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

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**FORM 10-Q**

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 30, 2021**

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 **001-35169**

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**RLJ LODGING TRUST**

(Exact Name of Registrant as Specified in Its Charter)

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**Maryland**  
(State or Other Jurisdiction of Incorporation or Organization)

**27-4706509**  
(I.R.S. Employer Identification No.)

**3 Bethesda Metro Center, Suite 1000**  
**Bethesda, Maryland**  
(Address of Principal Executive Offices)

**20814**  
(Zip Code)

**(301) 280-7777**  
(Registrant's Telephone Number, Including Area Code)

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Securities registered pursuant to Section 12 (b) of the Exchange Act:

<u>Title of Class</u>	<u>Trading Symbol</u>	<u>Name of Exchange on Which Registered</u>
Common Shares of beneficial interest, par value \$0.01 per share	RLJ	New York Stock Exchange
\$1.95 Series A Cumulative Convertible Preferred Shares, par value \$0.01 per share	RLJ-A	New York Stock Exchange

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.  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).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

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Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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  No

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

As of July 30, 2021, 166,618,575 common shares of beneficial interest of the Registrant, \$0.01 par value per share, were outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

**RLJ Lodging Trust**  
**Consolidated Balance Sheets**  
(Amounts in thousands, except share and per share data)  
*(unaudited)*

	June 30, 2021	December 31, 2020
<b>Assets</b>		
Investment in hotel properties, net	\$ 4,395,901	\$ 4,486,416
Investment in unconsolidated joint ventures	6,891	6,798
Cash and cash equivalents	657,892	899,813
Restricted cash reserves	38,842	34,977
Hotel and other receivables, net of allowance of \$90 and \$292, respectively	25,352	13,346
Lease right-of-use assets	140,321	142,989
Prepaid expense and other assets	31,338	32,833
<b>Total assets</b>	<b>\$ 5,296,537</b>	<b>\$ 5,617,172</b>
<b>Liabilities and Equity</b>		
Debt, net	\$ 2,407,345	\$ 2,587,731
Accounts payable and other liabilities	150,713	172,325
Advance deposits and deferred revenue	22,777	32,177
Lease liabilities	121,305	122,593
Accrued interest	6,140	6,206
Distributions payable	8,339	8,752
<b>Total liabilities</b>	<b>2,716,619</b>	<b>2,929,784</b>
Commitments and Contingencies (Note 11)		
<b>Equity</b>		
Shareholders' equity:		
Preferred shares of beneficial interest, \$0.01 par value, 50,000,000 shares authorized		
Series A Cumulative Convertible Preferred Shares, \$0.01 par value, 12,950,000 shares authorized; 12,879,475 shares issued and outstanding, liquidation value of \$328,266, at June 30, 2021 and December 31, 2020	366,936	366,936
Common shares of beneficial interest, \$0.01 par value, 450,000,000 shares authorized; 166,626,796 and 165,002,752 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	1,666	1,650
Additional paid-in capital	3,083,175	3,077,142
Accumulated other comprehensive loss	(36,297)	(69,050)
Distributions in excess of net earnings	(855,106)	(710,161)
Total shareholders' equity	2,560,374	2,666,517
Noncontrolling interests:		
Noncontrolling interest in consolidated joint ventures	12,349	13,002
Noncontrolling interest in the Operating Partnership	7,195	7,869
Total noncontrolling interests	19,544	20,871
<b>Total equity</b>	<b>2,579,918</b>	<b>2,687,388</b>
<b>Total liabilities and equity</b>	<b>\$ 5,296,537</b>	<b>\$ 5,617,172</b>

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

**RLJ Lodging Trust**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**(Amounts in thousands, except share and per share data)**  
*(unaudited)*

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Revenues</b>				
Operating revenues				
Room revenue	\$ 166,554	\$ 27,853	\$ 269,326	\$ 246,745
Food and beverage revenue	12,983	1,271	19,225	32,039
Other revenue	14,717	3,467	25,255	19,289
Total revenues	<u>194,254</u>	<u>32,591</u>	<u>313,806</u>	<u>298,073</u>
<b>Expenses</b>				
Operating expenses				
Room expense	42,898	12,469	72,325	76,222
Food and beverage expense	8,709	1,801	13,265	28,181
Management and franchise fee expense	12,630	(1,827)	17,991	15,317
Other operating expense	56,883	37,933	106,003	118,890
Total property operating expenses	<u>121,120</u>	<u>50,376</u>	<u>209,584</u>	<u>238,610</u>
Depreciation and amortization	46,915	49,229	93,858	98,402
Impairment losses	—	—	5,946	—
Property tax, insurance and other	24,048	25,348	44,129	54,041
General and administrative	12,133	11,673	22,934	23,441
Transaction costs	195	20	255	30
Total operating expenses	<u>204,411</u>	<u>136,646</u>	<u>376,706</u>	<u>414,524</u>
Other (expense) income, net	(9,720)	282	(9,255)	859
Interest income	220	579	604	3,545
Interest expense	(26,366)	(23,794)	(54,261)	(47,607)
Gain (loss) on sale of hotel properties, net	103	(8)	1,186	94
Loss on extinguishment of indebtedness, net	(6,207)	—	(6,207)	—
Loss before equity in income (loss) from unconsolidated joint ventures	(52,127)	(126,996)	(130,833)	(159,560)
Equity in income (loss) from unconsolidated joint ventures	60	(975)	(238)	(390)
Loss before income tax (expense) benefit	(52,067)	(127,971)	(131,071)	(159,950)
Income tax (expense) benefit	(154)	11,805	(268)	12,955
Net loss	(52,221)	(116,166)	(131,339)	(146,995)
Net loss attributable to noncontrolling interests:				
Noncontrolling interest in consolidated joint ventures	506	524	1,242	1,837
Noncontrolling interest in the Operating Partnership	268	568	664	760
Net loss attributable to RLJ	(51,447)	(115,074)	(129,433)	(144,398)
Preferred dividends	(6,279)	(6,279)	(12,557)	(12,557)
Net loss attributable to common shareholders	<u>\$ (57,726)</u>	<u>\$ (121,353)</u>	<u>\$ (141,990)</u>	<u>\$ (156,955)</u>
<b>Basic and diluted per common share data:</b>				
Net loss per share attributable to common shareholders	<u>\$ (0.35)</u>	<u>\$ (0.74)</u>	<u>\$ (0.87)</u>	<u>\$ (0.95)</u>
Weighted-average number of common shares	<u>163,996,003</u>	<u>163,543,701</u>	<u>163,911,475</u>	<u>165,346,717</u>

**Comprehensive loss:**

Net loss	\$	(52,221)	\$	(116,166)	\$	(131,339)	\$	(146,995)
Unrealized gain (loss) on interest rate derivatives		5,375		(6,582)		22,095		(63,059)
Reclassification of unrealized losses on discontinued cash flow hedges to other (expense) income, net		10,658		—		10,658		—
Comprehensive loss		(36,188)		(122,748)		(98,586)		(210,054)
Comprehensive loss attributable to noncontrolling interests:								
Noncontrolling interest in consolidated joint ventures		506		524		1,242		1,837
Noncontrolling interest in the Operating Partnership		268		568		664		760
Comprehensive loss attributable to RLJ	\$	(35,414)	\$	(121,656)	\$	(96,680)	\$	(207,457)

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

**RLJ Lodging Trust**  
**Consolidated Statements of Changes in Equity**  
(Amounts in thousands, except share data)  
*(unaudited)*

	Shareholders' Equity						Noncontrolling Interest			
	Preferred Stock		Common Stock				Accumulated Other Comprehensive Loss	Operating Partnership	Consolidated Joint Ventures	Total Equity
	Shares	Amount	Shares	Par Value	Additional Paid-in Capital	Distributions in excess of net earnings				
<b>Balance at December 31, 2020</b>	12,879,475	\$366,936	165,002,752	\$ 1,650	\$3,077,142	\$ (710,161)	\$ (69,050)	\$ 7,869	\$ 13,002	\$ 2,687,388
Net loss	—	—	—	—	—	(129,433)	—	(664)	(1,242)	(131,339)
Unrealized gain on interest rate derivatives	—	—	—	—	—	—	22,095	—	—	22,095
Reclassification of unrealized losses on discontinued cash flow hedges to other (expense) income, net	—	—	—	—	—	—	10,658	—	—	10,658
Contributions from consolidated joint venture partners	—	—	—	—	—	—	—	—	589	589
Issuance of restricted stock	—	—	1,759,193	17	(17)	—	—	—	—	—
Amortization of share-based compensation	—	—	—	—	8,124	—	—	—	—	8,124
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock	—	—	(133,767)	(1)	(2,074)	—	—	—	—	(2,075)
Forfeiture of restricted stock	—	—	(1,382)	—	—	—	—	—	—	—
Distributions on preferred shares	—	—	—	—	—	(12,557)	—	—	—	(12,557)
Distributions on common shares and units	—	—	—	—	—	(2,955)	—	(10)	—	(2,965)
<b>Balance at June 30, 2021</b>	<u>12,879,475</u>	<u>\$366,936</u>	<u>166,626,796</u>	<u>\$ 1,666</u>	<u>\$3,083,175</u>	<u>\$ (855,106)</u>	<u>\$ (36,297)</u>	<u>\$ 7,195</u>	<u>\$ 12,349</u>	<u>\$ 2,579,918</u>

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

**RLJ Lodging Trust**  
**Consolidated Statements of Changes in Equity**  
(Amounts in thousands, except share data)  
*(unaudited)*

	Shareholders' Equity						Noncontrolling Interest			
	Preferred Stock		Common Stock				Accumulated Other Comprehensive Loss	Operating Partnership	Consolidated Joint Ventures	Total Equity
	Shares	Amount	Shares	Par Value	Additional Paid-in Capital	Distributions in excess of net earnings				
<b>Balance at March 31, 2021</b>	12,879,475	\$366,936	164,918,126	\$ 1,649	\$3,078,824	\$ (795,706)	\$ (52,330)	\$ 7,470	\$ 12,365	\$ 2,619,208
Net loss	—	—	—	—	—	(51,447)	—	(268)	(506)	(52,221)
Unrealized gain on interest rate derivatives	—	—	—	—	—	—	5,375	—	—	5,375
Reclassification of unrealized losses on discontinued cash flow hedges to other (expense) income, net	—	—	—	—	—	—	10,658	—	—	10,658
Contributions from consolidated joint venture partners	—	—	—	—	—	—	—	—	490	490
Issuance of restricted stock	—	—	1,759,193	17	(17)	—	—	—	—	—
Amortization of share-based compensation	—	—	—	—	5,180	—	—	—	—	5,180
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock	—	—	(50,523)	—	(812)	—	—	—	—	(812)
Distributions on preferred shares	—	—	—	—	—	(6,279)	—	—	—	(6,279)
Distributions on common shares and units	—	—	—	—	—	(1,674)	—	(7)	—	(1,681)
<b>Balance at June 30, 2021</b>	<u>12,879,475</u>	<u>\$366,936</u>	<u>166,626,796</u>	<u>\$ 1,666</u>	<u>\$3,083,175</u>	<u>\$ (855,106)</u>	<u>\$ (36,297)</u>	<u>\$ 7,195</u>	<u>\$ 12,349</u>	<u>\$ 2,579,918</u>

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



**RLJ Lodging Trust**  
**Consolidated Statements of Changes in Equity**  
(Amounts in thousands, except share data)  
*(unaudited)*

	Shareholders' Equity						Noncontrolling Interest			Total Equity
	Preferred Stock		Common Stock				Accumulated Other Comprehensive Loss	Operating Partnership	Consolidated Joint Ventures	
	Shares	Amount	Shares	Par Value	Additional Paid-in Capital	Distributions in excess of net earnings				
<b>Balance at December 31, 2019</b>	12,879,475	\$366,936	169,852,246	\$ 1,699	\$3,127,982	\$ (274,769)	\$ (19,514)	\$ 10,084	\$ 14,065	\$ 3,226,483
Net loss	—	—	—	—	—	(144,398)	—	(760)	(1,837)	(146,995)
Unrealized loss on interest rate derivatives	—	—	—	—	—	—	(63,059)	—	—	(63,059)
Redemption of Operating Partnership units	—	—	—	—	—	—	—	(8)	—	(8)
Contributions from consolidated joint venture partners	—	—	—	—	—	—	—	—	1,264	1,264
Issuance of restricted stock	—	—	801,463	8	(8)	—	—	—	—	—
Amortization of share-based compensation	—	—	—	—	6,487	—	—	—	—	6,487
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock	—	—	(62,987)	(1)	(848)	—	—	—	—	(849)
Shares acquired as part of a share repurchase program	—	—	(5,489,335)	(55)	(62,550)	—	—	—	—	(62,605)
Forfeiture of restricted stock	—	—	(8,434)	—	—	—	—	—	—	—
Distributions on preferred shares	—	—	—	—	—	(12,557)	—	—	—	(12,557)
Distributions on common shares and units	—	—	—	—	—	(2,518)	—	(172)	—	(2,690)
<b>Balance at June 30, 2020</b>	<u>12,879,475</u>	<u>\$366,936</u>	<u>165,092,953</u>	<u>\$ 1,651</u>	<u>\$3,071,063</u>	<u>\$ (434,242)</u>	<u>\$ (82,573)</u>	<u>\$ 9,144</u>	<u>\$ 13,492</u>	<u>\$ 2,945,471</u>

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

**RLJ Lodging Trust**  
**Consolidated Statements of Changes in Equity**  
**(Amounts in thousands, except share data)**  
*(unaudited)*

	Shareholders' Equity						Noncontrolling Interest			Total Equity
	Preferred Stock		Common Stock				Accumulated Other Comprehensive Loss	Operating Partnership	Consolidated Joint Ventures	
	Shares	Amount	Shares	Par Value	Additional Paid-in Capital	Distributions in excess of net earnings				
<b>Balance at March 31, 2020</b>	12,879,475	\$366,936	164,842,781	\$ 1,648	\$3,067,693	\$ (311,223)	\$ (75,991)	\$ 9,749	\$ 13,022	\$ 3,071,834
Net loss	—	—	—	—	—	(115,074)	—	(568)	(524)	(116,166)
Unrealized loss on interest rate derivatives	—	—	—	—	—	—	(6,582)	—	—	(6,582)
Contributions from consolidated joint venture partners	—	—	—	—	—	—	—	—	994	994
Issuance of restricted stock	—	—	276,294	3	(3)	—	—	—	—	—
Amortization of share-based compensation	—	—	—	—	3,588	—	—	—	—	3,588
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock	—	—	(24,112)	—	(215)	—	—	—	—	(215)
Forfeiture of restricted stock	—	—	(2,010)	—	—	—	—	—	—	—
Distributions on preferred shares	—	—	—	—	—	(6,279)	—	—	—	(6,279)
Distributions on common shares and units	—	—	—	—	—	(1,666)	—	(37)	—	(1,703)
<b>Balance at June 30, 2020</b>	<u>12,879,475</u>	<u>\$366,936</u>	<u>165,092,953</u>	<u>\$ 1,651</u>	<u>\$3,071,063</u>	<u>\$ (434,242)</u>	<u>\$ (82,573)</u>	<u>\$ 9,144</u>	<u>\$ 13,492</u>	<u>\$ 2,945,471</u>

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

**RLJ Lodging Trust**  
**Consolidated Statements of Cash Flows**  
(Amounts in thousands)  
*(unaudited)*

	For the six months ended June 30,	
	2021	2020
<b>Cash flows from operating activities</b>		
Net loss	\$ (131,339)	\$ (146,995)
Adjustments to reconcile net loss to cash flow used in operating activities:		
Gain on sale of hotel properties, net	(1,186)	(94)
Loss on extinguishment of indebtedness, net	6,207	—
Depreciation and amortization	93,858	98,402
Amortization of deferred financing costs	2,685	2,067
Other amortization	(1,177)	(1,192)
Reclassification of unrealized losses on discontinued cash flow hedges to other (expense) income, net	10,658	—
Unrealized loss on discontinued cash flow hedges	—	1,186
Equity in loss from unconsolidated joint ventures	238	390
Impairment losses	5,946	—
Amortization of share-based compensation	7,600	6,021
Deferred income taxes	—	(13,062)
Changes in assets and liabilities:		
Hotel and other receivables, net	(12,071)	28,352
Prepaid expense and other assets	1,969	16,176
Accounts payable and other liabilities	2,058	(31,642)
Advance deposits and deferred revenue	(9,399)	(16,243)
Accrued interest	(66)	2,268
<b>Net cash flow used in operating activities</b>	<b>(24,019)</b>	<b>(54,366)</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of hotel properties, net	16,268	94
Improvements and additions to hotel properties	(25,087)	(44,678)
Purchase deposits	(1,500)	—
Contributions to unconsolidated joint ventures	(331)	(100)
Distributions from unconsolidated joint ventures in excess of earnings	—	1,577
<b>Net cash flow used in investing activities</b>	<b>(10,650)</b>	<b>(43,107)</b>
<b>Cash flows from financing activities</b>		
Borrowings under Revolver	—	400,000
Repayment of Revolver	(200,000)	—
Proceeds from issuance of \$500 Million Senior Notes due 2026	500,000	—
Scheduled mortgage loan principal payments	(1,488)	(1,687)
Repayments of Term Loans	(356,338)	—
Repayments of mortgage loans	(120,469)	—
Repurchase of common shares under a share repurchase program	—	(62,605)
Repurchase of common shares to satisfy employee tax withholding requirements	(2,075)	(849)
Distributions on preferred shares	(12,557)	(12,557)
Distributions on common shares	(3,369)	(57,700)
Distributions on and redemption of Operating Partnership units	(10)	(427)
Payments of deferred financing costs	(7,670)	(2,106)
Contributions from consolidated joint venture partners	589	1,264
<b>Net cash flow (used in) provided by financing activities</b>	<b>(203,387)</b>	<b>263,333</b>
Net change in cash, cash equivalents, and restricted cash reserves	(238,056)	165,860
<b>Cash, cash equivalents, and restricted cash reserves, beginning of year</b>	<b>934,790</b>	<b>927,160</b>
<b>Cash, cash equivalents, and restricted cash reserves, end of period</b>	<b>\$ 696,734</b>	<b>\$ 1,093,020</b>

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

**RLJ Lodging Trust**  
**Notes to the Consolidated Financial Statements**  
(unaudited)

**1. General**

*Organization*

RLJ Lodging Trust (the "Company") was formed as a Maryland real estate investment trust ("REIT") on January 31, 2011. The Company is a self-advised and self-administered REIT that owns primarily premium-branded, high-margin, focused-service and compact full-service hotels. The Company elected to be taxed as a REIT, for U.S. federal income tax purposes, commencing with its taxable year ended December 31, 2011.

Substantially all of the Company's assets and liabilities are held by, and all of its operations are conducted through, RLJ Lodging Trust, L.P. (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership. As of June 30, 2021, there were 167,399,089 units of limited partnership interest in the Operating Partnership ("OP units") outstanding and the Company owned, through a combination of direct and indirect interests, 99.5% of the outstanding OP units.

As of June 30, 2021, the Company owned 100 hotel properties with approximately 22,400 rooms, located in 23 states and the District of Columbia. The Company, through wholly-owned subsidiaries, owned a 100% interest in 96 of its hotel properties, a 98.3% controlling interest in the DoubleTree Metropolitan Hotel New York City, a 95% controlling interest in The Knickerbocker, and 50% interests in entities owning two hotel properties. The Company consolidates its real estate interests in the 98 hotel properties in which it holds a controlling financial interest, and the Company records the real estate interests in the two hotel properties in which it holds an indirect 50% interest using the equity method of accounting. The Company leases 99 of the 100 hotel properties to its taxable REIT subsidiaries ("TRS"), of which the Company owns a controlling financial interest.

*COVID-19*

The global outbreak of the novel coronavirus, or COVID-19, and the public health measures that have been undertaken in response have had, and will likely continue to have, a material impact on the Company's financial results and liquidity. Since the extent to which the COVID-19 pandemic will continue to impact the Company's operations will depend on future developments that are highly uncertain, the Company cannot estimate the impact on its business, financial condition or near- or longer-term financial or operational results with reasonable certainty. As of June 30, 2021, operations at 2 hotels located in New York City remained suspended. The Company will continue to evaluate reopening these hotels based on market conditions and other factors. All open hotels are currently operating under aggressive operating cost containment plans, including reduced staffing, elimination of non-essential amenities and services, and modified food and beverage offerings.

**2. Summary of Significant Accounting Policies**

The Company's Annual Report on Form 10-K for the year ended December 31, 2020 contains a discussion of the Company's significant accounting policies. Other than noted below, there have been no significant changes to the Company's significant accounting policies since December 31, 2020.

*Basis of Presentation and Principles of Consolidation*

The unaudited consolidated financial statements and related notes have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and in conformity with the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to financial information. The unaudited financial statements include all adjustments that are necessary, in the opinion of management, to fairly state the consolidated balance sheets, statements of operations and comprehensive loss, statements of changes in equity and statements of cash flows.

The unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of and for the year ended December 31, 2020, included in the Company's Annual Report on Form 10-K filed with the SEC on February 26, 2021.

The consolidated financial statements include the accounts of the Company, the Operating Partnership and its wholly-owned subsidiaries, and joint ventures in which the Company has a majority voting interest and control. For the controlled subsidiaries that are not wholly-owned, the third-party ownership interest represents a noncontrolling interest, which is

presented separately in the consolidated financial statements. The Company also records the real estate interests in two joint ventures in which it holds an indirect 50% interest using the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation.

#### *Reclassifications*

Certain prior year amounts in these financial statements have been reclassified to conform to the current year presentation with no impact to net loss and comprehensive loss, shareholders' equity or cash flows.

#### *Use of Estimates*

The preparation of the Company's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the amounts of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Given the additional and unforeseen effects from the COVID-19 pandemic, these estimates have become more challenging, and actual results could differ from those estimates.

#### *Recently Issued Accounting Pronouncements*

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The guidance enhances and simplifies various aspects of the current income tax guidance and reduces complexity by removing certain exceptions to the general framework. The Company adopted this new standard on January 1, 2021. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The guidance provides optional expedients for applying GAAP to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued at the end of 2021 because of reference rate reform. The guidance was effective upon issuance and expires on December 31, 2022. Based on the Company's assessment, there was no material impact arising from this guidance and the Company did not elect to apply any of the optional expedients.

### **3. Investment in Hotel Properties**

Investment in hotel properties consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Land and improvements	\$ 1,086,138	\$ 1,089,591
Buildings and improvements	4,072,090	4,084,711
Furniture, fixtures and equipment	695,164	697,400
	5,853,392	5,871,711
Accumulated depreciation	(1,457,491)	(1,385,291)
Investment in hotel properties, net	\$ 4,395,901	\$ 4,486,411

For the three and six months ended June 30, 2021, the Company recognized depreciation expense related to its investment in hotel properties of approximately \$46.8 million and \$93.6 million, respectively. For the three and six months ended June 30, 2020, the Company recognized depreciation expense related to its investment in hotel properties of approximately \$49.0 million and \$97.9 million, respectively.

#### *Impairment*

During the six months ended June 30, 2021, the Company entered into purchase and sale agreements to sell two hotel properties with an aggregate book value of approximately \$18.5 million. The Company recorded impairment losses of \$5.9 million to write down the hotel properties to fair value during the three months ended March 31, 2021. The sales of these two hotel properties closed in May 2021.

#### 4. Investment in Unconsolidated Joint Ventures

As of June 30, 2021 and December 31, 2020, the Company owned 50% interests in joint ventures that owned two hotel properties. During the year ended December 31, 2020, one of the unconsolidated joint ventures determined the property ground lease will terminate on October 31, 2021 and the property will revert to the ground lessor at that time.

The Company accounts for the investments in its unconsolidated joint ventures under the equity method of accounting. The Company makes adjustments to the equity in income (loss) from unconsolidated joint ventures related to the difference between the Company's basis in the investment in the unconsolidated joint ventures as compared to the historical basis of the assets and liabilities of the joint ventures. As of June 30, 2021 and December 31, 2020, the unconsolidated joint ventures' debt consisted entirely of non-recourse mortgage debt.

The following table summarizes the components of the Company's investments in unconsolidated joint ventures (in thousands):

	June 30, 2021	December 31, 2020
Equity basis of the joint venture investments	\$ (6,283)	\$ (6,687)
Cost of the joint venture investments in excess of the joint venture book value	13,174	13,485
Investment in unconsolidated joint ventures	<u>\$ 6,891</u>	<u>\$ 6,798</u>

The following table summarizes the components of the Company's equity in income (loss) from unconsolidated joint ventures (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Operating income (loss)	\$ 215	\$ (695)	\$ 73	\$ 170
Depreciation of cost in excess of book value	(155)	(280)	(311)	(560)
Equity in income (loss) income from unconsolidated joint ventures	<u>\$ 60</u>	<u>\$ (975)</u>	<u>\$ (238)</u>	<u>\$ (390)</u>

#### 5. Sale of Hotel Properties

During the six months ended June 30, 2021, the Company sold three hotel properties in three separate transactions for a combined sales price of approximately \$17.7 million. In connection with these transactions, the Company recorded a net gain of \$1.2 million, which is included in gain (loss) on sale of hotel properties, net, in the accompanying consolidated statements of operations and comprehensive loss.

