ASHFORD HOSPITALITY TRUST INC
Form 10-Q
November 02, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
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: 001-31775

ASHFORD HOSPITALITY TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland	86-1062192
(State or other jurisdiction of incorporation or organization)	(IRS employer identification number)
14185 Dallas Parkway, Suite 1100 Dallas, Texas	75254
(Address of principal executive offices)	(Zip code)

(972) 490-9600
(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. þ Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). þ Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	þ
Non-accelerated filer	¨	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 þ No

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

Common Stock, $0.01 par value per share	101,038,430
(Class)	Outstanding at October 31, 2018

ASHFORD HOSPITALITY TRUST, INC
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2018
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (unaudited)
ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except share and per share amounts)

	September 30, 2018	December 31, 2017
Assets		
Investments in hotel properties, net	$4,089,985	$4,035,915
Cash and cash equivalents	325,839	354,805
Restricted cash	141,092	116,787
Marketable securities	24,173	26,926
Accounts receivable, net of allowance of $608 and $770, respectively	60,208	44,257
Inventories	4,223	4,244
Investment in unconsolidated entities	4,514	2,955
Deferred costs, net	3,427	2,777
Prepaid expenses	29,662	19,269
Derivative assets, net	2,969	2,010
Other assets	18,117	14,152
Intangible assets, net	9,854	9,943
Due from third-party hotel managers	19,277	17,387
Assets held for sale	—	18,423
Total assets	$4,733,340	$4,669,850
Liabilities and Equity		
Liabilities:		
Indebtedness, net	$3,894,447	$3,696,300
Accounts payable and accrued expenses	147,808	132,401
Dividends and distributions payable	28,095	25,045
Due to Ashford Inc., net	5,176	15,146
Due to related party, net	1,078	1,067
Due to third-party hotel managers	2,745	2,431
Intangible liabilities, net	15,572	15,839
Derivative liabilities, net	205	—
Other liabilities	19,613	18,376
Liabilities related to assets held for sale	—	13,977
Total liabilities	4,114,739	3,920,582
Commitments and contingencies (note 14)		
Redeemable noncontrolling interests in operating partnership	118,663	116,122
Equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized:		
Series D Cumulative Preferred Stock, 2,389,393 shares issued and outstanding at September 30, 2018 and December 31, 2017	24	24
Series F Cumulative Preferred Stock, 4,800,000 shares issued and outstanding at September 30, 2018 and December 31, 2017	48	48
Series G Cumulative Preferred Stock, 6,200,000 shares issued and outstanding at September 30, 2018 and December 31, 2017	62	62
Series H Cumulative Preferred Stock, 3,800,000 shares issued and outstanding at September 30, 2018 and December 31, 2017	38	38
	54	54

Series I Cumulative Preferred Stock, 5,400,000 shares issued and outstanding at September 30, 2018 and December 31, 2017		
Common stock, $0.01 par value, 400,000,000 shares authorized, 101,038,430 and 97,409,113 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	1,010	974
Additional paid-in capital	1,811,391	1,784,997
Accumulated deficit	(1,313,327)	(1,153,697)
Total stockholders' equity of the Company	499,300	632,500
Noncontrolling interests in consolidated entities	638	646
Total equity	499,938	633,146
Total liabilities and equity	$4,733,340	$4,669,850

See Notes to Consolidated Financial Statements.

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ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue				
Rooms	$288,016	$289,017	$868,090	$876,927
Food and beverage	49,396	48,313	164,869	175,005
Other hotel revenue	17,309	15,006	51,358	43,720
Total hotel revenue	354,721	352,336	1,084,317	1,095,652
Other	1,209	989	2,984	2,052
Total revenue	355,930	353,325	1,087,301	1,097,704
Expenses				
Hotel operating expenses:				
Rooms	64,197	63,950	187,497	188,857
Food and beverage	37,649	37,173	116,270	121,619
Other expenses	109,992	112,421	332,629	337,978
Management fees	13,198	13,027	40,306	40,100
Total hotel expenses	225,036	226,571	676,702	688,554
Property taxes, insurance, and other	20,774	18,194	59,363	55,293
Depreciation and amortization	64,923	60,135	192,536	185,380
Impairment charges	(27)	1,785	1,652	1,785
Transaction costs	—	—	11	11
Advisory services fee	12,805	14,612	52,961	39,482
Corporate general and administrative	3,090	2,412	8,450	10,836
Total expenses	326,601	323,709	991,675	981,341
Operating income (loss)	29,329	29,616	95,626	116,363
Equity in earnings (loss) of unconsolidated entities	310	(679)	892	(3,580)
Interest income	1,150	706	2,779	1,460
Gain (loss) on sale of hotel properties	(9)	15	394	14,024
Other income (expense)	(202)	(273)	80	(3,539)
Interest expense and amortization of premiums and loan costs	(60,731)	(56,963)	(173,680)	(167,224)
Write-off of premiums, loan costs and exit fees	(1,572)	—	(9,316)	(1,629)
Unrealized gain (loss) on marketable securities	68	(936)	(758)	(4,813)
Unrealized gain (loss) on derivatives	(2,085)	(1,479)	(3,672)	(1,804)
Income (loss) before income taxes	(33,742)	(29,993)	(87,655)	(50,742)
Income tax (expense) benefit	(519)	1,267	(2,606)	507
Net income (loss)	(34,261)	(28,726)	(90,261)	(50,235)
(Income) loss from consolidated entities attributable to noncontrolling interest	(10)	(22)	8	(4)
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership	6,682	6,940	18,087	13,202
Net income (loss) attributable to the Company	(27,589)	(21,808)	(72,166)	(37,037)
Preferred dividends	(10,645)	(11,440)	(31,933)	(33,352)
Extinguishment of issuance costs upon redemption of preferred stock	—	(4,507)	—	(4,507)
Net income (loss) attributable to common stockholders	$(38,234)	$(37,755)	$(104,099)	$(74,896)

Income (loss) per share - basic and diluted:

Basic:				
Net income (loss) attributable to common stockholders	$(0.40)	$(0.40)	$(1.09)	$(0.80)
Weighted average common shares outstanding – basic	97,467	95,332	96,591	95,169
Diluted:				
Net income (loss) attributable to common stockholders	$(0.40)	$(0.40)	$(1.09)	$(0.80)
Weighted average common shares outstanding – diluted	97,467	95,332	96,591	95,169
Dividends declared per common share	$0.12	$0.12	$0.36	$0.36

See Notes to Consolidated Financial Statements.

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ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	$(34,261)	$(28,726)	$(90,261)	$(50,235)
Other comprehensive income (loss), net of tax:				
Total other comprehensive income (loss)	—	—	—	—
Comprehensive income (loss)	(34,261)	(28,726)	(90,261)	(50,235)
Less: Comprehensive (income) loss attributable to noncontrolling interest in consolidated entities	(10)	(22)	8	(4)
Less: Comprehensive (income) loss attributable to redeemable noncontrolling interests in operating partnership	6,682	6,940	18,087	13,202
Comprehensive income (loss) attributable to the Company	$(27,589)	$(21,808)	$(72,166)	$(37,037)

See Notes to Consolidated Financial Statements.

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ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EQUITY
(unaudited, in thousands)

	Preferred Stock Series D		Series F		Series G		Series H		Series I		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Nonc Intere In Cons Entit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at January 1, 2018	2,389	$24	4,800	$48	6,200	$62	3,800	$38	5,400	$54	97,409	$974	$1,784,997	$(1,153,697)	$646
Purchases of common stock	—	—	—	—	—	—	—	—	—	—	(249)	(3)	(1,595)	—	—
Equity-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	13,329	—	—
Forfeitures of restricted shares	—	—	—	—	—	—	—	—	—	—	(46)	—	—	—	—
Issuance of restricted shares/units	—	—	—	—	—	—	—	—	—	—	1,490	15	108	—	—
Cost for issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	(60)	—	—
Issuance of common stock	—	—	—	—	—	—	—	—	—	—	2,434	24	14,612	—	—
Dividends declared - common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	(36,144)	—
Dividends declared - preferred shares- Series D	—	—	—	—	—	—	—	—	—	—	—	—	—	(3,785)	—
Dividends declared – preferred shares- Series F	—	—	—	—	—	—	—	—	—	—	—	—	—	(6,637)	—
Dividends declared – preferred shares- Series G	—	—	—	—	—	—	—	—	—	—	—	—	—	(8,573)	—
Dividends declared –	—	—	—	—	—	—	—	—	—	—	—	—	—	(5,344)	—

preferred shares- Series H															
Dividends declared – preferred shares- Series I	—	—	—	—	—	—	—	—	—	—	—	—	—	(7,594)	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Redemption value adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	(19,387)	—
Net income (loss)	—	—	—	—	—	—	—	—	—	—	—	—	—	(72,166)	(8
Balance at September 30, 2018	2,389	$24	4,800	$48	6,200	$62	3,800	$38	5,400	$54	101,038	$1,010	$1,811,391	$(1,313,327)	$638

See Notes to Consolidated Financial Statements.

