Net income (loss)	\$ (6,824)	\$ (2,467)	\$ 1,571

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

5 Sisters Hotel Portfolio
(Debtor in Possession)
Combined Statements of Owner s Equity
For the years ended December 31,2010, 2009 and 2008
(in thousands)

	Owner s Equity
Balance at January 1, 2008	\$ 32,980
Distributions	(2,685)
Net income	1,571
Balance at December 31, 2008	\$ 31,866
Distributions	(2,562)
Net loss	(2,467)
Balance at December 31, 2009	\$ 26,837
Distributions	(8,366)
Net loss	(6,824)
Balance at December 31, 2010	\$ 11,647

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

5 Sisters Hotel Portfolio
(Debtor in Possession)
Combined Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Cash flows from operating activities:			
Net income (loss)	\$ (6,824)	\$ (2,467)	\$ 1,571
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	5,941	5,424	6,104
Interest expense capitalized to debt	1,730	253	253
Amortization of deferred loan issuance costs	161	165	142
Impairment charges on investment in hotels	3,348		
Changes in assets and liabilities:			
Hotel receivables	(8)	75	31
Deferred costs	(79)		375
Prepaid expenses and other assets	(154)	100	(90)
Accounts payable and accrued expenses	5,138	(195)	194
Net cash provided by operating activities	9,253	3,355	8,580
Cash flows from investing activities:			
Improvements and additions to hotel properties	(2,008)	(1,046)	(6,511)
Restricted cash	(4,440)	29	397
Net cash used in investing activities	(6,448)	(1,017)	(6,114)
Cash flows from financing activities:			
Proceeds from issuance of debt	6,400		
Payments of debt	(619)	(221)	
Payment of deferred financing fees	(259)		
Capital distributions	(8,366)	(2,562)	(2,685)
Net cash used in financing activities	(2,844)	(2,783)	(2,685)
Net change in cash and cash equivalents	(39)	(445)	(219)
Cash and cash equivalents, beginning of period	1,123	1,568	1,787
Cash and cash equivalents, end of period	\$ 1,084	\$ 1,123	\$ 1,568

Edgar Filing: Chatham Lodging Trust - Form 8-K/A

Supplemental disclosure of cash flow information:

Cash paid for interest	\$	3,341	\$	9,738	\$	9,765
------------------------	----	-------	----	-------	----	-------

Supplemental disclosure of non-cash information:

Accrued improvements and additions to hotel properites	\$	386	\$	8	\$	291
--	----	-----	----	---	----	-----

During 2010, the company transferred the following:

- a) \$2,421 from accounts payable and accrued expenses to liabilities subject to compromise.
- b) \$158,191 of debt to liabilities subject to compromise.
- c) \$3,473 of accrued interest to liabilities subject to compromise.

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

5 Sisters Hotel Portfolio
(Debtor in Possession)
Notes to Combined Financial Statements
(in thousands, except share data)

1. Business and Basis of Presentation

These financial statements represent the 5 hotels (collectively, the 5 Sisters Hotel Portfolio or the Hotels) that were sold to affiliates of Chatham Lodging Trust as part of the bankruptcy reorganization plan of affiliates of Innkeepers USA Trust (which we refer to herein as Innkeepers or the Company). The reorganization plan was approved on June 24, 2011. All of the hotels were acquired or developed by Innkeepers prior to January 1, 2008 and under Innkeepers control for all periods presented. Following the filing for bankruptcy, under Chapter 11 on July 19, 2010, Innkeepers became a debtor in possession . This term refers to a debtor that will retain ownership and control of its assets and continue to operate the business during the bankruptcy proceedings.

As of December 31, 2010, the 5 Sisters Hotel Portfolio included 5 hotels with an aggregate of 764 rooms/suites (the Hotels). A series of indirect, wholly-owned taxable REIT subsidiaries (the TRSs) lease the hotels from Innkeepers USA Limited Partnership (the Partnership). Island Hospitality Management Inc. (the IH Manager) manages all of the hotels. The hotels are comprised of three Residence Inn hotels, one Homewood Suites by Hilton hotel and one Doubletree Guest Suites hotel. The hotels are located in 3 states and Washington, D.C., with two hotels located in California, one in Virginia and one in Texas.

