RLJ | Lodging Trust

ANNUAL REPORT

2017

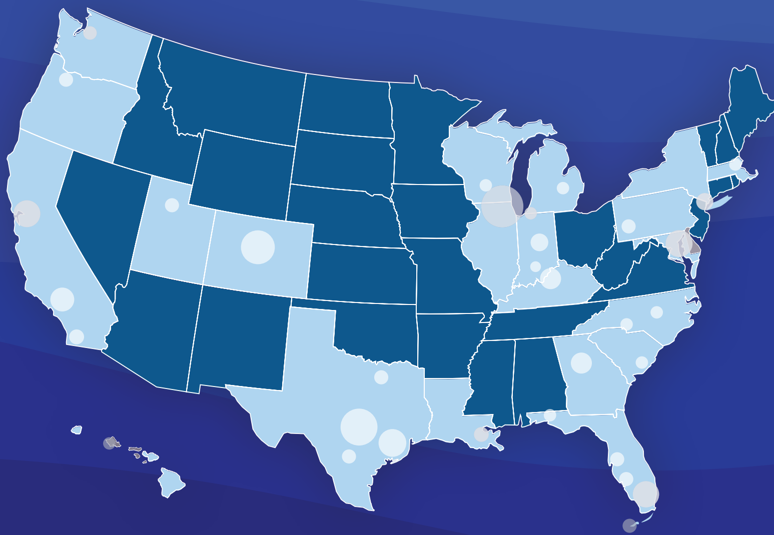
RLJ Lodging Trust ("RLJ") is a self-advised, publicly traded real estate investment trust focused on acquiring premium-branded, focused-service and compact full-service hotels. Our hotels are geographically diverse and primarily concentrated in major urban markets that provide multiple demand generators from business, leisure and other travelers.

26 STATES

157 PROPERTIES

30,800 ROOMS

URBAN MARKETS
(NUMBER OF HOTELS)



LODGING SEGMENTS
(PERCENT OF HOTEL ROOMS)

BRAND

8% HYATT

5% OTHER

42% MARRIOTT **37% HILTON** **8% WYNDHAM**

SERVICE LEVEL

7% FULL-SERVICE

48% FOCUSED-SERVICE **45% COMPACT FULL-SERVICE**

Note: Information displayed as of December 31, 2017.

Courtyard Chicago Downtown Magnificent Mile

SpringHill Suites Austin South

Hyatt House Emeryville San Francisco Bay Area

Hyatt Place Madison Downtown

TO OUR SHAREHOLDERS,

Since our formation, we have remained committed to our proven investment strategy of owning high-quality, premium-branded hotels that generate high margins and are located in attractive markets with multiple demand generators. Our investment thesis is focused on a highly efficient, room revenue oriented operating model which drives robust margins, delivers significant free cash flows throughout the cycle, and generates attractive returns on invested capital.

We have demonstrated our commitment to this proven investment strategy through our active portfolio management. In 2017, our transformative merger with FelCor Lodging Trust ("FelCor") was a continuation of our disciplined investment thesis. Through this merger, we solidified our position as one of the most prominent lodging REITs dedicated to owning hotels in what we view as the most attractive segment of the industry.

The addition of FelCor's high-quality hotels further strengthened our market, brand and business mix diversification. We extended our reach into five new states while increasing our exposure to key urban gateway markets such as San Francisco and Miami, two markets that are poised to outperform in 2019 and beyond. Through the FelCor merger, we also increased our exposure to the growing leisure traveler segment with the addition of several Embassy Suites.

Our merger with FelCor presents multiple opportunities for us to create meaningful value and positions RLJ for long-term outperformance. We expect our key strategic priorities, which are centered on achieving synergies, optimizing our portfolio, reducing leverage, and opportunistically reinvesting in our portfolio, to unlock that embedded value. In 2017, we made considerable progress on each of these key priorities and built strong momentum going into 2018.

At the same time, we remain laser focused on our core operations. Our financial performance in 2017, which exceeded our expectations, reflects the hard work of our asset management team and hotel operating partners in managing costs in a muted revenue growth environment. Our strong pro forma hotel EBITDA margin of 33.1% also validated our business strategy of investing in assets that are more resilient to top-line pressures.

As we look ahead, the lodging cycle is now entering its ninth year of growth and represents one of the longest cycles in history. We are optimistic that positive economic growth, high consumer and business confidence, as well as potential economic upside from tax reform and infrastructure spending will lead to another year of increased lodging demand and positive ADR growth for the industry. We expect supply growth to continue to constrain upside across the industry, despite the encouraging macroeconomic backdrop. As a result, we expect industry-wide growth in 2018 to remain moderate and therefore we are taking

the opportunity to position our portfolio for future growth. To that end, we will continue to prudently allocate capital and reinvest in our properties, repositioning and enhancing our portfolio for 2019 and beyond.

We are very pleased with the momentum that we are continuing to build with the opportunities we see to unlock embedded value not only from the FelCor merger but from our legacy portfolio as well. As we move forward, we will remain focused on our key priorities and we are confident in our ability to execute on the four stated objectives, which include:

1) Achieving $22 million in corporate G&A synergies;
2) Selling an additional $200–$400 million of non-core assets;
3) Paying down $500 million in debt; and
4) Strategically reinvesting in our portfolio.

While executing on these priorities, we will continue to adhere to our three guiding principles that have been instrumental in driving the company's success since our inception: operational excellence, prudent capital allocation, and proactive balance sheet management.

I am extremely proud of the accomplishments of the entire RLJ team and thank all of our employees for their hard work and dedication. On behalf of the Board of Directors and the senior leadership team, we also thank our legacy shareholders, as well as the new shareholders that have joined us through the merger, for their continued support.

After nearly a two decade career with RLJ, I will be retiring in August 2018. It has been a great honor and privilege to have had the opportunity to be part of an incredible and dynamic organization that has matured from a start up to a company with over $6 billion in enterprise value. I am extremely pleased that Leslie Hale, our Chief Operating Officer and Chief Financial Officer, will be taking the reins as CEO. Leslie knows the business and our strategy well and brings the experience and leadership skills to successfully guide RLJ into the future.

As we write the next chapter of RLJ's growth, our company is attractively positioned to unlock the compelling value of the merger while also executing on our strategic plan to drive long-term growth and attractive risk adjusted returns for shareholders going forward.

Sincerely,

Ross H. Bierkan
President, Chief Executive Officer
and Chief Investment Officer

Robert L. Johnson
Executive Chairman

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2017

OR

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

For the transition period from to

Commission File Number 001-35169

RLJ LODGING TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**27-4706509**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
3 Bethesda Metro Center, Suite 1000 **Bethesda, Maryland**	**20814**
(Address of Principal Executive Offices)	(Zip Code)

(301) 280-7777

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Shares, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (do not check if a smaller reporting company)	Smaller reporting company ☐ Emerging growth company ☐

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

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

The aggregate market value of the 121,893,075 common shares of beneficial interest held by non-affiliates of the Registrant was approximately $2,422,015,400 based on the closing price of $19.87 as reported on the New York Stock Exchange for such common shares of beneficial interest on June 30, 2017.

As of February 20, 2018, 174,847,263 common shares of beneficial interest of the Registrant, $0.01 par value per share, were outstanding.

Documents Incorporated by Reference

Portions of the Definitive Proxy Statement for our 2018 Annual Meeting of Shareholders are incorporated by reference into Part III of this report. We expect to file our proxy statement within 120 days after December 31, 2017.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K, 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, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, 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," "may" 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. Some factors that might cause such a difference include the following: the current global economic uncertainty, 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, our ability to obtain lines of credit or permanent financing on satisfactory terms, changes in interest rates, 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, including the business of FelCor Lodging Trust Incorporated ("FelCor"), and inaccuracies of our accounting estimates. A discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" within this Annual Report on Form 10-K. 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. Except where the context suggests otherwise, we define certain terms in this Annual Report on Form 10-K as follows:

- "our company," "we," "us" and "our" refer to RLJ Lodging Trust, a Maryland real estate investment trust, together with its consolidated subsidiaries, including RLJ Lodging Trust, L.P., a Delaware limited partnership, which we refer to as the "Operating Partnership";
- "our hotel properties" refers to the 158 hotels owned by us as of December 31, 2017;
- a "compact full-service hotel" typically refers to any hotel with (1) less than 300 guestrooms and less than 12,000 square feet of meeting space or (2) more than 300 guestrooms where, unlike traditional full-service hotels, the operations focus primarily on the rental of guestrooms such that a significant majority of its total revenue is generated from room rentals rather than other sources, such as food and beverage;
- a "focused-service hotel" typically refers to any hotel where the operations focus primarily on the rental of guestrooms and that offers services and amenities to a lesser extent than a traditional full-service or compact full-service hotel. For example, a focused-service hotel may have a restaurant, but, unlike a restaurant in a traditional full-service or compact full-service hotel, it may not offer three meals per day and may not offer room service. In addition, a focused-service hotel differs from a compact full-service hotel in that it typically has less than 2,000 square feet of meeting space, if any at all;
- "TRS" refers to each of our taxable REIT subsidiaries that are wholly-owned, directly or indirectly, by the Operating Partnership and any disregarded subsidiaries of our TRSs;

- "Average Daily Rate" ("ADR") represents the total hotel room revenues divided by the total number of rooms sold in a given period;
- "Occupancy" represents the total number of hotel rooms sold in a given period divided by the total number of rooms available;
- "Revenue Per Available Room" ("RevPAR") is the product of ADR and Occupancy; and
- "RevPAR penetration index" of our hotel properties is the measure of each hotel's RevPAR in relation to the average RevPAR of that hotel's competitive set. Each hotel's competitive set consists of a small group of hotels in the relevant market that we and the third-party hotel management company that manages the hotel believe are comparable for purposes of benchmarking the performance of such hotel.