The following table discloses the hotel properties that were sold during the six months ended June 30, 2021:

Hotel Property Name	Location	Sale Date	Rooms
Courtyard Houston Sugarland	Stafford, TX	January 21, 2021	112
Residence Inn Indianapolis Fishers	Indianapolis, IN	May 10, 2021	78
Residence Inn Chicago Naperville	Warrenville, IL	May 12, 2021	130
		Total	<u>320</u>

**6. Revenue**

The Company recognized revenue from the following geographic markets (in thousands):

	For the three months ended June 30, 2021				For the three months ended June 30, 2020			
	Room Revenue	Food and Beverage Revenue	Other Revenue	Total Revenue	Room Revenue	Food and Beverage Revenue	Other Revenue	Total Revenue
South Florida	\$ 28,175	\$ 3,483	\$ 2,177	\$ 33,835	\$ 2,449	\$ 143	\$ 291	\$ 2,883
Southern California	22,560	1,384	2,524	26,468	5,064	270	654	5,988
Northern California	14,563	428	1,043	16,034	2,716	16	483	3,215
Chicago	12,131	1,681	573	14,385	2,964	385	139	3,488
Charleston	8,520	1,161	541	10,222	1,507	118	129	1,754
Houston	7,248	167	769	8,184	1,463	6	167	1,636
New York City	6,622	266	273	7,161	2,618	6	65	2,689
Austin	5,952	317	709	6,978	525	28	509	1,062
Denver	5,519	899	227	6,645	691	6	87	784
Washington, DC	5,944	60	476	6,480	1,931	170	98	2,199
Pittsburgh	5,440	706	204	6,350	608	32	75	715
Louisville	3,551	942	667	5,160	292	—	9	301
New Orleans	4,657	29	658	5,344	29	—	72	101
Orlando	4,120	254	894	5,268	(17)	—	51	34
Atlanta	4,501	83	605	5,189	474	11	172	657
Other	27,051	1,123	2,377	30,551	4,539	80	466	5,085
<b>Total</b>	<b>\$ 166,554</b>	<b>\$ 12,983</b>	<b>\$ 14,717</b>	<b>\$ 194,254</b>	<b>\$ 27,853</b>	<b>\$ 1,271</b>	<b>\$ 3,467</b>	<b>\$ 32,591</b>

	For the six months ended June 30, 2021				For the six months ended June 30, 2020			
	Room Revenue	Food and Beverage Revenue	Other Revenue	Total Revenue	Room Revenue	Food and Beverage Revenue	Other Revenue	Total Revenue
South Florida	\$ 49,003	\$ 5,848	\$ 3,933	\$ 58,784	\$ 33,572	\$ 4,639	\$ 2,243	\$ 40,454
Southern California	34,465	1,722	3,931	40,118	28,924	3,132	2,798	34,854
Northern California	23,407	645	1,743	25,795	36,227	3,801	1,788	41,816
Chicago	18,522	2,365	931	21,818	11,878	2,606	605	15,089
Houston	12,571	265	1,437	14,273	12,402	720	1,141	14,263
Charleston	11,698	1,461	942	14,101	6,474	1,465	491	8,430
Pittsburgh	10,070	943	374	11,387	5,228	1,137	372	6,737
Austin	9,559	539	1,188	11,286	8,033	1,289	1,759	11,081
Washington DC	10,079	89	760	10,928	10,755	370	639	11,764
New York City	9,860	283	402	10,545	18,913	2,140	999	22,052
Denver	7,720	1,297	557	9,574	7,450	2,274	423	10,147
Orlando	6,967	387	1,719	9,073	5,707	417	607	6,731
Atlanta	7,649	151	1,098	8,898	7,038	421	723	8,182
New Orleans	7,007	29	1,041	8,077	7,310	306	791	8,407
Louisville	5,332	1,310	1,022	7,664	6,190	3,778	871	10,839
Other	45,417	1,891	4,177	51,485	40,644	3,544	3,039	47,227
<b>Total</b>	<b>\$ 269,326</b>	<b>\$ 19,225</b>	<b>\$ 25,255</b>	<b>\$ 313,806</b>	<b>\$ 246,745</b>	<b>\$ 32,039</b>	<b>\$ 19,289</b>	<b>\$ 298,073</b>

#### Trade Receivables

The Company has historically only experienced de minimis credit losses in hotel-level trade receivables. As of June 30, 2021, the Company reviewed its allowance for doubtful accounts and concluded that it was adequate.

#### 7. Debt

The Company's debt consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
\$500 Million Senior Notes due 2026, net	\$ 492,746	\$ —
\$475 Million Senior Notes due 2025, net	493,397	495,759
Revolver	200,000	400,000
Term Loans, net	814,225	1,168,304
Mortgage loans, net	406,977	523,668
<b>Debt, net</b>	<b>\$ 2,407,345</b>	<b>\$ 2,587,731</b>



### \$500 Million Senior Notes due 2026

In June 2021, the Operating Partnership issued an aggregate of \$500.0 million of its 3.750% senior secured notes due 2026 (the "\$500 Million Senior Notes due 2026") under an indenture, dated as of June 17, 2021, among the Operating Partnership, the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee. The \$500 Million Senior Notes due 2026 were sold in the United States only to accredited investors pursuant to an exemption from the Securities Act of 1933, as amended (the "Securities Act"), and subsequently resold to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act and to non-U.S. persons in accordance with Regulation S under the Securities Act. The \$500 Million Senior Notes due 2026 will mature on July 1, 2026 and bear interest at a rate of 3.75% per annum, payable semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2022. The Company used the net proceeds of the offering of the \$500 Million Senior Notes due 2026 to partially repay indebtedness under the Company's Term Loans (as defined below) and secured mortgage indebtedness, as well as for any costs and expenses related thereto. During the six months ended June 30, 2021, the Company capitalized \$7.4 million of deferred financing costs related to the issuance of the \$500 Million Senior Notes due 2026.

The \$500 Million Senior Notes due 2026 are fully and unconditionally guaranteed, jointly and severally, by the Company, the sole general and majority limited partner of the Operating Partnership, and certain of the Operating Partnership's subsidiaries that incur and guarantee any indebtedness under the Company's credit facilities, any additional first lien obligations or certain other bank indebtedness (each, a "Subsidiary Guarantor"). The \$500 Million Senior Notes due 2026 are secured, subject to certain permitted liens, by a first priority security interest in all of the equity interests owned by the Operating Partnership and certain of the Subsidiary Guarantors (each, a "Secured Guarantor") in certain of the other Subsidiary Guarantors (the "Collateral"), which Collateral also secures the obligations under the Company's credit facilities on a first priority basis. The Collateral securing the \$500 Million Senior Notes due 2026 may be released in full prior to the maturity of the \$500 Million Senior Notes due 2026 if the Operating Partnership and the Company achieve compliance with certain financial covenant requirements, after which the \$500 Million Senior Notes due 2026 will be unsecured.

At any time prior to July 1, 2023, the Operating Partnership may redeem the \$500 Million Senior Notes due 2026, in whole or in part, at a redemption price equal to 100.0% of the accrued principal amount thereof plus any unpaid interest earned through the redemption date plus a make-whole premium. At any time on or after July 1, 2023, the Operating Partnership may redeem the \$500 Million Senior Notes due 2026, in whole or in part, at a redemption price of (i) 101.875% of the principal amount should such redemption occur before July 1, 2024, (ii) 100.938% of the principal amount should redemption occur before July 1, 2025, and (iii) 100.000% of the principal amount should such redemption occur on or after July 1, 2025, in each case plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

The indenture governing the \$500 Million Senior Notes due 2026 contains customary covenants that will limit the Operating Partnership's ability and, in certain instances, the ability of its subsidiaries, to incur additional debt, create liens on assets, make distributions and pay dividends, make certain types of investments, issue guarantees of indebtedness, and make certain restricted payments. These limitations are subject to a number of exceptions and qualifications set forth in the indenture.

A summary of the various restrictive covenants for the \$500 Million Senior Notes due 2026 are as follows:

	Covenant	Compliance
Consolidated Indebtedness less than Adjusted Total Assets	< .65x	Yes
Consolidated Secured Indebtedness less than Adjusted Total Assets	< .45x	Yes
Unencumbered Asset to Unencumbered Debt Ratio	> 150.0%	Yes
Interest Coverage Ratio	> 1.5x	No

As of June 30, 2021, the Company was in compliance with all maintenance and incurrence covenants associated with the \$500 Million Senior Notes due 2026 except the interest coverage ratio. Failure to meet the incurrence covenant does not, in and of itself, constitute an event of default under the \$500 Million Senior Notes due 2026 indenture.

### \$475 Million Senior Notes due 2025

The Company's \$475.0 million senior notes due 2025 are referred to as the "\$475 Million Senior Notes due 2025." The Company's \$475 Million Senior Notes due 2025 consisted of the following (in thousands):

	Interest Rate	Maturity Date	Outstanding Borrowings at	
			June 30, 2021	December 31, 2020
\$475 Million Senior Notes due 2025 (1) (2) (3)	6.00%	June 2025	\$ 493,397	\$ 495,759
(1)	Requires payments of interest only through maturity.			
(2)	The \$475 Million Senior Notes due 2025 include \$18.5 million and \$20.9 million at June 30, 2021 and December 31, 2020, respectively, related to acquisition related fair value adjustments on the \$475 Million Senior Notes due 2025.			
(3)	The Company has the option to redeem the \$475 Million Senior Notes due 2025 at a price of 102.0% of face value.			

The \$475 Million Senior Notes due 2025 are subject to a maximum unsecured leverage maintenance covenant, which is based on asset value that is calculated at historical cost. In addition, the \$475 Million Senior Notes due 2025 are subject to various incurrence covenants that limit the ability of the Company's subsidiary, FelCor Lodging Limited Partnership ("FelCor LP"), to incur additional debt if these covenants are violated. Failure to meet these incurrence covenant thresholds does not, in and of itself, constitute an event of default under the \$475 Million Senior Notes due 2025 indenture. As of June 30, 2021, the Company was in compliance with all maintenance and incurrence covenants except the interest coverage ratio. As a result, FelCor LP is currently prohibited from incurring additional debt.

### Revolver and Term Loans

The Company has the following credit agreements in place:

- \$600.0 million revolving credit facility with a scheduled maturity date of May 18, 2024 and a one year extension option if certain conditions are satisfied (the "Revolver");
- \$400.0 million term loan with a scheduled maturity date of January 25, 2023 (the "\$400 Million Term Loan Maturing 2023");
- \$225.0 million term loan with a scheduled maturity date of January 25, 2023 (the "\$225 Million Term Loan Maturing 2023"); and
- \$150.0 million term loan with a scheduled maturity date of June 10, 2023 (the "\$150 Million Term Loan Maturing 2023"); and
- \$400.0 million term loan with a scheduled maturity date of May 18, 2025 (the "\$400 Million Term Loan Maturing 2025").

The \$400 Million Term Loan Maturing 2023, the \$225 Million Term Loan Maturing 2023, \$150 Million Term Loan Maturing 2023, and the \$400 Million Term Loan Maturing 2025 are collectively the "Term Loans."

The Company's credit agreements consisted of the following (in thousands):

	Interest Rate at June 30, 2021 (1)	Maturity Date	Outstanding Borrowings at	
			June 30, 2021	December 31, 2020
Revolver (2)	3.53%	May 2024	\$ 200,000	\$ 400,000
\$400 Million Term Loan Maturing 2023 (3)	4.73%	January 2023	203,944	400,000
\$225 Million Term Loan Maturing 2023 (4)	4.72%	January 2023	114,718	225,000
\$150 Million Term Loan Maturing 2023 (5)	4.66%	June 2023	100,000	150,000
\$400 Million Term Loan Maturing 2025	4.37%	May 2025	400,000	400,000
			1,018,662	1,575,000
Deferred financing costs, net (6)			(4,437)	(6,696)
Total Revolver and Term Loans, net			\$ 1,014,225	\$ 1,568,304

- (1) Interest rate at June 30, 2021 gives effect to interest rate hedges.

- (2) At June 30, 2021 and December 31, 2020, there was \$400.0 million and \$200.0 million of remaining capacity on the Revolver, respectively. The Company also has the ability to extend the maturity date for an additional one year period ending May 2025 if certain conditions are satisfied.
- (3) The Company utilized \$196.1 million of the proceeds from the issuance of the \$500 Million Senior Notes due 2026 to reduce the outstanding principal balance of this term loan.
- (4) The Company utilized \$110.3 million of the proceeds from the issuance of the \$500 Million Senior Notes due 2026 to reduce the outstanding principal balance of this term loan.
- (5) Pursuant to the terms under the Company's credit agreements, the Company utilized \$20.8 million of the proceeds from hotel dispositions and \$29.2 million of the proceeds from the issuance of the \$500 Million Senior Notes due 2026 to reduce the outstanding principal balance of this term loan. In addition, the Company has the option to extend the maturity one additional year to June 2024.
- (6) Excludes \$3.5 million and \$4.1 million as of June 30, 2021 and December 31, 2020, respectively, related to deferred financing costs on the Revolver, which are included in prepaid expense and other assets in the accompanying consolidated balance sheets.

The Revolver and Term Loans are subject to various financial covenants. A summary of the most restrictive covenants is as follows:

	Covenant	Compliance
Leverage ratio (1)	<= 7.00x	N/A (3)
Fixed charge coverage ratio (2)	>= 1.50x	N/A (3)
Secured indebtedness ratio	<= 45.0%	N/A (3)
Unencumbered indebtedness ratio	<= 60.0%	N/A (3)
Unencumbered debt service coverage ratio	>= 2.00x	N/A (3)
Maintain minimum liquidity level	>= \$150.0 million	Yes

- (1) Leverage ratio is net indebtedness, as defined in the Revolver and Term Loan agreements, to corporate earnings before interest, taxes, depreciation, and amortization ("EBITDA"), as defined in the Revolver and Term Loan agreements.
- (2) Fixed charge coverage ratio is Adjusted EBITDA, generally defined in the Revolver and Term Loan agreements as EBITDA less furniture, fixtures and equipment ("FF&E") reserves, to fixed charges, which is generally defined in the Revolver and Term Loan agreements as interest expense, all regularly scheduled principal payments, preferred dividends paid, and cash taxes paid.
- (3) The Company is not currently required to comply with these covenants, see details below.

In June 2021, the Company amended its Revolver and Term Loans. The amendments extend by one fiscal quarter the suspension of testing of all existing financial maintenance covenants under the Revolver and the Term Loan agreements for all periods through and including the fiscal quarter ending March 31, 2022 (the "Covenant Relief Period"). In addition, for periods following the Covenant Relief Period, the amendments modify certain covenant thresholds.

As part of the Revolver and Term Loans amendment in June 2021, the Company amended the \$150 Million Term Loan Maturing 2023 to extend the maturity for \$100.0 million of the original principal balance from January 2022 to June 2023 with an option to extend the maturity by one year to June 2024. The applicable margin on the interest rate will be 3.0% for LIBOR loans and 2.0% for base rate loans until the end of the Leverage Relief Period, as defined in the existing credit agreement. After the end of the leverage relief period, the applicable margin will revert to the original leverage- or ratings-based pricing.

Through the date that the financial statements are delivered for the quarter ending June 30, 2022 (the "Restriction Period"), the Company is subject to various restrictions including, but not limited to, the requirement to pledge the equity interests in certain subsidiaries that own unencumbered properties to secure the Revolver and Term Loans, asset sales, equity issuances and incurrences of indebtedness will, subject to various exceptions, continue to be required to be applied as a mandatory prepayment of certain amounts outstanding under the Revolver and the Term Loans. In addition, the restrictions limit the ability of the Company and its subsidiaries to incur additional indebtedness and make prepayments of indebtedness, increase dividends and distributions, make capital expenditures over \$150.0 million in each of the 2021 and 2022 calendar years through the last day of the Restriction Period, and make investments, including certain acquisitions over \$300.0 million or \$150.0 million, dependent upon the outstanding balance of the Company's Revolver. All of these limitations are subject to various exceptions. The Company is also required to maintain minimum liquidity, as defined in the amendments, of \$150.0 million until certain leverage thresholds are met.

At the Company's election, the Restriction Period and the Covenant Relief Period may be terminated early if the Company is at such time able to comply with the applicable financial covenants. If the Company assesses that it is unlikely to meet the financial covenant thresholds for periods following the Covenant Relief Period, then the Company will seek an extension of the Covenant Relief Period.

### Mortgage Loans

The Company's mortgage loans consisted of the following (in thousands):

	Number of Assets Encumbered	Interest Rate at June 30, 2021	Maturity Date		Outstanding Borrowings at	
					June 30, 2021	December 31, 2020
Mortgage loan (1)	7	3.30 %	April 2022	(5)	\$ 200,000	\$ 200,000
Mortgage loan (2)	1	4.94 %	October 2022		27,606	27,972
Mortgage loan (1)	4	2.77 %	April 2024	(5)	85,000	85,000
Mortgage loan (1)	3	3.35 %	April 2024	(5)	96,000	96,000
Mortgage loan (3)	1	—	June 2022	(6)	—	30,332
Mortgage loan (4)	3	—	October 2022	(6)	—	86,775
	<u>19</u>				<u>408,606</u>	<u>526,079</u>
Deferred financing costs, net					(1,629)	(2,411)
<b>Total mortgage loans, net</b>					<b>\$ 406,977</b>	<b>\$ 523,668</b>

- (1) The hotels encumbered by the mortgage loan are cross-collateralized. Requires payments of interest only through maturity.
- (2) Includes \$0.2 million and \$0.3 million at June 30, 2021 and December 31, 2020, respectively, related to a fair value adjustment on the mortgage loan. In July 2021, the Company paid off the mortgage loan in full and paid approximately \$1.3 million in termination costs using the proceeds from the issuance of the \$500 Million Senior Notes due 2026.
- (3) Includes \$0.3 million at December 31, 2020 related to a fair value adjustment on a mortgage loan.
- (4) Includes \$0.9 million at December 31, 2020 related to fair value adjustments on the mortgage loans.
- (5) The mortgage loan provides two one year extension options.
- (6) In June 2021, the Company paid off the mortgage loan(s) in full and paid approximately \$5.7 million in termination costs using the proceeds from the issuance of the \$500 Million Senior Notes due 2026.

Certain mortgage agreements are subject to various maintenance covenants requiring the Company to maintain a minimum debt yield or debt service coverage ratio ("DSCR"). Failure to meet the debt yield or DSCR thresholds is not an event of default, but instead triggers a cash trap event. During the cash trap event, the lender or servicer of the mortgage loan controls cash outflows until the loan is covenant compliant. In addition certain mortgage loans have other requirements including continued operation and maintenance of the hotel property. At June 30, 2021, all four mortgage loans were below the DSCR threshold and were in a cash trap event. At June 30, 2021, there was approximately \$9.4 million of restricted cash held by lenders due to the cash trap event. This includes approximately \$1.8 million of restricted cash held by lenders on mortgage loans that were paid off in June 2021 and subsequent to June 30, 2021, the Company received these funds back.

### Interest Expense

The components of the Company's interest expense consisted of the following (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Senior Notes	\$ 6,685	\$ 5,940	\$ 12,627	\$ 11,883
Revolver and Term Loans	14,023	12,705	31,201	23,356
Mortgage loans	4,294	4,475	7,748	9,115
Amortization of deferred financing costs	1,364	1,045	2,685	2,067
Undesignated interest rate swaps	—	(371)	—	1,186
<b>Total interest expense</b>	<b>\$ 26,366</b>	<b>\$ 23,794</b>	<b>\$ 54,261</b>	<b>\$ 47,607</b>

## 8. Derivatives and Hedging Activities

The following interest rate swaps have been designated as cash flow hedges (in thousands):

Hedge type	Interest rate	Maturity	Notional value at		Fair value at	
			June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Swap-cash flow	1.15%	April 2021	\$ —	\$ 100,000	\$ —	\$ (35)
Swap-cash flow	1.20%	April 2021	—	100,000	—	(41)
Swap-cash flow	2.15%	April 2021	—	75,000	—	(58)
Swap-cash flow	1.91%	April 2021	—	75,000	—	(52)
Swap-cash flow	1.61%	June 2021	50,000	50,000	—	(43)
Swap-cash flow	1.56%	June 2021	50,000	50,000	—	(41)
Swap-cash flow	1.71%	June 2021	50,000	50,000	—	(46)
Swap-cash flow (1)	2.29%	December 2022	200,000	200,000	(6,759)	(9,04)
Swap-cash flow (2)	2.29%	December 2022	125,000	125,000	(4,220)	(5,64)
Swap-cash flow (3)	2.38%	December 2022	87,780	200,000	(3,097)	(9,43)
Swap-cash flow (4)	2.38%	December 2022	36,875	100,000	(1,301)	(4,71)
Swap-cash flow	2.75%	November 2023	100,000	100,000	(5,935)	(7,63)
Swap-cash flow	2.51%	December 2023	75,000	75,000	(4,197)	(5,28)
Swap-cash flow	2.39%	December 2023	75,000	75,000	(3,962)	(5,01)
Swap-cash flow	1.35%	September 2021	49,000	49,000	(157)	(45)
Swap-cash flow	1.28%	September 2022	100,000	100,000	(1,452)	(2,03)
Swap-cash flow (5)	1.24%	September 2025	150,000	150,000	(3,074)	(5,50)
Swap-cash flow	1.16%	April 2024	50,000	50,000	(1,069)	(1,46)
Swap-cash flow	1.20%	April 2024	50,000	50,000	(1,129)	(1,52)
Swap-cash flow	1.15%	April 2024	50,000	50,000	(1,056)	(1,45)
Swap-cash flow	1.10%	April 2024	50,000	50,000	(983)	(1,37)
Swap-cash flow	0.98%	April 2024	25,000	25,000	(404)	(59)
Swap-cash flow	0.95%	April 2024	25,000	25,000	(382)	(57)
Swap-cash flow	0.93%	April 2024	25,000	25,000	(367)	(55)
Swap-cash flow	0.90%	April 2024	25,000	25,000	(345)	(53)
Swap-cash flow	0.85%	December 2024	50,000	50,000	(520)	(1,24)
Swap-cash flow	0.75%	December 2024	50,000	50,000	(343)	(1,04)
Swap-cash flow (6)	0.65%	January 2026	50,000	50,000	248	(66)
			\$ 1,598,655	\$ 2,124,000	\$ (40,504)	\$ (69,05)

- (1) In June 2021, the Company paid down a portion of its Term Loans and dedesignated approximately \$83.8 million of the original \$200.0 million notional value of this swap as the hedged forecasted transactions were no longer probable of occurring as a result of the debt payoff. Therefore, the Company reclassified approximately \$2.8 million of unrealized losses included in other comprehensive loss to other (expense) income, net, in the consolidated statements of operations and comprehensive loss. The portion of the swap that was dedesignated was subsequently redesignated and the amounts related to the initial fair value of \$2.8 million that are recorded in other comprehensive loss during the new hedging relationship will be reclassified to earnings on a straight line basis over the remaining life of the swap.
- (2) In June 2021, the Company paid down a portion of its Term Loans and dedesignated approximately \$47.2 million of the original \$125.0 million notional value of this swap as the hedged forecasted transactions were no longer probable of occurring as a result of the debt payoff. Therefore, the Company reclassified approximately \$1.6 million of unrealized losses included in other comprehensive loss to other (expense) income, net, in the consolidated statements of operations and comprehensive loss. The portion of the swap that was dedesignated was subsequently redesignated and the amounts related to the initial fair value of \$1.6 million that are recorded in other comprehensive loss during the new hedging relationship will be reclassified to earnings on a straight line basis over the remaining life of the swap.



- (3) In June 2021, the Company paid down a portion of its Term Loans and terminated approximately \$112.2 million of the original \$200.0 million notional value of this swap as the hedged forecasted transactions were no longer probable of occurring as result of the debt paydown in June 2021. As part of the swap termination, the Company paid approximately \$2.2 million to terminate a portion of this swap. In addition, the Company reclassified this swap resulting in the reclassification of approximately \$2.2 million of the unrealized losses included in accumulated other comprehensive loss to other (expense) income, net, in the consolidated statements of operations and comprehensive loss.
- (4) In June 2021, the Company paid down a portion of its Term Loans and terminated approximately \$63.1 million of the original \$100.0 million notional value of this swap as the hedged forecasted transactions were no longer probable of occurring as result of the debt paydown in June 2021. As part of the swap termination, the Company paid approximately \$4.0 million to terminate a portion of this swap. In addition, the Company reclassified this swap resulting in the reclassification of approximately \$4.0 million of the unrealized losses included in accumulated other comprehensive loss to other (expense) income, net, in the consolidated statements of operations and comprehensive loss.
- (5) Effective in September 2021.
- (6) Effective in July 2021.

As of June 30, 2021 and December 31, 2020, the aggregate fair value of the interest rate swap liabilities of \$40.8 million and \$69.1 million, respectively, was included in accounts payable and other liabilities in the accompanying consolidated balance sheets. As of June 30, 2021, the aggregate fair value of the interest rate swap assets of \$0.2 million was included in prepaid expense and other assets in the accompanying consolidated balance sheets.

As of June 30, 2021 and December 31, 2020, there was approximately \$40.5 million and \$69.1 million, respectively, of unrealized losses included in accumulated other comprehensive loss related to interest rate hedges that are effective in offsetting the variable cash flows. There was no ineffectiveness recorded on the designated hedges during the three or six month periods ended June 30, 2021 or 2020. For the three and six months ended June 30, 2021, approximately \$6.6 million and \$13.9 million, respectively, of the amounts included in accumulated other comprehensive loss were reclassified into interest expense for the interest rate swaps that have been designated as cash flow hedges. For the three and six months ended June 30, 2020, approximately \$5.5 million and \$6.3 million, respectively, of the amounts included in accumulated other comprehensive loss were reclassified into interest expense for the interest rate swaps that have been designated as cash flow hedges. Approximately \$19.8 million of the unrealized losses included in accumulated other comprehensive loss at June 30, 2021 is expected to be reclassified into interest expense within the next 12 months.

## 9. Fair Value

### *Fair Value Measurement*

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. The fair value hierarchy has three levels of inputs, both observable and unobservable:

- Level 1 — Inputs include quoted market prices in an active market for identical assets or liabilities.
- Level 2 — Inputs are market data, other than Level 1, that are observable either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data.
- Level 3 — Inputs are unobservable and corroborated by little or no market data.

### *Fair Value of Financial Instruments*

The Company used the following market assumptions and/or estimation methods:

- Cash and cash equivalents, restricted cash reserves, hotel and other receivables, accounts payable and other liabilities — The carrying amounts reported in the consolidated balance sheets for these financial instruments approximate fair value because of their short term maturities.
- Debt — The Company estimated the fair value of the \$500 Million Senior Notes due 2026 and \$475 Million Senior Notes due 2025 by using publicly available trading prices, which are Level 2 inputs in the fair value hierarchy. The Company estimated the fair value of the Revolver and Term Loans by using a discounted cash flow model and incorporating various inputs and assumptions for the effective borrowing rates for debt with similar terms, which are Level 3 inputs in the fair value hierarchy. The Company estimated the fair value of the mortgage loans by using a

discounted cash flow model and incorporating various inputs and assumptions for the effective borrowing rates for debt with similar terms and the loan to estimated fair value of the collateral, which are Level 3 inputs in the fair value hierarchy.