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ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2018	2017
Cash Flows from Operating Activities		
Net income (loss)	$(90,261)	$(50,235)
Adjustments to reconcile net income (loss) to net cash flow from operating activities:		
Depreciation and amortization	192,536	185,380
Impairment charges	1,652	1,785
Amortization of intangibles	(178)	(178)
Recognition of deferred income	(432)	(593)
Bad debt expense	1,527	1,441
Deferred income tax expense (benefit)	(603)	(1,683)
Equity in (earnings) loss of unconsolidated entities	(892)	3,580
(Gain) loss on sale of hotel properties, net	(394)	(14,024)
Realized and unrealized (gain) loss on marketable securities	585	3,991
Purchases of marketable securities	(11,434)	(38,889)
Sales of marketable securities	13,602	76,123
Net settlement of trading derivatives	(1,323)	(3,840)
Realized and unrealized (gain) loss on derivatives	3,672	6,512
Amortization of loan costs and premiums, write-off of premiums, loan costs and exit fees	23,726	10,783
Equity-based compensation	21,946	8,751
Changes in operating assets and liabilities, exclusive of the effect of acquisitions and dispositions of hotel properties:		
Accounts receivable and inventories	(16,524)	(14,169)
Prepaid expenses and other assets	(10,775)	(6,852)
Accounts payable and accrued expenses	21,551	18,573
Due to/from related party	(987)	(734)
Due to/from third-party hotel managers	(1,515)	(5,969)
Due to/from Braemar OP, net	—	(488)
Due to/from Ashford Inc., net	(9,970)	(2,027)
Other liabilities	1,743	1,213
Net cash provided by (used in) operating activities	137,252	178,451
Cash Flows from Investing Activities		
Investment in unconsolidated entity	(667)	(983)
Acquisition of hotel properties and assets, net of cash and restricted cash acquired	(114,877)	(110)
Improvements and additions to hotel properties	(164,726)	(164,075)
Net proceeds from sales of assets and hotel properties	40,573	105,267
Liquidation of AQUA U.S. Fund	—	50,942
Payments for initial franchise fees	(380)	(225)
Proceeds from property insurance	651	2,369
Net cash provided by (used in) investing activities	(239,426)	(6,815)
Cash Flows from Financing Activities		
Borrowings on indebtedness	2,676,881	180,800
Repayments of indebtedness	(2,461,279)	(246,139)
Payments for loan costs and exit fees	(55,152)	(5,813)
Payments for dividends and distributions	(72,333)	(75,571)

Purchases of common stock	(1,598)	(1,273)
Redemption of preferred stock	—	(80,554)
Payments for derivatives	(3,103)	(633)
Proceeds from common stock offering	13,624	—
Proceeds from preferred stock offering	—	91,634
Preferred stock offering costs	(60)	—
Other	53	94
Net cash provided by (used in) financing activities	97,033	(137,455)
Net increase (decrease) in cash, cash equivalents and restricted cash	(5,141)	34,181
Cash, cash equivalents and restricted cash at beginning of period	472,072	492,473
Cash, cash equivalents and restricted cash and at end of period	$466,931	$526,654

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	Nine Months Ended September 30, 2018	2017
Supplemental Cash Flow Information		
Interest paid	$158,832	$158,443
Income taxes paid (refunded)	1,527	1,610
Supplemental Disclosure of Non-Cash Investing and Financing Activity		
Accrued but unpaid capital expenditures	$13,970	$18,300
Non-cash dividends paid	123	—
Unsettled common stock offering proceeds	1,075	—
Dividends and distributions declared but not paid	28,095	25,520
Supplemental Disclosure of Cash, Cash Equivalents and Restricted Cash		
Cash and cash equivalents at beginning of period	$354,805	$347,091
Cash and cash equivalents at beginning of period included in assets held for sale	78	976
Restricted cash at beginning of period	116,787	144,014
Restricted cash at beginning of period included in assets held for sale	402	392
Cash, cash equivalents and restricted cash at beginning of period	$472,072	$492,473
Cash and cash equivalents at end of period	$325,839	$393,527
Restricted cash at end of period	141,092	133,127
Cash, cash equivalents and restricted cash at end of period	$466,931	$526,654

See Notes to Consolidated Financial Statements.

1. Organization and Description of Business

Ashford Hospitality Trust, Inc., together with its subsidiaries ("Ashford Trust"), is a real estate investment trust ("REIT") focused on investing in full-service hotels in the upscale and upper upscale segments in domestic and international markets that have revenue per available room ("RevPAR") generally less than twice the U.S. national average, and in all methods including direct real estate, equity, and debt. We own our lodging investments and conduct our business through Ashford Hospitality Limited Partnership ("Ashford Trust OP"), our operating partnership. Ashford OP General Partner LLC, a wholly-owned subsidiary of Ashford Trust, serves as the sole general partner of our operating partnership. In this report, terms such as the "Company," "we," "us," or "our" refer to Ashford Hospitality Trust, Inc. and all entities included in its consolidated financial statements.

We are advised by Ashford Hospitality Advisors LLC ("Ashford LLC"), a subsidiary of Ashford Inc., through an advisory agreement. All of the hotel properties in our portfolio are currently asset-managed by Ashford LLC. We do not have any employees. All of the services that might be provided by employees are provided to us by Ashford LLC.

As of September 30, 2018, we owned interests in the following assets:

- 118 consolidated hotel properties, including 116 directly owned and two owned through a majority-owned investment in a consolidated entity, which represent 24,930 total rooms (or 24,903 net rooms excluding those attributable to our partner);
- 90 hotel condominium units at WorldQuest Resort in Orlando, Florida ("WorldQuest");
- a 25.1% ownership in Ashford Inc. common stock with a carrying value of $1.8 million and a fair value of $45.4 million; and
- a 16.3% ownership in OpenKey with a carrying value of $2.8 million.

For federal income tax purposes, we have elected to be treated as a REIT, which imposes limitations related to operating hotels. As of September 30, 2018, our 118 hotel properties were leased or owned by our wholly-owned or majority-owned subsidiaries that are treated as taxable REIT subsidiaries for federal income tax purposes (collectively, these subsidiaries are referred to as "Ashford TRS"). Ashford TRS then engages third-party or affiliated hotel management companies to operate the hotels under management contracts. Hotel operating results related to these properties are included in the consolidated statements of operations.

As of September 30, 2018, Remington Lodging & Hospitality, LLC, together with its affiliates ("Remington Lodging"), which is beneficially wholly owned by Mr. Monty J. Bennett, our Chairman, and Mr. Archie Bennett, Jr., our Chairman Emeritus, managed 80 of our 118 hotel properties and WorldQuest Resort. Third-party management companies managed the remaining hotel properties. On August 8, 2018, Ashford Inc., the parent company of the advisor, completed its acquisition of Remington Holdings, L.P.'s project management business. See note 16.

2. Significant Accounting Policies

Basis of Presentation—The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These consolidated financial statements include the accounts of Ashford Hospitality Trust, Inc., its majority-owned subsidiaries, and its majority-owned joint ventures in which it has a controlling interest. All significant inter-company accounts and transactions between consolidated entities have been eliminated in these consolidated financial statements. We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP in the accompanying unaudited consolidated financial statements. We believe the disclosures made herein are adequate to prevent the information presented from being misleading. However, the financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2017 Annual Report to Stockholders on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 14, 2018.

Ashford Trust OP is considered to be a variable interest entity ("VIE"), as defined by authoritative accounting guidance. A VIE must be consolidated by a reporting entity if the reporting entity is the primary beneficiary because it has (i) the power to direct the VIE's activities that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. All major decisions related to Ashford Trust OP that most significantly impact its economic performance, including but not limited to operating procedures with respect to business affairs and any acquisitions, dispositions, financings, restructurings or other transactions with sellers, purchasers, lenders, brokers, agents and other applicable representatives, are subject to the approval of our wholly-owned subsidiary, Ashford Trust OP General Partner LLC, its general partner. As such, we consolidate Ashford Trust OP.