For a more in depth discussion of ADR, Occupancy, RevPAR, and the RevPAR penetration index, please refer to the "Key Indicators of Operating Performance" section.

PART I

Item 1. Business

Our Company

We are a self-advised and self-administered Maryland real estate investment trust ("REIT") that acquires primarily premium-branded, focused-service and compact full-service hotels. We are one of the largest U.S. publicly-traded lodging REITs in terms of both number of hotels and number of rooms. Our hotel properties are concentrated in markets that we believe exhibit multiple demand generators with dense corporate and individual populations. We believe premium-branded, focused-service and compact full-service hotels with these characteristics generate high levels of RevPAR, strong operating margins and attractive returns.

As of December 31, 2017, we owned 158 hotel properties with approximately 31,000 rooms, located in 26 states and the District of Columbia. We owned, through wholly-owned subsidiaries, a 100% interest in 154 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 156 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 157 of the 158 hotel properties to our 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, the Operating Partnership. We are the sole general partner of the Operating Partnership. As of December 31, 2017, we owned, through a combination of direct and indirect interests, 99.6% of the units of limited partnership interest in the Operating Partnership ("OP units").

Merger with FelCor Lodging Trust Incorporated

On August 31, 2017, we completed our merger with FelCor Lodging Trust Incorporated ("FelCor"). Pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), dated April 23, 2017, by and among us, the Operating Partnership, Rangers Sub I, LLC, a wholly owned subsidiary of the Operating Partnership ("Rangers"), Rangers Sub II, LP, a wholly owned subsidiary of the Operating Partnership ("Partnership Merger Sub"), FelCor and FelCor Lodging Limited Partnership ("FelCor LP"), Partnership Merger Sub merged with and into FelCor LP, with FelCor LP surviving as a wholly owned subsidiary of the Operating Partnership (the "Partnership Merger"), and, immediately thereafter, FelCor merged with and into Rangers, with Rangers surviving as a wholly owned subsidiary of the Operating Partnership (the "REIT Merger" and, together with the Partnership Merger, the "Mergers").

Upon completion of the REIT Merger and under the terms of the Merger Agreement, each issued and outstanding share of FelCor common stock (other than shares held by any wholly owned subsidiary of FelCor or by us or any of our subsidiaries) was converted into the right to receive 0.362 (the "Common Exchange Ratio") of our common shares, and each issued and outstanding share of FelCor $1.95 Series A cumulative convertible preferred stock was converted into the right to receive one of our $1.95 Series A cumulative convertible preferred shares.

Upon completion of the Partnership Merger and under the terms of the Merger Agreement, each limited partner of FelCor LP was entitled to elect to exchange its outstanding common limited partnership units in FelCor LP (the "FelCor LP Common Units") for a number of our newly issued common shares based on the Common Exchange Ratio. Upon completion of the Partnership Merger,

each outstanding FelCor LP Common Unit of any holder who did not make the foregoing election was converted into the right to receive a number of OP units based on the Common Exchange Ratio. No fractional shares or units of our common shares or OP units were issued in the Mergers, and the value of any fractional interests was paid in cash.

The combined company, headquartered in Bethesda, Maryland, continues to be led by our existing senior management team. Additional information on the Mergers can be found in Note 3 to our accompanying consolidated financial statements.

The Lodging Industry

The lodging industry in the United States consists of public and private entities that operate in an extremely diversified market under a variety of brand names. The key participants in the lodging industry are as follows:

- *Owners*—own the hotel property and typically enter into a management agreement for an independent third party to manage the hotel property. The hotel properties may be branded and operated under the manager's brand or branded under a separate franchise agreement.
- *Franchisors*—own a brand or brands and provide the franchised hotels with brand recognition, marketing support and worldwide reservation systems.
- *Managers*—responsible for the day-to-day operation of the hotel property, including the employment of the hotel staff, the determination of room rates, the development of sales and marketing plans, the preparation of operating and capital expenditure budgets and the preparation of financial reports for the owner.

Our Investment and Growth Strategies

Our objective is to generate strong returns for our shareholders by acquiring primarily premium-branded, focused-service and compact full-service hotels at prices where we believe we can generate attractive returns on investment and long-term value appreciation through proactive asset management. We also intend to selectively dispose of hotel properties when we believe the returns have been maximized or the hotel properties no longer meet our strategy in order to redeploy capital into more accretive acquisitions and other opportunities. We intend to pursue this objective through the following investment and growth strategies:

Investment Strategies

- *Targeted ownership of premium-branded, focused-service and compact full-service hotels.* We believe that premium-branded, focused-service and compact full-service 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 generated by traditional full-service hotels, while achieving higher profit margins due to their more efficient operating model and less volatile cash flows.
- *Use of premium hotel brands.* We believe in affiliating our hotels with premium brands owned by leading international franchisors such as Marriott, Hilton, Hyatt and Wyndham. We believe that utilizing premium brands provides significant advantages because of their guest loyalty programs, worldwide reservation systems, effective product segmentation, global distribution and strong customer awareness.
- *Focus on high-growth markets.* We focus on owning and acquiring hotel properties in markets that we believe have multiple demand generators with dense corporate and individual populations. As a result, we believe that these hotel properties generate higher returns on investment.

Growth Strategies

- *Maximize returns from our hotel properties.* We believe that our hotel properties have the potential to generate improvements in RevPAR and earnings before interest, taxes, depreciation and amortization ("EBITDA") as a result of our proactive asset management and the anticipated economic growth in the United States. We actively monitor and advise our third-party hotel management companies on most aspects of our hotels' operations, including property positioning, physical design, capital planning and investment, guest experience and overall strategic direction. We regularly review opportunities to further invest in our hotel properties in an effort to enhance the quality and attractiveness of our hotel properties, increase their long-term value and generate attractive returns on investment.
- *Pursue a disciplined hotel acquisition strategy.* We seek to acquire additional hotel properties at prices below replacement cost where we believe we can generate attractive returns on investment. We intend to target acquisition opportunities where we can enhance value by pursuing proactive investment strategies such as renovation, repositioning or rebranding.
- *Pursue a disciplined capital recycling program.* We intend to continue to pursue a disciplined capital allocation strategy designed to maximize the return on our investments by selectively selling hotel properties that are no longer consistent with our investment strategy or whose returns appear to have been maximized. To the extent that we sell our hotel properties, we intend to redeploy the capital into investment opportunities that we believe will achieve higher returns.

Our Hotels

Overview

As of December 31, 2017, we owned a high-quality portfolio of 158 hotel properties with approximately 31,000 rooms, located in 26 states and the District of Columbia. No single hotel property accounted for more than 4.8% of our total revenue for the year ended December 31, 2017.

Brand Affiliations

Our hotel properties operate under strong, premium brands, with approximately 96% of our hotel properties operating under existing relationships with Marriott, Hilton, Hyatt or Wyndham. The following table sets forth the brand affiliations of our hotel properties as of December 31, 2017:

Brand Affiliations	Number of hotels	Percentage of total hotels	Number of rooms	Percentage of total rooms
Marriott				
Residence Inn	29	18.4%	3,376	10.9%
Courtyard	24	15.2%	4,038	13.0%
SpringHill Suites	8	5.0%	1,040	3.4%
Fairfield Inn & Suites	7	4.4%	819	2.6%
Marriott	6	3.8%	1,945	6.3%
Renaissance	4	2.5%	1,144	3.7%
Sheraton	1	0.7%	364	1.2%
Subtotal	79	50.0%	12,726	41.1%
Hilton				
Embassy Suites	24	15.2%	6,474	20.9%
Hilton Garden Inn	8	5.0%	1,545	5.0%
Hampton Inn/Hampton Inn & Suites	7	4.4%	945	3.0%
DoubleTree	6	3.8%	1,858	6.0%
Homewood Suites	2	1.3%	345	1.1%
Hilton	2	1.3%	616	2.0%
Subtotal	49	31.0%	11,783	38.0%
Hyatt				
Hyatt House	11	7.0%	1,762	5.7%
Hyatt Place	3	1.9%	466	1.5%
Hyatt/Hyatt Centric	2	1.3%	264	0.9%
Subtotal	16	10.2%	2,492	8.1%
Wyndham				
Wyndham	8	5.0%	2,528	8.2%
Subtotal	8	5.0%	2,528	8.2%
Other Brand Affiliation	6	3.8%	1,443	4.6%
Total	158	100.0%	30,972	100.0%

Asset Management

We have a dedicated team of asset management professionals that proactively work with our third-party hotel management companies to maximize profitability at each of our hotels. Our asset management team monitors the performance of our hotels on a daily basis and holds frequent ownership meetings with corporate operations executives and key personnel at the hotels. Our asset management team works closely with our third-party hotel management companies on key aspects of each hotel's operation, including, among others, revenue management, market positioning, cost structure, capital and operational budgeting, as well as the identification of return on investment initiatives and overall business strategy. In addition, we retain approval rights on key staffing positions at many of our hotels, such as the hotel's general manager and director of sales. We believe that our strong asset management process helps to ensure that each hotel is being operated to our and our franchisors' standards, that our hotel properties are being adequately maintained in order to preserve

the value of the asset and the safety of the hotel to customers, and that our management companies are maximizing revenue and enhancing operating margins.