The fair value of the Company's debt was as follows (in thousands):

	June 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
\$500 Million Senior Notes due 2026, net	\$ 492,746	\$ 505,490	\$ —	\$ —
\$475 Million Senior Notes due 2025, net	493,397	485,877	495,759	484,229
Revolver and Term Loans, net	1,014,225	1,002,808	1,568,304	1,543,636
Mortgage loans, net	406,977	398,564	523,668	512,118
Debt, net	<u>\$ 2,407,345</u>	<u>\$ 2,392,739</u>	<u>\$ 2,587,731</u>	<u>\$ 2,539,983</u>

#### Recurring Fair Value Measurements

The following table presents the Company's fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 (in thousands):

	Fair Value at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Interest rate swap asset	\$ —	\$ 248	\$ —	\$ 248
Interest rate swap liability	—	(40,752)	—	(40,752)
Total	<u>\$ —</u>	<u>\$ (40,504)</u>	<u>\$ —</u>	<u>\$ (40,504)</u>

The following table presents the Company's fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 (in thousands):

	Fair Value at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Interest rate swap liability	\$ —	\$ (69,050)	\$ —	\$ (69,050)
Total	<u>\$ —</u>	<u>\$ (69,050)</u>	<u>\$ —</u>	<u>\$ (69,050)</u>

The fair values of the derivative financial instruments are determined using widely accepted valuation techniques including a discounted cash flow analysis on the expected cash flows for each derivative. The Company determined that the significant inputs, such as interest yield curves and discount rates, used to value its derivatives fall within Level 2 of the fair value hierarchy and that the credit valuation adjustments associated with the Company's counterparties and its own credit risk utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. As of June 30, 2021, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

## 10. Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and for net operating loss, capital loss and tax credit carryforwards. The deferred tax assets and liabilities are measured using the enacted income tax rates in effect for the year in which those temporary differences are expected to be realized or settled. The effect on the deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of all available evidence, including the future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies. Valuation allowances are provided if, based upon the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company is still continuing to provide a full valuation allowance against the deferred tax assets.



The Company had no accruals for tax uncertainties as of June 30, 2021 and December 31, 2020.

## 11. Commitments and Contingencies

### *Restricted Cash Reserves*

The Company is obligated to maintain cash reserve funds for future capital expenditures at the hotels (including the periodic replacement or refurbishment of FF&E as determined pursuant to the management agreements, franchise agreements and/or mortgage loan documents). The management agreements, franchise agreements and/or mortgage loan documents require the Company to reserve cash ranging typically from 3.0% to 5.0% of the individual hotel's revenues. Any unexpended amounts will remain the property of the Company upon termination of the management agreements, franchise agreements or mortgage loan documents. As of June 30, 2021 and December 31, 2020, approximately \$38.8 million and \$35.0 million, respectively, was available in the restricted cash reserves for future capital expenditures, real estate taxes, insurance and debt obligations where certain lenders held restricted cash due to a cash trap event. In addition, due to the effects of the COVID-19 pandemic on its operations, the Company has worked with the hotel brands, third-party managers and lenders to allow the use of available restricted cash reserves to cover operating shortfalls at certain hotels.

### *Litigation*

Neither the Company nor any of its subsidiaries is currently involved in any regulatory or legal proceedings that management believes will have a material and adverse effect on the Company's financial position, results of operations or cash flows.

### *Management Agreements*

As of June 30, 2021, 99 of the Company's hotel properties were operated pursuant to long-term management agreements with initial terms ranging from one to 25 years. This number includes 29 hotel properties that receive the benefits of a franchise agreement pursuant to management agreements with Hilton, Hyatt, or Marriott. Each management company receives a base management fee between 1.75% and 3.5% of hotel revenues. Management agreements that include the benefits of a franchise agreement incur a base management fee between 3.0% and 7.0% of hotel revenues. The management companies are also eligible to receive an incentive management fee if hotel operating income, as defined in the management agreements, exceeds certain thresholds. The incentive management fee is generally calculated as a percentage of hotel operating income after the Company has received a priority return on its investment in the hotel.

Management fees are included in management and franchise fee expense in the accompanying consolidated statements of operations and comprehensive loss. For the three and six months ended June 30, 2021, the Company incurred management fee expense of approximately \$6.2 million and \$9.4 million, respectively. For the three and six months ended June 30, 2020, the Company incurred management fee expense of approximately \$0.6 million and \$8.5 million, respectively.

### *Franchise Agreements*

As of June 30, 2021, 69 of the Company's hotel properties were operated under franchise agreements with initial terms ranging from one to 30 years. This number excludes 29 hotel properties that receive the benefits of a franchise agreement pursuant to management agreements with Hilton, Hyatt, or Marriott. In addition, one hotel is not operated with a hotel brand so it does not have a franchise agreement. Franchise agreements allow the hotel properties to operate under the respective brands. Pursuant to the franchise agreements, the Company pays a royalty fee, between 3.0% and 6.0% of room revenue, plus additional fees for marketing, central reservation systems and other franchisor costs between 1.0% and 4.3% of room revenue. Certain hotels are also charged a royalty fee of 3.0% of food and beverage revenues.

Franchise fees are included in management and franchise fee expense in the accompanying consolidated statements of operations and comprehensive loss. For the three and six months ended June 30, 2021, the Company incurred franchise fee expense of approximately \$11.0 million and \$17.6 million, respectively. For the three and six months ended June 30, 2020, the Company incurred franchise fee expense of approximately \$1.8 million and \$15.6 million, respectively.

### *Wyndham Agreements*

In 2019, the Company entered into an agreement with Wyndham to terminate the net operating income guarantee and received termination payments totaling \$36.0 million from Wyndham, which amount is included in advance deposits and deferred revenue in the accompanying consolidated balance sheets. Effective January 1, 2020, the Company began recognizing the termination payments over the estimated term of the transitional agreements as a reduction to management and franchise fee expense in the consolidated statements of operations and comprehensive loss. During the six months ended June 30, 2021, the Company extended the management and franchise agreements through December 31, 2022 for six and eight Wyndham properties, respectively. For the three and six months ended June 30, 2021, the Company recognized approximately \$4.5 million and \$9.1 million, respectively, as a reduction to management and franchise fee expense related to the amortization of the termination payments. For the three and six months ended June 30, 2020, the Company recognized \$4.2 million and \$8.8 million, respectively, as a reduction to management and franchise fee expense related to the amortization of the termination payments.

## **12. Equity**

### *Common Shares of Beneficial Interest*

During the six months ended June 30, 2021, the Company did not repurchase any common shares.

During the six months ended June 30, 2020, the Company repurchased and retired 5,489,335 common shares for approximately \$62.6 million.

During the six months ended June 30, 2021 and 2020, the Company declared a cash dividend of \$0.01 per common share in each of the first and second quarters of 2021 and 2020.

### *Series A Preferred Shares*

During the six months ended June 30, 2021 and 2020, the Company declared a cash dividend of \$0.4875 on each Series A Preferred Share in each of the first and second quarters of 2021 and 2020.

### *Noncontrolling Interest in Consolidated Joint Ventures*

The Company consolidates the joint venture that owns the DoubleTree Metropolitan Hotel New York City, which has a third-party partner that owns a noncontrolling 1.7% ownership interest in the joint venture. In addition, the Company consolidates the joint venture that owns The Knickerbocker, which has a third-party partner that owns a noncontrolling 5% ownership interest in the joint venture. The third-party ownership interests are included in the noncontrolling interest in consolidated joint ventures on the consolidated balance sheets.

### *Noncontrolling Interest in the Operating Partnership*

The Company consolidates the Operating Partnership, which is a majority-owned limited partnership that has a noncontrolling interest. The outstanding OP units held by the limited partners are redeemable for cash, or at the option of the Company, for a like number of common shares. As of June 30, 2021, 772,293 outstanding OP units were held by the limited partners. The noncontrolling interest is included in the noncontrolling interest in the Operating Partnership on the consolidated balance sheets.

## **13. Equity Incentive Plan**

The Company may issue share-based awards to officers, employees, non-employee trustees and other eligible persons under the RLJ Lodging Trust 2021 Equity Incentive Plan (the "2021 Plan"), which was approved by the Company's shareholders on April 30, 2021. The 2021 Plan provides for a maximum of 6,828,527 common shares to be issued in the form of share options, share appreciation rights, restricted share awards, unrestricted share awards, share units, dividend equivalent rights, long-term incentive units, other equity-based awards and cash bonus awards.

### Share Awards

From time to time, the Company may award unvested restricted shares as compensation to officers, employees and non-employee trustees. The issued shares vest over a period of time as determined by the board of trustees at the date of grant. The Company recognizes compensation expense for time-based unvested restricted shares on a straight-line basis over the vesting period based upon the fair market value of the shares on the date of issuance, adjusted for forfeitures.

Non-employee trustees may also elect to receive unrestricted shares as compensation that would otherwise be paid in cash for their services. The shares issued to non-employee trustees in lieu of cash compensation are unrestricted and include no vesting conditions. The Company recognizes compensation expense for the unrestricted shares issued in lieu of cash compensation on the date of issuance based upon the fair market value of the shares on that date.

A summary of the unvested restricted shares as of June 30, 2021 is as follows:

	2021	
	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at January 1, 2021	1,252,228	\$ 15.17
Granted	1,733,358	15.93
Vested	(408,776)	15.46
Forfeited	(1,382)	11.29
Unvested at June 30, 2021	2,575,428	\$ 15.64

For the three and six months ended June 30, 2021, the Company recognized approximately \$3.0 million and \$4.9 million, respectively, of share-based compensation expense related to restricted share awards. For the three and six months ended June 30, 2020, the Company recognized approximately \$2.3 million and \$4.4 million, respectively, of share-based compensation expense related to restricted share awards. As of June 30, 2021, there was \$36.0 million of total unrecognized compensation costs related to unvested restricted share awards and these costs are expected to be recognized over a weighted-average period of 2.6 years. The total fair value of the shares vested (calculated as the number of shares multiplied by the vesting date share price) during the six months ended June 30, 2021 and 2020 was approximately \$6.3 million and \$2.8 million, respectively.

### Performance Units

From time to time, the Company may award performance units as compensation to officers and employees. The performance units granted prior to 2021 vest over a four year period, including three years of performance-based vesting (the “performance units measurement period”) plus an additional one year of time-based vesting. These performance units may convert into restricted shares at a range of 0% to 200% of the number of performance units granted contingent upon the Company achieving an absolute total shareholder return (40% of award) and a relative total shareholder return (60% of award) over the measurement period at specified percentiles of the peer group, as defined by the awards. If at the end of the performance units measurement period the target criterion is met, then 50% of the performance units that are earned will vest at the end of the measurement period. The remaining 50% convert to restricted shares that will vest on the one year anniversary of the end of the measurement period. For any restricted shares issued upon conversion, the award recipient will be entitled to receive payment of an amount equal to all dividends that would have been paid if such restricted shares had been issued at the beginning of the performance units measurement period. The fair value of the performance units is determined using a Monte Carlo simulation, and an expected term equal to the requisite service period for the awards of four years. The Company estimates the compensation expense for the performance units on a straight-line basis using a calculation that recognizes 50% of the grant date fair value over three years and 50% of the grant date fair value over four years.

The performance units granted in 2021 vest at the end of a three year period. These performance units may convert into restricted shares at a range of 0% to 200% of the number of performance units granted contingent upon the Company achieving an absolute total shareholder return (25% of award) and a relative shareholder return (75% of award) over the measurement period at specified percentiles of the peer group, as defined by the awards. At the end of the performance units measurement period the target criterion is met, 100% of the performance units that are earned will vest immediately. The award recipients will not be entitled to receive any dividends prior to the date of conversion. For any restricted shares issued upon conversion, the award recipient will be entitled to receive payment of an amount equal to all dividends that would have been paid if such restricted shares had been issued at the beginning of the performance units measurement period. For performance units granted

in 2021, the Company estimates the compensation expense for the performance units on a straight-line basis using a calculation that recognizes 100% of the grant date fair value over three years.

A summary of the performance unit awards is as follows:

Date of Award	Number of Units Granted	Grant Date Fair Value	Conversion Range	Risk Free Interest Rate	Volatility
February 2018 (1)	264,000	\$13.99	0% to 150%	2.42%	27.44%
February 2019	260,000	\$19.16	0% to 200%	2.52%	27.19%
February 2020	489,000	\$11.59	0% to 200%	1.08%	23.46%
February 2021	431,151	\$20.90	0% to 200%	0.23%	69.47%

(1) In February 2021, following the end of the measurement period, the Company met certain threshold criterion and the performance units were converted into approximately 26,000 restricted shares.

For the three and six months ended June 30, 2021, the Company recognized approximately \$1.8 million and \$2.7 million, respectively, of share-based compensation expense related to the performance unit awards. For the three and six months ended June 30, 2020, the Company recognized approximately \$1.1 million and \$1.6 million, respectively, of share-based compensation expense related to the performance unit awards. As of June 30, 2021, there was \$13.1 million of total unrecognized compensation costs related to the performance unit awards and these costs are expected to be recognized over a weighted-average period of 2.3 years.

As of June 30, 2021, there were 3,938,976 common shares available for future grant under the 2021 Plan, which includes potential common shares that may convert from performance units if certain target criterion is met.

#### 14. Earnings per Common Share

Basic earnings per common share is calculated by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding during the period excluding the weighted-average number of unvested restricted shares outstanding during the period. Diluted earnings per common share is calculated by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding during the period, plus any shares that could potentially be outstanding during the period. The potential shares consist of the unvested restricted share grants and unvested performance units, calculated using the treasury stock method. Any anti-dilutive shares have been excluded from the diluted earnings per share calculation.

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating shares and are considered in the computation of earnings per share pursuant to the two-class method. If there were any undistributed earnings allocable to the participating shares, they would be deducted from net income attributable to common shareholders used in the basic and diluted earnings per share calculations.

The limited partners' outstanding OP units (which may be redeemed for common shares under certain circumstances) have been excluded from the diluted earnings per share calculation as there was no effect on the amounts for the three and six months ended June 30, 2021 and 2020, since the limited partners' share of income would also be added back to net income attributable to common shareholders.

The computation of basic and diluted earnings per common share is as follows (in thousands, except share and per share data):

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
<b>Numerator:</b>				
Net loss attributable to RLJ	\$ (51,447)	\$ (115,074)	\$ (129,433)	\$ (144,398)
Less: Preferred dividends	(6,279)	(6,279)	(12,557)	(12,557)
Less: Dividends paid on unvested restricted shares	(26)	(15)	(36)	(29)
Less: Undistributed earnings attributable to unvested restricted shares	—	—	—	—
Net loss attributable to common shareholders excluding amounts attributable to unvested restricted shares	<u>\$ (57,752)</u>	<u>\$ (121,368)</u>	<u>\$ (142,026)</u>	<u>\$ (156,984)</u>
<b>Denominator:</b>				
Weighted-average number of common shares - basic and diluted	<u>163,996,003</u>	<u>163,543,701</u>	<u>163,911,475</u>	<u>165,346,717</u>
Net loss per share attributable to common shareholders - basic and diluted	<u>\$ (0.35)</u>	<u>\$ (0.74)</u>	<u>\$ (0.87)</u>	<u>\$ (0.95)</u>

## 15. Supplemental Information to Statements of Cash Flows (in thousands)

	For the six months ended June 30,	
	2021	2020
<b>Reconciliation of cash, cash equivalents, and restricted cash reserves</b>		
Cash and cash equivalents	\$ 657,892	\$ 1,048,442
Restricted cash reserves	38,842	44,578
Cash, cash equivalents, and restricted cash reserves	<u>\$ 696,734</u>	<u>\$ 1,093,020</u>
Interest paid	<u>\$ 54,603</u>	<u>\$ 44,870</u>
Income taxes paid	<u>\$ 154</u>	<u>\$ 187</u>
Operating cash flow lease payments for operating leases	<u>\$ 5,718</u>	<u>\$ 6,466</u>
<b>Supplemental investing and financing transactions</b>		
In connection with the sale of hotel properties, the Company recorded the following:		
Sale of hotel properties	\$ 17,677	\$ —
Transaction costs	(980)	94
Operating proration	(429)	—
Proceeds from the sale of hotel properties, net	<u>\$ 16,268</u>	<u>\$ 94</u>
<b>Supplemental non-cash transactions</b>		
Accrued capital expenditures	<u>\$ 6,065</u>	<u>\$ 7,770</u>

## 16. Subsequent Events

In July and August 2021, the Company sold three hotel properties in three separate transactions for a combined sales price of approximately \$21.8 million.

In August 2021, the Company acquired the 186-room Hampton Inn and Suites Atlanta Midtown, located in Atlanta, Georgia, for \$58.0 million, using cash on hand.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report, as well as the information contained in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021 (the "Annual Report"), which is accessible on the SEC's website at [www.sec.gov](http://www.sec.gov).

### Statement Regarding Forward-Looking Information

The following information contains certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements generally are identified by the use of the words "believe," "project," "expect," "anticipate," "estimate," "plan," "may," "will," "will continue," "intend," "should," or similar expressions. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, beliefs and expectations, such forward-looking statements are not predictions of future events or guarantees of future performance and our actual results could differ materially from those set forth in the forward-looking statements.

Currently, one of the most significant factors that could cause actual outcomes to differ materially from our forward-looking statements is the continued adverse effect of the current pandemic of the novel coronavirus, or COVID-19, on our

financial condition, results of operations, cash flows and performance, the real estate market and the global economy and financial markets. The extent to which the COVID-19 pandemic impacts us will depend on future developments, which are highly uncertain and cannot be predicted with certainty, including the duration of the pandemic and its impact on the demand for travel and on levels of consumer confidence, the actions governments, businesses and individuals take in response to the pandemic, including limiting or banning travel, the impact of the COVID-19 pandemic and actions taken in response to the pandemic on global and regional economies, travel and economic activity, the speed and effectiveness of vaccine and treatment developments and their deployment, including public adoption rates of COVID-19 vaccines and their effectiveness against emerging variants of COVID-19, such as the Delta variant, and the pace of recovery when the COVID-19 pandemic subsides, among others. Moreover, investors are cautioned to interpret many of the risks identified under the section entitled "Risk Factors" in our Form 10-K for the year ended December 31, 2020 as being heightened as a result of the ongoing and numerous adverse impacts of the COVID-19 pandemic.

Additional factors that might cause such a difference include the following: increased direct competition, changes in government regulations or accounting rules, changes in local, national and global real estate conditions, declines in the lodging industry, seasonality of the lodging industry, risks related to natural disasters, such as earthquakes and hurricanes, hostilities, including future terrorist attacks or fear of hostilities that affect travel and epidemics and/or pandemics, including COVID-19, third-party operator risk, change in operational costs, ramp up of the future economic recovery and re-opening of hotels, our ability to obtain lines of credit or permanent financing on satisfactory terms, changes in interest rates, inflation, duration and access to capital through offerings of our common and preferred shares of beneficial interest, or debt, our ability to identify suitable acquisitions, our ability to close on identified acquisitions and integrate those businesses and inaccuracies of our accounting estimates. Given these uncertainties, undue reliance should not be placed on such statements.

Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. We caution investors not to place undue reliance on these forward-looking statements and urge investors to carefully review the disclosures we make concerning risks and uncertainties in the sections entitled "Forward-Looking Statements," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report, as well as the risks, uncertainties and other factors discussed in this Quarterly Report on Form 10-Q and identified in other documents filed by us with the SEC.

## Overview

We are a self-advised and self-administered Maryland real estate investment trust ("REIT") that owns primarily premium-branded, high-margin, focused-service and compact full-service hotels. Our hotels are concentrated in markets that we believe exhibit multiple demand generators and attractive long-term growth prospects. We believe premium-branded, focused-service and compact full-service hotels with these characteristics generate high levels of Revenue per Available Room ("RevPAR"), strong operating margins and attractive returns.

Our strategy is to own primarily premium-branded, focused-service and compact full-service hotels. Focused-service and compact full-service hotels typically generate most of their revenue from room rentals, have limited food and beverage outlets and meeting space, and require fewer employees than traditional full-service hotels. We believe these types of hotels have the potential to generate attractive returns relative to other types of hotels due to their ability to achieve RevPAR levels at or close to those achieved by traditional full-service hotels while achieving higher profit margins due to their more efficient operating model and less volatile cash flows.

As of June 30, 2021, we owned 100 hotel properties with approximately 22,400 rooms, located in 23 states and the District of Columbia. We owned, through wholly-owned subsidiaries, a 100% interest in 96 of our hotel properties, a 98.3% controlling interest in the DoubleTree Metropolitan Hotel New York City, a 95% controlling interest in The Knickerbocker, and 50% interests in entities owning two hotel properties. We consolidate our real estate interests in the 98 hotel properties in which we hold a controlling financial interest, and we record the real estate interests in the two hotel properties in which we hold an indirect 50% interest using the equity method of accounting. We lease 99 of the 100 hotel properties to our taxable REIT subsidiaries ("TRS"), of which we own a controlling financial interest.

For U.S. federal income tax purposes, we elected to be taxed as a REIT commencing with our taxable year ended December 31, 2011. Substantially all of our assets and liabilities are held by, and all of our operations are conducted through, our operating partnership RLJ Lodging Trust, L.P. (the "Operating Partnership"). We are the sole general partner of the Operating Partnership. As of June 30, 2021, we owned, through a combination of direct and indirect interests, 99.5% of the units of limited partnership interest in the Operating Partnership ("OP units").

## COVID-19

The global outbreak of COVID-19 and the public health measures that have been undertaken in response have had, and will likely continue to have, an impact on the global economy and all aspects of our business. Significant events affecting travel, including the COVID-19 pandemic, typically have an impact on booking patterns, with the full extent of the impact generally determined by the duration of the event and its impact on travel decisions. The effects of the COVID-19 pandemic could have lasting changes in consumer behavior that could create headwinds for our hotel properties. Since we cannot estimate when the COVID-19 pandemic and the responsive measures to combat it will end, we cannot estimate the ultimate operational and financial impact of the COVID-19 pandemic on our business.

The effects of the COVID-19 pandemic have significantly impacted our operations, and combined with macroeconomic trends such as reduced business spending, including on travel, and increased unemployment, lead us to believe that the ongoing effects of the COVID-19 pandemic on our operations will continue to have a material impact on our financial results and liquidity.

As of June 30, 2021, operations at 2 hotels located in New York City remained suspended. We will continue to evaluate reopening these hotels based on market conditions and other factors. All open hotels are currently operating under aggressive operating cost containment plans, including reduced staffing, elimination of non-essential amenities and services, and modified food and beverage offerings.

## 2021 Significant Activities

Our significant activities reflect our commitment to creating long-term shareholder value through enhancing our hotel portfolio's quality, recycling capital and maintaining a prudent capital structure. The following significant activities have taken place in 2021:

- We issued the \$500 Million Senior Notes due 2026 that bear interest at a rate of 3.75% per annum. We used the net proceeds of the offering to repay \$335.5 million of our Term Loans and \$142.2 million of our mortgage loans.
- We amended our Revolver and Term Loans, which included a waiver of quarterly financial covenants through the first quarter of 2022.
- We extended the maturity of \$100.0 million of our \$150.0 million Term Loan from January 2022 to June 2023, with an additional one-year extension option to June 2024.
- During the six months ended June 30, 2021, we sold three hotel properties in three separate transactions for a combined sales price of approximately \$17.7 million. Subsequent to the quarter, we sold three hotel properties in three separate transactions for a combined sales price of approximately \$21.8 million.
- Subsequent to the six months ended June 30, 2021, we acquired the 186-room Hampton Inn and Suites Atlanta Midtown, located in Atlanta, Georgia, for \$58.0 million.

## Our Customers

The majority of our hotels consist of premium-branded, focused-service and compact full-service hotels. As a result of this property profile, the majority of our customers are transient in nature. Transient business typically represents individual business or leisure travelers. The majority of our hotels are located in business districts within major metropolitan areas. Accordingly, business travelers represent the majority of the transient demand at our hotels. As a result, macroeconomic factors impacting business travel have a greater effect on our business than factors impacting leisure travel.

Group business is typically defined as a minimum of 10 guestrooms booked together as part of the same piece of business. Group business may or may not use the meeting space at any given hotel. Given the limited meeting space at the majority of our hotels, group business that utilizes meeting space represents a small component of our customer base.

A number of our hotel properties are affiliated with brands marketed toward extended-stay customers. Extended-stay customers are generally defined as those staying five nights or longer.



## **Our Revenues and Expenses**

Our revenues are primarily derived from the operation of hotels, including the sale of rooms, food and beverage revenue and other revenue, which consists of parking fees, resort fees, gift shop sales and other guest service fees.

Our operating costs and expenses consist of the costs to provide hotel services, including room expense, food and beverage expense, management and franchise fees and other operating expenses. Room expense includes housekeeping and front office wages and payroll taxes, reservation systems, room supplies, laundry services and other costs. Food and beverage expense primarily includes the cost of food, the cost of beverages and the associated labor costs. Other operating expenses include labor and other costs associated with the other operating department revenue, as well as labor and other costs associated with administrative departments, sales and marketing, repairs and maintenance and utility costs. Our hotels that are subject to franchise agreements are charged a royalty fee, plus additional fees for marketing, central reservation systems and other franchisor costs, in order for the hotel properties to operate under the respective brands. Franchise fees are based on a percentage of room revenue and for certain hotels additional franchise fees are charged for food and beverage revenue. Our hotels are managed by independent, third-party management companies under long-term agreements pursuant to which the management companies typically earn base and incentive management fees based on the levels of revenues and profitability of each individual hotel property. We generally receive a cash distribution from the management companies on a monthly basis, which reflects hotel-level sales less hotel-level operating expenses.

## **Key Indicators of Financial Performance**

We use a variety of operating, financial and other information to evaluate the operating performance of our business. These key indicators include financial information that is prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as well as other financial measures that are non-GAAP measures. In addition, we use other information that may not be financial in nature, including industry standard statistical information and comparative data. We use this information to measure the operating performance of our individual hotels, groups of hotels and/or business as a whole. We also use these metrics to evaluate the hotels in our portfolio and potential acquisition opportunities to determine each hotel's contribution to cash flow and its potential to provide attractive long-term total returns. The key indicators include:

- Average Daily Rate ("ADR")
- Occupancy
- RevPAR

ADR, Occupancy and RevPAR are commonly used measures within the lodging industry to evaluate operating performance. RevPAR is an important statistic for monitoring operating performance at the individual hotel property level and across our entire business. We evaluate individual hotel RevPAR performance on an absolute basis with comparisons to budget and prior periods, as well as on a regional and company-wide basis. ADR and RevPAR include only room revenue.

We also use non-GAAP measures such as FFO, Adjusted FFO, EBITDA, EBITDA<sub>re</sub> and Adjusted EBITDA to evaluate the operating performance of our business. For a more in depth discussion of the non-GAAP measures, please refer to the "Non-GAAP Financial Measures" section.

## **Critical Accounting Policies and Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. It is possible that the actual amounts may differ significantly from these estimates and assumptions. We evaluate our estimates, assumptions and judgments on an ongoing basis, based on information that is available to us, our business and industry experience, and various other matters that we believe are reasonable and appropriate for consideration under the circumstances. Our Annual Report on Form 10-K for the year ended December 31, 2020 contains a discussion of our critical accounting policies and estimates. There have been no significant changes to our critical accounting policies and estimates since December 31, 2020.