Historical seasonality patterns at some of our hotel properties cause fluctuations in our overall operating results. Consequently, operating results for the three and nine months ended September 30, 2018, are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

The following acquisitions and dispositions affect reporting comparability of our consolidated financial statements:

Hotel Property	Location	Type	Date
Renaissance	Portsmouth, VA	Disposition	February 1, 2017
Embassy Suites	Syracuse, NY	Disposition	March 6, 2017
Crowne Plaza Ravinia	Atlanta, GA	Disposition	June 29, 2017
SpringHill Suites	Glen Allen, VA	Disposition	February 20, 2018
SpringHill Suites	Centreville, VA	Disposition	May 1, 2018
Residence Inn Tampa	Tampa, FL	Disposition	May 10, 2018
Hilton Alexandria Old Town	Alexandria, VA	Acquisition	June 29, 2018

Use of Estimates—The preparation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Cash—Restricted cash includes reserves for debt service, real estate taxes, and insurance, as well as excess cash flow deposits and reserves for furniture, fixtures, and equipment replacements of approximately 4% to 6% of property revenue for certain hotels, as required by certain management or mortgage debt agreement restrictions and provisions.

Impairment of Investments in Hotel Properties—Hotel properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of the hotel is measured by comparison of the carrying amount of the hotel to the estimated future undiscounted cash flows, which take into account current market conditions and our intent with respect to holding or disposing of the hotel. If our analysis indicates that the carrying value of the hotel is not recoverable on an undiscounted cash flow basis, we recognize an impairment charge for the amount by which the property’s net book value exceeds its estimated fair value, or fair value, less cost to sell. In evaluating impairment of hotel properties, we make many assumptions and estimates, including projected cash flows, expected holding period, and expected useful life. Fair value is determined through various valuation techniques, including internally developed discounted cash flow models, comparable market transactions and third-party appraisals, where considered necessary. Asset write-downs resulting from property damage are recorded up to the amount of the allocable property insurance deductible in the period that the property damage occurs. See note 5.

Hotel Dispositions—Discontinued operations are defined as the disposal of components of an entity that represents strategic shifts that have (or will have) a major effect on an entity’s operations and financial results. We believe that individual dispositions of hotel properties do not represent a strategic shift that has (or will have) a major effect on our operations and financial results as most will not fit the definition.

Assets Held for Sale—We classify assets as held for sale when we have obtained a firm commitment from a buyer, and consummation of the sale is considered probable and expected within one year. The related operations of assets held for sale are reported as discontinued if the disposal is a component of an entity that represents a strategic shift that has (or will have) a major effect on our operations and cash flows. Depreciation and amortization will cease as of the date assets have met the criteria to be deemed held for sale. See note 5.

Investments in Unconsolidated Entities—Investments in entities in which we have ownership interests ranging from 16.3% to 25.1%, at September 30, 2018, are accounted for under the equity method of accounting by recording the initial investment and our percentage of interest in the entities' net income/loss. We review the investments in our unconsolidated entities for impairment in each reporting period pursuant to the applicable authoritative accounting guidance. An investment is impaired when its estimated fair value is less than the carrying amount of our investment. Any impairment is recorded in equity in earnings (loss) in unconsolidated entities. No such impairment was recorded for the three and nine months ended September 30, 2018 and 2017.

Our investments in certain unconsolidated entities are considered to be variable interests in the underlying entities. Each VIE, as defined by authoritative accounting guidance, must be consolidated by a reporting entity if the reporting entity is the primary beneficiary because it has (i) the power to direct the VIE's activities that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. Because we do not have the power and financial responsibility to direct the unconsolidated entities' activities and operations, we are not considered to be the primary beneficiary of these entities on an ongoing basis and therefore such entities should not be consolidated. In evaluating VIEs, our analysis involves considerable management judgment and assumptions.

Equity-Based Compensation—Prior to the adoption of Accounting Standards Update ("ASU") 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07") in the third quarter of 2018, stock/unit-based compensation for non-employees was accounted for at fair value based on the market price of the shares at period end that resulted in recording expense, included in "advisory services fee" and "management fees," equal to the fair value of the award in proportion to the requisite service period satisfied during the period. Performance stock units ("PSUs") and performance-based Long-Term Incentive Plan ("Performance LTIP") units granted to certain executive officers were accounted for at fair value at period end based on a Monte Carlo simulation valuation model that resulted in recording expense, included in "advisory services fee," equal to the fair value of the award in proportion to the requisite service period satisfied during the period. Stock/unit grants to independent directors are recorded at fair value based on the market price of the shares at grant date, which amount is fully expensed as the grants of stock/units are fully vested on the date of grant.

After the adoption of ASU 2018-07 in the third quarter of 2018, stock/unit-based compensation for non-employees is measured at the grant date and expensed ratably over the vesting period based on the original measurement as of the grant date. This results in the recording of expense, included in "advisory services fee" and "management fees," equal to the ratable amount of the grant date fair value based on the requisite service period satisfied during the period. PSUs and Performance LTIP units granted to certain executive officers vest based on market conditions and are measured at the grant date fair value based on a Monte Carlo simulation valuation model. The subsequent expense is then ratably recognized over the service period as the service is rendered regardless of when, if ever, the market conditions are satisfied. This results in recording expense, included in "advisory services fee," equal to the ratable amount of the grant date fair value based on the requisite service period satisfied during the period. Stock/unit grants to independent directors are measured at the grant date based on the market price of the shares at grant date, which amount is fully expensed as the grants of stock/units are fully vested on the date of grant.

Recently Adopted Accounting Standards—In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model, which requires a company to recognize revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration the company expects to receive in exchange for those goods or services. The update replaces most existing revenue recognition guidance in U.S. GAAP. The standard permits the use of either the full retrospective or cumulative effect (modified retrospective) transition method. This standard, referred to as "Topic 606," does not materially affect the amount or timing of revenue recognition for revenues from room, food and beverage, and other hotel level sales. Additionally, we have historically disposed of hotel properties for cash sales with no contingencies and no future involvement in the hotel operations. Therefore, Topic 606 does not impact the recognition of hotel sales. We adopted this standard effective January 1, 2018, under the modified retrospective method, and the adoption of this standard did not have a material impact on our consolidated financial statements. See related disclosures in note 3.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in other comprehensive income the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities

by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price and; (v) assess a valuation allowance on deferred tax assets related to unrealized losses of AFS debt securities in combination with other deferred tax assets. ASU 2016-01 provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. It also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Certain provisions of ASU 2016-01 are eligible for early adoption. We adopted this standard effective January 1, 2018. The adoption of this standard did not have a material impact on our consolidated financial statements and related disclosures.
In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments - a Consensus of the Emerging Issues Task Force (“ASU 2016-15”). The new guidance is intended to reduce

diversity in practice in how certain transactions are classified in the statement of cash flows. Certain issues addressed in this guidance include - debt payments or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, distributions received from equity method investments and beneficial interests in securitization transactions. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. We adopted this standard effective January 1, 2018 on a prospective basis as there were no required changes as a result of adoption. The adoption of this standard did not have a material impact on our consolidated statements of cash flows.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805) - Clarifying the Definition of a Business ("ASU 2017-01"), which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether a transaction should be accounted for as an acquisition (or disposal) of an asset or a business. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. We adopted this standard effective January 1, 2018. Under the new standard, certain future hotel acquisitions may be considered asset acquisitions rather than business combinations, which would affect capitalization of acquisitions costs (such costs are expensed for business combinations and capitalized for asset acquisitions). Asset acquisitions are accounted for by allocating the cost of the acquisition to the individual assets acquired and liabilities assumed on a relative fair value basis. We concluded that our hotel acquisition completed in the second quarter of 2018 is the acquisition of assets because substantially all of the fair value of the gross assets acquired were concentrated in a single identifiable asset or a group of similar identifiable assets. As such, acquisition costs were capitalized as part of the transaction. See note 4.

In February 2017, the FASB issued ASU 2017-05, Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets (ASU "2017-05"), which clarifies the scope of ASC Subtopic 610-20, Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets and adds guidance for partial sales of nonfinancial assets. ASU 2017-05 is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. An entity may elect to apply ASU 2017-05 under a retrospective or modified retrospective method. We adopted this standard effective January 1, 2018, under the modified retrospective method. The adoption of this standard did not have a material impact on our consolidated financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-07, which expanded the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees and aligns the guidance for share-based payments to non-employees with the requirements for share-based payments granted to employees. ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We adopted ASU 2018-07 effective July 1, 2018. The adoption of ASU 2018-07 has a material impact on our consolidated financial statements because the compensation expense related to our equity awards is now determined based on the grant date fair value of the awards and will be ratably recognized over the service period as the service is rendered as opposed to being marked-to-market in periods prior to adoption. For all existing equity awards, future equity-based compensation expense is based on the fair value of the awards on July 1, 2018. See the Equity-Based Compensation section included above in our Significant Accounting Policies for further details.