Innkeepers operates for federal income tax purposes as a real estate investment trust (REIT). Generally a REIT does not incur tax liabilities assuming it complies with certain provisions of the Internal Revenue Code, The 5 Sisters Hotel Portfolio is leased to wholly owned TRSs of Innkeepers. The rent, which is eliminated in connection with the preparation of these combined financial statements, has the effect of offsetting the majority of any taxable income generated by the Hotels operating activities, or for certain hotels in certain periods, generating taxable losses.

Debt balances and related interest expense are allocated based on consideration of the Hotels as collateral for specific debt. The Hotels are expected to have a capital structure different than Innkeepers post acquisition; accordingly, interest expense and amortization of loan issuance costs is not necessarily indicative of the interest expense that the Hotels would have incurred as a separate, independent company.

2. Summary of Significant Accounting Policies

Basis of Presentation. The combined financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. All inter-company accounts and transactions have been eliminated. These financial statements are being presented on a combined basis as the 5 Sisters Hotel Portfolio and the TRSs are under common management and control.

Use of estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the purchase price allocations, the allowance for doubtful accounts, fair value of hotels that are held for sale or impaired, and future taxable income to assess the valuation allowance for deferred taxes.

Investment in hotel properties. Hotel properties are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets (1 to 5 years for furniture and equipment and 20 to 40 years for buildings and improvements). Costs directly related to the acquisition and development of hotels are capitalized. Property taxes and insurance, and interest incurred, are also capitalized during the development period. Maintenance and repairs are charged to operations as incurred.

5 Sisters Hotel Portfolio
(Debtor in Possession)
Notes to Combined Financial Statements
(in thousands, except share data)

The Company reviews its hotels for impairment on an annual basis or when events or changes in business circumstances indicate that the value of the assets on its books may be impaired. If circumstances support the possibility of impairment, the Company prepares an analysis of the fair value of the hotel properties by using the estimated cash flows excluding interest charges over the shorter of the estimated remaining holding periods or the useful life of the hotel.

To calculate the estimated cash flows, the Company uses a combination of historical and projected cash flows and other available market information, such as recent sales prices for similar assets in specific markets. Management uses considerable subjective and complex judgments in determining the assumptions used to estimate the fair value and undiscounted cash flows, and believes these are assumptions that would be consistent with the assumptions of market participants. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, average daily rates and capital requirements that could differ materially from actual results in future periods. In addition, changes in market conditions or other circumstances which affect the Company's intent or ability to hold and use a hotel property may result in the recognition of an impairment loss and such loss could be material.

Cash and cash equivalents. All highly liquid cash investments with a maturity of three months or less when purchased are considered to be cash equivalents. Cash equivalents are placed with reputable institutions and the balances may at times exceed federally insured deposit levels; however, the Company has not experienced any losses in such accounts.

Restricted cash reserves. Restricted cash reserves include amounts required to be held in escrow by certain lenders for the payment of debt service, property taxes and insurance and additional capital expenditures.

Post petition accounting. The Company is required to separate liabilities incurred between pre petition and post petition bankruptcy filing for all periods subsequent to July 19, 2010. The pre petition liabilities are segregated on the balance sheet under the title *Liabilities Subject to Compromise*. These liabilities have the possibility of not being repaid at the full claim amount.

Accounts receivable. Accounts receivable consists of amounts owed by guests staying in the hotels at December 31, 2010 and 2009 and amounts due from business customers or groups. The allowance for doubtful accounts is maintained at a level believed to be adequate to absorb estimated losses. Evaluation of the adequacy of the allowance is primarily based on past loss experience, current economic conditions, and other relevant factors. The allowance for doubtful accounts is \$24 and \$20 at December 31, 2010 and 2009, respectively.

Prepays. Prepays consist primarily of prepaid insurance and are expensed over the term of the insurance contracts on a straight line basis.

Deferred and other. Deferred and other are recorded at cost and consist of the following at December 31, 2010 and 2009:

	2010	2009
Deferred loan costs	\$ 259	\$ 1,466
Franchise fees	390	390
Other	80	0
	729	1,856
Accumulated amortization	(169)	