Competition

The U.S. lodging industry is highly competitive. Our hotel properties compete with other participants in the lodging industry for guests in each of their markets on the basis of several factors, including, among others, location, quality of accommodations, convenience, brand affiliation, room rates, service levels and amenities and level of customer service. Competition is often specific to the individual markets in which our hotel properties are located and includes competition from existing and new hotels in the focused-service and compact full-service hotel segments and non-traditional accommodations for travelers, such as online room sharing services. We believe that hotels, such as our hotels, that are affiliated with leading national brands, such as the Marriott, Hilton, Hyatt and Wyndham brands, will enjoy competitive advantages associated with operating under such brands.

We face competition for the acquisition of hotel properties from institutional pension funds, private equity funds, REITs, hotel companies and other parties who are engaged in the acquisition of hotel properties. Some of these competitors may have substantially greater financial and operational resources and access to capital than we have and may have greater knowledge of the markets in which we seek to invest. This competition may reduce the number of suitable investment opportunities offered to us and decrease the attractiveness of the terms on which we may acquire our targeted hotel investments, including the cost thereof.

Seasonality

The lodging industry is seasonal in nature, which can be expected to cause quarterly fluctuations in our revenues. For example, our hotels in the Chicago, Illinois metropolitan area experience lower revenues and profits during the winter months of December through March, while our hotels in Florida generally have higher revenues in the months of January through April. This seasonality can be expected to cause periodic fluctuations in a hotel's room revenues, occupancy levels, room rates, operating expenses and cash flows.

Our Financing Strategy

We expect to continue to maintain a prudent capital structure by limiting our net debt-to-EBITDA ratio to 5.0x or below. We define net debt as total indebtedness minus cash and cash equivalents. Over time, we intend to finance our long-term growth with equity issuances and debt financing with staggered maturities. We will seek to primarily utilize unsecured debt (with the ultimate goal of achieving an investment grade rating) and a greater percentage of fixed rate and hedged floating rate debt relative to unhedged floating rate debt. Our debt is currently comprised of secured and unsecured senior notes, unsecured credit agreements, and mortgage loans that are secured by our hotel properties. We have a mix of fixed and floating rate debt; however, the majority of our debt either bears interest at fixed rates or effectively bears interest at fixed rates due to interest rate derivative hedges on the debt.

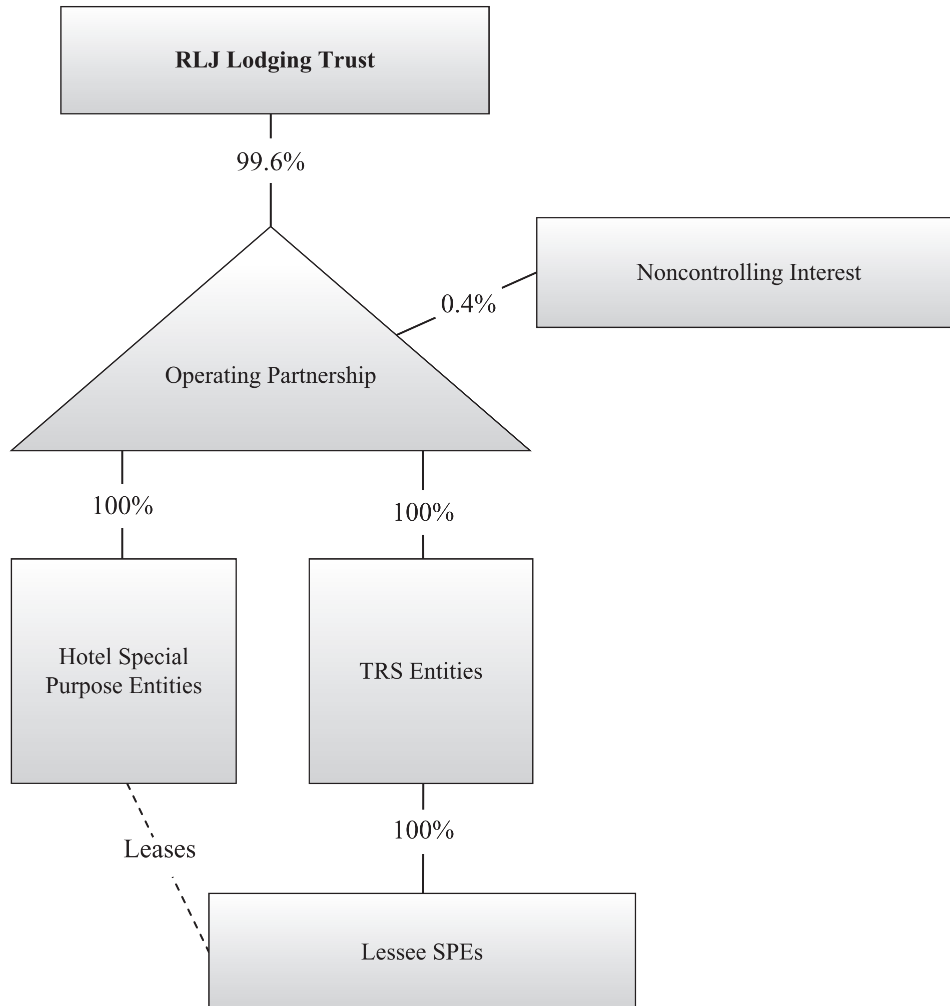
Organizational Structure

We were formed as a Maryland REIT in January 2011. We conduct our business through a traditional umbrella partnership real estate investment trust ("UPREIT") in which our hotel properties are indirectly owned by the Operating Partnership, through limited partnerships, limited liability companies or other subsidiaries. We are the sole general partner of the Operating Partnership and, as of December 31, 2017, we owned 99.6% of the OP units in the Operating Partnership. In the future,

we may issue OP units from time to time in connection with acquiring hotel properties, financing, compensation or other reasons.

In order for the income from our hotel operations to constitute "rents from real property" for purposes of the gross income tests required for REIT qualification, we cannot directly or indirectly operate any of our hotel properties. Accordingly, we lease each of our hotels, and we intend to lease any hotels we acquire in the future, to subsidiaries of our TRSs ("TRS lessees"), which are wholly-owned by us, and our TRS lessees have engaged, or will engage, third-party hotel management companies to manage our hotels, and any hotels we acquire in the future, on market terms. Our TRS lessees pay rent to us that we intend to treat as "rents from real property," provided that the third-party hotel management companies engaged by our TRS lessees to manage our hotels are deemed to be "eligible independent contractors" and certain other requirements are met. Our TRSs are subject to U.S. federal, state and local income taxes applicable to corporations.

The following chart generally depicts our corporate structure as of December 31, 2017:



Regulation

General

Our hotel properties are subject to various U.S. federal, state and local laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements. We believe that each of our hotel properties has the necessary permits and approvals to operate its business.

Americans with Disabilities Act

Our hotel properties must comply with the applicable provisions of the Americans with Disabilities Act of 1990 and the Accessibility Guidelines promulgated thereunder (the "ADA"), to the extent that such hotels are "public accommodations" as defined by the ADA. The ADA may require the removal of structural barriers to access by persons with disabilities in certain public areas of our hotels where such removal is readily achievable. We believe that our hotel properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, non-compliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our hotels and to make alterations as appropriate in this respect.

Environmental Matters

Under various laws relating to the protection of the environment, a current or previous owner or operator (including tenants) of real estate may be subject to liability related to contamination resulting from the presence or discharge of hazardous or toxic substances at that property and may be required to investigate and clean up such contamination at that property or emanating from that property. These costs could be substantial and liability under these laws may attach without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the liability may be joint and several. The presence of contamination or the failure to remediate contamination at our hotels may expose us to third-party liability for cleanup costs, property damage or bodily injury, natural resource damages and costs or expenses related to liens or property use restrictions and materially and adversely affect our ability to sell, lease or develop the real estate or to incur debt using the real estate as collateral. Furthermore, persons who sent waste to a waste disposal facility, such as a landfill or an incinerator, may be liable for costs associated with cleanup of that facility.

Our hotel properties are subject to various federal, state, and local environmental, health and safety laws and regulations that address a wide variety of issues, including, but not limited to, storage tanks, air emissions from emergency generators, storm water and wastewater discharges, lead-based paint, mold and mildew and waste management. Our hotel properties incur costs to comply with these laws and regulations and could be subject to fines and penalties for non-compliance. The costs of complying with environmental, health and safety laws could increase as new laws are enacted and existing laws are modified.

Some of our hotel properties contain asbestos-containing building materials. We believe that the asbestos is appropriately contained in accordance with current environmental regulations and that we have no need for any immediate remediation or current plans to remove the asbestos. Environmental laws require that owners or operators of buildings with asbestos-containing building materials properly manage and maintain these materials, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators for failure to comply with these requirements. In addition, third parties may seek recovery from owners or operators for personal injury associated with exposure to asbestos-containing building materials.