Recently Issued Accounting Standards—In February 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02"). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases ("ASU 2018-10") and ASU 2018-11, Leases (Topic 842), Targeted Improvements ("ASU 2018-11"). The amendments in ASU 2018-10 affect only narrow aspects of the guidance issued in the amendments in ASU 2016-02, including but not limited to lease residual value guarantees, the rate implicit in the lease, lease term and purchase options. The amendments in ASU 2018-11 provide an optional transition method for adoption of the new standard, which will allow entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption. ASU 2016-02 is effective for annual and interim periods for fiscal years beginning after December 15, 2018, which will require us to adopt these provisions in the first quarter of 2019 on a modified retrospective basis. The accounting for leases under which we are the lessor remains largely unchanged. While we continue evaluating our lease portfolio to assess the impact that ASU 2016-02 will have on our consolidated financial statements, we expect the primary impact to our consolidated financial statements upon adoption will be the recognition, on a discounted basis, of our future minimum rentals due under noncancelable leases on our consolidated balance sheets resulting in the recording of ROU assets and lease obligations. We disclosed $123.7 million in undiscounted future minimum rentals due under non-cancelable leases in note 12 of our most recent 10-K. We are involving our property managers and implementing repeatable processes to manage ongoing lease data collection and analysis, and evaluating accounting policies and internal controls that will be impacted by the new standards. We have also engaged in a third party valuation expert to assist us in determining the value of our ROU assets and operating lease liabilities including the determination of our incremental borrowing rate. We expect to use the transition method that includes the practical expedient that allows us to adopt effective January 1, 2019 and not reevaluate or recast prior periods, however we are still evaluating the available transition methods.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). The ASU sets forth an "expected credit loss" impairment model to replace the current "incurred loss" method of recognizing credit losses. The standard requires measurement and recognition of expected credit losses for most financial assets held. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for periods beginning after December 15, 2018. We are currently evaluating the impact that ASU 2016-13 will have on our consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). ASU 2018-13 modifies certain disclosure requirements related to fair value measurements including requiring disclosures on changes in unrealized gains and losses in other comprehensive income for recurring Level 3 fair value measurements and a requirement to disclose the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact that ASU 2018-13 will have on the consolidated financial statements.

3. Revenue

On January 1, 2018, we adopted Topic 606 using the modified retrospective method. As the adoption of this standard did not have a material impact on our consolidated financial statements, no adjustments to opening retained earnings were made as of January 1, 2018. Results for reporting periods beginning after January 1, 2018, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Accounting Standards Codification ("ASC") Topic 605-Revenue Recognition.

Rooms revenue represents revenue from the occupancy of our hotel rooms and is driven by the occupancy and average daily rate charged. Rooms revenue includes revenue for guest no-shows, day use, and early/late departure fees. The contracts for room stays with customers are generally short in duration and revenues are recognized as services are provided over the course of the hotel stay.

Food & Beverage ("F&B") revenue consists of revenue from the restaurants and lounges at our hotel properties, In-room dining and mini-bars revenue, and banquet/catering revenue from group and social functions. Other F&B revenue may include revenue from audio-visual equipment/services, rental of function rooms, and other F&B related revenue. Revenue is recognized as the services or products are provided. Our hotel properties may employ third parties to provide certain services at the property, for example, audio visual services. We evaluate each of these contracts to determine if the hotel is the principal or the agent in the transaction, and record the revenue as appropriate (i.e. gross vs. net).

Other revenue consists of ancillary revenue at the property, including attrition and cancellation fees, resort and destination fees, spas, parking, entertainment and other guest services, as well as rental revenue; primarily consisting of leased retail outlets at our hotel properties. Attrition and cancellation fees are recognized for non-cancellable deposits when the customer provides notification of cancellation within established management policy time frames.

For the three and nine months ended September 30, 2018, we recorded $0 and $2.5 million of business interruption income for the St. Petersburg Hilton and Key West Crowne Plaza related to a settlement for lost profits from the BP Deepwater Horizon oil spill in the Gulf of Mexico in 2010.

Taxes collected from customers and submitted to taxing authorities are not recorded in revenue. Interest income is recognized when earned. We discontinue recording interest and amortizing discounts/premiums when the contractual payment of interest and/or principal is not received when contractually due.

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The following tables presents our revenue disaggregated by geographical areas (in thousands):

	Three Months Ended September 30, 2018					
Primary Geographical Market	Number of Hotels	Rooms	Food and Beverage	Other Hotel	Other	Total
Atlanta, GA Area	9	$16,843	$ 3,800	$1,379	$—	$22,022
Boston, MA Area	3	18,274	2,102	944	—	21,320
Dallas / Ft. Worth Area	7	14,412	3,333	921	—	18,666
Houston, TX Area	3	6,378	1,720	183	—	8,281
Los Angeles, CA Metro Area	6	19,336	3,382	1,302	—	24,020
Miami, FL Metro Area	3	5,072	1,652	232	—	6,956
Minneapolis - St. Paul, MN - WI Area	4	9,930	2,308	1,242	—	13,480
Nashville, TN Area	1	12,854	3,581	341	—	16,776
New York / New Jersey Metro Area	6	19,661	5,031	796	—	25,488
Orlando, FL Area	3	6,242	371	356	—	6,969
Philadelphia, PA Area	3	6,898	1,000	250	—	8,148
San Diego, CA Area	2	5,228	254	269	—	5,751
San Francisco - Oakland, CA Metro Area	6	21,684	1,862	658	—	24,204
Tampa, FL Area	2	4,585	1,263	257	—	6,105
Washington DC - MD - VA Area	9	28,214	5,142	2,089	—	35,445
Other Areas	51	91,492	12,565	5,815	—	109,872
Orlando WorldQuest	—	913	30	275	—	1,218
Corporate	—	—	—	—	1,209	1,209
Total	118	$288,016	$ 49,396	$17,309	$1,209	$355,930

	Three Months Ended September 30, 2017					
Primary Geographical Market	Number of Hotels	Rooms	Food and Beverage	Other Hotel	Other	Total
Atlanta, GA Area	9	$16,831	$ 3,533	$1,373	$—	$21,737
Boston, MA Area	3	17,427	1,992	903	—	20,322
Dallas / Ft. Worth Area	7	14,827	2,950	800	—	18,577
Houston, TX Area	3	6,902	1,954	169	—	9,025
Los Angeles, CA Metro Area	6	19,074	3,263	1,193	—	23,530
Miami, FL Metro Area	3	5,383	1,418	250	—	7,051
Minneapolis - St. Paul, MN - WI Area	4	10,408	2,457	1,148	—	14,013
Nashville, TN Area	1	12,820	3,567	414	—	16,801
New York / New Jersey Metro Area	6	20,301	4,995	717	—	26,013
Orlando, FL Area	3	6,743	415	179	—	7,337
Philadelphia, PA Area	3	6,601	960	237	—	7,798
San Diego, CA Area	2	5,139	462	212	—	5,813
San Francisco - Oakland, CA Metro Area	6	20,814	1,949	520	—	23,283
Tampa, FL Area	3	4,744	1,088	185	—	6,017
Washington DC - MD - VA Area	9	25,376	4,421	1,334	—	31,131
Other Areas	52	91,740	12,857	4,993	—	109,590
Orlando WorldQuest	—	1,062	31	284	—	1,377
Sold properties	3	2,825	1	95	—	2,921

Corporate	—	—	—	—	989	989
Total	123	$289,017	$ 48,313	$15,006	$989	$353,325

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	Nine Months Ended September 30, 2018					
Primary Geographical Market	Number of Hotels	Rooms	Food and Beverage	Other Hotel	Other	Total
Atlanta, GA Area	9	$51,131	$12,233	$4,127	$—	$67,491
Boston, MA Area	3	45,046	5,619	2,625	—	53,290
Dallas / Ft. Worth Area	7	47,427	12,525	2,620	—	62,572
Houston, TX Area	3	20,599	6,933	602	—	28,134
Los Angeles, CA Metro Area	6	59,912	11,601	3,534	—	75,047
Miami, FL Metro Area	3	22,014	6,728	764	—	29,506
Minneapolis - St. Paul, MN - WI Area	4	28,228	7,188	3,613	—	39,029
Nashville, TN Area	1	38,151	9,430	1,181	—	48,762
New York / New Jersey Metro Area	6	56,696	17,154	2,159	—	76,009
Orlando, FL Area	3	21,763	1,160	887	—	23,810
Philadelphia, PA Area	3	18,587	3,226	675	—	22,488
San Diego, CA Area	2	14,224	755	744	—	15,723
San Francisco - Oakland, CA Metro Area	6	61,564	5,378	1,752	—	68,694
Tampa, FL Area	2	17,555	4,746	1,293	—	23,594
Washington DC - MD - VA Area	9	86,948	16,939	4,886	—	108,773
Other Areas	51	271,241	43,146	18,847	—	333,234
Orlando WorldQuest	—	3,486	107	920	—	4,513
Sold properties	3	3,518	1	129	—	3,648
Corporate	—	—	—	—	2,984	2,984
Total	121	$868,090	$164,869	$51,358	$2,984	$1,087,301