## **Results of Operations**

At June 30, 2021 and 2020, we owned 100 and 104 hotel properties, respectively. Based on when a hotel property is acquired, sold or closed for renovation, the operating results for certain hotel properties are not comparable for the three and six months ended June 30, 2021 and 2020. The non-comparable hotel properties include one disposition that was completed in 2020 and three dispositions that were completed in 2021.

### **COVID-19**

Beginning in March 2020, we experienced a significant decline in occupancy and RevPAR due to the COVID-19 pandemic. In response to the government-mandated stay-in-place orders and the significant reduction in demand due to the COVID-19 pandemic, we initially suspended operations at 57 hotels. As stay-in-place restrictions were lifted, we developed a framework to open hotels in a socially and financially responsible manner. Based on this framework, we began reopening hotels during the quarter ended June 30, 2020, and as of June 30, 2021, only two hotels located in New York City remained suspended. During the three and six months ended June 30, 2021, we benefited from significant growth in demand as a result of increased vaccine distribution, easing of government restrictions and pent-up leisure demand. These trends, combined with our reopening strategy and continuing stringent cost containment initiatives, led to a significant improvement in our results of operations for the three and six months ended June 30, 2021 as compared to the same periods in the prior year.

**Comparison of the three months ended June 30, 2021 to the three months ended June 30, 2020**

	For the three months ended June 30,		\$ Change
	2021	2020	
	(amounts in thousands)		
<b>Revenues</b>			
Operating revenues			
Room revenue	\$ 166,554	\$ 27,853	\$ 138,701
Food and beverage revenue	12,983	1,271	11,712
Other revenue	14,717	3,467	11,250
Total revenues	<u>194,254</u>	<u>32,591</u>	<u>161,663</u>
<b>Expenses</b>			
Operating expenses			
Room expense	42,898	12,469	30,429
Food and beverage expense	8,709	1,801	6,908
Management and franchise fee expense	12,630	(1,827)	14,457
Other operating expense	56,883	37,933	18,950
Total property operating expenses	<u>121,120</u>	<u>50,376</u>	<u>70,744</u>
Depreciation and amortization	46,915	49,229	(2,314)
Property tax, insurance and other	24,048	25,348	(1,300)
General and administrative	12,133	11,673	460
Transaction costs	195	20	175
Total operating expenses	<u>204,411</u>	<u>136,646</u>	<u>67,765</u>
Other (expense) income, net	(9,720)	282	(10,002)
Interest income	220	579	(359)
Interest expense	(26,366)	(23,794)	(2,572)
Gain (loss) on sale of hotel properties, net	103	(8)	111
Loss on extinguishment of indebtedness, net	(6,207)	—	(6,207)
Loss before equity in income (loss) from unconsolidated joint ventures	(52,127)	(126,996)	74,869
Equity in income (loss) from unconsolidated joint ventures	60	(975)	1,035
Loss before income tax (expense) benefit	(52,067)	(127,971)	75,904
Income tax (expense) benefit	(154)	11,805	(11,959)
Net loss	(52,221)	(116,166)	63,945
<b>Net loss attributable to noncontrolling interests:</b>			
Noncontrolling interest in consolidated joint ventures	506	524	(18)
Noncontrolling interest in the Operating Partnership	268	568	(300)
Net loss attributable to RLJ	(51,447)	(115,074)	63,627
Preferred dividends	(6,279)	(6,279)	—
Net loss attributable to common shareholders	<u>\$ (57,726)</u>	<u>\$ (121,353)</u>	<u>\$ 63,627</u>

## Revenues

Total revenues increased \$161.7 million to \$194.3 million for the three months ended June 30, 2021 from \$32.6 million for the three months ended June 30, 2020. The increase was the result of a \$138.7 million increase in room revenue, a \$11.7 million increase in food and beverage revenue, and a \$11.3 million increase in other revenue.

### Room Revenue

Room revenue increased \$138.7 million to \$166.6 million for the three months ended June 30, 2021 from \$27.9 million for the three months ended June 30, 2020. The increase was the result of a \$139.1 million increase in room revenue attributable to the comparable properties, which was partially offset by a \$0.4 million decrease in room revenue attributable to the non-comparable properties. The increase in room revenue from the comparable properties was attributable to an increase in RevPAR resulting from a surge in demand coming out of the COVID-19 pandemic. Though RevPAR increased over the comparable period in 2020, it remained below the comparable period in 2019.

The following are the quarter-to-date key hotel operating statistics for the comparable properties:

	For the three months ended June 30,		
	2021	2020	2019
Occupancy	57.9 %	11.4 %	83.5 %
ADR	\$ 142.11	\$ 117.14	\$ 189.60
RevPAR	\$ 82.22	\$ 13.34	\$ 158.30

### Food and Beverage Revenue

Food and beverage revenue increased \$11.7 million to \$13.0 million for the three months ended June 30, 2021 from \$1.3 million for the three months ended June 30, 2020 due to the impact of the COVID-19 pandemic.

### Other Revenue

Other revenue, which includes revenue derived from ancillary sources such as parking fees, resort fees, gift shop sales and other guest service fees, increased \$11.3 million to \$14.7 million for the three months ended June 30, 2021 from \$3.5 million for the three months ended June 30, 2020. The increase was due to a \$11.3 million increase in other revenue attributable to the comparable properties due to the impact of the COVID-19 pandemic.

## Property Operating Expenses

Property operating expenses increased \$70.7 million to \$121.1 million for the three months ended June 30, 2021 from \$50.4 million for the three months ended June 30, 2020. The increase was due to a \$71.1 million increase in property operating expenses attributable to the comparable properties, which was partially offset by a \$0.4 million decrease in property operating expenses attributable to the non-comparable properties and.

The components of our property operating expenses for the comparable properties owned at June 30, 2021 and 2020, respectively, were as follows (in thousands):

	For the three months ended June 30,		\$ Change
	2021	2020	
Room expense	\$ 42,789	\$ 12,278	\$ 30,511
Food and beverage expense	8,696	1,801	6,895
Management and franchise fee expense	12,567	(1,950)	14,517
Other operating expense	56,670	37,463	19,207
Total property operating expenses	\$ 120,722	\$ 49,592	\$ 71,130

The increase in property operating expenses attributable to the comparable properties was due to increased operations at our hotels during the three months ended June 30, 2021 after temporarily suspending operations at certain of our hotels and reducing operations at the remaining hotels in response to the COVID-19 pandemic during the three months ended June 30, 2020. All open hotels are currently operating under aggressive operating cost containment plans, including reduced staffing, elimination of nonessential amenities and services, and modified food and beverage offerings. Management and franchise fee

expense for the three months ended June 30, 2021 and 2020 included a reduction to management and franchise fee expense of \$4.5 million and \$4.2 million, respectively, related to the recognition of the Wyndham termination payment.

#### **Depreciation and Amortization**

Depreciation and amortization expense decreased \$2.3 million to \$46.9 million for the three months ended June 30, 2021 from \$49.2 million for the three months ended June 30, 2020. The decrease was a result of a \$2.0 million decrease in depreciation and amortization expense attributable to the comparable properties and a \$0.3 million decrease in depreciation and amortization expense attributable to the non-comparable properties. The decrease in depreciation and amortization expense attributable to the comparable properties was primarily related to furniture, fixtures, and equipment at certain hotel properties that were fully depreciated in 2020.

#### **Property Tax, Insurance and Other**

Property tax, insurance and other expense decreased \$1.3 million to \$24.0 million for the three months ended June 30, 2021 from \$25.3 million for the three months ended June 30, 2020. The decrease was attributable to a \$1.2 million decrease in property tax, insurance and other expense attributable to the comparable properties and a \$0.1 million decrease in property tax, insurance and other expense attributable to the non-comparable properties. The decrease in property tax, insurance and other expense attributable to the comparable properties was primarily attributable to a decrease in real estate tax assessments, which was partially offset by an increase in rent expense due to rent abatements in 2020 and the impact of the COVID-19 pandemic on percentage rent.

#### **General and Administrative**

General and administrative expense increased \$0.5 million to \$12.1 million for the three months ended June 30, 2021 from \$11.7 million for the three months ended June 30, 2020. The increase was primarily attributable to an increase in non-cash compensation expense related to share-based awards granted during 2021, which was partially offset by our efforts to reduce costs in response to the COVID-19 pandemic and a decrease in debt modification, legal, and other costs outside the normal course of operations.

#### **Other (Expense) Income, net**

Other expense increased \$10.0 million to \$9.7 million for the three months ended June 30, 2021 from income of \$0.3 million for the three months ended June 30, 2020. The increase was primarily attributable to the reclassification of unrealized losses from accumulated other comprehensive loss due to the termination of certain interest rate swap agreements that were previously designated against debt that was repaid with proceeds from the \$500 Million Senior Notes due 2026 offering.

#### **Interest Expense**

The components of our interest expense for the three months ended June 30, 2021 and 2020 were as follows (in thousands):

	For the three months ended June 30,		\$ Change
	2021	2020	
Senior Notes	\$ 6,685	\$ 5,940	\$ 745
Revolver and Term Loans	14,023	12,705	1,318
Mortgage loans	4,294	4,475	(181)
Amortization of deferred financing costs	1,364	1,045	319
Undesignated interest rate swaps	—	(371)	371
Total interest expense	\$ 26,366	\$ 23,794	\$ 2,572

Interest expense increased \$2.6 million to \$26.4 million for the three months ended June 30, 2021 from \$23.8 million for the three months ended June 30, 2020. The increase in interest expense was attributable to the \$500 Million Senior Notes due 2026 issued in June 2021, an increase in pricing of the Revolver and Term Loans as a result of the amendments in 2020, additional amortization of deferred financing fees associated with the amendments, and unrealized losses on certain discontinued cash flow hedges during the six months ended June 30, 2020 that did not recur in 2021.

***Loss on Extinguishment of Indebtedness, net***

During the three months ended June 30, 2021, we recorded a net loss on extinguishment of indebtedness of \$6.2 million primarily related to early termination costs on mortgage loans that were paid down during the period.

***Equity in Income (Loss) from Unconsolidated Joint Ventures***

Equity in income (loss) from unconsolidated joint ventures increased \$1.0 million to income of \$0.1 million for the three months ended June 30, 2021 from a loss of \$1.0 million for the three months ended June 30, 2020. The increase is primarily attributable to the impact of the COVID-19 pandemic.

***Income Taxes***

As part of our structure, we own TRSs that are subject to federal and state income taxes. During the quarter ended September 30, 2020, we determined it was more likely than not that the deferred tax assets related to the net operating loss carryforwards of our primary TRS would not be utilized in future periods. As a result, we began recording a full valuation allowance to fully reserve these deferred tax assets.

Our effective tax rate was (0.3)% and 9.2% for the three months ended June 30, 2021 and 2020, respectively. Income tax expense increased \$12.0 million to expense of \$0.2 million for the three months ended June 30, 2021, compared to a benefit of \$11.8 million for the three months ended June 30, 2020 primarily attributable to the provision of a full valuation allowance against net operating losses incurred during the three months ended June 30, 2021.

**Comparison of the six months ended June 30, 2021 to the six months ended June 30, 2020**

	For the six months ended June 30,		\$ Change
	2021	2020	
	(amounts in thousands)		
<b>Revenues</b>			
Operating revenues			
Room revenue	\$ 269,326	\$ 246,745	\$ 22,581
Food and beverage revenue	19,225	32,039	(12,814)
Other revenue	25,255	19,289	5,966
Total revenues	313,806	298,073	15,733
<b>Expenses</b>			
Operating expenses			
Room expense	72,325	76,222	(3,897)
Food and beverage expense	13,265	28,181	(14,916)
Management and franchise fee expense	17,991	15,317	2,674
Other operating expense	106,003	118,890	(12,887)
Total property operating expenses	209,584	238,610	(29,026)
Depreciation and amortization	93,858	98,402	(4,544)
Impairment losses	5,946	—	5,946
Property tax, insurance and other	44,129	54,041	(9,912)
General and administrative	22,934	23,441	(507)
Transaction costs	255	30	225
Total operating expenses	376,706	414,524	(37,818)
Other (expense) income, net	(9,255)	859	(10,114)
Interest income	604	3,545	(2,941)
Interest expense	(54,261)	(47,607)	(6,654)
Gain on sale of hotel properties, net	1,186	94	1,092
Loss on extinguishment of indebtedness, net	(6,207)	—	(6,207)
Loss before equity in loss from unconsolidated joint ventures	(130,833)	(159,560)	28,727
Equity in loss from unconsolidated joint ventures	(238)	(390)	152
Loss before income tax (expense) benefit	(131,071)	(159,950)	28,879
Income tax (expense) benefit	(268)	12,955	(13,223)
Net loss	(131,339)	(146,995)	15,656
Net loss attributable to noncontrolling interests:			
Noncontrolling interest in consolidated joint ventures	1,242	1,837	(595)
Noncontrolling interest in the Operating Partnership	664	760	(96)
Net loss attributable to RLJ	(129,433)	(144,398)	14,965
Preferred dividends	(12,557)	(12,557)	—
Net loss attributable to common shareholders	\$ (141,990)	\$ (156,955)	\$ 14,965

## Revenues

Total revenues increased \$15.7 million to \$313.8 million for the six months ended June 30, 2021 from \$298.1 million for the six months ended June 30, 2020. The increase was the result of a \$22.6 million increase in room revenue, a \$12.8 million decrease in food and beverage revenue, and a \$6.0 million increase in other revenue.

### Room Revenue

Room revenue increased \$22.6 million to \$269.3 million for the six months ended June 30, 2021 from \$246.7 million for the six months ended June 30, 2020. The increase was the result of a \$23.8 million increase in room revenue attributable to the comparable properties, which was offset by a \$1.2 million decrease in room revenue attributable to the non-comparable properties. The increase in room revenue from the comparable properties was attributable to an increase in RevPAR resulting from a surge in demand coming out of the COVID-19 pandemic. Though RevPAR increased over the comparable period in 2020, it remained below the comparable period in 2019.

The following are the year-to-date key hotel operating statistics for the comparable properties:

	For the six months ended June 30,		
	2021	2020	2019
Occupancy	50.4 %	36.0 %	80.0 %
ADR	\$ 132.37	\$ 167.87	\$ 188.23
RevPAR	\$ 66.71	\$ 60.47	\$ 150.50

### Food and Beverage Revenue

Food and beverage revenue decreased \$12.8 million to \$19.2 million for the six months ended June 30, 2021 from \$32.0 million for the six months ended June 30, 2020 due to the impact of the COVID-19 pandemic, including modified food and beverage offerings in response.

### Other Revenue

Other revenue, which includes revenue derived from ancillary sources such as parking fees, resort fees, gift shop sales and other guest service fees, increased \$6.0 million to \$25.3 million for the six months ended June 30, 2021 from \$19.3 million for the six months ended June 30, 2020. The increase in other revenue was primarily due to the impact of the COVID-19 pandemic.

## Property Operating Expenses

Property operating expenses decreased \$29.0 million to \$209.6 million for the six months ended June 30, 2021 from \$238.6 million for the six months ended June 30, 2020. The decrease was due to a \$27.4 million decrease in property operating expenses attributable to the comparable properties and a \$1.6 million decrease in property operating expenses attributable to the non-comparable properties.

The components of our property operating expenses for the comparable properties owned at June 30, 2021 and 2020, respectively, were as follows (in thousands):

	For the six months ended June 30,		\$ Change
	2021	2020	
Room expense	\$ 72,013	\$ 75,407	\$ (3,394)
Food and beverage expense	13,256	28,153	(14,897)
Management and franchise fee expense	17,818	15,006	2,812
Other operating expense	105,410	117,322	(11,912)
Total property operating expenses	\$ 208,497	\$ 235,888	\$ (27,391)

The decrease in property operating expenses attributable to the comparable properties was due to the impact of the COVID-19 pandemic. All open hotels are currently operating under aggressive operating cost containment plans, including reduced staffing, elimination of nonessential amenities and services, and modified food and beverage offerings. Management



and franchise fee expense for the six months ended June 30, 2021 and 2020 included a reduction in management and franchise fee expense of \$9.1 million and \$8.8 million, respectively, related to the recognition of the Wyndham termination payment.

### **Depreciation and Amortization**

Depreciation and amortization expense decreased \$4.5 million to \$93.9 million for the six months ended June 30, 2021 from \$98.4 million for the six months ended June 30, 2020. The decrease was a result of a \$4.0 million decrease in depreciation and amortization expense attributable to the comparable properties and a \$0.5 million decrease in depreciation and amortization expense attributable to the non-comparable properties. The decrease in depreciation and amortization expense attributable to the comparable properties was primarily related to furniture, fixtures, and equipment at certain hotel properties that were fully depreciated in 2020.

### **Impairment Losses**

During the six months ended June 30, 2021, we recorded impairment losses of \$5.9 million related to two hotel properties, which were sold in May 2021.

### **Property Tax, Insurance and Other**

Property tax, insurance and other expense decreased \$9.9 million to \$44.1 million for the six months ended June 30, 2021 from \$54.0 million for the six months ended June 30, 2020. The decrease was attributable to a \$9.0 million decrease in property tax, insurance and other expense attributable to the comparable properties and a \$0.9 million decrease in property tax, insurance and other expense attributable to the non-comparable properties. The decrease in property tax, insurance and other expense attributable to the comparable properties was primarily attributable to a decrease in real estate tax assessments, including final assessments of certain of our California hotels acquired in our merger with FelCor. The final assessment of these California hotels resulted in a benefit of \$5.4 million during the six months ended June 30, 2021 related to the reversal of accrued real estate tax liabilities in excess of the amounts owed. The decrease in real estate tax assessments was partially offset by an increase in rent expense due to rent abatements in 2020 and the impact of the COVID-19 pandemic on percentage rent obligations.

### **General and Administrative**

General and administrative expense decreased \$0.5 million to \$22.9 million for the six months ended June 30, 2021 from \$23.4 million for the six months ended June 30, 2020. The decrease was primarily attributable to our efforts to reduce costs in response to the COVID-19 pandemic and a decrease in debt modification, legal, and other costs outside the normal course of operations. These decreases were partially offset by an increase in non-cash compensation expense related to share-based awards granted during 2021.

### **Other (Expense) Income, net**

Other expense increased \$10.1 million to \$9.3 million for the six months ended June 30, 2021 from income of \$0.9 million for the six months ended June 30, 2020. The increase was primarily attributable to the reclassification of unrealized losses from accumulated other comprehensive loss due to the termination of certain interest rate swap agreements that were previously designated against debt that was repaid with proceeds from the \$500 Million Senior Notes due 2026 offering.

### **Interest Expense**

The components of our interest expense for the six months ended June 30, 2021 and 2020 were as follows (in thousands):

	For the six months ended June 30,		\$ Change
	2021	2020	
Senior Notes	\$ 12,627	\$ 11,883	\$ 744
Revolver and Term Loans	31,201	23,356	7,845
Mortgage loans	7,748	9,115	(1,367)
Amortization of deferred financing costs	2,685	2,067	618
Undesignated interest rate swaps	—	1,186	(1,186)
Total interest expense	<u>\$ 54,261</u>	<u>\$ 47,607</u>	<u>\$ 6,654</u>

Interest expense increased \$6.7 million to \$54.3 million for the six months ended June 30, 2021 from \$47.6 million for the six months ended June 30, 2020. The increase in interest expense was attributable to the \$500 Million Senior Notes due 2026 issued in June 2021, and the outstanding balance on the Revolver that was drawn down in March 2020. The increase in interest expense was also attributable to an increase in pricing as a result of the amendments of the Revolver and Term Loans and additional amortization of deferred financing fees associated with the amendments. These increases were partially offset by a decrease in interest expense as a result of lower interest rates on our variable rate loans during the six months ended June 30, 2021, and unrealized losses on certain discontinued cash flow hedges during the six months ended June 30, 2020 that did not recur in 2021.

#### ***Gain on Sale of Hotel Properties, net***

During the six months ended June 30, 2021, we sold three hotel properties for a sales price of approximately \$17.7 million and recorded a net gain on sale of approximately \$1.2 million.

#### ***Loss on Extinguishment of Indebtedness, net***

During the six months ended June 30, 2021, we recorded a net loss on extinguishment of indebtedness of \$6.2 million primarily related to early termination costs on mortgage loans that were paid down during the period.

#### ***Equity in Loss from Unconsolidated Joint Ventures***

Equity in loss from unconsolidated joint ventures decreased \$0.2 million to a loss of \$0.2 million for the six months ended June 30, 2021 from a loss of \$0.4 million for the six months ended June 30, 2020. The decrease is primarily attributable to the impact of the COVID-19 pandemic.

#### ***Income Taxes***

As part of our structure, we own TRSs that are subject to federal and state income taxes. During the quarter ended September 30, 2020, we determined it was more likely than not that the deferred tax assets related to the net operating loss carryforwards of our primary TRS would not be utilized in future periods. As a result, we began recording a full valuation allowance to fully reserve these deferred tax assets.

Our effective tax rates were (0.2)% and 8.1% for the six months ended June 30, 2021 and 2020, respectively. Income tax expense increased \$13.2 million to expense of \$0.3 million for the six months ended June 30, 2021 from a benefit of \$13.0 million for the six months ended June 30, 2020 primarily attributable to the provisions of a full valuation allowance against net operating losses incurred during the six months ended June 30, 2021.

#### **Non-GAAP Financial Measures**

We consider the following non-GAAP financial measures useful to investors as key supplemental measures of our performance: (1) FFO, (2) Adjusted FFO, (3) EBITDA, (4) EBITDA<sub>re</sub> and (5) Adjusted EBITDA. These non-GAAP financial measures should be considered along with, but not as alternatives to, net income or loss as a measure of our operating performance. FFO, Adjusted FFO, EBITDA, EBITDA<sub>re</sub>, and Adjusted EBITDA, as calculated by us, may not be comparable to FFO, Adjusted FFO, EBITDA, EBITDA<sub>re</sub> and Adjusted EBITDA as reported by other companies that do not define such terms exactly as we define such terms.

#### **Funds From Operations**

We calculate funds from operations ("FFO") in accordance with standards established by the National Association of Real Estate Investment Trusts ("NAREIT"), which defines FFO as net income or loss, excluding gains or losses from sales of real estate, impairment, the cumulative effect of changes in accounting principles, plus depreciation and amortization, and adjustments for unconsolidated partnerships and joint ventures. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, most real estate industry investors consider FFO to be helpful in evaluating a real estate company's operations. We believe that the presentation of FFO provides useful information to investors regarding our operating performance and can facilitate comparisons of operating performance between periods and between REITs, even though FFO does not represent an amount that accrues directly to common shareholders. Our calculation of FFO may not be comparable to measures calculated by other companies who do not use the NAREIT definition of FFO or do not calculate FFO per diluted share in accordance with NAREIT guidance. Additionally, FFO may not be helpful when comparing us to non-

REITs. We present FFO attributable to common shareholders, which includes our OP units, because our OP units may be redeemed for common shares. We believe it is meaningful for the investor to understand FFO attributable to all common shares and OP units.

We further adjust FFO for certain additional items that are not in NAREIT's definition of FFO, such as gains or losses on extinguishment of indebtedness, transaction costs, non-cash income tax expense or benefit, the amortization of share-based compensation, unrealized gains or losses on undesignated interest rate hedges, and certain other expenses that we consider outside the normal course of operations. We believe that Adjusted FFO provides useful supplemental information to investors regarding our ongoing operating performance that, when considered with net income and FFO, is beneficial to an investor's understanding of our operating performance.

The following table is a reconciliation of our GAAP net loss to FFO attributable to common shareholders and unitholders and Adjusted FFO attributable to common shareholders and unitholders for the three and six months ended June 30, 2021 and 2020 (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Net loss	\$ (52,221)	\$ (116,166)	\$ (131,339)	\$ (146,995)
Preferred dividends	(6,279)	(6,279)	(12,557)	(12,557)
Depreciation and amortization	46,915	49,229	93,858	98,402
(Gain) loss on sale of hotel properties, net	(103)	8	(1,186)	(94)
Impairment losses	—	—	5,946	—
Noncontrolling interest in consolidated joint ventures	506	524	1,242	1,837
Adjustments related to consolidated joint ventures (1)	(75)	(74)	(150)	(149)
Adjustments related to unconsolidated joint ventures (2)	291	489	585	982
FFO	(10,966)	(72,269)	(43,601)	(58,574)
Transaction costs	195	20	255	30
Loss on extinguishment of indebtedness, net	6,207	—	6,207	—
Amortization of share-based compensation	4,848	3,325	7,600	6,021
Non-cash income tax benefit	—	(11,821)	—	(13,062)
Unrealized (gain) loss on discontinued cash flow hedges	—	(371)	—	1,186
Corporate- and property-level severance	—	209	—	209
Derivative losses in accumulated other comprehensive loss reclassified to earnings (3)	10,658	—	10,658	—
Other expenses (4)	353	835	409	989
Adjusted FFO	\$ 11,295	\$ (80,072)	\$ (18,472)	\$ (63,201)

(1) Includes depreciation and amortization expense allocated to the noncontrolling interest in the consolidated joint ventures.

(2) Includes our ownership interest in the depreciation and amortization expense of the unconsolidated joint ventures.

(3) Reclassification of interest rate swap losses from accumulated other comprehensive loss to earnings for discontinued cash flow hedges due to debt paydowns.

(4) Represents expenses outside of the normal course of operations.

#### EBITDA and EBITDAre

Earnings before interest, taxes, depreciation and amortization ("EBITDA") is defined as net income or loss excluding: (1) interest expense; (2) income tax expense; and (3) depreciation and amortization expense. We consider EBITDA useful to an investor in evaluating and facilitating comparisons of our operating performance between periods and between REITs by removing the impact of our capital structure (primarily interest expense) and asset base (primarily depreciation and amortization expense) from our operating results. In addition, EBITDA is used as one measure in determining the value of hotel acquisitions and disposals.

In addition to EBITDA, we present EBITDAre in accordance with NAREIT guidelines, which defines EBITDAre as net income or loss excluding interest expense, income tax expense, depreciation and amortization expense, gains or losses from

sales of real estate, impairment, and adjustments for unconsolidated joint ventures. We believe that the presentation of EBITDA<sub>re</sub> provides useful information to investors regarding our operating performance and can facilitate comparisons of operating performance between periods and between REITs.