Some of our hotel properties may contain or develop harmful mold or suffer from other adverse conditions, which could lead to liability for adverse health effects and costs of remediation. The presence of significant mold or other airborne contaminants at any of our hotel properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected hotel or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from guests or employees at our hotel properties and others if property damage or health concerns arise.

Insurance

We carry comprehensive general liability, fire, extended coverage, business interruption, rental loss coverage and umbrella liability coverage on all of our hotels, and earthquake, wind, flood and hurricane coverage on hotels in areas where we believe such coverage is warranted, in each case with limits of liability that we deem adequate. Similarly, we are insured against the risk of direct physical damage in amounts we believe to be adequate to reimburse us, on a replacement cost basis, for the costs incurred to repair or rebuild each hotel, including loss of income during the reconstruction period. We have selected policy specifications and insured limits which we believe to be appropriate given the relative risk of loss, the cost of the coverage and industry practice. We do not carry insurance for generally uninsurable risks, including, but not limited to losses caused by riots, war or acts of God. In the opinion of our management, our hotels are adequately insured.

Employees

As of December 31, 2017, we had 99 employees.

Corporate Information

Our principal executive offices are located at 3 Bethesda Metro Center, Suite 1000, Bethesda, Maryland 20814. Our telephone number is (301) 280-7777. Our website is located at www.rljlodgingtrust.com. The information that is found on or accessible through our website is not incorporated into, and does not form a part of, this Annual Report on Form 10-K or any other report or document that we file with or furnish to the SEC. We have included our website address in this Annual Report on Form 10-K as an inactive textual reference and do not intend it to be an active link to our website.

We make available on our website, free of charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also make available on our website on the Corporate Governance page under the Investor Relations section various documents related to our corporate governance including our: Board Committee Charters; Corporate Governance Guidelines; Code of Business Conduct and Ethics; Complaint Procedures for Financial and Auditing Matters; Declaration of Trust; and Bylaws.

This Annual Report on Form 10-K and other reports filed with the SEC can be read or copied at the SEC's Public Reference Room at 100 F Street NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC; the website address is www.sec.gov.

Item 1A. Risk Factors

Set forth below are the risks that we believe are material to our shareholders. You should carefully consider the following risks in evaluating our Company and our business. The occurrence of any of the following risks could materially and adversely impact our financial condition, results of operations, cash flows, the market price of our common shares, and our ability to, among other things, satisfy our debt service obligations and to make distributions to our shareholders, which in turn could cause our shareholders to lose all or a part of their investment. Some statements in this report including statements in the following risk factors constitute forward-looking statements. Please refer to the section entitled "Special Note About Forward-Looking Statements" at the beginning of our Annual Report on Form 10-K.

Risks Related to Our Business and Hotel Properties

We will continue to be significantly influenced by the economies and other conditions in the specific markets in which we operate, particularly in the metropolitan areas where we have high concentrations of hotels.

Our hotels located in the Northern California, South Florida, New York, New York, Austin, Texas, Southern California, and Denver-Boulder, Colorado metropolitan areas accounted for approximately 11.9%, 8.8%, 8.5%, 7.0%, 6.8%, and 6.6%, respectively, of our total revenue for the fiscal year ended December 31, 2017. As a result, we are particularly susceptible to adverse market conditions in these areas, including industry downturns, relocation of businesses, any oversupply of hotel rooms, political unrest or a reduction in lodging demand. Adverse economic developments in the markets in which we have a concentration of hotels, or in any of the other markets in which we operate, or any increase in hotel supply or decrease in lodging demand resulting from the local, regional or national business or political climate, could materially and adversely affect us.

We are dependent on the performance of the third-party management companies that manage the operations of each of our hotels and we could be materially and adversely affected if such third-party managers do not manage our hotels in our best interests.

Because federal income tax laws restrict REITs and their subsidiaries from operating or managing hotel properties, we do not operate or manage our hotel properties. Instead, we retain third-party hotel managers to operate our hotel properties pursuant to management agreements. As of December 31, 2017, all of our hotel properties had individual management agreements, 71 of which were with White Lodging Services ("WLS"). On January 24, 2018, Interstate Hotels & Resorts ("Interstate") acquired 62 of our management agreements with WLS. Pursuant to this transaction, we now have 73 management agreements with Interstate and nine management agreements with WLS.

Under the terms of the management agreements, the hotel managers are responsible for all aspects of the operations of our hotels, including ensuring those operations are conducted in accordance with applicable laws and regulations and in our best interests, and our ability to participate in operating decisions regarding our hotels is limited to certain matters, including approval of the annual operating budget. While we closely monitor the performance and operations of our third-party hotel managers, we cannot assure you that the hotel managers will manage our hotels in a manner that is consistent with their respective obligations under the applicable management agreement or our obligations under our hotel franchise agreements. We also cannot assure you that our hotel managers will not be negligent in their performance, will not engage in criminal or fraudulent activity, or will not otherwise default on their respective management obligations to us. We do not have the authority to require any hotel to be operated in a particular manner (for instance, with respect to setting room rates), even if we believe that our hotels are not being operated efficiently or in our best interests, and our general recourse under the management agreements is limited to termination upon sixty days' notice if we believe our third-party managers are not performing adequately or if we believe our third-party managers are not operating our hotels in our best interests. From time to time, disputes may

arise between us and our third-party managers regarding their performance or compliance with the terms of the management agreements, which in turn could adversely affect our results of operations. We generally will attempt to resolve any such disputes through discussions and negotiations; however, if we are unable to reach satisfactory results through discussions and negotiations, we may choose to terminate our management agreement, litigate the dispute or submit the matter to third-party dispute resolution, the outcome of which may be unfavorable to us.

In the event that any of our management agreements are terminated, we can provide no assurances that we could find a replacement manager or that our franchisors will consent to a replacement manager in a timely manner, or at all, or that any replacement manager will be successful in operating our hotels. Furthermore, if Interstate, as our largest provider of management services, is financially unable or unwilling to perform its obligations pursuant to our management agreements, our ability to find a replacement manager or managers for our Interstate-managed hotels could be challenging and time consuming, depending on the number of Interstate-managed hotels affected, and could cause us to incur significant costs to obtain new management agreements for the affected hotels, which in turn could materially and adversely affect us.

We are subject to the risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor.

Our third-party hotel management companies are responsible for hiring and maintaining the labor force at each of our hotels. Although we do not directly employ or manage the employees at our hotels, we still are subject to many of the costs and risks generally associated with the hotel labor force, particularly those hotels with unionized labor. From time to time, the hotel operations may be disrupted as a result of strikes, lockouts, public demonstrations or other negative actions and publicity. We also may incur increased legal costs and indirect labor costs as a result of contract disputes or other events. The resolution of labor disputes or re-negotiated labor contracts could lead to higher labor costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. We do not have the ability to affect the outcome of these negotiations.

Restrictive covenants in certain of our hotel management and franchise agreements contain provisions limiting or restricting the sale or financing of our hotels, which could have a material and adverse effect on us.

Hotel management and franchise agreements typically contain restrictive covenants that limit or restrict our ability to sell or refinance a hotel without the consent of the hotel management company or franchisor. Many of our franchise agreements provide the franchisor with a right of first offer in the event of certain sales or transfers of a hotel and provide that the franchisor has the right to approve any change in the hotel management company engaged to manage the hotel. Generally, we may not agree to sell, lease or otherwise transfer particular hotels unless the transferee is not a competitor of the hotel management company or franchisor and the transferee assumes the related hotel management and franchise agreements. If the hotel management company or franchisor does not consent to the sale or financing of our hotels, we may be prohibited from taking actions that would otherwise be in our and our shareholders' best interests.

Substantially all of our hotel properties operate under either Marriott, Hilton, Hyatt or Wyndham brands; therefore, we are subject to the risks associated with concentrating our portfolio in just four brand families.

152 of the 158 hotel properties that we owned as of December 31, 2017 utilize brands owned by Marriott, Hilton, Hyatt or Wyndham. As a result, our success is dependent in part on the continued success of Marriott, Hilton, Hyatt or Wyndham and their respective brands. We believe that building brand value is critical to increasing demand and building customer loyalty. Consequently, if market recognition or the positive perception of Marriott and/or Hilton and/or Hyatt and/or Wyndham is reduced or compromised, the goodwill associated with the Marriott-, Hilton-, Hyatt- or Wyndham-

branded hotels in our portfolio may be adversely affected. Furthermore, if our relationship with Marriott, Hilton, Hyatt or Wyndham were to deteriorate or terminate as a result of disputes regarding the management of our hotels or for other reasons, Marriott and/or Hilton and/or Hyatt and/or Wyndham could, under certain circumstances, terminate our current franchise licenses with them or decline to provide franchise licenses for hotels that we may acquire in the future. If any of the foregoing were to occur, it could have a material adverse effect on us.

Our long-term growth depends in part on successfully identifying and consummating acquisitions of additional hotels and the failure to make such acquisitions could materially and adversely impede our growth.

We can provide no assurances that we will be successful in identifying attractive hotel properties or that, once identified, we will be successful in consummating an acquisition. We face significant competition for attractive investment opportunities from other well-capitalized investors, some of which have greater financial resources and a greater access to debt and equity capital to acquire hotel properties than we do. This competition increases as investments in real estate become increasingly attractive relative to other forms of investment. As a result of such competition, we may be unable to acquire certain hotel properties that we deem attractive or the purchase price may be significantly elevated or other terms may be substantially more onerous. In addition, we expect to finance future acquisitions through a combination of borrowings under our unsecured revolving credit facility, the use of retained cash flows, and offerings of equity and debt securities, which may not be available on advantageous terms, or at all. Any delay or failure on our part to identify, negotiate, finance on favorable terms, consummate and integrate such acquisitions could materially and adversely impede our growth.