	Nine Months Ended September 30, 2017					
Primary Geographical Market	Number of Hotels	Rooms	Food and Beverage	Other Hotel	Other	Total
Atlanta, GA Area	9	$50,878	$12,727	$3,739	$—	$67,344
Boston, MA Area	3	44,637	6,036	2,418	—	53,091
Dallas / Ft. Worth Area	7	46,205	12,668	2,462	—	61,335
Houston, TX Area	3	21,052	6,538	532	—	28,122
Los Angeles, CA Metro Area	6	59,130	11,683	3,481	—	74,294
Miami, FL Metro Area	3	21,256	6,488	689	—	28,433
Minneapolis - St. Paul, MN - WI Area	4	27,936	7,358	3,326	—	38,620
Nashville, TN Area	1	38,687	14,575	1,266	—	54,528
New York / New Jersey Metro Area	6	55,934	17,863	1,786	—	75,583
Orlando, FL Area	3	22,824	1,536	562	—	24,922
Philadelphia, PA Area	3	18,082	2,951	601	—	21,634
San Diego, CA Area	2	14,102	1,174	549	—	15,825
San Francisco - Oakland, CA Metro Area	6	59,206	5,744	1,529	—	66,479
Tampa, FL Area	3	18,172	5,166	599	—	23,937
Washington DC - MD - VA Area	9	86,682	16,899	3,855	—	107,436
Other Areas	52	270,209	42,265	14,888	—	327,362
Orlando WorldQuest	—	3,934	121	951	—	5,006
Sold properties	6	18,001	3,213	487	—	21,701

Corporate	—	—	—	—	2,052	2,052
Total	126	$876,927	$175,005	$43,720	$2,052	$1,097,704

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4. Investments in Hotel Properties, net
Investments in hotel properties, net consisted of the following (in thousands):

	September 30, 2018	December 31, 2017
Land	$ 665,578	$ 653,293
Buildings and improvements	4,033,508	3,895,112
Furniture, fixtures, and equipment	494,583	468,420
Construction in progress	30,960	35,273
Condominium properties	12,173	12,196
Total cost	5,236,802	5,064,294
Accumulated depreciation	(1,146,817)	(1,028,379)
Investments in hotel properties, net	$ 4,089,985	$ 4,035,915

Acquisitions
Hilton Alexandria Old Town
On June 29, 2018, the Company acquired a 100% interest in the 252-room Hilton Alexandria Old Town in Alexandria, Virginia for $111.0 million. We accounted for this transaction as an asset acquisition because substantially all of the fair value of the gross assets acquired were concentrated in a group of similar identifiable assets. We allocated the cost of the acquisition including transaction costs to the individual assets acquired and liabilities assumed on a relative fair value basis, which is considered a Level 3 valuation technique, as noted in the following table (in thousands):

Land	$ 14,459
Buildings and improvements	94,535
Furniture, fixtures and equipment	2,479
	$ 111,473
Net other assets (liabilities)	$ 194

The results of operations of the hotel property have been included in our results of operations as of the acquisition date. The table below summarizes the total revenue and net income (loss) of the hotel property in our consolidated statements of operations for the three and nine months ended September 30, 2018:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Total revenue	$ 4,523	$ 4,523
Net income (loss)	194	194

5. Hotel Dispositions, Impairment Charges, Insurance Recoveries and Assets Held For Sale
Hotel Dispositions
On February 1, 2017, the Company sold the Renaissance hotel in Portsmouth, Virginia ("Renaissance Portsmouth") for approximately $9.2 million in cash. The sale resulted in a loss of $43,000 for the year ended December 31, 2017 and is included in "gain (loss) on sale of hotel properties" in the consolidated statements of operations. The Company also repaid approximately $20.2 million of debt associated with the hotel property. See note 7.
On March 6, 2017, the Company sold the Embassy Suites in Syracuse, New York ("Embassy Suites Syracuse") for approximately $8.8 million in cash. The sale resulted in a loss of $40,000 for the year ended December 31, 2017 and is included in "gain (loss) on sale of hotel properties" in the consolidated statements of operations. The Company also repaid approximately $20.6 million of debt associated with the hotel property. See note 7.

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On June 29, 2017, the Company sold the Crowne Plaza Ravinia in Atlanta, Georgia for approximately $88.7 million in cash. The sale resulted in a gain of $14.1 million for the year ended December 31, 2017 and is included in "gain (loss) on sale of hotel properties" in the consolidated statements of operations. The Company also repaid approximately $78.7 million of debt associated with the hotel property. See note 7.
On February 20, 2018, we completed the sale of the SpringHill Suites Glen Allen for approximately $10.9 million in cash. The sale resulted in a loss of approximately $13,000 for the nine months ended September 30, 2018 and is included in "gain (loss) on sale of hotel properties" in the consolidated statements of operations. The Company also repaid approximately $7.6 million of debt associated with the hotel property. See note 7.
On May 1, 2018, we completed the sale of the SpringHill Suites Centreville for approximately $7.5 million in cash. The sale resulted in a gain of approximately $16,000 for the nine months ended September 30, 2018 and is included in "gain (loss) on sale of hotel properties" in the consolidated statements of operations. The Company also repaid approximately $6.6 million of debt associated with the hotel property. See note 7.
On May 10, 2018, we completed the sale of the Residence Inn Tampa for approximately $24.0 million in cash. The sale resulted in a gain of approximately $400,000 for the nine months ended September 30, 2018 and is included in "gain (loss) on sale of hotel properties" in the consolidated statements of operations. The Company also repaid approximately $22.5 million of debt associated with the hotel property. See note 7.
We included the results of operations for these hotel properties through the date of disposition in net income (loss). The following table includes condensed financial information from these hotel properties in the consolidated statements of operations for the three and nine months ended September 30, 2018 and 2017 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Total hotel revenue	$—	$2,921	$3,648	$21,701
Total hotel operating expenses	75	(2,302)	(2,196)	(15,786)
Operating income (loss)	75	619	1,452	5,915
Property taxes, insurance and other	—	(148)	(220)	(1,031)
Depreciation and amortization	—	(556)	(347)	(4,007)
Impairment charges	—	(25)	(1,939)	(25)
Interest income	—	—	—	12
Gain (loss) on sale of hotel properties	(9)	15	394	14,024
Interest expense and amortization of loan costs	—	(425)	(525)	(3,665)
Write-off of loan costs and exit fees	—	—	(524)	(98)
Income (loss) before income taxes	66	(520)	(1,709)	11,125
(Income) loss before income taxes attributable to redeemable noncontrolling interests in operating partnership	(10)	82	254	(1,750)
Net income (loss) attributable to the Company	$56	$(438)	$(1,455)	$9,375

Impairment Charges and Insurance Recoveries
In August and September 2017, twenty-four of our hotel properties in Texas and Florida were impacted by the effects of Hurricanes Harvey and Irma. The Company holds insurance policies that provide coverage for property damage and business interruption after meeting certain deductibles at all of its hotel properties. During 2017, the Company recognized impairment charges, net of anticipated insurance recoveries of $2.0 million. Additionally, the Company recognized remediation and other costs, net of anticipated insurance recoveries of $2.8 million, included primarily in other hotel operating expenses. As of December 31, 2017, the Company recorded an insurance receivable of $267,000, net of deductibles of $4.8 million, included in "accounts receivable, net" on our consolidated balance sheet, related to the anticipated insurance recoveries. During the year ended December 31, 2017, the Company received

proceeds of $612,000 for business interruption losses associated with lost profits, which has been recorded as “other” hotel revenue in our consolidated statement of operations, in excess of the deductible of $360,000.