We also present Adjusted EBITDA, which includes additional adjustments for items such as gains or losses on extinguishment of indebtedness, transaction costs, the amortization of share-based compensation, unrealized gains or losses on undesignated interest rate hedges, and certain other expenses that we consider outside the normal course of operations. We believe that Adjusted EBITDA provides useful supplemental information to investors regarding our ongoing operating performance that, when considered with net income, EBITDA, and EBITDA<sub>re</sub>, is beneficial to an investor's understanding of our operating performance.

The following table is a reconciliation of our GAAP net loss to EBITDA, EBITDA<sub>re</sub> and Adjusted EBITDA for the three and six months ended June 30, 2021 and 2020 (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Net loss	\$ (52,221)	\$ (116,166)	\$ (131,339)	\$ (146,995)
Depreciation and amortization	46,915	49,229	93,858	98,402
Interest expense, net of interest income	26,146	23,215	53,657	44,062
Income tax expense (benefit)	154	(11,805)	268	(12,955)
Adjustments related to unconsolidated joint ventures (1)	408	609	818	1,226
EBITDA	21,402	(54,918)	17,262	(16,260)
(Gain) loss on sale of hotel properties, net	(103)	8	(1,186)	(94)
Impairment losses	—	—	5,946	—
EBITDA <sub>re</sub>	21,299	(54,910)	22,022	(16,354)
Transaction costs	195	20	255	30
Loss on extinguishment of indebtedness, net	6,207	—	6,207	—
Amortization of share-based compensation	4,848	3,325	7,600	6,021
Corporate- and property-level severance	—	209	—	209
Derivative losses in accumulated other comprehensive loss reclassified to earnings (2)	10,658	—	10,658	—
Other expenses (3)	353	835	409	989
Adjusted EBITDA	\$ 43,560	\$ (50,521)	\$ 47,151	\$ (9,105)

(1) Includes our ownership interest in the interest, depreciation, and amortization expense of the unconsolidated joint ventures.

(2) Reclassification of interest rate swap losses from accumulated other comprehensive loss to earnings for discontinued cash flow hedges due to debt paydowns.

(3) Represents expenses outside of the normal course of operations.

## Liquidity and Capital Resources

Our liquidity requirements consist primarily of the funds necessary to pay for operating expenses and other expenditures directly associated with our hotel properties, including:

- funds necessary to pay for the costs of acquiring hotel properties;
- redevelopments, conversions, renovations and other capital expenditures that need to be made periodically to our hotel properties;
- recurring maintenance and capital expenditures necessary to maintain our hotel properties in accordance with brand standards;
- operating shortfalls in hotel properties where operations were suspended and hotels with low occupancy;
- interest expense and scheduled principal payments on outstanding indebtedness;

- distributions necessary to qualify for taxation as a REIT; and
- corporate and other general and administrative expenses.

Due to the COVID-19 pandemic, we continue to operate open hotels under aggressive operating cost containment plans, including reduced staffing, elimination of non-essential amenities and services, and the closure of some food and beverage outlets. We believe the ongoing effects of the COVID-19 pandemic on our operations continue to have a material impact on our financial results and liquidity.

We can make no assurances that the assumptions used to estimate our liquidity requirements will remain accurate because the magnitude, duration and speed of the COVID-19 pandemic are uncertain. These uncertainties make it difficult to predict the impact on our business, financial condition or near- or longer-term financial or operational results with certainty.

During the six months ended June 30, 2021, we entered into an amendment to our Revolver and Term Loans. The amendment suspends the testing of all existing financial maintenance covenants under the Revolver and the Term Loan agreements for all periods through and including the fiscal quarter ending March 31, 2022 (the "Covenant Relief Period"). In addition, for periods following the Covenant Relief Period, the amendments modify certain covenant thresholds.

As of June 30, 2021, we had \$696.7 million of cash and cash equivalents and restricted cash reserves.

## Sources and Uses of Cash

### *Cash flows from Operating Activities*

The net cash flow used in operating activities totaled \$24.0 million and \$54.4 million for the six months ended June 30, 2021 and 2020, respectively. Our cash flows used in or provided by operating activities generally consist of the net cash generated by or operating shortfalls from our hotel operations, the cash paid for corporate expenses and other working capital changes. Refer to the "Results of Operations" section for further discussion of our operating results for the six months ended June 30, 2021 and 2020.

### *Cash flows from Investing Activities*

The net cash flow used in investing activities totaled \$10.7 million for the six months ended June 30, 2021 primarily due to \$25.1 million in routine capital improvements and additions to our hotel properties. The net cash flow used in investing activities was partially offset by \$16.3 million in proceeds from the sale of hotel properties.

The net cash flow used in investing activities totaled \$43.1 million for the six months ended June 30, 2020 primarily due to \$44.7 million in routine capital improvements and additions to our hotel properties.

### *Cash flows from Financing Activities*

The net cash flow used in financing activities totaled \$203.4 million for the six months ended June 30, 2021 primarily due to \$200.0 million in repayment on the Revolver, \$356.3 million in repayment of term loans, \$120.5 million in repayment of mortgage loans, \$15.9 million in distributions to shareholders and unitholders, \$7.7 million in deferred financing cost payments, \$2.1 million paid to repurchase common shares to satisfy employee tax withholding requirements, and \$1.5 million in scheduled mortgage loan principal payments. The net cash flow used in financing activities was offset by \$500.0 million in gross proceeds from the issuance of the \$500 Million Senior Notes due 2026.

The net cash flow provided by financing activities totaled \$263.3 million for the six months ended June 30, 2020 primarily due to \$400.0 million in borrowings on the Revolver. The net cash flow provided by financing activities was partially offset by \$70.7 million in distributions to shareholders and unitholders, \$62.6 million paid to repurchase common shares under a share repurchase program, \$2.1 million in deferred financing cost payments, \$1.7 million in scheduled mortgage loan principal payments, and \$0.8 million paid to repurchase common shares to satisfy employee tax withholding requirements.

## Capital Expenditures and Reserve Funds

We maintain each of our hotel properties in good repair and condition and in conformity with applicable laws and regulations, franchise agreements and management agreements. The cost of routine improvements and alterations are paid out of furniture, fixtures, and equipment ("FF&E") reserves, which are funded by a portion of each hotel property's gross revenues. Routine capital expenditures may be administered by the property management companies. However, we have approval rights over the capital expenditures as part of the annual budget process for each of our hotel properties.

From time to time, certain of our hotel properties may undergo renovations as a result of our decision to upgrade portions of the hotels, such as guestrooms, public space, meeting space, and/or restaurants, in order to better compete with other hotels and alternative lodging options in our markets. In addition, upon acquisition of a hotel property we often are required to complete a property improvement plan in order to bring the hotel up to the respective franchisor's standards. If permitted by the terms of the management agreement, funding for a renovation will first come from the FF&E reserves. To the extent that the FF&E reserves are not available or sufficient to cover the cost of the renovation, we will fund all or the remaining portion of the renovation with cash and cash equivalents on hand, our Revolver and/or other sources of available liquidity.

With respect to some of our hotels that are operated under franchise agreements with major national hotel brands and for some of our hotels subject to first mortgage liens, we are obligated to maintain FF&E reserve accounts for future capital expenditures at these hotels. The amount funded into each of these reserve accounts is generally determined pursuant to the management agreements, franchise agreements and/or mortgage loan documents for each of the respective hotels, and typically ranges between 3.0% and 5.0% of the respective hotel's total gross revenue. As of June 30, 2021, approximately \$23.2 million was held in FF&E reserve accounts for future capital expenditures. In addition, due to the effects of the COVID-19 pandemic on our operations, we have worked with the brands, third-party managers, and lenders to allow the use of available restricted cash reserves to cover operating shortfalls at certain hotels.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk includes the risks that arise from changes in interest rates, equity prices and other market changes that affect market sensitive instruments. Our primary market risk exposure is to changes in interest rates on our variable rate debt. As of June 30, 2021, we had approximately \$1.4 billion of total variable rate debt outstanding (or 58.3% of total indebtedness) with a weighted-average interest rate of 4.03% per annum. After taking into consideration the effect of interest rate swaps, 100.0% of our total indebtedness was fixed or effectively fixed. As of June 30, 2021, if market interest rates on our variable rate debt not subject to interest rate swaps were to increase by 1.00%, or 100 basis points, interest expense would decrease future earnings and cash flows by less than \$0.1 million annually, taking into account our existing contractual hedging arrangements.

Our interest rate risk objectives are to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we manage our exposure to fluctuations in market interest rates through the use of fixed rate debt instruments to the extent that reasonably favorable rates are obtainable. We have entered into derivative financial instruments such as interest rate swaps to mitigate our interest rate risk or to effectively lock the interest rate on a portion of our variable rate debt. We do not enter into derivative or interest rate transactions for speculative purposes.

The following table provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations outstanding as of June 30, 2021, the following table presents the principal repayments and related weighted-average interest rates by contractual maturity dates (in thousands):

	2021	2022	2023	2024	2025	Thereafter	Total
Fixed rate debt (1)	\$ 347	\$ 27,061	\$ —	\$ —	\$ 474,888	\$ 500,000	\$ 1,002,296
Weighted-average interest rate	4.94 %	4.94 %	— %	— %	6.00 %	3.75 %	4.85 %
Variable rate debt (1)	\$ —	\$ 200,000	\$ 418,662	\$ 381,000	\$ 400,000	\$ —	\$ 1,399,662
Weighted-average interest rate (2)	— %	3.30 %	4.71 %	3.32 %	4.37 %	— %	4.03 %
Total (3)	\$ 347	\$ 227,061	\$ 418,662	\$ 381,000	\$ 874,888	\$ 500,000	\$ 2,401,958

(1) Excludes \$4.4 million, \$1.6 million, and \$7.3 million of net deferred financing costs on the Term Loans, mortgage loans, and \$500 Million Senior Notes due 2026, respectively.

(2) The weighted-average interest rate gives effect to interest rate swaps, as applicable.

(3) Excludes a total of \$18.7 million related to fair value adjustments on debt.

Our ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during future periods, prevailing interest rates and our hedging strategies at that time.

Changes in market interest rates on our fixed rate debt impact the fair value of our debt, but such changes have no impact to our consolidated financial statements. As of June 30, 2021, the estimated fair value of our fixed rate debt was \$1.0 billion, which is based on having the same debt service requirements that could have been borrowed at the date presented, at prevailing current market interest rates. If interest rates were to rise by 1.00%, or 100 basis points, and our fixed rate debt balance remains constant, we expect the fair value of our debt to decrease by approximately \$27.9 million.

#### **Item 4. Controls and Procedures**

##### ***Evaluation of Disclosure Controls and Procedures***

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company's management, under the supervision and participation of the Company's Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2021.

##### ***Changes in Internal Control over Financial Reporting***

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15 and 15d-15 of the Exchange Act) during the period ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II. OTHER INFORMATION**

#### **Item 1. Legal Proceedings**

The nature of the operations of our hotels exposes our hotel properties, the Company and the Operating Partnership to the risk of claims and litigation in the normal course of their business. Other than routine litigation arising out of the ordinary course of business, the Company is not presently subject to any material litigation nor, to the Company's knowledge, is any material litigation threatened against the Company.

#### **Item 1A. Risk Factors**

For a discussion of our potential risks and uncertainties, please refer to the "Risk Factors" sections in our Annual Report, which is accessible on the SEC's website at [www.sec.gov](http://www.sec.gov). There have been no material changes to the risk factors previously disclosed in our Annual Report.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

##### ***Unregistered Sales of Equity Securities***

The Company did not sell any securities during the quarter ended June 30, 2021 that were not registered under the Securities Act.

##### ***Issuer Purchases of Equity Securities***

The following table summarizes all of the share repurchases during the three months ended June 30, 2021:

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs (2)
April 1, 2021 through April 30, 2021	18,317	\$ 16.36	—	—
May 1, 2021 through May 31, 2021	32,206	\$ 15.88	—	—
June 1, 2021 through June 30, 2021	—	\$ —	—	—
Total	50,523		—	—

- (1) Includes surrendered common shares owned by certain employees to satisfy their statutory minimum federal and state tax obligations associated with the vesting of restricted common shares of beneficial interest issued under the 2021 Plan.
- (2) The maximum number of shares that may yet be repurchased under the share repurchase program is calculated by dividing the total dollar amount available to repurchase shares by the closing price of our common shares on the last business day of the respective month. The share repurchase program was approved by the Company's board of trustees on February 14, 2020 and expired pursuant to its terms on February 28, 2021.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**



The exhibits required to be filed by Item 601 of Regulation S-K are noted below:

### Exhibit Index

Exhibit Number	Description of Exhibit	
3.1	<a href="#">Articles of Amendment and Restatement of Declaration of Trust of RLJ Lodging Trust (incorporated by reference to Exhibit 3.1 to Amendment No. 4 to the Registrant's Registration Statement on Form S-11 (File. No. 333-172011) filed on May 5, 2011)</a>	
3.2	<a href="#">Articles of Amendment to Articles of Amendment and Restatement of Declaration of Trust of RLJ Lodging Trust (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 7, 2015)</a>	
3.3	<a href="#">Articles of Amendment to Articles of Amendment and Restatement of Declaration of Trust of RLJ Lodging Trust (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 5, 2016)</a>	
3.4	<a href="#">Articles Supplementary to Articles of Amendment and Restatement of Declaration of Trust (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on February 26, 2015)</a>	
3.5	<a href="#">Articles Supplementary designating RLJ Lodging Trust's \$1.95 Series A Cumulative Convertible Preferred Shares, par value \$0.01 per share (incorporated by reference to Exhibit 3.5 to the Registrant's Form 8-A filed on August 30, 2017)</a>	
3.6	<a href="#">Third Amended and Restated Bylaws of RLJ Lodging Trust (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on May 5, 2016)</a>	
4.1	<a href="#">Indenture, dated as of June 17, 2021, among RLJ Lodging Trust, RLJ Lodging Trust, L.P., the subsidiary guarantors party thereto and the U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on June 17, 2021)</a>	
10.1	<a href="#">Third Amendment to Third Amended and Restated Credit Agreement, dated as of June 10, 2021, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent and a lender, and the other lenders party thereto incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 10, 2021)</a>	
10.2	<a href="#">Tenth Amendment to Term Loan Agreement, dated as of June 10, 2021, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, certain subsidiaries of RLJ Lodging Trust party thereto, Wells Fargo Bank, National Association, as Administrative Agent and a lender, and the other lenders party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on June 10, 2021)</a>	
10.3*	<a href="#">RLJ Lodging Trust 2021 Equity Incentive Plan</a>	
10.4*	<a href="#">Form of Restricted Share Agreement</a>	
10.5*	<a href="#">Form of Performance Share Unit Agreement</a>	
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	
32.1*	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	
101.INS	Inline XBRL Instance Document	Submitted electronically with this report
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Submitted electronically with this report
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document	Submitted electronically with this report
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Submitted electronically with this report
101.LAB	Inline XBRL Taxonomy Label Linkbase Document	Submitted electronically with this report
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document	Submitted electronically with this report
104	Cover Page Interactive Data File (formatted as Inline XBRL and included in Exhibit 101)	Submitted electronically with this report

\*Filed herewith

## SIGNATURES

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 thereunto duly authorized.

### RLJ LODGING TRUST

Dated: August 6, 2021

/s/ LESLIE D. HALE

**Leslie D. Hale**

President and Chief Executive Officer

Dated: August 6, 2021

/s/ SEAN M. MAHONEY

**Sean M. Mahoney**

Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

Dated: August 6, 2021

/s/ CHRISTOPHER A. GORMSEN

**Christopher A. Gormsen**

Senior Vice President and Chief Accounting Officer  
(Principal Accounting Officer)

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RLJ LODGING TRUST  
2021 EQUITY INCENTIVE PLAN

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**RLJ LODGING TRUST  
2021 EQUITY INCENTIVE PLAN**

RLJ Lodging Trust, a Maryland real estate investment trust (the “**Company**”), sets forth herein the terms of its 2021 Equity Incentive Plan (the “**Plan**”) effective as of the Effective Date. The awards granted under the Prior Plans will be subject to the terms of the applicable Prior Plan.

**1. PURPOSE**

The Plan is intended to (a) provide incentives to officers, employees, trustees and other eligible persons to stimulate their efforts towards the success of the Company and to operate and manage its business in a manner that will provide for the long term growth and profitability of the Company; and (b) provide a means of recruiting, rewarding and retaining key personnel. To this end, the Plan provides for the grant of share options, share appreciation rights, restricted share, unrestricted share, share units (including deferred share units), dividend equivalent rights, long-term incentive units, other equity-based awards and cash bonus awards. Any of these awards may, but need not, be made as performance incentives to reward attainment of annual or long-term performance goals in accordance with the terms hereof. Shares options granted under the Plan may be non-qualified share options or incentive share options, as provided herein.

**2. DEFINITIONS**

For purposes of interpreting the Plan and related documents, including Award Agreements, the following capitalized terms shall have the meanings specified below, unless the context clearly indicates otherwise:

2.1 “**Affiliate**” means, with respect to the Company, any company or other trade or business that controls, is controlled by or is under common control with the Company within the meaning of Rule 405 of Regulation C under the Securities Act, including, without limitation, any Subsidiary. For purposes of granting Options or Share Appreciation Rights, an entity may not be considered an Affiliate of the Company unless the Company holds a “controlling interest” in such entity, where the term “controlling interest” has the same meaning as provided in Treasury Regulation Section 1.414(c)-2(b)(2)(i); provided that the language “at least 50 percent” is used instead of “at least 80 percent”; and provided further, that where granting of Options or Share Appreciation Rights is based upon a legitimate business criteria, the language “at least 20 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2(b)(2)(i).

2.2 “**Applicable Laws**” means the legal requirements relating to the Plan and the Awards under (a) applicable provisions of the Code, the Securities Act, the Exchange Act, any rules or regulations thereunder, and any other laws, rules, regulations and government orders of any jurisdiction applicable to the Company or its Affiliates, (b) applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders of any

jurisdiction applicable to Awards granted to residents thereof, and (c) the rules of any Stock Exchange or Securities Market on which the Shares are listed or publicly traded.

2.3 **“Award”** means a grant of an Option, Share Appreciation Right, Restricted Shares, Unrestricted Shares, Share Units, Dividend Equivalent Right, Performance Award, LTIP Unit, Other Equity-Based Award, or cash under the Plan.

2.4 **“Award Agreement”** means the agreement between the Company and a Grantee that evidences and sets out the terms and conditions of an Award.

2.5 **“Benefit Arrangement”** shall have the meaning set forth in **Section 16**.

2.6 **“Board”** means the Board of Trustees of the Company.

2.7 **“Cause”** shall have the meaning set forth in an applicable agreement between a Grantee and the Company or an Affiliate, and, in the absence of any such agreement, shall mean, with respect to any Grantee and, as determined by the Committee, such Grantee’s (a) gross negligence or willful misconduct in connection with the performance of duties; (b) conviction of a felony; (c) conviction of any other criminal offense involving an act of dishonesty intended to result in substantial personal enrichment of such Grantee at the expense of the Company or an Affiliate; or (d) material breach of any term of any employment, consulting or other services, confidentiality, intellectual property or non-competition agreements, if any, between the Grantee and the Company or an Affiliate. Any determinations by the Committee whether an event constituting Cause shall have occurred shall be final, binding, and conclusive.

2.8 **“Change in Control”** means:

(a) Any “person” as such term is used in Section 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company or any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportion as their ownership of stock of the Company), is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company’s then outstanding voting securities;

(b) During any period of twelve consecutive months, individuals who at the beginning of such period constitute the Board, and any new trustee (other than a trustee designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a), (c) or (d) hereof) whose election by the Board or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the trustees then still in office who either were trustees at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of trustees or actual threatened solicitation of proxies or consents by or on behalf of a person other than the Board;



(c) The consummation of a merger or consolidation of the Company with any other entity or the issuance of voting securities in connection with a merger or consolidation of the Company (or any direct or indirect subsidiary thereof) pursuant to applicable exchange requirements, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) at least 50.1% of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no “person” (as defined above) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 50% or more of either of the then outstanding Shares or the combined voting power of the Company’s then outstanding voting securities; or

(d) The consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets (or any transaction or series of transactions within a period of twelve months ending on the date of the last sale or disposition having a similar effect).

Notwithstanding anything in the Plan to the contrary, in the case of an Award that is characterized as deferred compensation under Code Section 409A, and pursuant to which settlement and delivery of the cash or Shares subject to the Award is triggered based on a Change in Control, in no event will a Change in Control be deemed to have occurred for purposes of such settlement and delivery of cash or Shares if the transaction is not also a “change in the ownership or effective control of” the Company or “a change in the ownership of a substantial portion of the assets of” the Company as determined under Treasury Regulation Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder). If an Award characterized as deferred compensation under Code Section 409A is not settled and delivered on account of the provision of the preceding sentence, the settlement and delivery shall occur on the next succeeding settlement and delivery triggering event that is a permissible triggering event under Code Section 409A. No provision of this paragraph shall in any way affect the determination of a Change in Control for purposes of vesting in an Award that is characterized as deferred compensation under Code Section 409A.

2.9 “**Code**” means the Internal Revenue Code of 1986, as now in effect or as hereafter amended, and any successor thereto. References in the Plan to any Code section shall be deemed to include, as applicable, regulations and guidance promulgated under such Code section.

2.10 “**Committee**” means a committee of, as designated from time to time by resolution of, the Board, which shall be constituted as provided in **Section 3.1.2** (or, if no Committee has been designated, the Board itself). For the avoidance of doubt, the Board may delegate the responsibilities under this Plan to a new and/or an existing committee of the Board, provided such committee meets the requirements of the foregoing and **Section 3.1.2**.

2.11 **“Company”** means RLJ Lodging Trust, a Maryland real estate investment trust and its successors.

2.12 **“Determination Date”** means the Grant Date or such other date as of which the Fair Market Value of a Share is required to be established for purposes of the Plan.

2.13 **“Disability”** means the Grantee is unable to perform each of the essential duties of such Grantee’s position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than 12 months; provided, however, that, with respect to rules regarding expiration of an Incentive Share Option following termination of the Grantee’s Service, Disability shall mean the Grantee is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

2.14 **“Dividend Equivalent Right”** means a right, granted to a Grantee under **Section 13**, to receive cash, Shares, other Awards or other property equal in value to dividends paid with respect to a specified number of Shares, or other periodic payments.

2.15 **“Effective Date”** means, subject to **Section 5.1**, March 22, 2021, which is the date the Plan was adopted by the Board.

2.16 **“Exchange Act”** means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.17 **“Fair Market Value”** means the fair market value of a Share for purposes of the Plan, which shall be determined as of any Determination Date as follows:

(a) If on such Determination Date the Shares are listed on a Stock Exchange, or are publicly traded on another established securities market (a “Securities Market”), the Fair Market Value of a Share shall be the closing price of the Share as reported on such Stock Exchange or such Securities Market (provided that, if there is more than one such Stock Exchange or Securities Market, the Committee shall designate the appropriate Stock Exchange or Securities Market for purposes of the Fair Market Value determination). If there is no such reported closing price on such Determination Date, the Fair Market Value of a Share shall be the closing price of the Share on the immediately preceding trading day on which any sale of Shares shall have been reported on such Stock Exchange or such Securities Market.

(b) If on such Determination Date the Shares are not listed on a Stock Exchange or publicly traded on a Securities Market, the Fair Market Value of a Share shall be the value of the Share as determined by the Committee by the reasonable application of a reasonable valuation method, in a manner consistent with Code Section 409A.

Notwithstanding this **Section 2.18** or **Section 19.3**, for purposes of determining taxable income and the amount of the related tax withholding obligation pursuant to **Section 19.3**, the

Fair Market Value will be determined by the Committee in good faith using any reasonable method as it deems appropriate, to be applied consistently with respect to Grantees; provided, further, that the Committee shall determine the Fair Market Value of Shares for tax withholding obligations due in connection with sales, by or on behalf of a Grantee, of such Shares subject to an Award to pay the Option Price, SAR Exercise Price, and/or any tax withholding obligation on the same date on which such shares may first be sold pursuant to the terms of the applicable Award Agreement (including broker-assisted cashless exercises of Options, as described in **Section 12.3**, and sell-to-cover transactions) in any manner consistent with applicable provisions of the Code, including but not limited to using the sale price of such Shares on such date (or if sales of such Shares are effectuated at more than one sale price, the weighted average sale price of such shares on such date) as the Fair Market Value of such Shares, so long as such Grantee has provided the Company, or its designee or agent, with advance written notice of such sale.

2.18 **“Family Member”** means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of the Grantee, any person sharing the Grantee’s household (other than a tenant or employee), a trust in which any one or more of these persons have more than fifty percent (50%) of the beneficial interest, a foundation in which any one or more of these persons (or the Grantee) control the management of assets, and any other entity in which one or more of these persons (or the Grantee) own more than fifty percent (50%) of the voting interests.

2.19 **“Grant Date”** means, as determined by the Committee, the latest to occur of (a) the date as of which the Company completes the action constituting the Award, (b) the date on which the recipient of an Award first becomes eligible to receive an Award under **Section 6**, or (c) such other subsequent date as may be specified by the Committee.

2.20 **“Grantee”** means a person who receives or holds an Award under the Plan.

2.21 **“Incentive Share Option”** means an “incentive stock option” within the meaning of Code Section 422, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time.

2.22 **“Long-Term Incentive Unit”** or **“LTIP Unit”** means an Award under **Section 15** of an interest in the operating partnership affiliated with the Company.

2.23 **“Non-qualified Share Option”** means an Option that is not an Incentive Share Option.

2.24 **“Option”** means an option to purchase one or more Shares pursuant to the Plan.

2.25 **“Option Price”** means the exercise price for each Share subject to an Option.

2.26 **“Other Agreement”** shall have the meaning set forth in **Section 16**.

2.27 **“Other Equity-Based Award”** means a right or other interest that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares, other than an Option, Share Appreciation Right, Restricted Share, Unrestricted Share, Share Unit, Dividend Equivalent Right, or Performance Award.

2.28 **“Outside Trustee”** means a member of the Board who is not an officer or employee of the Company.

2.29 **“Performance Award”** means an Award made subject to the attainment of performance goals (as described in **Section 14**) over a Performance Period of up to ten (10) years.

2.30 **“Performance Measures”** means performance criteria on which performance goals under Performance Awards are based.

2.31 **“Performance Period”** means the period of time during which the performance goals must be met in order to determine the degree of payout and/or vesting with respect to an Award.

2.32 **“Plan”** means this RLJ Lodging Trust 2021 Equity Incentive Plan, as amended from time to time.

2.33 **“Prior Plans”** means the RLJ Lodging Trust 2011 Equity Incentive Plan, as amended from time to time, and the RLJ Lodging Trust 2015 Equity Incentive Plan, as amended from time to time.