We are dependent upon our ability to attract and retain key personnel.

We depend on the experience and relationships of our senior management team and other highly qualified personnel to manage our day-to-day operations and execute our business strategy and growth. These individuals are important to our business and to the extent that any of them departs and is not replaced with a qualified substitute, such person's departure could harm our business operations. We can provide no assurances that any of our senior management team members and other personnel will continue their employment with us, or that we will continue to be successful in attracting and retaining qualified personnel. The loss of key personnel could materially and adversely affect our ability to source potential investment opportunities, our relationships with global and national hotel brands and other industry participants, the execution of our business strategy, and it could reduce the market value of our common shares.

Our business strategy depends on achieving revenue and net income growth from anticipated increases in demand for hotel rooms. Accordingly, any delay in demand growth due to weaker than anticipated economic growth could materially and adversely affect us and our growth prospects.

The operating performance of our hotel properties in various U.S. markets declined during the most recent economic recession. Our business strategy depends on achieving revenue and net income growth from anticipated improvement in demand for hotel rooms as part of the growth of the U.S. economy as well as the global economy. Accordingly, any delay or weaker than anticipated economic growth could materially and adversely affect us and our growth prospects. Furthermore, even if the U.S. economy, and the global economy, continues to grow, we cannot provide any assurances that demand for hotel rooms will increase from current levels. If demand does not increase in the near future, or if demand weakens, our future results of operations and our growth prospects could be materially and adversely affected.

Any difficulties in obtaining the capital necessary to make required periodic capital expenditures and to renovate our hotel properties could materially and adversely affect our financial condition and results of operations.

Our hotel properties have an ongoing need for renovations and other capital improvements, including replacements of furniture, fixtures and equipment ("FF&E"). The franchisors of our hotel properties also require periodic capital improvements as a condition of maintaining the franchise licenses. Our lenders will also likely require that we set aside annual amounts for capital improvements to our hotel properties. The costs of these capital improvements could materially and adversely affect us. In addition, acquisitions or redevelopment of additional hotel properties will require significant capital expenditures.

We may not be able to fund the capital improvements to our hotel properties or acquisitions solely from the cash provided from our operating activities because we must distribute annually at least 90% of our REIT taxable income to shareholders in order to maintain our qualification as a REIT. As a result, our ability to fund capital expenditures, acquisitions or hotel redevelopment through retained earnings is very limited. Consequently, we expect to rely upon the availability of debt or equity capital to fund capital improvements and acquisitions. If we are unable to obtain the capital necessary to make required periodic capital expenditures and renovate our hotel properties on favorable terms, or at all, our financial condition, liquidity and results of operations could be materially and adversely affected.

Adverse global market and economic conditions and dislocations in the markets could cause us to recognize impairment charges, which could materially and adversely affect our business, financial condition and results of operations.

We continually monitor events and changes in circumstances that could indicate that the carrying value of the real estate and related intangible assets in which we have an ownership interest may not be recoverable. When circumstances indicate that the carrying value of the real estate and related intangible assets may not be recoverable, we assess the recoverability of these assets by determining whether the carrying value will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. If the expected undiscounted future cash flows do not exceed the carrying value, we adjust the real estate and related intangible assets to fair value and we recognize an impairment loss, which could materially and adversely affect our business, financial condition and results of operations.

Competition from other lodging industry participants in the markets in which we operate could adversely affect occupancy levels and/or ADRs, which could have a material and adverse effect on us.

We face significant competition from owners and operators of other hotels and other lodging industry participants. In addition, we face competition from non-traditional accommodations for travelers, such as online room sharing services. These competitors may have an operating model that enables them to offer accommodations at lower rates than we can, which could result in those competitors increasing their occupancy at our expense and adversely affecting our ADRs. Given the importance of occupancy and ADR at focused-service and compact full-service hotels, this competition could adversely affect our ability to attract prospective guests, which could materially and adversely affect our business, financial condition and results of operations.

At December 31, 2017, we had approximately $2.9 billion of debt outstanding, which may materially and adversely affect our operating performance and put us at a competitive disadvantage.

Required repayments of debt and related interest may materially and adversely affect our operating performance. At December 31, 2017, we had approximately $2.9 billion of outstanding debt. After taking into consideration the effect of interest rate swaps, $277.0 million of our borrowings are

subject to variable rates. Increases in interest rates on our existing or future variable rate debt would increase our interest expense, which could adversely affect our cash flows and our ability to pay distributions to shareholders.

Our organizational documents contain no limitations on the amount of debt that we may incur, and our board of trustees may change our financing policy at any time without shareholder notice or approval. As a result, we may be able to incur substantial additional debt, including secured debt, in the future.

Because we anticipate that our operating cash will be adequate to repay only a portion of our debt at maturity, we expect that we will be required to repay debt through debt refinancings and/or offerings of our securities. The amount of our outstanding debt may adversely affect our ability to refinance our debt.

If we are unable to refinance our debt on acceptable terms, or at all, we may be forced to dispose of one or more of our hotels on disadvantageous terms, which may result in losses to us and may adversely affect the cash available for distributions to our shareholders. In addition, if then-prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, our interest expense would increase, which would adversely affect our future operating results and liquidity.

Our outstanding debt, and any additional debt borrowed in the future, may subject us to many risks, including the risks that:

- our cash flows from operations may be insufficient to make required payments of principal and interest;
- we may be required to use a substantial portion of our cash flows to pay principal and interest, which would reduce the cash available for distributions to our shareholders;
- we may be at a competitive disadvantage compared to our competitors that have less debt;
- we may be vulnerable to economic volatility, particularly if growth were to slow or stall and reduce our flexibility to respond to difficult economic conditions;
- the terms of any refinancing may not be in the same amount or on terms as favorable as the terms of the debt being refinanced; and
- the use of leverage could adversely affect our ability to borrow more money for operations, capital improvements, to finance future acquisitions, to make distributions to our shareholders and it could adversely affect the market price of our common shares.

Disruptions in the financial markets could adversely affect our ability to obtain sufficient third-party financing for our capital needs on favorable terms or at all, which could materially and adversely affect us.

In recent years, the U.S. financial markets experienced significant price volatility, dislocations and liquidity disruptions, which caused stock market prices to fluctuate substantially and the spreads on prospective debt financings to widen considerably. Renewed volatility and uncertainty in the financial markets may negatively impact our ability to access additional financing for our capital needs, including growth, acquisition activities and other business initiatives, on favorable terms or at all, which may negatively affect our business. Additionally, due to this potential uncertainty, in the future we may be unable to refinance or extend our debt, or the terms of any refinancing may not be as favorable as the terms of our existing debt. If we are not successful in refinancing our debt when it becomes due, we may be forced to dispose of hotels on disadvantageous terms, which may adversely affect our ability to service other debt and to meet our other liquidity and business obligations. A prolonged downturn in the financial markets may cause us to seek alternative capital sources of potentially less attractive

financing and may require us to further adjust our business plan accordingly. These events also may make it more difficult or costly for us to raise capital through the issuance of new equity or the incurrence of additional secured or unsecured debt, which could materially and adversely affect us.

Hedging against interest rate exposure may adversely affect us.

We may manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as cap agreements and swap agreements. These agreements involve the risks that these arrangements may fail to protect or adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the interest rate hedge may not match the duration of the related liability;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

As a result of any of the foregoing, our hedging transactions could have a material and adverse effect on us.

Our failure to comply with all covenants in our existing or future debt agreements could materially and adversely affect us.

Our existing indebtedness, whether secured by our hotels or unsecured, contains, and indebtedness that we may enter into in the future likely will contain, customary covenants such as those that limit our ability to enter into future indebtedness, whether secured by our hotels or unsecured, or to discontinue insurance coverage, as well as financial covenants. In addition, our continued ability to borrow under our unsecured revolving credit facility is subject to compliance with our financial and other covenants, including covenants relating to debt service coverage ratios and leverage ratios, and our ability to meet these covenants may be adversely affected if U.S. lodging fundamentals deteriorate dramatically. Our failure to comply with covenants in our existing or future indebtedness, as well as our inability to make required principal and interest payments, could cause a default under the applicable debt agreement, which could result in the acceleration of the debt and require us to repay such debt with capital obtained from other sources, which may not be available to us or may be available only on unattractive terms. Furthermore, if we default on secured debt, lenders can take possession of the hotel(s) securing such debt. In addition, debt agreements may contain specific cross-default provisions with respect to specified other indebtedness, giving the lenders the right to declare a default on its debt and to enforce remedies, including accelerating the maturity of such debt upon the occurrence of a default under such other indebtedness. If we default on several of our debt agreements or any significant debt agreement, we could be materially and adversely affected.

Costs associated with, or failure to maintain, franchisor operating standards may materially and adversely affect us.

Under the terms of our franchise license agreements, we are required to meet specified operating standards and other terms and conditions. We expect that our franchisors will periodically inspect our hotel properties to ensure that we and the hotel management companies follow brand standards.