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For the three and nine months ended September 30, 2018, the Company recorded revenue from business interruption losses associated with lost profits from the hurricanes of $0 and $401,000, respectively, which is included in “other” hotel revenue in our consolidated statement of operations. We received additional proceeds of $192,000 and $834,000 associated with property damage from the hurricanes during the three and nine months ended September 30, 2018.
The Company will not record an insurance recovery receivable for business interruption losses associated with lost profits until the amount for such recoveries is known and the amount is realizable.
Additionally, for the three and nine months ended September 30, 2018, we recorded a $0 and $2.0 million impairment charge, respectively, at the SpringHill Suites in Centreville, Virginia (“SpringHill Suites Centreville”). We also recorded impairment adjustments of $(27,000) and $(310,000) for the three and nine months, respectively, based on changes in estimates of property damages incurred from Hurricanes Harvey and Irma. For the year ended December 31, 2017, we recorded impairment charges of $8.2 million related to the SpringHill Suites Centreville and the SpringHill Suites in Glen Allen, Virginia (“SpringHill Suites Glen Allen”) in the amounts of $4.7 million and $3.5 million, respectively. The impairment charges were based on methodologies discussed in note 2, which are considered Level 3 valuation techniques. SpringHill Suites Glen Allen was sold on February 20, 2018 and SpringHill Suites Centreville was sold on May 1, 2018. See discussion below under “Assets Held For Sale.”
Assets Held For Sale
At December 31, 2017, the SpringHill Suites Centreville and the SpringHill Suites Glen Allen were classified as held for sale in the consolidated balance sheet based on methodologies discussed in note 2.
On February 20, 2018, we completed the sale of the SpringHill Suites Glen Allen for approximately $10.9 million. The sale resulted in a loss of $13,000 for the nine months ended September 30, 2018, and is included in “gain (loss) on sale of hotel properties” in the consolidated statements of operations.
On May 1, 2018, we completed the sale of the SpringHill Suites Centreville for approximately $7.5 million in cash. We also repaid approximately $6.6 million of principal on our mortgage loan partially secured by the hotel property. The sale resulted in a gain of $16,000 for the nine months ended September 30, 2018, and is included in “gain (loss) on sale of hotel properties” in the consolidated statements of operations.
Since the sale of the hotel properties does not represent a strategic shift that has (or will have) a major effect on our operations or financial results, their results of operation were not reported as discontinued operations in the consolidated financial statements. Depreciation and amortization were ceased as of the date the assets were deemed held for sale.
The major classes of assets and liabilities related to the assets held for sale included in the consolidated balance sheets at December 31, 2017 were as follows:

	December 31, 2017
Assets	
Investments in hotel properties, net	$ 17,732
Cash and cash equivalents	78
Restricted cash	402
Accounts receivable	127
Inventories	1
Prepaid expenses	21
Other assets	31
Due from third-party hotel managers	31
Assets held for sale	$ 18,423
Liabilities	
Indebtedness, net	$ 13,221

Accounts payable and accrued expenses	662
Due to related party, net	94
Liabilities related to assets held for sale	$ 13,977

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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6. Investment in Unconsolidated Entities
Ashford Inc.
We hold approximately 598,000 shares of Ashford Inc. common stock, which represented an approximate 25.1% ownership interest in Ashford Inc. as of September 30, 2018, with a carrying value of $1.8 million and a fair value of $45.4 million.
The following tables summarize the condensed consolidated balance sheets as of September 30, 2018 and December 31, 2017 and the condensed consolidated statements of operations of Ashford Inc. and our equity in earnings (loss) for the three and nine months ended September 30, 2018 and 2017 (in thousands):
Ashford Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2018	December 31, 2017
Total assets	$ 389,818	$ 114,810
Total liabilities	$ 121,763	$ 78,742
Series B cumulative convertible preferred stock	200,578	—
Redeemable noncontrolling interests	3,778	5,111
Total stockholders' equity of Ashford Inc.	63,050	30,185
Noncontrolling interests in consolidated entities	649	772
Total equity	63,699	30,957
Total liabilities and equity	$ 389,818	$ 114,810
Our ownership interest in Ashford Inc.	$ 1,763	$ 437

Ashford Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Total revenue	$ 41,565	$ 19,255	$ 144,544	$ 51,907
Total operating expenses	(53,069)	(21,595)	(150,214)	(54,965)
Operating income (loss)	(11,504)	(2,340)	(5,670)	(3,058)
Realized and unrealized gain (loss) on investments, net	—	—	—	(91)
Interest expense and loan amortization costs	(419)	(20)	(770)	(35)
Other income (expense)	25	77	(50)	220
Income tax (expense) benefit	13,904	25	11,593	(9,248)
Net income (loss)	2,006	(2,258)	5,103	(12,212)
(Income) loss from consolidated entities attributable to noncontrolling interests	413	102	704	267
Net (income) loss attributable to redeemable noncontrolling interests	968	300	817	995
Net income (loss) attributable to Ashford Inc.	3,387	(1,856)	6,624	(10,950)
Preferred dividends	(1,675)	—	(1,675)	—
Amortization of preferred stock discount	(303)	—	(303)	—
Net income attributable to common shareholders	$ 1,409	$ (1,856)	$ 4,646	$ (10,950)
Our equity in earnings (loss) of Ashford Inc.	$ 470	$ (568)	$ 1,326	$ (3,291)

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OpenKey
In 2016, the Company made investments totaling $2.3 million in OpenKey, which is controlled and consolidated by Ashford Inc., for a 13.3% ownership interest. OpenKey is a hospitality-focused mobile key platform that provides a universal smart phone app for keyless entry into hotel guest rooms. In 2018 and 2017, we made additional investments of $667,000 and $983,000, respectively. As of September 30, 2018, the Company has made investments totaling $4.0 million. Our investment is recorded as a component of "investment in unconsolidated entities" in our consolidated balance sheet and is accounted for under the equity method of accounting as we have been deemed to have significant influence over the entity under the applicable accounting guidance.
The following table summarizes our carrying value and ownership interest in OpenKey:

	September 30, 2018	December 31, 2017
Carrying value of the investment in OpenKey (in thousands)	$ 2,751	$ 2,518
Ownership interest in OpenKey	16.3 %	16.2 %

The following table summarizes our equity in earnings (loss) in OpenKey (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Line Item	2018	2017	2018	2017
Equity in earnings (loss) in unconsolidated entity	$ (160)	$ (111)	$ (434)	$ (341)

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7. Indebtedness
Indebtedness consisted of the following (in thousands):

Indebtedness	Collateral	Maturity	Interest Rate	September 30, 2018	December 31, 2017
Secured credit facility [3]	None	September 2019	Base Rate [2] + 1.65% or LIBOR [1] + 2.65%	$ —	$ —
Mortgage loan [4]	8 hotels	January 2018	LIBOR [1] + 4.95%	—	376,800
Mortgage loan [5]	22 hotels	April 2018	LIBOR [1] + 4.39%	—	971,654
Mortgage loan [6]	1 hotel	July 2018	LIBOR [1] + 5.10%	—	40,500
Mortgage loan [6] [7]	3 hotel	August 2018	LIBOR [1] + 4.35%	—	52,530
Mortgage loan [6]	6 hotels	August 2018	LIBOR [1] + 4.35%	—	280,421
Mortgage loan [6] [8]	17 hotels	October 2018	LIBOR [1] + 4.55%	—	450,000
Mortgage loan [6]	5 hotels	February 2019	LIBOR [1] + 4.75%	—	200,000
Mortgage loan [6]	1 hotel	April 2019	LIBOR [1] + 4.95%	—	33,300
Mortgage loan [6]	1 hotel	May 2019	LIBOR [1] + 5.10%	—	25,100
Mortgage loan [9]	1 hotel	June 2019	LIBOR [1] + 5.10%	43,750	43,750
Mortgage loan	1 hotel	July 2019	4.00%	5,267	5,336
Mortgage loan [10]	1 hotel	July 2019	LIBOR [1] + 4.15%	35,200	35,200
Mortgage loan [10]	8 hotels	July 2019	LIBOR [1] + 4.09%	144,000	144,000
Mortgage loan [11]	1 hotel	August 2019	LIBOR [1] + 4.95%	7,778	12,000
Mortgage loan [12]	17 hotels	November 2019	LIBOR [1] + 3.00%	427,000	427,000
Mortgage loan [4]	8 hotels	February 2020	LIBOR [1] + 2.92%	395,000	—
Mortgage loan [5]	21 hotels	April 2020	LIBOR [1] + 3.20%	962,575	—
Mortgage loan [13]	1 hotel	May 2020	LIBOR [1] + 2.90%	16,100	16,100
Mortgage loan [6]	7 hotels	June 2020	LIBOR [1] + 3.65%	180,720	—
Mortgage loan [6]	7 hotels	June 2020	LIBOR [1] + 3.39%	174,400	—
Mortgage loan [6]	5 hotels	June 2020	LIBOR [1] + 3.73%	221,040	—
Mortgage loan [6]	5 hotels	June 2020	LIBOR [1] + 4.02%	262,640	—
Mortgage loan [6] [14]	5 hotels	June 2020	LIBOR [1] + 2.73%	160,000	—
Mortgage loan [6]	5 hotels	June 2020	LIBOR [1] + 3.68%	215,120	—
Mortgage loan	1 hotel	November 2020	6.26%	93,891	95,207
Mortgage loan [15]	2 hotels	June 2022	LIBOR [1] + 3.00%	174,211	164,700
Mortgage loan	1 hotel	November 2022	LIBOR [1] + 2.00%	97,000	97,000
Mortgage loan	1 hotel	May 2023	5.46%	53,086	53,789
Mortgage loan [16]	1 hotel	June 2023	LIBOR [1] + 2.45%	73,450	—
Mortgage loan	1 hotel	January 2024	5.49%	6,913	7,000
Mortgage loan	1 hotel	January 2024	5.49%	10,089	10,216
Mortgage loan	1 hotel	May 2024	4.99%	6,444	6,530
Mortgage loan	3 hotels	August 2024	5.20%	65,572	66,224
Mortgage loan	2 hotels	August 2024	4.85%	12,114	12,242
Mortgage loan	3 hotels	August 2024	4.90%	24,215	24,471