2.34 **“Purchase Price”** means the purchase price for each Share pursuant to a grant of Restricted Shares, Share Units or Unrestricted Shares.

2.35 **“Restricted Shares”** means Shares, awarded to a Grantee pursuant to **Section 10**.

2.36 **“SAR Exercise Price”** means the per share exercise price of a SAR granted to a Grantee under **Section 9**.

2.37 **“Securities Act”** means the Securities Act of 1933, as now in effect or as hereafter amended.

2.38 **“Separation from Service”** shall have the meaning set forth in Code Section 409A.

2.39 **“Service”** means service as a Service Provider to the Company or any Affiliate. Unless otherwise stated in the applicable Award Agreement, a Grantee’s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or any Affiliate. Subject to the preceding sentence, whether a termination of Service shall have occurred for purposes of the Plan shall be determined by the Committee, which determination shall be final, binding and conclusive. Notwithstanding

any other provision to the contrary, for any individual providing services solely as a trustee, only service to the Company or any of its Subsidiaries constitutes Service. If the Service Provider's employment or other service relationship is with an Affiliate and that entity ceases to be an Affiliate, a termination of Service shall be deemed to have occurred when the entity ceases to be an Affiliate unless the Service Provider transfers his or her employment or other service relationship to the Company or its remaining Affiliates.

2.40 **"Service Provider"** means an employee, officer, trustee, or director of the Company or an Affiliate or a consultant or advisor to the Company or an Affiliate (a) who is a natural person, (b) who provides bona fide services to the Company or an Affiliate, and (c) whose services are not in connection with the Company's offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's Shares.

2.41 **"Service Recipient Stock"** shall have the meaning set forth in Code Section 409A.

2.42 **"Shares"** means the common shares of beneficial interest, par value \$0.01 per share, of the Company.

2.43 **"Share Appreciation Right"** or **"SAR"** means a right granted to a Grantee under Section 9.

2.44 **"Share Units"** means a bookkeeping entry representing the equivalent of one Share awarded to a Grantee pursuant to **Section 10**.

2.45 **"Stock Exchange"** means the New York Stock Exchange or another established national or regional stock exchange.

2.46 **"Subsidiary"** means any corporation (other than the Company) or non-corporate entity with respect to which the Company owns, directly or indirectly, fifty percent (50%) or more of the total combined voting power of all classes of stock, membership interests, or other ownership interests of any class or kind ordinarily having the power to vote for the directors, managers, or other voting members of the governing body of such corporation or non-corporate entity; provided, however, for purposes of Incentive Share Options, Subsidiary means any "subsidiary corporation" of the Company within the meaning of Code Section 424(f). In addition, any other entity may be designated by the Committee as a Subsidiary; provided, that (a) such entity could be considered as a subsidiary according to generally accepted accounting principles in the United States of America, and (b) in the case of an Award of Options, such Award would be considered to be granted in respect of Service Recipient Stock under Code Section 409A.

2.47 **"Substitute Award"** means an Award granted in substitution for outstanding awards previously granted by a company or other entity acquired by the Company or an Affiliate or with which the Company or an Affiliate combines.

2.48 **“Ten Percent Shareholder”** means an individual who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding voting securities of the Company, its parent or any of its Subsidiaries. In determining Share ownership, the attribution rules of Code Section 424(d) shall be applied.

2.49 **“Unrestricted Shares”** shall have the meaning set forth in **Section 11**.

Unless the context otherwise requires, all references in the Plan to “including” shall mean “including without limitation.”

### **3. ADMINISTRATION OF THE PLAN**

#### **3.1 Committee**

##### **3.1.1 Powers and Authorities.**

The Committee shall administer the Plan and shall have such powers and authorities related to the administration of the Plan as are consistent with the Company’s certificate of incorporation and bylaws and Applicable Laws. Without limiting the generality of the foregoing, the Committee shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award, or any Award Agreement, and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan which the Committee deems to be necessary or appropriate to the administration of the Plan, any Award, or any Award Agreement. All such actions and determinations shall be made by (a) the affirmative vote of a majority of the members of the Committee present at a meeting at which a quorum is present or (b) the unanimous consent of the members of the Committee executed in writing or evidenced by electronic transmission in accordance with the Company’s certificate of incorporation and bylaws and Applicable Laws. Unless otherwise expressly determined by the Board, the Committee shall have the authority to interpret and construe all provisions of the Plan, any Award, and any Award Agreement, and any such interpretation or construction, and any other determination contemplated to be made under the Plan or any Award Agreement, by the Committee shall be final, binding, and conclusive on all persons whether or not expressly provided for in any provision of the Plan, such Award or such Award Agreement.

##### **3.1.2 Composition of the Committee.**

The Committee shall be composed pursuant to the following requirements:

(a) Except as provided in Subsection (b) and except as the Board may otherwise determine, the Committee shall consist of two or more Outside Trustees of the Company who: (i) meet such requirements as may be established from time to time by the Securities and Exchange Commission for plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act and (ii) comply with the independence requirements of the Stock Exchange on which the Shares are listed.

(b) The Board or the Committee may also appoint one or more separate committees of the Board, each composed of one or more trustees of the Company who need not be Outside Trustees, who may administer the Plan with respect to employees or other Service Providers who are not executive officers (as defined under Rule 3b-7 or the Exchange Act) or trustees of the Company, may grant Awards under the Plan to such employees or other Service Providers, and may determine all terms of such Awards, subject to the requirements of Rule 16b-3 and the rules of the Stock Exchange on which the Shares are listed.

In the event that the Plan, any Award, or any Award Agreement entered into hereunder provides for any action to be taken by or determination to be made by the Board, such action may be taken or such determination may be made by a Committee if the power and authority to do so has been delegated (and such delegated authority has not been revoked) to such Committee by the Board as provided for in this Section. Unless otherwise expressly determined by the Board, any such action or determination by the Committee shall be final, binding, and conclusive. To the extent permitted by law, the Committee may delegate its authority under the Plan to a member of the Board, provided, that such member of the Board to whom the Committee delegates authority under the Plan must be an Outside Trustee who satisfies the requirements of Subsection (a)(i)-(ii) of this **Section 3.1.2**.

### **3.2 Board.**

The Board, from time to time, may exercise any or all of the powers and authorities related to the administration and implementation of the Plan, as set forth in **Section 3.1** and other applicable provisions of the Plan, as the Board shall determine, consistent with the Company's certificate of incorporation and bylaws and Applicable Laws.

### **3.3 Terms of Awards.**

Subject to the other terms and conditions of the Plan, the Committee shall have full and final authority to:

- (a) designate Grantees;
- (b) determine the type or types of Awards to be made to a Grantee;
- (c) determine the number of Shares to be subject to an Award;
- (d) establish the terms and conditions of each Award (including, but not limited to, the exercise price of any Option, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer, or forfeiture of an Award or the Shares subject thereto, the treatment of an Award in the event of a Change in Control, and any terms or conditions that may be necessary to qualify Options as Incentive Share Options);
- (e) prescribe the form of each Award Agreement evidencing an Award;

(f) amend, modify, or reprice (except as such practice is prohibited by **Section 3.5** herein) the terms of any outstanding Award. Such authority specifically includes the authority, in order to effectuate the purposes of the Plan but without amending the Plan, to make or modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside the United States to recognize differences in local law, tax policy, or custom; and

(g) make Substitute Awards.

### **3.4 Forfeiture; Recoupment.**

#### **3.4.1 Forfeiture.**

The Company may reserve the right in an Award Agreement to cause a forfeiture of the gain realized by a Grantee with respect to an Award thereunder on account of actions taken by, or failed to be taken by, such Grantee in violation or breach of or in conflict with any (a) employment agreement, (b) non-competition agreement, (c) agreement prohibiting solicitation of employees or clients of the Company or any Affiliate, (d) confidentiality obligation with respect to the Company or any Affiliate, or (e) other agreement, as and to the extent specified in such Award Agreement. The Committee may annul an outstanding Award as of the date of the Grantee's termination of Service for Cause if the Grantee thereof is an employee of the Company or an Affiliate and is terminated for Cause.

#### **3.4.2 Recoupment.**

(a) Any Award granted pursuant to the Plan is subject to mandatory repayment by the Grantee to the Company to the extent the Grantee is or in the future becomes subject to any Company "clawback" or recoupment policy that requires the repayment by the Grantee to the Company of compensation paid by the Company to the Grantee in the event that the Grantee fails to comply with, or violates, the terms or requirements of such policy. Such policy may authorize the Company to recover from a Grantee incentive-based compensation (including Options awarded as compensation) awarded to or received by such Grantee during a period of up to three (3) years, as determined by the Committee, preceding the date on which the Company is required to prepare an accounting restatement due to material noncompliance by the Company, as a result of misconduct, with any financial reporting requirement under the federal securities laws.

(b) Furthermore, if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the federal securities laws, and any Award Agreement so provides, any Grantee of an Award under such Award Agreement who knowingly engaged in such misconduct, was grossly negligent in engaging in such misconduct, knowingly failed to prevent such misconduct or was grossly negligent in failing to prevent such misconduct, shall reimburse the Company the amount of any payment in settlement of an Award earned or accrued during the 12month period following the first public issuance or filing with the United States



Securities and Exchange Commission (whichever first occurred) of the financial document that contained information affected by such material noncompliance.

(c) Notwithstanding any other provision of the Plan or any provision of any Award Agreement, if the Company is required to prepare an accounting restatement, then Grantees shall forfeit any cash or Shares received in connection with an Award (or an amount equal to the Fair Market Value of such Shares on the date of delivery if the Grantee no longer holds the Shares) if pursuant to the terms of the Award Agreement for such Award, the amount of the Award earned or the vesting in the Award was explicitly based on the achievement of pre-established performance goals set forth in the Award Agreement (including earnings, gains, or other performance goals) that are later determined, as a result of the accounting restatement, not to have been achieved.

### **3.5 No Repricing.**

Except in connection with a corporate transaction involving the Company (including, without limitation, any share dividend, distribution (whether in the form of cash, shares, other securities or other property), share split, extraordinary cash dividend, recapitalization, change in control, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares or other securities or similar transaction), the Company may not, without obtaining shareholder approval: (a) amend the terms of outstanding Options or SARs to reduce the exercise price of such outstanding Options or SARs; (b) cancel outstanding Options or SARs in exchange for or substitution of Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs; or (c) cancel outstanding Options or SARs with an exercise price above the current share price in exchange for cash or other securities.

### **3.6 Deferral Arrangement.**

The Committee may permit or require the deferral of any payment pursuant to any Award into a deferred compensation arrangement, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest or Dividend Equivalent Rights and, in connection therewith, provisions for converting such credits into Share Units; provided, that no Dividend Equivalent Rights may be granted in connection with, or related to, an Award of Options or SARs. Any such deferrals shall be made in a manner that complies with Code Section 409A.

### **3.7 No Liability.**

No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan, any Award, or any Award Agreement. Notwithstanding any provision of the Plan to the contrary, neither the Company, an Affiliate, the Board, the Committee, nor any person acting on behalf of the Company, an Affiliate, the Board, or the Committee will be liable to any Grantee or to the estate or beneficiary of any Grantee or to any other holder of an Award under the Plan by reason of any acceleration of income, or any additional tax (including any interest and penalties), asserted by reason of the failure of an

Award to satisfy the requirements of Code Section 422 or Code Section 409A or by reason of Code Section 4999, or otherwise asserted with respect to the Award; provided, that this **Section 3.7** shall not affect any of the rights or obligations set forth in an applicable agreement between the Grantee and the Company or an Affiliate.

### **3.8 Share Issuance/Book-Entry.**

Notwithstanding any provision of the Plan to the contrary, the issuance of the Shares under the Plan may be evidenced in such a manner as the Committee, in its discretion, deems appropriate, including, without limitation, book-entry or direct registration or issuance of one or more share certificates.

## **4. SHARES SUBJECT TO THE PLAN**

### **4.1 Number of Shares Available for Awards.**

Subject to adjustment as provided in **Section 18**, the number of Shares available for issuance under the Plan shall be equal to the sum of (a) 5,150,000 Shares, plus (b) the number of Shares available for future awards under the Prior Plans as of the Effective Date, plus (c) the number of Shares related to awards outstanding under the Prior Plans as of the Effective Date that thereafter terminate by expiration or forfeiture, cancellation, or otherwise without the issuance of such Shares. Shares issued or to be issued under the Plan shall be authorized but unissued shares or treasury Shares or any combination of the foregoing, as may be determined from time to time by the Board or by the Committee. Any of the Shares available for issuance under the Plan may be used for any type of Award under the Plan, and any or all of the Shares available for issuance under the Plan will be reserved for issuance pursuant to Incentive Share Options.

### **4.2 Adjustments in Authorized Shares.**

The Committee shall have the right to substitute or assume awards in connection with mergers, reorganizations, separations, or other transactions to which Code Section 424(a) applies. Assumed awards shall not, but substitute Awards shall, reduce the number of shares of Stock reserved pursuant to **Section 4.1**, and available shares under a shareholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Awards under the Plan and shall not reduce the number of Shares available under the Plan, in each case subject to requirements of the Stock Exchange on which the Shares are listed.

### **4.3 Share Usage.**

Shares covered by an Award shall be counted as used as of the Grant Date. Any Shares that are subject to Awards shall be counted against the limit set forth in **Section 4.1** as one (1) Share for every one (1) Share subject to an Award. With respect to SARs, the number of Shares subject to an award of SARs will be counted against the aggregate number of Shares available for issuance under the Plan regardless of the number of Shares actually issued to settle the SAR upon exercise. If any Shares covered by an Award granted under the Plan or the Prior

Plans are not purchased or are forfeited or expire, or if an Award otherwise terminates without delivery of any Shares subject thereto, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award shall, to the extent of any such forfeiture, termination or expiration, again be available for making Awards under the Plan in the same amount as such Shares were counted against the limit set forth in **Section 4.1** or the applicable limit in the Prior Plans. Any Shares withheld, deducted, or delivered from an Award under the Plan in connection with the Company's tax withholding obligations as described in **Section 19.3** shall again be available for making Awards under the Plan in the same amount as such Shares were counted against the limit set forth in **Section 4.1**. The number of Shares available for issuance under the Plan shall not be increased by (a) any Shares tendered or withheld or subject to an Award granted under the Plan or the Prior Plans surrendered in connection with the purchase of Shares upon exercise of an Option as described in **Section 12.2**, (b) any Shares withheld, deducted, or delivered from an award granted under the Prior Plans in connection with the Company's tax withholding obligations as described in **Section 19.3**, (c) any Shares purchased by the Company with proceeds from option exercises, or (d) subject to a SAR granted under the Plan or the Prior Plans that is settled in Shares that were not issued upon the net settlement or net exercise of such SAR.

## **5. EFFECTIVE DATE, TERM, AND AMENDMENTS**

### **5.1 Effective Date.**

The Plan shall be effective as of the Effective Date, subject to approval of the Plan by the shareholders of the Company within twelve (12) months of the Effective Date. Upon approval of the Plan by the Company's shareholders, all Awards made under the Plan on or after the Effective Date shall be fully effective as if the shareholders of the Company had approved the Plan on the Effective Date. If the shareholders do not approve the Plan within twelve (12) months of the Effective Date, any Awards made under the Plan on or after the Effective Date shall not be exercisable, settleable, or deliverable, except to the extent such Awards could have otherwise been made under the Plan. Following the Effective Date, no awards shall be made under the Prior Plans. Notwithstanding the foregoing, Shares reserved under the Prior Plans to settle awards which are made under the Prior Plans prior to the Effective Date may be issued and delivered following the Effective Date to settle such awards.

### **5.2 Term.**

The Plan shall terminate on the first to occur of (a) 11:59 pm ET on the day before the tenth anniversary of the Effective Date and (b) the date determined in accordance with **Section 5.3**. No Awards may be granted after termination of the Plan, and, upon such termination of the Plan, all then-outstanding Awards shall continue to have full force and effect in accordance with the provisions of the terminated Plan and the applicable Award Agreement (or other document evidencing such Awards).

### **5.3 Amendment, Suspension, and Termination of the Plan.**

The Committee may, at any time and from time to time, amend, suspend, or terminate the Plan; provided, that, with respect to Awards theretofore granted under the Plan, no amendment, suspension, or termination of the Plan shall, without the consent of the Grantee, impair the rights or obligations under any such Award. The effectiveness of any amendment to the Plan shall be contingent on approval of such amendment by the Company's shareholders to the extent provided by the Committee or required by Applicable Laws. No amendment will be made to the no-repricing provisions of **Section 3.5** or the Option/SAR pricing provisions of **Section 8.1** or **Section 9.1** without the approval of the Company's shareholders.

## **6. AWARD ELIGIBILITY AND LIMITATIONS**

### **6.1 Service Providers and Other Persons.**

Subject to this **Section 6**, Awards may be made under the Plan to: (a) any Service Provider, as the Committee shall determine and designate from time to time and (b) any other individual whose participation in the Plan is determined to be in the best interests of the Company by the Committee.

### **6.2 Limitation on Shares Subject to Awards and Cash Awards.**

Subject to adjustment as provided in **Section 18**, during any time when the Company has a class of equity security registered under Section 12 of the Exchange Act:

(a) the maximum number of Shares subject to Options or SARs that can be granted under the Plan to any person eligible for an Award under **Section 6** is One Million (1,000,000) Shares in a calendar year;

(b) the maximum number of Shares that can be granted under the Plan, other than pursuant to Options or SARs, to any person eligible for an Award under **Section 6** is One Million (1,000,000) Shares in a calendar year; and

(c) the maximum amount that may be paid as a cash-settled Performance Award in respect of a performance period of one year or less to any person eligible for an Award shall be Five Million Dollars (\$5,000,000), and the maximum amount that may be paid as a cash-settled Performance Award in respect of a performance period greater than one year to any person eligible for an Award shall be Five Million Dollars (\$5,000,000).

### **6.3 Stand-Alone, Additional, Tandem and Substitute Awards.**

Subject to **Section 3.5**, Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Affiliate, or any business entity to be acquired by the Company or an Affiliate, or any other right of a Grantee to receive payment from the Company or any Affiliate. Such additional, tandem,

and substitute or exchange Awards may be granted at any time. Subject to **Section 3.5**, if an Award is granted in substitution or exchange for another Award, the Committee shall require the surrender of such other Award in consideration for the grant of the new Award. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any Affiliate. Notwithstanding **Section 8.1** and **Section 9.1** but subject to **Section 3.5**, the Option Price of an Option or the SAR Exercise Price of a SAR that is a Substitute Award may be less than 100% of the Fair Market Value of a Share on the original date of grant; provided, that, the Option Price or SAR Exercise Price is determined in accordance with the principles of Code Section 424 and the regulations thereunder for any Incentive Share Option and consistent with Code Section 409A for any other Option or SAR.

## **7. AWARD AGREEMENT**

Each Award granted pursuant to the Plan shall be evidenced by an Award Agreement, in such form or forms as the Committee shall from time to time determine. Award Agreements granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan. Each Award Agreement evidencing an Award of Options shall specify whether such Options are intended to be Non-qualified Share Options or Incentive Share Options, and in the absence of such specification such options shall be deemed Nonqualified Share Options. In the event of any inconsistency between the Plan and an Award Agreement, the provisions of the Plan shall control.

## **8. TERMS AND CONDITIONS OF OPTIONS**

### **8.1 Option Price.**

The Option Price of each Option shall be fixed by the Committee and stated in the Award Agreement evidencing such Option. Except in the case of Substitute Awards, the Option Price of each Option shall be at least the Fair Market Value of a Share on the Grant Date; provided, however, that in the event that a Grantee is a Ten Percent Shareholder, the Option Price of an Option granted to such Grantee that is intended to be an Incentive Share Option shall be not less than one hundred ten percent (110%) of the Fair Market Value of a Share on the Grant Date. In no case shall the Option Price of any Option be less than the par value of a Share.

### **8.2 Vesting and Exercisability.**

Subject to **Sections 8.3** and **18.3**, each Option granted under the Plan shall become vested and/or exercisable at such times and under such conditions as shall be determined by the Committee and stated in the Award Agreement, in another agreement with the Grantee, or otherwise in writing; provided, that no Option shall be granted to Grantees who are entitled to overtime under Applicable Laws that will vest or become exercisable within a six (6)-month period starting on the Grant Date. For purposes of this **Section 8.2**, fractional numbers of Shares subject to an Option shall be rounded down to the next nearest whole number.

### **8.3 Term.**

Each Option granted under the Plan shall terminate, and all rights to purchase Shares thereunder shall cease, upon the expiration of ten (10) years from the date such Option is granted, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Committee and stated in the Award Agreement relating to such Option; provided, however, that in the event that the Grantee is a Ten Percent Shareholder, an Option granted to such Grantee that is intended to be an Incentive Share Option shall not be exercisable after the expiration of five (5) years from its Grant Date.

### **8.4 Termination of Service.**

Each Award Agreement shall set forth the extent to which the Grantee shall have the right to exercise the Option following termination of the Grantee's Service. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of Service.

### **8.5 Limitations on Exercise of Option.**

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part, prior to the date the Plan is approved by the shareholders of the Company as provided herein or after the occurrence of an event referred to in **Section 18** which results in termination of the Option.

### **8.6 Method of Exercise.**

Subject to the terms of **Section 12** and **Section 19.3**, an Option that is exercisable may be exercised by the Grantee's delivery to the Company of notice of exercise on any business day, at the Company's principal office, on the form specified by the Company and in accordance with any additional procedures specified by the Committee. Such notice shall specify the number of Shares with respect to which the Option is being exercised and shall be accompanied by payment in full of the Option Price of the Shares for which the Option is being exercised plus the amount (if any) of federal and/or other taxes which the Company may, in its judgment, be required to withhold with respect to an Award.

### **8.7 Rights of Holders of Options.**

Unless otherwise stated in the applicable Award Agreement, an individual or entity holding or exercising an Option shall have none of the rights of a shareholder (for example, the right to receive cash or dividend payments or distributions attributable to the subject Shares or to direct the voting of the subject Shares or to receive notice of any meeting of the Company's shareholders) until the Shares covered thereby are fully paid and issued to him. Except as provided in **Section 18**, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

### **8.8 Delivery of Share Certificates.**

Promptly after the exercise of an Option by a Grantee and the payment in full of the Option Price with respect thereto, such Grantee shall be entitled to receive such evidence of such Grantee's ownership of the Shares subject to such Option as shall be consistent with **Section 3.8**.

### **8.9 Transferability of Options.**

Except as provided in **Section 8.10**, during the lifetime of a Grantee, only the Grantee (or, in the event of legal incapacity or incompetency, the Grantee's guardian or legal representative) may exercise an Option. Except as provided in **Section 8.10**, no Option shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution.

### **8.10 Family Transfers.**

If authorized in the applicable Award Agreement or by the Committee, in its sole discretion, a Grantee may transfer, not for value, all or part of an Option which is not an Incentive Share Option to any Family Member. For the purpose of this **Section 8.10**, a "not for value" transfer is a transfer which is (a) a gift; (b) a transfer under a domestic relations order in settlement of marital property rights; or (c) unless Applicable Law does not permit such transfers, a transfer to an entity in which more than fifty percent (50%) of the voting interests are owned by Family Members (or the Grantee) in exchange for an interest in that entity. Following a transfer under this **Section 8.10**, any such Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, and Shares acquired pursuant to the Option shall be subject to the same restrictions on transfer of shares as would have applied to the Grantee. Subsequent transfers of transferred Options are prohibited except to Family Members of the original Grantee in accordance with this **Section 8.10** or by will or the laws of descent and distribution. The events of termination of Service of **Section 8.4** shall continue to be applied with respect to the original Grantee, following which the Option shall be exercisable by the transferee only to the extent, and for the periods specified, in **Section 8.4**.

### **8.11 Limitations on Incentive Share Options.**

An Option shall constitute an Incentive Share Option only (a) if the Grantee of such Option is an employee of the Company or any Subsidiary of the Company; (b) to the extent specifically provided in the related Award Agreement; and (c) to the extent that the aggregate Fair Market Value (determined at the time the Option is granted) of the Shares with respect to which all Incentive Share Options held by such Grantee become exercisable for the first time during any calendar year (under the Plan and all other plans of the Grantee's employer and its Affiliates) does not exceed \$100,000. Except to the extent provided in the regulations under Code Section 422, this limitation shall be applied by taking Options into account in the order in which they were granted.

### **8.12 Notice of Disqualifying Disposition.**

If any Grantee shall make any disposition of Shares issued pursuant to the exercise of an Incentive Share Option under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Grantee shall notify the Company of such disposition within ten (10) days thereof.

## **9. TERMS AND CONDITIONS OF SHARE APPRECIATION RIGHTS**

### **9.1 Right to Payment and SAR Exercise Price.**

A SAR shall confer on the Grantee to whom it is granted a right to receive, upon exercise thereof, the excess of (a) the Fair Market Value of one Share on the date of exercise over (b) the SAR Exercise Price as determined by the Committee. The Award Agreement for a SAR shall specify the SAR Exercise Price, which shall be at least the Fair Market Value of one (1) Share on the Grant Date. SARs may be granted in conjunction with all or part of an Option granted under the Plan or at any subsequent time during the term of such Option, in conjunction with all or part of any other Award or without regard to any Option or other Award; provided, that a SAR that is granted subsequent to the Grant Date of a related Option must have a SAR Exercise Price that is no less than the Fair Market Value of one Share on the SAR Grant Date; and provided further that a Grantee may only exercise either the SAR or the Option with which it is granted in tandem and not both.

### **9.2 Other Terms.**

The Committee shall determine on the Grant Date or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which SARs shall cease to be or become exercisable following termination of Service or upon other conditions, the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Shares will be delivered or deemed to be delivered to Grantees, whether or not a SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR. No SAR will be granted to a person who is entitled to overtime under Applicable Laws that will vest or be exercisable within a six (6)-month period starting on the Grant Date.

### **9.3 Term.**

Each SAR granted under the Plan shall terminate, and all rights thereunder shall cease, upon the expiration of ten (10) years from the date such SAR is granted, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Committee and stated in the Award Agreement relating to such SAR.



#### **9.4 Transferability of SARs.**

Except as provided in **Section 9.5**, during the lifetime of a Grantee, only the Grantee (or, in the event of legal incapacity or incompetency, the Grantee's guardian or legal representative) may exercise a SAR. Except as provided in **Section 9.5**, no SAR shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution.