Failure by us, or any hotel management company that we engage, to maintain these standards or other terms and conditions could result in a franchise license being canceled or the franchisor requiring us to undertake a costly property improvement program. If a franchise license is terminated due to our failure to make required improvements or to otherwise comply with its terms, we also may be liable to the franchisor for a termination payment, which will vary by franchisor and by hotel. If the funds required to maintain franchisor operating standards are significant, we could be materially and adversely affected.

In addition, if we were to lose a franchise license, we would be required to re-brand the affected hotel(s). As a result, the underlying value of a particular hotel property could decline significantly from the loss of the associated name recognition, marketing support, participation in guest loyalty programs and the centralized reservation system provided by the franchisor, which could require us to recognize an impairment charge on the hotel property. Furthermore, the loss of a franchise license at a particular hotel property could harm our relationship with the franchisor, which could impede our ability to operate other hotels under the same brand, limit our ability to obtain new franchise licenses from the franchisor in the future on favorable terms, or at all, and cause us to incur significant costs to obtain a new franchise license for the particular hotel.

Applicable REIT laws may restrict certain business activities.

As a REIT, we are subject to various restrictions on our income, assets and business activities. Due to these restrictions, we anticipate that we will continue to conduct certain business activities in one or more of our TRSs. Our TRSs are taxable as regular C corporations and are subject to federal, state, local and, if applicable, foreign taxation on their taxable income. In addition, neither we, nor our TRSs can directly manage or operate hotels, making us dependent on third-party operators/managers.

Federal income tax provisions applicable to REITs may restrict our business decisions regarding the potential sale of a hotel property.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes restrictions on a REIT's ability to dispose of properties. In particular, the tax laws applicable to REITs require that we hold our hotel properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of hotel properties that otherwise would be in our best interests. Therefore, we may not be able to vary our portfolio promptly in response to economic or other conditions or on favorable terms, which may materially and adversely affect our cash flows, our ability to make distributions to shareholders and the market price of our common shares.

The federal income tax provisions applicable to REITs provide that any gain realized by a REIT on the sale of property held as inventory or other property held primarily for sale to customers in the ordinary course of business is treated as income from a "prohibited transaction" that is subject to a 100% excise tax. Under existing law, whether property, including hotel properties, is held as inventory or primarily for sale to customers in the ordinary course of business is a question of fact that depends upon all of the facts and circumstances with respect to the particular transaction. We intend to hold our hotel properties for investment with a view of long-term appreciation, to engage in the business of acquiring and owning hotel properties, and to make occasional sales of hotel properties consistent with our investment objectives. There can be no assurance, however, that the Internal Revenue Service (the "IRS") might not contend that one or more of these sales are subject to the 100% excise tax. Moreover, the potential to incur this penalty tax could deter us from selling one or more hotel properties even though it would be in the best interests of us and our shareholders for us to do so. There is a statutory safe harbor available for a limited number of sales in a single taxable year of properties that have been owned by a REIT for at least two years, but that safe harbor likely would not apply to all sale transactions that we might otherwise consider.

For tax purposes, a foreclosure of any of our hotel properties would be treated as a sale of the hotel property. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the hotel property, we would recognize taxable income on the foreclosure, but we would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. If any of our hotel properties are foreclosed on due to a default, our ability to pay cash distributions to our shareholders will be limited.

Joint venture investments that we make could be adversely affected by our lack of sole decision-making authority, our reliance on joint venture partners' financial condition and liquidity and disputes between us and our joint venture partners.

We own certain hotel properties and other real estate investments through joint ventures. In the future, we may enter into joint ventures to acquire, develop, improve or partially dispose of hotel properties, thereby reducing the amount of capital required by us to make investments and diversifying our capital sources for growth. Such joint venture investments involve risks not otherwise present in a wholly-owned hotel property or a redevelopment project, including the following:

- we may not have exclusive control over the development, financing, leasing, management and other aspects of the hotel property or the joint venture, which may prevent us from taking actions that are in our best interest but opposed by our partners;
- joint venture agreements often restrict the transfer of a partner's interest or may otherwise restrict our ability to sell the interest when we desire, or on advantageous terms;
- joint venture agreements may contain buy-sell provisions pursuant to which one partner may initiate procedures requiring the other partner to choose between buying the other partner's interest or selling its interest to that partner;
- a partner may, at any time, have economic or business interests or goals that are, or that may become, inconsistent with our business interests or goals;
- a partner may fail to fund its share of required capital contributions or may become bankrupt, which would mean that we and any other remaining partners generally would remain liable for the joint venture's liabilities; or
- we may, in certain circumstances, be liable for the actions of a partner, and the activities of a partner could adversely affect our ability to qualify as a REIT, even though we do not control the joint venture.

Any of the above might subject a hotel property to liabilities in excess of those contemplated and adversely affect the value of our current and future joint venture investments.

Risks Related to the Lodging Industry

Our ability to make distributions to our shareholders may be adversely affected by various operating risks common to the lodging industry, including competition, over-building and dependence on business travel and tourism.

Our hotel properties have different economic characteristics than many other real estate assets. Unlike other real estate assets, hotels generate revenue from guests that typically stay at the hotel property for only a few nights, which causes the room rate and occupancy levels at each of our hotels to change every day, and results in earnings that can be highly volatile.

In addition, our hotel properties are subject to various operating risks common to the lodging industry, many of which are beyond our control, including, among others, the following:

- competition from other lodging industry participants in the markets in which we operate;
- over-building of hotels in the markets in which we operate, which results in an increased supply of hotels that will adversely affect occupancy and revenues at our hotel properties;

- consolidation among companies in the lodging industry may increase the resulting companies' negotiating power relative to ours, and decrease competition among those companies for management and franchise agreements, which could result in higher management or franchise fees;
- dependence on business and leisure travelers;
- labor strikes, disruptions or lockouts that may impact operating and financial performance;
- increases in energy costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and leisure travelers;
- requirements for periodic capital reinvestment to repair and upgrade hotels;
- increases in operating costs due to inflation and other factors that may not be offset by increased room rates;
- changes in interest rates;
- changes in the availability, cost and terms of financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- adverse effects of international, national, regional and local economic and market conditions;
- unforeseen events beyond our control, such as terrorist attacks, travel-related health concerns, such as pandemics and epidemics, imposition of taxes or surcharges by regulatory authorities, travel-related accidents and unusual weather conditions, including natural disasters such as hurricanes, tsunamis or earthquakes;
- adverse effects of worsening conditions in the lodging industry; and
- risks generally associated with the ownership of hotels and real estate, as we discuss in detail below.

The occurrence of any of the foregoing could materially and adversely affect us.

The seasonality of the lodging industry could have a material and adverse effect on us.

The lodging industry is seasonal in nature, which causes quarterly fluctuations in our revenues. Our quarterly earnings may be adversely affected by factors outside our control, including weather conditions and poor economic factors in certain markets in which we operate. The seasonality causes periodic fluctuations in room revenues, occupancy levels, room rates and operating expenses in particular hotels. We can provide no assurances that our cash flows will be sufficient to offset any shortfalls that occur as a result of these fluctuations. As a result, we may have to enter into short-term borrowings in certain quarters in order to make distributions to our shareholders, and we can provide no assurances that such borrowings will be available on favorable terms, if at all. Consequently, volatility in our financial performance resulting from the seasonality of the lodging industry could have a material and adverse effect on us.

The cyclical nature of the lodging industry may cause fluctuations in our operating performance, which could have a material and adverse effect on us.

The lodging industry historically has been highly cyclical in nature. Fluctuations in lodging demand and, therefore, operating performance, are caused largely by general economic and local market conditions, which subsequently affect levels of business and leisure travel. In addition to general economic conditions, new hotel room supply is an important factor that can affect the lodging

industry's performance, and overbuilding has the potential to further exacerbate the negative impact of an economic recession. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. We can provide no assurances regarding whether, or the extent to which, lodging demand will rebound or whether any such rebound will be sustained. An adverse change in lodging fundamentals could result in returns that are substantially below our expectations or result in losses, which could have a material and adverse effect on us.

We operate in a highly competitive industry.

The U.S. lodging industry is highly competitive. Our hotel properties compete with other participants in the lodging industry for guests in each of their markets on the basis of several factors, including, among others, location, quality of accommodations, convenience, brand affiliation, room rates, service levels and amenities and level of customer service. Competition is often specific to the individual markets in which our hotel properties are located and includes competition from existing and new hotels in the focused-service and compact full-service hotel segments and non-traditional accommodations for travelers, such as online room sharing services. We believe that hotels, such as our hotels, that are affiliated with leading national brands, such as the Marriott, Hilton, Hyatt and Wyndham brands, will enjoy competitive advantages associated with operating under such brands. Our competitors may have similar or greater commercial and financial resources which allow them to improve their properties in ways that affect our ability to compete for guests effectively and adversely affect our revenues and profitability as well as limit or slow our future growth.

We face competition for the acquisition of hotel properties from institutional pension funds, private equity funds, REITs, hotel companies and other parties who are engaged in the acquisition of hotel properties. Some of these competitors may have substantially greater financial and operational resources and access to capital than we have and may have greater knowledge of the markets in which we seek to invest. This competition may reduce the number of suitable investment opportunities offered to us and decrease the attractiveness of the terms on which we may acquire our targeted hotel investments, including the cost thereof.