Mortgage loan	2 hotels	February 2025	4.45%	19,962	20,214
Mortgage loan	3 hotels	February 2025	4.45%	51,633	52,284
				3,939,170	3,723,568
Premiums, net				1,363	1,570
Deferred loan costs, net				(46,086)	(15,617)
				$ 3,894,447	$ 3,709,521
Indebtedness related to assets held for sale (7)	1 hotel	August 2018	LIBOR (1) + 4.35%	—	5,992
Indebtedness related to assets held for sale (8)	1 hotel	October 2018	LIBOR (1) + 4.55%	—	7,229
Indebtedness, net				$ 3,894,447	$ 3,696,300

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(1) LIBOR rates were 2.261% and 1.564% at September 30, 2018 and December 31, 2017, respectively.

(2) Base Rate, as defined in the secured credit facility agreement, is the greater of (i) the prime rate set by Bank of America, or (ii) federal funds rate + 0.5%, or (iii) LIBOR + 1.0%.

(3) On September 27, 2018, we established a secured credit facility with borrowing capacity of up to $100.0 million.

(4) On January 17, 2018, we refinanced this mortgage loan totaling $376.8 million set to mature in January 2018 with a new $395.0 million mortgage loan with a two-year initial term and five one-year extension options, subject to the satisfaction of certain conditions. The new mortgage loan is interest only and bears interest at a rate of LIBOR + 2.92%.

(5) On April 9, 2018, we refinanced this mortgage loan totaling $971.7 million set to mature in April 2018 with a new $985.0 million mortgage loan with a two-year initial term and five one-year extension options, subject to satisfaction of certain conditions. The new mortgage loan is interest only and bears interest at a rate of LIBOR + 3.20%. A portion of this mortgage loan relates to the Tampa Residence Inn, which was sold on May 10, 2018, resulting in a $22.5 million paydown. See note 5.

(6) On June 13, 2018, we refinanced seven mortgage loans totaling $1.068 billion set to mature between July 2018 and May 2019 with six new mortgage loans totaling $1.270 billion. Each new mortgage loan has a two-year initial term and five one-year extension options, subject to the satisfaction of certain conditions. The new mortgage loans are interest only.

(7) A portion of this mortgage loan at December 31, 2017 relates to the SpringHill Suites Centreville. The property was sold on May 1, 2018. See note 5.

(8) A portion of this mortgage loan at December 31, 2017 relates to the SpringHill Suites Glen Allen. The property was sold on February 20, 2018. See note 5.

(9) This mortgage loan has three one-year extension options, subject to satisfaction of certain conditions. The second one-year extension period began in June 2018.

(10) This mortgage loan has three one-year extension options subject to satisfaction of certain conditions. The second one-year extension period began in July 2018.

(11) This mortgage loan has two one-year extension options subject to satisfaction of certain conditions. Concurrent with the first one-year extension, which began in August 2018, a principal paydown of $4.2 million was made.

(12) This mortgage loan has five one-year extension options subject to satisfaction of certain conditions.

(13) This mortgage loan has two one-year extension options subject to satisfaction of certain conditions.

(14) On July 3, 2018, Ashford Hospitality Finance, one of our consolidated subsidiaries, purchased $56.3 million of this mortgage loan.

(15) This $181.0 million mortgage loan had an initial advance was $164.7 million in May 2017. In February, May, and June 2018, additional advances of $6.5 million, $1.1 million and $1.9 million, respectively, were used for a capital expenditures project at one of the hotels securing this mortgage loan.

(16) This new mortgage loan has a five-year term, is interest-only loan and bears interest at a rate of LIBOR + 2.45%.

On February 1, 2017, we repaid $20.2 million of principal on our mortgage loan partially secured by the Renaissance Portsmouth. This hotel property was sold on February 1, 2017.

On March 6, 2017, we repaid $20.6 million of principal on our mortgage loan partially secured by the Embassy Suites Syracuse. This hotel property was sold on March 6, 2017.

On May 10, 2017, we refinanced a $105.0 million mortgage loan, secured by the Renaissance Nashville in Nashville, Tennessee and the Westin in Princeton, New Jersey. The new mortgage loan totals $181.0 million, of which our initial advance was $164.7 million with future advances totaling $16.3 million as reimbursement for capital expenditures. The mortgage loan is interest only and provides for a floating interest rate of LIBOR + 3.00%. Beginning on July 1, 2020, quarterly principal payments of $750,000 are due. The stated maturity is June 2022, with no extension options.

On May 24, 2017, we refinanced a $15.7 million mortgage loan, secured by the Hotel Indigo (“Indigo Atlanta”) in Atlanta, Georgia. The new mortgage loan totals $16.1 million. The mortgage loan is interest only and provides for a floating interest rate of LIBOR + 2.90% for the first two years with a 30-year amortization schedule based on a 6% interest rate starting in the third year. The stated maturity is May 2020, with two one-year extension options.

On June 29, 2017, we repaid $78.7 million of principal on our mortgage loan partially secured by the Crowne Plaza Ravinia. This hotel property was sold on June 29, 2017.

On October 30, 2017, we refinanced our $94.7 million mortgage loan, with an outstanding balance of $94.5 million, secured by the Hilton Boston Back Bay. The new mortgage loan totals $97.0 million. The mortgage loan is non-recourse interest only and provides for a floating interest rate of LIBOR + 2.00%. The stated maturity is November 2022, with no extension options.

On October 31, 2017, we refinanced a $412.5 million mortgage loan, secured by seventeen hotels. The new mortgage loan totals $427.0 million. The mortgage loan is interest only and provides for a floating interest rate of LIBOR + 3.00%. The stated maturity is November 2019, with five one-year extension options. The new mortgage loan is secured by the following seventeen hotels: the Courtyard Alpharetta, Courtyard Bloomington, Courtyard Crystal City, Courtyard Foothill Ranch, Embassy Suites Austin, Embassy Suites Dallas, Embassy Suites Houston, Embassy Suites Las Vegas, Embassy Suites Palm Beach, Hampton Inn Evansville, Hilton Garden Inn Jacksonville, Hilton Nassau Bay, Hilton St. Petersburg, Residence Inn Evansville, Residence Inn Falls Church, Residence Inn San Diego and Sheraton Indianapolis.

On January 17, 2018, we refinanced our $376.8 million mortgage loan. The new mortgage loan totaled $395.0 million. The new mortgage loan has a two-year initial term and five one-year extension options, subject to the satisfaction of certain conditions. The mortgage loan is interest only and provides for a floating interest rate of LIBOR + 2.92%. The new mortgage loan is secured by eight hotels: Embassy Suites Portland, Embassy Suites Crystal City, Embassy Suites Orlando, Embassy Suites Santa Clara, Crowne Plaza Key West, Hilton Costa Mesa, Sheraton Minneapolis, and Historic Inns of Annapolis.

On February 20, 2018, we repaid $7.6 million of principal on our mortgage loan partially secured by the SpringHill Suites Glen Allen. This hotel property was sold on February 20, 2018.

On April 9, 2018, we refinanced our $971.7 million mortgage loan secured by 22 hotel properties. The new mortgage loan totaled $985.0 million, is interest only and provides for a floating interest rate of LIBOR + 3.20%. The stated maturity is April 2020 with five one-year extension options, subject to the satisfaction of certain conditions. The new mortgage loan is secured by the same 22 hotel properties that include: the Courtyard Boston Downtown, Courtyard Denver, Courtyard Gaithersburg, Courtyard Savannah, Hampton Inn Parsippany, Hilton Parsippany, Hilton Tampa, Hilton Garden Inn Austin, Hilton Garden Inn BWI, Hilton Garden Inn Virginia Beach, Hyatt Windwatch Long Island, Hyatt Savannah, Marriott DFW Airport, Marriott Omaha, Marriott San Antonio, Marriott Sugarland, Renaissance Palm Springs, Ritz-Carlton Atlanta, Residence Inn Tampa, Churchill, Melrose and Silversmith.