#### **9.5 Family Transfers.**

If authorized in the applicable Award Agreement and by the Committee, in its sole discretion, a Grantee may transfer, not for value, all or part of a SAR to any Family Member. For the purpose of this **Section 9.5**, a "not for value" transfer is a transfer which is (a) a gift, (b) a transfer under a domestic relations order in settlement of marital property rights; or (c) unless Applicable Law does not permit such transfers, a transfer to an entity in which more than fifty percent (50%) of the voting interests are owned by Family Members (or the Grantee) in exchange for an interest in that entity. Following a transfer under this **Section 9.5**, any such SAR shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, and Shares acquired pursuant to a SAR shall be subject to the same restrictions on transfer or shares as would have applied to the Grantee. Subsequent transfers of transferred SARs are prohibited except to Family Members of the original Grantee in accordance with this **Section 9.5** or by will or the laws of descent and distribution.

### **10. TERMS AND CONDITIONS OF RESTRICTED SHARES AND SHARE UNITS**

#### **10.1 Grant of Restricted Shares or Share Units.**

Awards of Restricted Shares or Share Units may be made for consideration or no consideration (other than the par value of the Shares which shall be deemed paid by past Service or, if so provided in the related Award Agreement or a separate agreement, the promise by the Grantee to perform future Service to the Company or an Affiliate of the Company).

#### **10.2 Restrictions.**

At the time a grant of Restricted Shares or Share Units is made, the Committee may, in its sole discretion, establish a period of time (a "restricted period") applicable to such Restricted Shares or Share Units. Each Award of Restricted Shares or Share Units may be subject to a different restricted period. The Committee may in its sole discretion, at the time a grant of Restricted Shares or Share Units is made, prescribe restrictions in addition to or other than the expiration of the restricted period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the Restricted Shares or Share Units as described in **Section 14**. Neither Restricted Shares nor Share Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the restricted period or prior to the satisfaction of any other restrictions prescribed by the Committee with respect to such Restricted Shares or Share Units.

### **10.3 Restricted Share Certificates.**

Pursuant to **Section 3.8**, to the extent that ownership of Restricted Shares is evidenced by a book-entry registration or direct registration, such registration shall be notated to evidence the restrictions imposed on such Award of Restricted Shares under the Plan and the applicable Award Agreement. Subject to **Section 3.8** and the immediately following sentence, the Company may issue, in the name of each Grantee to whom Restricted Shares have been granted, share certificates representing the total number of Restricted Shares granted to the Grantee, as soon as reasonably practicable after the Grant Date. The Committee may provide in an Award Agreement that either (a) the Secretary of the Company shall hold such certificates for the Grantee's benefit until such time as the shares of Restricted Shares are forfeited to the Company or the restrictions applicable thereto lapse and such Grantee shall deliver a stock power to the Company with respect to each certificate, or (b) such certificates shall be delivered to the Grantee, provided, however, that such certificates shall bear a legend or legends that comply with the applicable securities laws and regulations and make appropriate reference to the restrictions imposed under the Plan and the Award Agreement.

### **10.4 Rights of Holders of Restricted Shares.**

Unless the Committee otherwise provides in an Award Agreement, holders of Restricted Shares shall have the right to vote such Shares and the right to receive any dividends declared or paid with respect to such Shares. The Committee may provide that any dividends paid on Restricted Shares must be reinvested in Shares, which may or may not be subject to the same vesting conditions and restrictions applicable to such Restricted Shares. All distributions, if any, received by a Grantee with respect to Restricted Shares as a result of any share split, share dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original grant. Holders of Restricted Shares may not make an election under Code Section 83(b) with regard to the grant of Restricted Shares, and any holder who attempts to make such an election shall forfeit the Restricted Shares.

### **10.5 Rights of Holders of Share Units.**

#### **10.5.1 Voting and Dividend Rights.**

Holders of Share Units shall have no rights as shareholders of the Company (for example, the right to receive cash or dividend payments or distributions attributable to the Shares subject to such Share Units, to direct the voting of the Shares subject to such Share Units, or to receive notice of any meeting of the Company's shareholders). The Committee may provide in an Award Agreement evidencing a grant of Share Units that the holder of such Share Units shall be entitled to receive, upon the Company's payment of a cash dividend on its outstanding Shares, a cash payment for each Share Unit held equal to the per-share dividend paid on the Shares. Such Award Agreement may also provide that such cash payment will be deemed reinvested in additional Share Units at a price per unit equal to the Fair Market Value of a Share on the date that such dividend is paid. Notwithstanding the foregoing, if a grantor trust is established in connection with the Awards of Share Units and Shares are held in the grantor trust for purposes

of satisfying the Company's obligation to deliver Shares in connection with such Share Units, the Award Agreement for such Share Units may provide that such cash payment shall be deemed reinvested in additional Share Units at a price per unit equal to the actual price paid for each Share by the trustee of the grantor trust upon such trustee's reinvestment of the cash dividend received.

#### **10.5.2 Creditor's Rights.**

A holder of Share Units shall have no rights other than those of a general creditor of the Company. Share Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

#### **10.6 Termination of Service.**

Unless the Committee otherwise provides in an Award Agreement or in writing after the Award Agreement is issued, upon the termination of a Grantee's Service, any Restricted Shares or Share Units held by such Grantee that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Restricted Shares or Share Units, the Grantee shall have no further rights with respect to such Award, including but not limited to any right to vote Restricted Shares or any right to receive dividends with respect to Restricted Shares or Share Units.

#### **10.7 Purchase of Restricted Shares and Shares Subject to Share Units.**

The Grantee shall be required, to the extent required by Applicable Laws, to purchase the Restricted Shares or Shares subject to vested Share Units from the Company at a Purchase Price equal to the greater of (a) the aggregate par value of the Shares represented by such Restricted Shares or Share Units or (b) the Purchase Price, if any, specified in the Award Agreement relating to such Restricted Shares or Share Units. The Purchase Price shall be payable in a form described in **Section 12** or, in the discretion of the Committee, in consideration for past or future Services rendered to the Company or an Affiliate.

#### **10.8 Delivery of Shares.**

Upon the expiration or termination of any restricted period and the satisfaction of any other conditions prescribed by the Committee, the restrictions applicable to Restricted Shares or Share Units settled in Shares shall lapse, and, unless otherwise provided in the applicable Award Agreement, a book-entry or direct registration or a share certificate evidencing ownership of such Shares shall, consistent with **Section 3.8**, be issued, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be. Neither the Grantee, nor the Grantee's beneficiary or estate, shall have any further rights with regard to a Share Unit once the Shares represented by the Share Unit has been delivered.

## **11. TERMS AND CONDITIONS OF UNRESTRICTED SHARE AWARDS AND OTHER EQUITY-BASED AWARDS**

The Committee may, in its sole discretion, grant (or sell at par value or such other higher purchase price determined by the Committee) an Unrestricted Shares Award to any Grantee pursuant to which such Grantee may receive Shares free of any restrictions (“**Unrestricted Shares**”) under the Plan. Unrestricted Shares may be granted or sold to any Grantee as provided in the immediately preceding sentence in respect of past or, if so provided in the related Award Agreement or a separate agreement, the promise by the Grantee to perform future Service to the Company or an Affiliate or other valid consideration, or in lieu of, or in addition to, any cash compensation due to such Grantee.

The Committee may, in its sole discretion, grant Awards to participants in the form of Other Equity-Based Awards, as deemed by the Committee to be consistent with the purposes of the Plan. Awards granted pursuant to this **Section 11** may be granted with vesting, value and/or payment contingent upon the attainment of one or more performance goals. The Committee shall determine the terms and conditions of such Awards at the date of grant or thereafter. Unless the Committee otherwise provides in an Award Agreement or in writing after the Award Agreement is issued, upon the termination of a Grantee’s Service, any Other Equity-Based Awards held by such Grantee that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Other Equity-Based Awards, the Grantee shall have no further rights with respect to such Award.

## **12. FORM OF PAYMENT FOR OPTIONS AND RESTRICTED SHARES**

### **12.1 General Rule.**

Payment of the Option Price for the Shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Shares shall be made in cash or in cash equivalents acceptable to the Company.

### **12.2 Surrender of Shares.**

To the extent the Award Agreement so provides, payment of the Option Price for Shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Shares may be made all or in part through the tender or attestation to the Company of Shares, which shall be valued, for purposes of determining the extent to which the Option Price or Purchase Price has been paid thereby, at their Fair Market Value on the date of exercise or surrender, as applicable.

### **12.3 Cashless Exercise.**

With respect to an Option only (and not with respect to Restricted Shares), to the extent permitted by law and to the extent the Award Agreement so provides, payment of the Option Price for Shares purchased pursuant to the exercise of an Option may be made all or in part (a) by delivery (on a form acceptable to the Committee) by the Grantee of an irrevocable

direction to a licensed securities broker acceptable to the Company to sell Shares and to deliver all or part of the sales proceeds to the Company in payment of the Option Price and any withholding taxes described in **Section 19.3**, or, (b) with the consent of the Company, by the Grantee electing to have the Company issue to Grantee only that the number of Shares equal in value to the difference between the Option Price and the Fair Market Value of the Shares subject to the portion of the Option being exercised.

#### **12.4 Other Forms of Payment.**

To the extent the Award Agreement so provides and/or unless otherwise specified in an Award Agreement, payment of the Option Price for Shares purchased pursuant to exercise of an Option or the Purchase Price for Restricted Shares may be made in any other form that is consistent with Applicable Laws, regulations and rules, including, without limitation, Service to the Company or an Affiliate or net exercise.

### **13. TERMS AND CONDITIONS OF DIVIDEND EQUIVALENT RIGHTS**

#### **13.1 Dividend Equivalent Rights.**

A Dividend Equivalent Right is an Award entitling the recipient to receive credits based on cash distributions that would have been paid on the Shares specified in the Dividend Equivalent Right (or other award to which it relates) if such Shares had been issued to and held by the recipient. A Dividend Equivalent Right may be granted hereunder to any Grantee, provided that no Dividend Equivalent Rights may be granted in connection with, or related to, an Award of Options or SARs. The terms and conditions of Dividend Equivalent Rights shall be specified in the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional Shares, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment. Dividend Equivalent Rights may be settled in cash or Shares or a combination thereof, in a single installment or installments, all determined in the sole discretion of the Committee. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other award. A Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from the terms and conditions of such other Award. A cash amount credited pursuant to a Dividend Equivalent Right granted as a component of another Award which vests or is earned based upon the achievement of performance goals shall not vest unless such performance goals for such underlying Award are achieved. Nothing in this **Section 13.1** or otherwise under the Plan shall be construed to prohibit the payment of distributions from the Partnership in respect of LTIP Units as provided for by the Committee in the Award Agreement for such LTIP Units (or which otherwise may apply to Awards of LTIP Units under the Operating Partnership Agreement).

### **13.2 Termination of Service.**

Except as may otherwise be provided by the Committee either in the Award Agreement or in writing after the Award Agreement is issued, a Grantee's rights in all Dividend Equivalent Rights or interest equivalents shall automatically terminate upon the Grantee's termination of Service for any reason.

## **14. TERMS AND CONDITIONS OF PERFORMANCE AWARDS**

### **14.1 Grant of Performance Awards.**

Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Performance Awards to a Grantee in such amounts and upon such terms as the Committee shall determine.

### **14.2 Value of Performance Awards.**

Each Performance Award shall have an initial value that is established by the Committee at the time of grant. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the value and/or number of Performance Awards that will be paid out to the Grantee.

### **14.3 Earning of Performance Awards.**

Subject to the terms of the Plan, after the applicable Performance Period has ended, the holder of Performance Awards shall be entitled to receive payout on the value and number of the Performance Awards earned by the Grantee over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved.

### **14.4 Form and Timing of Payment of Performance Awards.**

Payment of earned Performance Awards shall be as determined by the Committee and as evidenced in the Award Agreement. Subject to the terms of the Plan, the Committee, in its sole discretion, may pay earned Performance Awards in the form of cash or in Shares (or in a combination thereof) equal to the value of the earned Performance Awards at the close of the applicable Performance Period, or as soon as practicable after the end of the Performance Period; provided that, unless specifically provided in the Award Agreement pertaining to the grant of the Award, such payment shall occur no later than the 15th day of the third month following the end of the calendar year in which the Performance Period ends. Any Shares may be granted subject to any restrictions deemed appropriate by the Committee. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award.

#### **14.5 Performance Conditions.**

The right of a Grantee to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions.

#### **14.6 Settlement of Awards; Other Terms.**

Settlement of such Performance Awards shall be in cash, Shares, other Awards, or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards. The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of Service by the Grantee prior to the end of a performance period or settlement of Awards.

#### **14.7 Performance Measures.**

Any Performance Measure(s) may be used to measure the performance of the Company, Subsidiary, and/or Affiliate as a whole or any business unit of the Company, Subsidiary, and/or Affiliate or any combination thereof, as the Committee may deem appropriate, or any Performance Measures as compared to the performance of a group of comparable companies, or published or special index that the Committee, in its sole discretion, deems appropriate. The Committee also has the authority to provide for accelerated vesting of any Performance Award based on the achievement of performance goals.

### **15. TERMS AND CONDITIONS OF LONG-TERM INCENTIVE UNITS**

LTIP Units are intended to be profits interests in the operating partnership affiliated with the Company, if any (such operating partnership, if any, the “**Operating Partnership**”), the rights and features of which, if applicable, will be set forth in the agreement of limited partnership for the Operating Partnership (the “**Operating Partnership Agreement**”) and an applicable Award Agreement. Subject to the terms and provisions of the Plan and the Operating Partnership Agreement, the Committee, at any time and from time to time, may grant LTIP Units to Plan participants in such amounts and upon such terms as the Committee shall determine, which need not be the same with respect to each Grantee. LTIP Units must be granted for service to the Operating Partnership. Subject to **Section 18**, each LTIP Unit granted under the Plan shall vest at such times and under such conditions as shall be determined by the Committee and stated in the Award Agreement.

### **16. PARACHUTE LIMITATIONS**

If the Grantee is a “disqualified individual,” as defined in Code Section 280G(c), then, notwithstanding any other provision of the Plan or of any other agreement, contract, or understanding heretofore or hereafter entered into by a Grantee with the Company or an Affiliate, except an agreement, contract, or understanding that expressly addresses Code

Section 280G or Code Section 4999 (an “**Other Agreement**”), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Grantee (including groups or classes of Grantees or beneficiaries of which the Grantee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Grantee (a “Benefit Arrangement”), any right to exercise, vesting, payment or benefit to the Grantee under the Plan shall be reduced or eliminated:

(a) to the extent that such right to exercise, vesting, payment, or benefit, taking into account all other rights, payments, or benefits to or for the Grantee under the Plan, all Other Agreements, and all Benefit Arrangements, would cause any exercise, vesting, payment or benefit to the Grantee under the Plan to be considered a “parachute payment” within the meaning of Code Section 280G(b)(2) as then in effect (a “**Parachute Payment**”); and

(b) if, as a result of receiving such Parachute Payment, the aggregate after-tax amounts received by the Grantee from the Company under the Plan, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Grantee without causing any such payment or benefit to be considered a Parachute Payment.

The Company shall accomplish such reduction by first reducing or eliminating any cash payments (with the payments to be made furthest in the future being reduced first), then by reducing or eliminating any accelerated vesting of Performance Awards, then by reducing or eliminating any accelerated vesting of Options or SARs, then by reducing or eliminating any accelerated vesting of Restricted Shares or Share Units, then by reducing or eliminating any other remaining Parachute Payments.

## **17. REQUIREMENTS OF LAW**

### **17.1 General.**

No participant in the Plan will be permitted to acquire, or will have any right to acquire, Shares thereunder if such acquisition would be prohibited by any share ownership limits contained in charter or bylaws or would impair the Company’s status as a REIT. The Company shall not be required to offer, sell or issue any Shares under any Award if the offer, sale or issuance of such Shares would constitute a violation by the Grantee, any other individual or entity exercising an Option, or the Company or an Affiliate of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the offering, listing, registration or qualification of any Shares subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of Shares hereunder, no Shares may be offered, issued or sold to the Grantee or any other individual or entity exercising an Option pursuant to such Award unless such offering, listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination of the



Award. Without limiting the generality of the foregoing, in connection with the Securities Act, upon the exercise of any Option or any SAR that may be settled in Shares or the delivery of any Shares underlying an Award, unless a registration statement under such Act is in effect with respect to the Shares covered by such Award, the Company shall not be required to offer, sell or issue such Shares unless the Committee has received evidence satisfactory to it that the Grantee or any other individual or entity exercising an Option or SAR or accepting delivery of such Shares may acquire such Shares pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Committee shall be final, binding, and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or a SAR or the issuance of Shares pursuant to the Plan to comply with any Applicable Laws. As to any jurisdiction that expressly imposes the requirement that an Option (or SAR that may be settled in Shares) shall not be exercisable until the Shares covered by such Option (or SAR) are registered under the securities laws thereof or are exempt from such registration, the exercise of such Option (or SAR) under circumstances in which the laws of such jurisdiction apply shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

#### **17.2 Rule 16b-3.**

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Awards pursuant to the Plan and the exercise of Options and SARs granted hereunder that would otherwise be subject to Section 16(b) of the Exchange Act will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Committee does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative with respect to such Awards to the extent permitted by Applicable Law and deemed advisable by the Committee, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Committee may exercise its discretion to modify the Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

### **18. EFFECT OF CHANGES IN CAPITALIZATION**

#### **18.1 Changes in Shares.**

If the number of outstanding Shares is increased or decreased or the Shares are changed into or exchanged for a different number or kind of Shares or other securities of the Company on account of any recapitalization, reclassification, share split, reverse share split, spin-off, combination of share, exchange of shares, share dividend or other distribution payable in capital shares, or other increase or decrease in such shares effected without receipt of consideration by the Company occurring after the Effective Date, the number and kinds of shares for which grants of Options and other Awards may be made under the Plan, including, without limitation, the limits set forth in **Sections 4.1** and **6.2**, shall be adjusted proportionately and accordingly by the Company in a manner deemed equitable by the Committee. In addition, the number and kind of

shares for which Awards are outstanding shall be adjusted proportionately and accordingly so that the proportionate interest of the Grantee immediately following such event shall, to the extent practicable, be the same as immediately before such event. Any such adjustment in outstanding Options or SARs shall not change the aggregate Option Price or SAR Exercise Price payable with respect to shares that are subject to the unexercised portion of an outstanding Option or SAR, as applicable, but shall include a corresponding proportionate adjustment in the Option Price or SAR Exercise Price per share. The conversion of any convertible securities of the Company shall not be treated as an increase in shares affected without receipt of consideration. Notwithstanding the foregoing, in the event of any distribution to the Company's shareholders of securities of any other entity or other assets (including an extraordinary dividend but excluding a non-extraordinary dividend of the Company) without receipt of consideration by the Company, the Committee shall, in such manner as the Committee deems appropriate, adjust (a) the number and kind of shares subject to outstanding Awards and/or (b) the exercise price of outstanding Options and Share Appreciation Rights to reflect such distribution.

## **18.2 Reorganization in Which the Company Is the Surviving Entity Which Does not Constitute a Change in Control.**

Subject to **Section 18.3**, if the Company shall be the surviving entity in any reorganization, merger, or consolidation of the Company with one or more other entities which does not constitute a Change in Control, any Option or SAR theretofore granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of Shares subject to such Option or SAR would have been entitled immediately following such reorganization, merger, or consolidation, with a corresponding proportionate adjustment of the Option Price or SAR Exercise Price per share so that the aggregate Option Price or SAR Exercise Price thereafter shall be the same as the aggregate Option Price or SAR Exercise Price of the Shares remaining subject to the Option or SAR immediately prior to such reorganization, merger, or consolidation. Subject to any contrary language in an Award Agreement evidencing an Award, or in another agreement with the Grantee, or otherwise set forth in writing, any restrictions applicable to such Award shall apply as well to any replacement shares received by the Grantee as a result of the reorganization, merger or consolidation. In the event of a transaction described in this **Section 18.2**, Performance Awards shall be adjusted (including any adjustment to the Performance Measures applicable to such Awards deemed appropriate by the Committee) so as to apply to the securities that a holder of the number of Shares subject to the Performance Awards would have been entitled to receive immediately following such transaction.

## **18.3 Change in Control.**

### **18.3.1 Vesting.**

(a) With respect to Awards other than any Performance Awards and any Other Equity-Based Awards, upon the occurrence of a Change in Control, in each case as of immediately prior to but contingent on the occurrence of such Change in Control, (i) all outstanding Options and SARs shall be deemed to have vested, and all restrictions and conditions applicable to such Options and SARs shall be deemed to have lapsed; (ii) all outstanding

Restricted Shares and Share Units shall be deemed to have vested, and all restrictions and conditions applicable to such Restricted Shares and Share Units shall be deemed to have lapsed, and any Shares subject thereto shall be delivered unless the Committee determines to cash out such Award as described in **Section 18.3.2** and any cash payment required thereunder shall be made; (iii) all outstanding Dividend Equivalent Rights shall be deemed to have vested, and all restrictions and conditions applicable to such Dividend Equivalent Rights shall be deemed to have lapsed, and any Shares subject thereto shall be delivered unless the Committee determines to cash out such Award as described in **Section 18.3.2** and any cash payment required thereunder shall be made; and (iv) all outstanding LTIP Units shall be deemed to have vested, and all restrictions and conditions applicable to such LTIP Units shall be deemed to have lapsed;

(b) With respect to any Performance Award, upon the occurrence of a Change in Control, (i) if less than half of the Performance Period has lapsed, such Awards shall be earned, as of immediately prior to but contingent on the occurrence of such Change in Control, based on deemed achievement of target performance, and (ii) if at least half of the Performance Period has lapsed, such Awards shall be earned, immediately prior to but contingent on the occurrence of such Change in Control, based on the greater of (A) deemed achievement of target performance or (B) determination of actual performance as of a date reasonably proximal to the date of consummation of such Change in Control as determined by the Committee in its sole discretion.

(c) With respect to any Other Equity-Based Award, upon the occurrence of a Change in Control, Other-Equity Based Awards shall be governed by the terms of the applicable Award Agreement

### **18.3.2 Treatment.**

Upon the occurrence of a Change in Control, one or more of the following actions shall be taken by the Committee:

(a) The Committee may elect, in its sole discretion, to cancel any outstanding Awards of Options, SARs, Restricted Shares, Share Units, and Dividend Equivalent Rights (for Shares payable thereunder, if any) and pay or deliver, or cause to be paid or delivered, to the holder thereof an amount in cash and/or securities having a value (as determined by the Committee acting in good faith), in the case of Restricted Shares, Share Units, and Dividend Equivalent Rights (for Shares payable thereunder, if any), equal to the formula or fixed price per Share paid to holders of Shares and, in the case of Options or SARs, equal to the product of the number of Shares subject to the Option or SAR (the "**Award Shares**") multiplied by the amount, if any, by which (A) the formula or fixed price per share paid to holders of Shares pursuant to such Change in Control exceeds (B) the Option Price or SAR Exercise Price applicable to such Award Shares;

(b) The Committee may provide written notice to holders of Options and SARs that, for a period of at least fifteen (15) days prior to such Change in Control (unless (i) a shorter period is required to permit a timely closing of the transaction and (ii) such shorter

period still offers the Grantee a reasonable opportunity to exercise the Option or SAR) (such period, the “**Exercise Window**”), all outstanding Options and SARs shall become immediately exercisable and shall remain exercisable for such Exercise Window, and (A) any exercise of an Option or SAR during such Exercise Window shall be conditioned upon the consummation of such Change in Control and shall be effective only immediately before the consummation of such Change in Control, and (B) upon consummation of such Change in Control, all outstanding but unexercised Options and SARs shall terminate, provided that the Committee shall send notice of an event that will result in such a termination to all holders of Options and SARs not later than the time at which the Company gives notice thereof to its shareholders; and/or

(c) The Committee may make provision in writing in connection with such Change in Control for the assumption and continuation of Options and SARs theretofore granted, or for substitution of such Options and SARs for new common stock option and stock appreciation rights relating to the stock of the successor entity, or a parent or subsidiary thereof, with appropriate adjustment as to the number of shares (disregarding any consideration that is not common stock) and option and stock appreciation right exercise prices.

#### **18.4 Adjustments.**

Adjustments under this **Section 18** related to Shares or securities of the Company shall be made by the Committee, whose determination in that respect shall be final, binding, and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share. This **Section 18** does not limit the Company’s ability to provide for alternative treatment of Awards outstanding under the Plan in the event of a change in control event involving the Company or an Affiliate that does not constitute a Change in Control.

#### **18.5 No Limitations on Company.**

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets (including all or any part of the business or assets of any Subsidiary or other Affiliate) or engage in any other transaction or activity.

### **19. GENERAL PROVISIONS**

#### **19.1 Disclaimer of Rights.**

No provision in the Plan or in any Award or Award Agreement shall be construed to confer upon any individual or entity the right to remain in the employ or Service of the Company or an Affiliate, or to interfere in any way with any contractual or other right or authority of the Company or an Affiliate either to increase or decrease the compensation or other payments to any individual or entity at any time, or to terminate any employment or other relationship between any individual or entity and the Company or an Affiliate. In addition, notwithstanding

anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, in another agreement with the Grantee, or otherwise in writing, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to provide Service. The obligation of the Company to pay any benefits pursuant to the Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan and Awards shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any Grantee or beneficiary under the terms of the Plan.

### **19.2 Nonexclusivity of the Plan.**

Neither the adoption of the Plan nor the submission of the Plan to the shareholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Committee to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Committee in its discretion determines desirable.

### **19.3 Withholding Taxes.**

The Company or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any federal, state, or local taxes of any kind required by law to be withheld with respect to the vesting of or other lapse of restrictions applicable to an Award or upon the issuance of any Shares upon the exercise of an Option or pursuant to an Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay in cash to the Company or an Affiliate, as the case may be, any amount that the Company or an Affiliate may reasonably determine to be necessary to satisfy such withholding obligation; provided, that if there is a same-day sale of Shares subject to an Award, the Grantee shall pay such withholding obligation on the day on which such same-day sale is completed. Subject to the prior approval of the Company or an Affiliate, which may be withheld by the Company or an Affiliate, as the case may be, in its sole discretion, the Grantee may elect to satisfy such obligations, in whole or in part, (a) by causing the Company or an Affiliate to withhold Shares otherwise issuable to the Grantee or (b) by delivering to the Company or an Affiliate Shares already owned by the Grantee. The Shares so delivered or withheld shall have an aggregate Fair Market Value equal to such withholding obligations. The Fair Market Value of the Shares used to satisfy such withholding obligation shall be determined by the Company or an Affiliate as of the date that the amount of tax to be withheld is to be determined. A Grantee who has made an election pursuant to this **Section 19.3** may satisfy his or her withholding obligation only with Shares that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements. The maximum number of Shares that may be withheld from any Award to satisfy any federal, state or local tax withholding requirements upon the exercise, vesting, lapse of restrictions applicable to such Award or payment of Shares pursuant to such Award, as applicable, cannot exceed such number of Shares having a Fair Market Value equal to the minimum statutory amount required by the Company or an Affiliate to be withheld and paid to

any such federal, state, or local taxing authority with respect to such exercise, vesting, lapse of restrictions or payment of Shares; provided, however, for so long as Accounting Standards Update 2016-09 or a similar rule remains in effect, the Board or the Committee has full discretion to choose, or to allow a Grantee to elect, to withhold a number of Shares having an aggregate Fair Market Value that is greater than the applicable minimum required statutory withholding obligation (but such withholding may in no event be in excess of the maximum required statutory withholding amount(s) in such Grantee's relevant tax jurisdictions).