Our acquisition, redevelopment, repositioning, renovation and re-branding activities are subject to various risks, any of which could, among other things, result in disruptions to our hotel operations, strain management resources and materially and adversely affect our business.

We intend to continue to acquire, redevelop, reposition, renovate and re-brand hotels, subject to the availability of attractive hotels or projects and our ability to undertake such activities on satisfactory terms. In deciding whether to undertake such activities, we will make certain assumptions regarding the expected future performance of the hotel or project. However, newly acquired, redeveloped, repositioned, renovated or re-branded hotels may fail to perform as expected and the costs necessary to bring such hotels up to franchise standards may exceed our expectations, which may result in the hotels' failure to achieve the projected returns.

In particular, to the extent that we engage in the activities described above, they could pose the following risks to our ongoing operations:

- we may abandon such activities and we may be unable to recover the expenses already incurred in connection with exploring such opportunities;
- acquired, redeveloped, repositioned, renovated or re-branded hotels may not initially be accretive to our results of operations, and we and the hotel management companies may not successfully manage newly acquired, redeveloped, repositioned, renovated, or re-branded hotels to meet our expectations;

- we may be unable to quickly, effectively and efficiently integrate new acquisitions, particularly an acquisition of a portfolio of hotels, into our existing operations;
- our redevelopment, repositioning, renovation or re-branding activities may not be completed on schedule, which could result in increased debt service and other costs and lower revenues; and
- management attention may be diverted by our acquisition, redevelopment, repositioning, renovation or rebranding activities, which in some cases may turn out to be less compatible with our growth strategy than originally anticipated.

The occurrence of any of the foregoing events, among others, could materially and adversely affect our business.

Our ownership of hotel properties with ground leases exposes us to the risks that we may be forced to sell such hotel properties for a lower price, we may be unable to renew a ground lease or we may lose such hotel properties upon breach of a ground lease.

As of December 31, 2017, 17 of our consolidated hotel properties and two of our unconsolidated hotel properties were on land subject to ground leases. Accordingly, we only own a long-term leasehold or similar interest in those 19 hotel properties. Our ground lease agreements require the consent of the lessor or sub-lessor prior to transferring our interest in the ground lease. These provisions may impact our ability to sell our hotel properties which, in turn, could adversely impact the price realized from any such sale. In addition, at any given time, investors may be disinterested in buying hotel properties subject to a ground lease and may pay a lower price for such hotel properties than for a comparable hotel property with a fee simple interest or they may not purchase such hotel properties at any price. If we are found to be in breach of a ground lease, we could lose the right to use the hotel property. In addition, unless we can purchase a fee simple interest in the underlying land and improvements or extend the terms of these leases before their expiration, as to which no assurance can be given, we will lose our right to operate these hotel properties and our interest in the improvements upon expiration of the leases. If we were to lose the right to use a hotel property due to a breach or non-renewal of the ground lease, we would be unable to derive income from such hotel property and we would be required to purchase an interest in another hotel property in an attempt to replace that income, which could materially and adversely affect us.

The increasing use of Internet travel intermediaries by consumers may materially and adversely affect our profitability.

Although a majority of rooms sold on the Internet are sold through websites maintained by the hotel franchisors and managers, including Marriott, Hilton, Hyatt and Wyndham, some of our hotel rooms are booked through Internet travel intermediaries. Typically, these Internet travel intermediaries have access to the room inventory from participating hotels. These intermediaries charge higher commissions, which reduces the hotel property's profitability. Moreover, some of these Internet travel intermediaries are attempting to offer hotel rooms as a commodity, by increasing the importance of price and general indicators of quality, such as a "three-star downtown hotel," at the expense of brand identification or quality of product or service normally associated with these brands. If consumers develop brand loyalties to Internet reservation systems rather than to the brands pursuant to which our hotels are franchised, the value of our hotel properties could deteriorate and our business could be materially and adversely affected. Although most of the business for our hotel properties is expected to be derived from traditional channels, if the amount of sales made through Internet travel intermediaries increases significantly, commissions paid to these intermediaries may increase and our profitability may be materially and adversely affected.

Technology is used in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm the business.

We, and our hotel managers and franchisors, rely on information technology networks and systems to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifiable information, reservations, billing and operating data. These information technology networks and systems can be vulnerable to threats such as system, network or internet failures; computer hacking or business disruption; cyber-terrorism; viruses, worms or other malicious software programs; and employee error, negligence or fraud. These threats can be introduced in any number of ways, including through third parties accessing our hotel managers' information technology networks and systems. Although we believe we and our hotel managers and franchisors have taken commercially reasonable steps to protect the security of our systems, there can be no assurance that such security measures will prevent failures, inadequacies or interruptions in system services, or that system security will not be breached.

In addition to the information technology networks and systems of our hotel managers that are used to operate our hotel properties, we have our own corporate information technology networks and systems that are used to access, store, transmit, and manage or support a variety of business processes. There can be no assurance that the security measures we have taken to protect the contents of these information technology networks and systems will prevent failures, inadequacies or interruptions in system services or that system security will not be breached through physical or electronic break-ins, computer viruses, and attacks by hackers. Disruptions in service, system shutdowns and security breaches in the information technology networks and systems we use, including unauthorized disclosure of confidential information, could have a material adverse effect on our business.

Any failure to maintain proper function, security and availability of information technology networks and systems could interrupt our operations, our financial reporting and compliance, damage our reputation, and subject us to liability claims or regulatory penalties, which could have a material and adverse effect on our business, financial condition and results of operations.

Future terrorist attacks or changes in terror alert levels could materially and adversely affect us.

Historically, terrorist attacks and subsequent terrorist alerts have adversely affected the U.S. travel and hospitality industries, often disproportionately to the effect on the overall economy. The extent of the impact that actual or threatened terrorist attacks in the U.S. or elsewhere could have on domestic and international travel and our business in particular cannot be determined, but any such attacks or the threat of such attacks could have a material and adverse effect on travel and hotel demand and our ability to insure our hotel properties, which could materially and adversely affect us.

The outbreak of influenza or other widespread contagious disease could reduce travel and adversely affect hotel demand, which would have a material and adverse effect on us.

A widespread outbreak of an infectious or contagious disease in the U.S. could reduce travel and hotel demand within the lodging industry. If demand at our hotel properties decreases significantly or for a prolonged period of time as a result of an outbreak of an infectious or contagious disease, our revenue would be adversely affected, which could have a material and adverse effect on us.

We face possible risks associated with natural disasters and the physical effects of climate change.

We are subject to the risks associated with natural disasters and the physical effects of climate change, which can include more frequent or severe storms, droughts, hurricanes and flooding, any of which could have a material adverse effect on our properties, operations and business. To the extent climate change causes changes in weather patterns, our coastal markets also could experience increases in storm intensity and rising sea-levels causing damage to our hotel properties. As a result, we could

become subject to significant losses and/or repair costs that may or may not be fully covered by insurance. Other markets may experience prolonged variations in temperature or precipitation that may limit access to the water needed to operate our hotel properties or significantly increase energy costs, which may subject those properties to additional regulatory burdens, such as limitations on water usage or stricter energy efficiency standards. Climate change also may affect our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable in areas most vulnerable to such events, increasing operating costs at our hotel properties, such as the cost of water or energy, and requiring us to expend funds as we seek to repair and protect our hotel properties against such risks. There can be no assurance that climate change will not have a material adverse effect on our hotel properties, operations or business.

Risks Related to Our Organization and Structure

The share ownership limits imposed by the Code for REITs and our declaration of trust may restrict share transfers and/or business combination opportunities, particularly if our management and board of trustees do not favor a combination proposal.

In order for us to maintain our qualification as a REIT under the Code, not more than 50% in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year following our first year of taxation as a REIT. Our declaration of trust, with certain exceptions, authorizes our board of trustees to take the necessary actions to preserve our qualification as a REIT. Unless exempted by our board of trustees, no person or entity (other than a person or entity who has been granted an exception) may directly or indirectly, beneficially or constructively, own more than 9.8% of the aggregate of our outstanding common shares, by value or by number of shares, whichever is more restrictive, or 9.8% of the aggregate of the outstanding preferred shares of any class or series, by value or by number of shares, whichever is more restrictive.

Our board may, in its sole discretion, grant an exemption to the share ownership limits, subject to certain conditions and the receipt by our board of certain representations and undertakings. Our board of trustees has previously granted exemptions from our ownership limits to certain shareholders. During the time that such waiver is effective, the excepted holders will be subject to an increased ownership limit. As a condition to granting such excepted holder limit, the excepted holders were required to make representations and warranties to us, which are intended to ensure that we will continue to meet the REIT ownership requirements. The excepted holders must inform us if any of these representations becomes untrue or is violated, in which case such excepted holder will lose its exemption from the ownership limit.

Our authorized but unissued common shares and preferred shares may prevent a change in our control that might involve a premium price for our common shares or otherwise be in the best interests of our shareholders.

Our declaration of trust authorizes us to issue additional authorized but unissued common or preferred shares. In addition, our board of trustees may, without shareholder approval, amend our declaration of trust to increase the aggregate number of our common shares or the number of shares of any class or series of preferred shares that we have the authority to issue, classify or reclassify any unissued common shares or preferred shares, and to set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board of trustees may establish a series of common shares or preferred shares that could delay or prevent a transaction or a change in our control that might involve a premium price for our common shares or otherwise be in the best interests of our shareholders.