On May 1, 2018, we repaid $6.6 million of principal on our mortgage loan partially secured by the SpringHill Suites Centreville. This hotel property was sold on May 1, 2018.

On May 10, 2018, we repaid $22.5 million of principal on our mortgage loan partially secured by the Residence Inn Tampa. This hotel property was sold on May 10, 2018.

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On June 13, 2018, we refinanced seven mortgage loans with existing outstanding balances totaling $1.068 billion. The new financing is comprised of six separate mortgage loans that total approximately $1.270 billion. Each has a two-year initial term with five one-year extension options, subject to the satisfaction of certain conditions. The original principal amounts of each mortgage loan and the hotel properties securing each mortgage loan are set forth in the following table:

Mortgage Loan	Principal Amount (in thousands)	Interest Rate	Secured Hotel Properties
A	$ 180,720	LIBOR + 3.65%	Courtyard Columbus Tipton Lakes
			Courtyard Scottsdale Old Town
			Residence Inn Phoenix Airport
			SpringHill Suites Manhattan Beach
			SpringHill Suites Plymouth Meeting
			Residence Inn Las Vegas Hughes Center
			Residence Inn Newark
B	$ 174,400	LIBOR + 3.39%	Courtyard Newark
			SpringHill Suites BWI
			Courtyard Oakland Airport
			Courtyard Plano Legacy
			Residence Inn Plano
			TownePlace Suites Manhattan Beach
			Courtyard Basking Ridge
C	$ 221,040	LIBOR + 3.73%	Sheraton San Diego Mission Valley
			Sheraton Bucks County
			Hilton Ft. Worth
			Hyatt Regency Coral Gables
			Hilton Minneapolis
D	$ 262,640	LIBOR + 4.02%	Hilton Santa Fe
			Embassy Suites Dulles
			Marriott Beverly Hills
			One Ocean
			Marriott Suites Dallas Market Center
E [(1)]	$ 216,320	LIBOR + 4.36%	Marriott Memphis East
			Embassy Suites Philadelphia Airport
			Sheraton Anchorage
			Lakeway Resort & Spa
			Marriott Fremont
F	$ 215,120	LIBOR + 3.68%	W Atlanta Downtown
			Embassy Suites Flagstaff
			Embassy Suites Walnut Creek
			Marriott Bridgewater
			Marriott Durham Research Triangle Park

[(1)]On July 3, 2018, we purchased $56.3 million of mezzanine debt related to the Pool E loan that was issued in conjunction with the June 13, 2018 refinance. The net floating interest rate after the purchase of the Pool E loan is LIBOR + 2.73%.

On June 29, 2018, in connection with the acquisition of the Hilton Alexandria Old Town in Alexandria VA, we completed the financing of a $73.5 million mortgage loan. This mortgage loan is interest only and provides for a floating interest rate of LIBOR + 2.45%. The stated maturity date of the mortgage loan is June 2023, with no extension options. The mortgage loan is secured by the Hilton Alexandria Old Town.

On July 3, 2018, we purchased $56.3 million of mezzanine debt related to the Pool E loan that was issued in conjunction with the June 13, 2018 refinance. The net floating interest rate after the purchase of the Pool E loan is LIBOR + 2.73%. The mezzanine debt receivable purchase and corresponding mezzanine debt eliminate in consolidation.

On September 27, 2018, we established a secured credit facility with a borrowing capacity of up to $100.0 million, which is secured by a pledge of 100% of the equity interests in the subsidiaries that own the hotel property for which revolving credit facility funds were used to acquire. The interest rate associated with the secured credit facility is either the base rate + 1.65% or LIBOR + 2.65% at the Company’s election. The base rate is the greater of (i) the prime rate set by Bank of America; (ii) federal funds rate + 0.5%; or (iii) LIBOR + 1.0%.

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During the three and nine months ended September 30, 2018 and 2017, we recognized premium amortization as presented in the table below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Line Item	2018	2017	2018	2017
Interest expense - premium amortization	$69	$185	$207	$1,767

The amortization of the premium is computed using a method that approximates the effective interest method, which is included in interest expense and amortization of premiums and loan costs in the consolidated statements of operations.

We are required to maintain certain financial ratios under various debt and related agreements. If we violate covenants in any debt or related agreement, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all. The assets of certain of our subsidiaries are pledged under non-recourse indebtedness and are not available to satisfy the debts and other obligations of Ashford Trust or Ashford Trust OP, our operating partnership, and the liabilities of such subsidiaries do not constitute the obligations of Ashford Trust or Ashford Trust OP. As of September 30, 2018, we were in compliance in all material respects with all covenants or other requirements set forth in our debt and related agreements as amended.

8. Income (Loss) Per Share

Basic income (loss) per common share is calculated using the two-class method by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share is calculated using the two-class method, or treasury stock method if more dilutive, and reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares, whereby such exercise or conversion would result in lower income per share.

The following table reconciles the amounts used in calculating basic and diluted income (loss) per share (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Income (loss) allocated to common stockholders:				
Income (loss) attributable to the Company	$(27,589)	$(21,808)	$(72,166)	$(37,037)
Less: Dividends on preferred stock	(10,645)	(11,440)	(31,933)	(33,352)
Less: Extinguishment of issuance costs upon redemption of preferred stock	—	(4,507)	—	(4,507)
Less: Dividends on common stock	(11,897)	(11,439)	(35,138)	(34,316)
Less: Dividends on unvested performance stock units	(123)	(98)	(368)	(294)
Less: Dividends on unvested restricted shares	(206)	(251)	(638)	(709)
Undistributed income (loss)	(50,460)	(49,543)	(140,243)	(110,215)
Add back: Dividends on common stock	11,897	11,439	35,138	34,316
Distributed and undistributed income (loss) - basic and diluted	$(38,563)	$(38,104)	$(105,105)	$(75,899)
Weighted average shares outstanding:				
Weighted average common shares outstanding - basic and diluted	97,467	95,332	96,591	95,169

Basic income (loss) per share:				
Net income (loss) allocated to common stockholders per share	$(0.40)	$(0.40)	$(1.09)	$(0.80)
Diluted income (loss) per share:				
Net income (loss) allocated to common stockholders per share	$(0.40)	$(0.40)	$(1.09)	$(0.80)

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Due to the anti-dilutive effect, the computation of diluted income (loss) per share does not reflect adjustments for the following items (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Income (loss) allocated to common stockholders is not adjusted for:				
Income (loss) allocated to unvested restricted shares	$206	$251	$638	$709
Income (loss) allocated to unvested performance stock units	123	98	368	294
Income (loss) attributable to noncontrolling interest in operating partnership units	(6,682)	(6,940)	(18,087)	(13,202)
Total	$(6,353)	$(6,591)	$(17,081)	$(12,199)
Weighted average diluted shares are not adjusted for:				
Effect of unvested restricted shares	119	368	124	284
Effect of unvested performance stock units	4	250	335	97
Effect of assumed conversion of operating partnership units	17,443	17,551	17,669	17,367
Effect of advisory services incentive fee shares	286	277	296	287
Total	17,852	18,446	18,424	18,035

9. Derivative Instruments and Hedging

Interest Rate Derivatives—We are exposed to risks arising from our business operations, economic conditions and financial markets. To manage these risks, we primarily use interest rate derivatives to hedge our debt and our cash flows. The interest rate derivatives currently include interest rate caps and interest rate floors. These derivatives are subject to master netting settlement arrangements. To mitigate the nonperformance risk, we routinely use a third party's analysis of the creditworthiness of the counterparties, which supports our belief that the counterparties' nonperformance risk is limited. All derivatives are recorded at fair value.

The following table presents a summary of our interest rate derivatives entered into over the applicable periods:

	Nine Months Ended September 30,	
	2018	2017
Interest rate caps:		
Notional amount (in thousands)	$3,589,618	$2,112,700
Strike rate low end of range	1.50 %	1.50 %
Strike rate high end of range	5.71 %	5.84 %
Effective date range	January 2018 - August 2018	February 2017 - August 2017
Maturity date range	January 2019 - July 2020	February 2018 - June 2019
Total cost (in thousands)	$3,103	$633
Interest rate floors:		
Notional amount (in thousands)	$12,000,000	$4,000,000
Strike rate low end of range	1.38 %	1.00 %

Strike rate high end of range	2.00 %	1.00 %
Effective date range	July 2018	September 2017
Termination date range	September 2019 - December 2019	March 2019
Total cost (in thousands)	$413	$163

None of these instruments were designated as cash flow hedges.

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As of September 30, 2018, we held interest rate instruments as summarized in the table below:

Interest rate caps:	
Notional amount (in thousands)	$4,3