#### **19.4 Captions.**

The use of captions in the Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

#### **19.5 Other Provisions.**

Each Award granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Committee, in its sole discretion.

#### **19.6 Number and Gender.**

With respect to words used in the Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

#### **19.7 Severability.**

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

#### **19.8 Governing Law.**

The validity and construction of the Plan and the instruments evidencing the Awards hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of Maryland, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan and the instruments evidencing the Awards granted hereunder to the substantive laws of any other jurisdiction.

#### **19.9 Code Section 409A.**

The Company intends to comply with Code Section 409A, or an exemption to Code Section 409A, with regard to Awards hereunder that constitute nonqualified deferred compensation within the meaning of Code Section 409A. To the extent that the Company determines that a Grantee would be subject to the additional twenty percent (20%) tax imposed on certain nonqualified deferred compensation plans pursuant to Code Section 409A as a result

of any provision of any Award granted under the Plan, such provision shall be deemed amended to the minimum extent necessary to avoid application of such additional tax. The nature of any such amendment shall be determined by the Committee. Notwithstanding any provision of the Plan or an Award Agreement to the contrary, to the extent required to avoid accelerated taxation and tax penalties under Code Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan or an Award Agreement during the six (6)-month period immediately following the Grantee's Separation from Service will instead be paid on the first payroll date after the six (6)-month anniversary of the Grantee's separation from service (or the Grantee's death, if earlier).

\* \* \*

To record adoption of the Plan by the Board as of March 22, 2021, and approval of the Plan by the shareholders on April 30, 2021, the Company has caused its authorized officer to execute the Plan.

RLJ LODGING TRUST

/s/ Anita Cooke Wells

By: Anita Cooke Wells

Title: Secretary

Signature Page to RLJ Lodging Trust 2021 Equity Incentive Plan



**RLJ LODGING TRUST  
2021 EQUITY INCENTIVE PLAN**

**RESTRICTED SHARES AGREEMENT  
Cover Sheet**

RLJ Lodging Trust, a Maryland real estate investment trust (the “**Company**”), hereby grants restricted common shares of beneficial interests of the Company, par value \$0.01 per share (“**Restricted Shares**”), to the Grantee named below, subject to the vesting and other conditions set forth herein. Additional terms and conditions of the grant are set forth in this cover sheet and in the attached Restricted Shares Agreement (collectively, the “**Agreement**”) and in the Company’s 2021 Equity Incentive Plan (as it has been or may be amended from time to time, the “**Plan**”).

Name of Grantee:

Number of Restricted Shares:

Grant Date:

Grant Date Share Price:

*By your signature below, you agree to all of the terms and conditions described in the Agreement and in the Plan. You acknowledge that you have carefully reviewed the Plan and agree that the Plan will control in the event any provision of the Agreement should appear to be inconsistent with the Plan.*

Grantee:	Date:
_____	_____
(Signature)	
Company:	Date:
_____	_____
(Signature)	
Name:	
_____	
Title:	
_____	
President & Chief Executive Officer	

Attachments

*This is not a share certificate or a negotiable instrument.*

**RLJ LODGING TRUST  
2021 EQUITY INCENTIVE PLAN**

**RESTRICTED SHARES AGREEMENT**

<b>Restricted Shares</b>	This Agreement evidences an award of Restricted Shares (the “ <b>Restricted Shares</b> ”) in the number set forth on the cover sheet of this Agreement and subject to the vesting and other conditions set forth in this Agreement (including the cover sheet and all attachments) and in the Plan.
<b>Non-Transferability</b>	To the extent not yet vested, your Restricted Shares may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered, whether by operation of law or otherwise, nor may the Restricted Shares be made subject to execution, attachment, or similar process. If you attempt to do any of these things, the Restricted Shares will immediately become forfeited.
<b>Issuance</b>	<p>The Company will issue your Restricted Shares in the name set forth on the cover sheet as of the Grant Date.</p> <p>The issuance of the Restricted Shares shall be evidenced in such a manner as the Company, in its discretion, deems appropriate, including, without limitation, book-entry, direct registration or issuance of one or more share certificates, with any unvested Restricted Shares bearing the appropriate restrictions imposed by this Agreement. As your interest in the Restricted Shares vests, the recordation of the number of Restricted Shares attributable to you will be appropriately modified if necessary.</p>
<b>Vesting</b>	<p>Your right to the Restricted Shares will vest in accordance with the vesting schedule set forth on <b>Attachment A</b>, subject to your continued Service through the applicable vesting date set forth on <b>Attachment A</b>.</p> <p>Notwithstanding your vesting schedule, the unvested Restricted Shares will become 100% vested upon your termination of Service due to your death or Disability.</p>
<b>Change in Control</b>	Notwithstanding the vesting schedule set forth above, upon the occurrence of a Change in Control, the unvested Restricted Shares will become 100% vested as of immediately prior to but contingent on the occurrence of such Change in Control.

**Leaves of Absence**

For purposes of this Agreement, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by the Company in writing if the terms of the leave provide for continued Service crediting or when continued Service crediting is required by applicable law. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

The Company may determine, in its discretion, which leaves count for this purpose, and when your Service terminates under the Plan in accordance with the provisions of the Plan.

**Forfeiture of Unvested Restricted Shares**

Unless the termination of your Service triggers accelerated vesting of your Restricted Shares or other treatment pursuant to the terms of this Agreement, the Plan, or any other written agreement between the Company or any Affiliate and you, including but not limited to any employment agreement, you will automatically forfeit, as of the date of such termination of Service, to the Company all of the unvested Restricted Shares in the event you are no longer providing Service.

**Forfeiture of Rights**

If you should take actions in violation or breach of or in conflict with any non-competition agreement, any agreement prohibiting solicitation of employees or clients of any the Company or any Affiliate or any confidentiality obligation with respect to the Company or any Affiliate or otherwise in competition with the Company or any Affiliate, the Company has the right to cause an immediate forfeiture of your rights to the Restricted Shares awarded under this Agreement and the Restricted Shares shall immediately expire.

In addition, if you have vested in Restricted Shares during the three (3) year period prior to your actions, you will owe the Company a cash payment (or forfeiture of Restricted Shares) in an amount determined as follows: (1) for any Restricted Shares that you have sold prior to receiving notice from the Company, the amount will be the proceeds received from the sale(s), and (2) for any Restricted Shares that you still own, the amount will be the number of Restricted Shares owned times the fair market value of the Restricted Shares on the date you receive notice from the Company (provided, that the Company may require you to satisfy your payment obligations hereunder either by forfeiting and returning to the Company the Restricted Shares or any other Shares or making a cash payment or a combination of these methods as determined by the Company in its sole discretion).

**Shareholder Rights;  
Dividends**

You have the right to vote the Restricted Shares, and you will be entitled to receive, upon the Company's payment of a cash dividend on outstanding Shares, an amount equal to the per share cash dividend multiplied by the number of Restricted Shares subject to this Agreement that you hold as of the record date for such dividend, regardless of whether your Restricted Shares have vested at the time of payment of the cash dividend.

**Withholding Taxes**

In the event that the Company or any Affiliate determines that any federal, state, local, or foreign tax or withholding payment is required relating to the grant or vesting of Restricted Shares or otherwise arising relating to the Restricted Shares, the Company or any Affiliate shall have the right to require such payments from you, or withhold such amounts from other payments due to you from the Company or any Affiliate (including withholding the delivery of vested Shares otherwise deliverable under this Agreement).

**Recoupment**

This Award is subject to mandatory repayment by you to the Company to the extent you are or in the future become subject to any Company "clawback" or recoupment policy that requires the repayment by you to the Company of compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of such policy.

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws and you knowingly engaged in the misconduct, were grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct, or were grossly negligent in failing to prevent the misconduct, you shall reimburse the Company the amount of any payment in settlement of this Award earned or accrued during the twelve (12) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

**Retention Rights**

This Agreement does not give you the right to be retained by the Company or an Affiliate in any capacity. Unless otherwise specified in an employment or other written agreement between the Company or any Affiliate and you, the Company and any Affiliates reserve the right to terminate your Service at any time and for any reason.

## **Legends**

If and to the extent that the Restricted Shares are represented by certificates rather than book entry, all certificates representing the Restricted Shares issued under this grant shall, where applicable, have endorsed thereon the following legends:

“THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN VESTING, FORFEITURE AND OTHER RESTRICTIONS ON TRANSFER AND OPTIONS TO PURCHASE SUCH SHARES SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR HIS OR HER PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.”

To the extent the Restricted Shares are represented by a book entry, such book entry will contain an appropriate legend or restriction similar to the foregoing.

## **Adjustments**

In the event of any share dividend, share split, change in the corporate structure affecting the Shares, or any change in the corporate structure that is not a Change in Control, the number or kind of Shares covered by this Award shall be adjusted pursuant to the Plan.

Your Restricted Shares shall be subject to the terms of any applicable agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.

## **Applicable Law**

This Agreement will be interpreted and enforced under the laws of the State of Maryland, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

## **The Plan**

The text of the Plan is incorporated in this Agreement by reference.

***Certain capitalized terms used in this Agreement are defined in the Plan and have the meaning set forth in the Plan.***

This Agreement (including the cover sheet and all attachments) and the Plan constitute the entire understanding between you and the Company regarding this grant. Any prior agreements, commitments, or negotiations concerning this grant are superseded; except that any written employment, consulting, confidentiality, non-competition, non-solicitation and/or severance agreement between you and the Company or any Affiliate shall supersede this Agreement with respect to its subject matter.

**Data Privacy**

In order to administer the Plan, the Company may process personal data about you. Such data includes, but is not limited to, information provided in this Agreement and any changes thereto, other appropriate personal and financial data about you such as your contact information, payroll information, and any other information that might be deemed appropriate by the Company to facilitate the administration of the Plan. By accepting this grant, you give explicit consent to the Company to process any such personal data.

**Code Section 409A**

The grant of Restricted Shares under this Agreement is intended to be exempt from Code Section 409A, and, accordingly, to the maximum extent permitted, this Agreement will be interpreted and administered to be exempt from Code Section 409A.

***By signing this Agreement, you agree to all of the terms and conditions described above and in the Plan.***

**ATTACHMENT A**  
**VESTING SCHEDULE**

<b>Vesting Date</b>	<b>Shares</b>

**RLJ LODGING TRUST**  
**2021 EQUITY INCENTIVE PLAN**  
**PERFORMANCE SHARE UNIT AGREEMENT**  
**Cover Sheet**

RLJ Lodging Trust, a Maryland real estate investment trust (the “**Company**”), hereby grants Performance Share Units (“**PSUs**”) relating to common shares of beneficial interests of the Company, par value \$0.01 per share (the “**Shares**”), to the Grantee named below, the Shares subject thereto being subject to achieving the performance criteria and the vesting conditions set forth herein. Additional terms and conditions of the grant are set forth in this cover sheet and the attached Performance Share Unit Agreement (together, the “**Agreement**”) and in the Company’s 2021 Equity Incentive Plan (as it has been or may be amended from time to time, the “**Plan**”).

Name of Grantee:

Threshold Number of PSUs:

Target Number of PSUs:

Maximum Number of PSUs:

Grant Date:

Performance Period:

***By your signature below, you agree to all of the terms and conditions described in the Agreement and in the Plan. You acknowledge that you have carefully reviewed the Plan and agree that the Plan will control in the event any provision of the Agreement should appear to be inconsistent with the Plan.***

Grantee: \_\_\_\_\_ Date: \_\_\_\_\_  
 (Signature)

Company: \_\_\_\_\_ Date: \_\_\_\_\_  
 (Signature)

Name: \_\_\_\_\_

Title: President & Chief Executive Officer

Attachments

*This is not a share certificate or a negotiable instrument.*



**RLJ LODGING TRUST  
2021 EQUITY INCENTIVE PLAN**

**PERFORMANCE SHARE UNIT AGREEMENT**

**PSUs**

This Agreement evidences an award of Performance Share Units (the “**PSUs**”) entitling you to the number of Shares to be determined in accordance with the terms and conditions of this Agreement and the Plan.

The number of Shares, if any, that may be issued pursuant to the terms of this Agreement will be calculated based on the attainment, as determined by the Company’s Compensation Committee (the “**Committee**”), of the specified absolute and relative performance metrics (“**Performance Metrics**”) set forth in Exhibit A over the Performance Period set forth on the cover sheet of this Agreement, which number of Shares may be equal to all or a portion, including none, of the Maximum Number of PSUs set forth on the cover sheet of this Agreement.

**Non-Transferability**

Your PSUs may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered, whether by operation of law or otherwise, nor may the PSUs be made subject to execution, attachment, or similar process. If you attempt to do any of these things, the PSUs will immediately become forfeited.

## Vesting

Except as otherwise provided below in “Termination of Service” or “Change in Control,” your PSUs will vest on the date the Committee certifies the achievement of the Performance Metrics following the close of the Performance Period (the “**Certification Date**”), and subject to your continued Service from the Grant Date through the end of the Performance Period, but only to the extent that the Performance Metrics have been achieved. Promptly following the completion of the Performance Period, the Committee will review and certify in writing (i) whether, and to what extent, the Performance Metrics for the Performance Period have been achieved and (ii) the number of PSUs that will vest. Such certification will be final, conclusive, and binding.

If the Committee’s certification of the Performance Metrics produces vesting in a fractional PSU, the number of PSUs that vest shall be rounded down to the next whole integer.

You will forfeit to the Company all of your unvested PSUs to the extent the specified Performance Metrics have not been achieved, as determined by the Committee, effective as of the Certification Date.

## Termination of Service

Notwithstanding any provisions in your employment agreement or offer letter with the Company or its Affiliates (if any, the “**Employment Agreement**”) to the contrary, (i) in the event that your Service terminates after the Grant Date and prior to the end of the Performance Period (A) by the Company or its Affiliates without Cause or by you for Good Reason or (B) due to your death or Disability (as defined in the Plan, except as otherwise defined in your Employment Agreement) or (ii) in the event that your Service terminates eighteen (18) months or more after the Grant Date and prior to the end of the Performance Period (A) by the Company’s or its Affiliates’ providing written notice to terminate your Employment Agreement as of the end of the Initial or the Extension Term (as defined in your Employment Agreement) or (B) by you as a result of your Retirement (as defined in your Employment Agreement), you will vest in a portion of your PSUs based on actual achievement of the Performance Metrics as of the Certification Date (or as of immediately prior to an earlier Change in Control), multiplied by your total months of Service from the beginning of the Performance Period to the date your Service terminates divided by thirty six (36). Notwithstanding any provisions of your Employment Agreement which, if applied, would result in vesting, and except as provided below in this section in connection with a Change in Control, if your Service terminates prior to the end of the Performance Period, you will forfeit all PSUs that do not vest in accordance with the preceding sentence.

For purposes of this Agreement, “**Good Reason**” shall have the meaning set forth in you Employment Agreement, but if not defined therein, means (x) a material reduction in your annual base salary as of immediately prior to the Grant Date (or as the same may be increased from time to time) or a material reduction in your annual target bonus opportunity as of immediately prior to the Grant Date or (y) the relocation of your principal place of employment to a location more than thirty-five (35) miles from your principal place of employment as of the Grant Date or the Company’s requiring you to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company’s business to an extent substantially consistent with your business travel obligations as of immediately prior to the Grant Date. To qualify as “Good Reason,” you must provide notice to the Company of any of the foregoing occurrences within ninety (90) days following the initial occurrence, the Company shall have thirty (30) days to remedy such occurrence, and if not remedied, you must resign within thirty (30) days following the end of such remedy period.

**Change in Control**

Upon the occurrence of a Change in Control prior to the end of the Performance Period, provided that you continue in Service as of immediately prior to such Change in Control, (i) if less than half of the Performance Period has lapsed as of such Change in Control, your PSUs will vest, as of immediately prior to but contingent on the occurrence of such Change in Control, based on deemed achievement of target level performance, and (ii) if at least half of the Performance Period has lapsed as of such Change in Control, your PSUs will vest, immediately prior to but contingent on the occurrence of such Change in Control, based on the greater of (A) deemed achievement of target level performance or (B) determination of actual performance as of a date reasonably proximal to the date of consummation of such Change in Control as determined by the Committee, in its sole discretion. Upon the occurrence of a Change in Control, you will forfeit all PSUs that do not vest in accordance with the preceding sentence.

**Leaves of Absence**

For purposes of this Agreement, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by the Company in writing if the terms of the leave provide for continued Service crediting or when continued Service crediting is required by applicable law. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

The Company may determine, in its discretion, which leaves count for this purpose, and when your Service terminates under the Plan in accordance with the provisions of the Plan.

**Issuance of Shares**

The Company will issue any Shares earned pursuant hereto in your name as of the date that you vest in the PSUs. Such delivery will be made as soon as practicable after the date on which your PSUs vest and, in any event, within thirty (30) days thereafter but not later than March 15<sup>th</sup> of the calendar year following the calendar year in which the Performance Period ends or an earlier Change in Control occurs.

**Book Entry Restrictions**

Any Shares issued hereunder may be issued in book entry form. In such event, the Company shall cause the transfer agent for the Shares to make a book entry record showing ownership for the Shares in your name subject to the terms and conditions of this Agreement. The Company shall issue or cause to be issued to you an account statement acknowledging your ownership of such Shares.

**Shareholder Rights; Dividends**

You, or your estate or heirs, do not have any of the rights of a shareholder of the Company (including, without limitation, the right to vote or receive dividends declared or paid on the Shares) with respect to the PSUs unless and until the PSUs vest and a certificate for such Shares relating to such vested PSUs has been issued or an appropriate book entry has been made.

Notwithstanding the foregoing, the Company grants you a Dividend Equivalent Right relating to each PSU which vests, if any, pursuant to this Agreement or the Plan. If the Company declares a cash dividend on the Company's outstanding Shares during the Performance Period, you shall receive an amount of cash equal to the number of PSUs which vest pursuant to this Agreement, multiplied by the amount of the cash dividend per Share declared during the Performance Period, as if you had held a number of Shares equal to the number of PSUs which vest under this Agreement as of each dividend record date during the Performance Period. For purposes of the foregoing sentence only, if the PSUs are subject to accelerated vesting, the "Performance Period" shall be deemed to have ended as of the date of the event which serves as the basis for such accelerated vesting. This cash payment relating to your vested PSUs shall be made as soon as practicable after the date on which your PSUs vest and, in any event, within thirty (30) days thereafter but not later than March 15<sup>th</sup> of the calendar year following the calendar year in which the Performance Period ends or an earlier Change in Control occurs.

**Withholding Taxes**

In the event that the Company or any Affiliate determines that any federal, state, local, or foreign tax or withholding payment is required relating to the PSUs, the issuance of Shares with respect to the PSUs, or the Dividend Equivalent Rights under this Agreement, the Company or any Affiliate shall have the right to require such payments from you, or withhold such amounts from other payments due to you from the Company or any Affiliate (including withholding the delivery of Shares otherwise deliverable under this Agreement).

**Recoupment**

This Award is subject to mandatory repayment by you to the Company to the extent you are or in the future become subject to any Company “clawback” or recoupment policy that requires the repayment by you to the Company of compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of such policy.

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws and you knowingly engaged in the misconduct, were grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct or were grossly negligent in failing to prevent the misconduct, you shall reimburse the Company the amount of any payment in settlement of this Award earned or accrued during the twelve (12)-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

**Retention Rights**

This Agreement does not give you the right to be retained by the Company or an Affiliate in any capacity. Unless otherwise specified in your Employment Agreement, the Company and any Affiliates reserve the right to terminate your Service at any time and for any reason.

**Adjustments**

In the event of any share dividend, share split, change in the corporate structure affecting the Shares, or any change in the corporate structure that is not a Change in Control, the number or kind of Shares covered by this Award shall be adjusted pursuant to the Plan.

Your PSUs shall be subject to the terms of any applicable agreement of merger, liquidation, or reorganization in the event the Company is subject to such corporate activity.

**Applicable Law**

This Agreement will be interpreted and enforced under the laws of the State of Maryland, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

**The Plan**

The text of the Plan is incorporated in this Agreement by reference. Certain capitalized terms used in this Agreement but not defined herein are defined in the Plan and have the meaning set forth in the Plan.

This Agreement (including the cover sheet and all attachments) and the Plan constitute the entire understanding between you and the Company regarding this grant of PSUs and any underlying Shares. Any prior agreements, commitments, or negotiations concerning this grant are superseded.

**Data Privacy**

In order to administer the Plan, the Company may process personal data about you. Such data includes, but is not limited to, information provided in this Agreement and any changes thereto, other appropriate personal and financial data about you such as your contact information, payroll information, and any other information that might be deemed appropriate by the Company to facilitate the administration of the Plan. By accepting this grant, you give explicit consent to the Company to process any such personal data.

**Code Section 409A**

The grant of PSUs under this Agreement is intended to be exempt from, or to comply with, Code Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Agreement will be interpreted and administered to be in compliance with Code Section 409A.

To the extent that the Company determines that you would be subject to the additional 20% tax imposed on certain non-qualified deferred compensation plans pursuant to Code Section 409A as a result of any provision of this Agreement, such provision shall be deemed amended to the minimum extent necessary to avoid application of such additional tax. The nature of any such amendment shall be determined by the Company.

Notwithstanding any provision of the Plan or this Agreement to the contrary, to the extent required to avoid accelerated taxation and tax penalties under Code Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan or this Agreement during the six (6)-month period immediately following your Separation from Service will instead be paid on the first payroll date after the six (6)-month anniversary of your Separation from Service (or your death, if earlier).

For purposes of this Award, a termination of Service only occurs upon an event that would be a Separation from Service within the meaning of Code Section 409A.

***By signing this Agreement, you agree to all of the terms and conditions described above and in the Plan.***



## EXHIBIT A

### PERFORMANCE METRICS

**Performance Metrics.** The PSUs have two separate performance measurements, with [●]% of the target award based solely on the Company's Total Shareholder Return (the "**Absolute TSR Component**") and [●]% of the target award measured by the Company's Total Shareholder Return relative to [●] composite companies of the SNL US Hotel REIT Index (the "**Relative TSR Component**").

- Absolute TSR Component.** The Absolute TSR Component, weighted at [●]%, will be a tiered structure under which this component is earned pursuant to the following performance levels:
  - **Minimum Level:** [●]% of the award is earned at TSR equal to [●].
  - **Target Level:** [●]% of the award is earned at TSR equal to [●].
  - **Maximum Level:** [●]% of the award is earned at TSR equal to [●].
- Relative TSR Component.** The Relative TSR Component, weighted at [●]%, will be a tiered structure under which this component is earned pursuant to the following performance levels:
  - **Minimum Level:** [●]% of the award will be earned for TSR equal to the [●] percentile of the Index Companies.
  - **Target Performance:** [●]% of the award will be earned for TSR equal to the [●] percentile of the Index Companies.
  - **Maximum Performance:** [●]% of the award will be earned for TSR equal to the [●] percentile of the Index Companies.

Earning percentage for performance between the minimum and target levels and the target and maximum levels will be calculated by linear interpolation. Performance below the minimum level results in zero percent of the component being earned, and performance above the maximum level does not increase the earning percentage for a component beyond [●].

**Definitions.** For the purposes of this Agreement, the following terms shall have the meanings set forth below:

- "**Average Price**" means, with respect to the beginning of a Performance Period, the average of the Closing Share Price for the last five (5) trading days preceding the start of the Performance Period, and with respect to the end of a Performance Period, the

average of the Closing Share Price for the last fifteen (15) trading days preceding the end of the Performance Period.

- “**Closing Share Price**” means, with respect to Shares, the closing sales price per share on the applicable date quoted on the NYSE, or if there are no sales on such date, for the last preceding date on which there were sales of Shares, as determined by the Committee. With respect to the stock of a company in the Peer Group, “Closing Share Price” means, (i) the closing sales price per share on the applicable date as quoted or reported on such national securities exchange or NASDAQ, or if there are no sales on such date, for the preceding date on which there were sales of stock, as determined by the Committee.
- “**Peer Group**” means the following [●] companies:
- “**Total Shareholder Return,**” or “**TSR,**” means the Average Price at the end of a Performance Period, minus the Average Price at the beginning of a Performance Period, plus any dividends paid during the Performance Period, all divided by the Average Price at the beginning of the Performance Period. If, during a Performance Period a Peer Group company (i) is acquired by or merged into another entity, and in either case is not the surviving entity following such merger or acquisition, or (ii) ceases to be a publicly-traded REIT as the result of a transaction to go private, the Peer Group company’s TSR shall be determined as of the date of such merger, acquisition, or privatization transaction. Appropriate adjustments shall be made for any stock splits, reverse stock splits, or similar events. If, during the Performance Period, a Peer Group company declares bankruptcy or is delisted from the securities exchange on which it is traded, such Peer Group company’s TSR shall be set at -100%.

**Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Leslie D. Hale, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RLJ Lodging Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**RLJ LODGING TRUST**

/s/ LESLIE D. HALE

**Leslie D. Hale**

President and Chief Executive Officer

Dated: August 6, 2021

**Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Sean M. Mahoney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of RLJ Lodging Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**RLJ LODGING TRUST**

Dated: August 6, 2021

/s/ SEAN M. MAHONEY

**Sean M. Mahoney**

Executive Vice President and Chief Financial Officer

**Certification Pursuant To  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of RLJ Lodging Trust (the "Company") on Form 10-Q for the quarter ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Leslie D. Hale, President and Chief Executive Officer of the Company, and I, Sean M. Mahoney, Executive Vice President and Chief Financial Officer of the Company, certify, to our knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

**RLJ LODGING TRUST**

Dated: August 6, 2021

/s/ LESLIE D. HALE

**Leslie D. Hale**

President and Chief Executive Officer

/s/ SEAN M. MAHONEY

**Sean M. Mahoney**

Executive Vice President and Chief Financial Officer