Certain provisions of Maryland law could inhibit a change in control.

Certain provisions of the Maryland General Corporation Law ("MGCL") that are applicable to Maryland real estate investment trusts may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in our control under circumstances that otherwise could provide the holders of our common shares with the opportunity to realize a premium over the then-prevailing market price of our common shares, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested shareholder" (defined generally as any person who beneficially owns, directly or indirectly, 10% or more of the voting power of our voting shares or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding voting shares at any time within the two-year period immediately prior to the date in question) for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter impose fair price and/or supermajority and shareholder voting requirements on these combinations; and
- "control share" provisions that provide that "control shares" of our company (defined as voting shares that, when aggregated with other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing trustees) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

As permitted by Maryland law, we have elected, by resolution of our board of trustees, to opt out of the business combination provisions of the MGCL and that resolution may not be repealed absent the approval by our shareholders, however, there can be no assurance that the resolution adopted by the board will not be amended or eliminated at some time in the future. Pursuant to a provision in our bylaws, we have elected to exempt any acquisition of our shares from the control share provisions of the MGCL and our bylaws prohibit the repeal, amendment or alteration of this provision without the approval by our shareholders; however, there can be no assurance that this provision will not be amended or eliminated at some time in the future.

Certain advance notice provisions of our bylaws may inhibit a change in control.

Our bylaws provide that (a) with respect to an annual meeting of shareholders, nominations of individuals for election to our board of trustees and the proposal of other business to be considered by shareholders may be made only (i) pursuant to our notice of the meeting, (ii) by the board of trustees or (iii) by a shareholder who was a shareholder of record at the time of the notice of the meeting and at the time of the annual meeting, who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in the bylaws, and (b) with respect to special meetings of shareholders, only the business specified in our notice of meeting may be brought before the meeting of shareholders and nominations of individuals for election to the board of trustees may be made only (A) pursuant to our notice of the meeting, (B) by the board of trustees, or (C) provided that the board of trustees has determined that directors shall be elected at such meeting, by a shareholder who was a shareholder of record at the time of the notice of the meeting and at the time of the special meeting, who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in the bylaws. These advance notice provisions may have the effect of delaying, deferring or preventing a transaction or a change in control of our company that might involve a premium to the market price of our common stock or otherwise be in our shareholders' best interests.

Termination of the employment agreements with our executive officers could be costly and prevent a change in control.

The employment agreements that we entered into with each of our executive officers provide that, if their employment with us terminates under certain circumstances (including upon a change in our control), we are required to pay them severance compensation, including accelerating the vesting of their respective equity awards, thereby making it costly to terminate their employment. Furthermore, these provisions could delay or prevent a transaction or a change in control that might involve a premium paid for our common shares or otherwise be in the best interests of our shareholders.

Our declaration of trust contains provisions that make the removal of our trustees difficult, which could make it difficult for our shareholders to effect changes to our management.

Our declaration of trust provides that, subject to the rights of the holders of one or more classes or series of preferred shares to elect or remove one or more trustees, a trustee may be removed only for cause and only by the affirmative vote of the holders of at least two-thirds of the votes entitled to be cast in the election of trustees and that our board of trustees has the exclusive power to fill vacant trusteeships, even if the remaining trustees do not constitute a quorum. These provisions make it more difficult to change our management by removing and replacing trustees and it may delay or prevent a change in control that is in the best interests of our shareholders.

We may change our operational policies, investment guidelines and our investment and growth strategies without shareholder consent, which may subject us to different and more significant risks in the future, which could materially and adversely affect us.

Our board of trustees determines our operational policies, investment guidelines and our investment and growth strategies. Our board of trustees may make changes to, or approve transactions that deviate from, those policies, guidelines and strategies without a vote of, or notice to, our shareholders. This could result in us conducting operational matters, making investments or pursuing different investment or growth strategies than those contemplated in this Annual Report on Form 10-K. Under any of these circumstances, we may expose ourselves to different and more significant risks in the future, which could materially and adversely affect us.

Our rights and the rights of our shareholders to take action against our trustees and officers are limited, which could limit our shareholders' recourse in the event of actions not in our shareholders' best interests.

Under Maryland law, generally, a trustee is required to perform his or her duties in good faith, in a manner he or she reasonably believes to be in our best interest and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Under Maryland law, trustees are presumed to have acted with this standard of care. In addition, our declaration of trust limits the liability of our trustees and officers to us and our shareholders for monetary damages, except for liability resulting from the:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the trustee or officer that was established by a final judgment as being material to the cause of action adjudicated.

Our declaration of trust and bylaws obligate us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and to pay or reimburse reasonable expenses in advance of the final disposition of a proceeding to any present or former trustee or officer who is made or threatened to be made a party to the proceeding by reason of his or her service to us in that capacity. In addition, we may be obligated to advance the defense costs incurred by our trustees and officers. As a result, we and our shareholders may have more limited rights against our trustees and officers than might

otherwise exist absent the current provisions in our declaration of trust and bylaws or that might exist with other companies.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results.

In connection with operating as a public company, we are required to provide reliable financial statements and reports to our shareholders. To monitor the accuracy and reliability of our financial reporting, we have established an internal audit function that oversees our internal controls. In addition, we have developed policies and procedures with respect to company-wide business processes and cycles in order to implement an effective system of internal control over financial reporting. We have established, or caused our third-party hotel management companies to establish, controls and procedures designed to ensure that hotel revenues and expenses are properly recorded at our hotels. While we have undertaken substantial work to comply with Section 404 of the Sarbanes-Oxley Act of 2002, we cannot be certain that we will be successful in maintaining effective internal control over financial reporting and we may determine in the future that our existing internal controls need improvement. If we fail to maintain an effective system of internal control, we could be materially harmed or we could fail to meet our reporting obligations. In addition, the existence of a material weakness or significant deficiency in our internal controls could result in errors to our financial statements that could require a restatement, cause us to fail to meet our reporting obligations, result in increased costs to remediate any deficiencies, attract regulatory scrutiny or lawsuits and cause investors to lose confidence in our reported financial information, any of which could lead to a substantial decline in the market price of our common shares.

Risks Related to the Real Estate Industry

The illiquid nature of real estate investments could significantly impede our ability to respond to changing economic, financial, and investment conditions or changes in the operating performance of our hotel properties, which could materially and adversely affect our cash flows and results of operations.

Real estate investments, including the focused-service and compact full-service hotels in our portfolio, are relatively illiquid. As a result, we may not be able to sell a hotel or hotels quickly or on favorable terms in response to the changing economic, financial and investment conditions or changes in the hotel's operating performance when it otherwise may be prudent to do so. We cannot predict whether we will be able to sell any hotel property we desire to sell for the price or on the terms set by us or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a hotel property. We may be required to expend funds to correct defects or to make improvements before a hotel can be sold, and we cannot provide any assurances that we will have the funds available to correct such defects or to make such improvements. Our inability to dispose of assets at opportune times or on favorable terms could materially and adversely affect our cash flows and results of operations.

In addition, our ability to dispose of some of our hotel properties could be constrained by their tax attributes. Hotel properties that we own for a significant period of time, or that we may acquire in the future through tax deferred contribution transactions in exchange for OP units in the Operating Partnership, may have low tax bases. If we dispose of these hotel properties outright in taxable transactions, we may be required to distribute the taxable gain to our shareholders under the requirements of the Code applicable to REITs or to pay tax on that gain, either of which, in turn, would impact our cash flow and increase our leverage. In some cases, we may be restricted from disposing of properties contributed to us in the future in exchange for our OP units under tax protection agreements with contributors unless we incur additional costs related to indemnifying those contributors. To dispose of low basis or tax-protected hotels efficiently, we may from time to time use

like-kind exchanges, which qualify for non-recognition of the taxable gain, but can be difficult to consummate and result in the hotel for which the disposed assets are exchanged inheriting their low tax bases and other tax attributes.

Uninsured and underinsured losses at our hotel properties could materially and adversely affect us.

We maintain comprehensive insurance on each of our hotel properties and we intend to maintain comprehensive insurance on any hotels that we acquire in the future, including liability, fire and extended coverage. In addition, in the Mergers, we assumed FelCor's self-insurance policy whereby we have established a self-insured retention of $250,000 per occurrence for general liability insurance at 30 hotel properties. All of our remaining hotel properties participate in general liability programs sponsored by our hotel management companies, with no deductible. There can be no assurances that insurance coverage will be available at reasonable rates. Certain types of catastrophic losses, such as windstorms, earthquakes, floods and losses from foreign and domestic terrorist activities may not be insurable or may not be economically insurable. Even when insurable, these policies may have high deductibles and/or high premiums. Our lenders may require such insurance and our failure to obtain such insurance could constitute a default under the loan agreements, which could have a material and adverse effect on us.

In the event of a substantial loss, our insurance coverage may not be sufficient to cover the full current market value or replacement cost of our lost investment. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a hotel property, as well as the anticipated future revenue from the hotel property. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the hotel property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate a hotel property after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed hotel property, which could have a material and adverse effect on us.

In addition, the insurance risks associated with potential acts of terrorism could sharply increase the premiums we pay for coverage against property and casualty claims. In many cases, mortgage lenders have begun to insist that commercial property owners purchase coverage against terrorism as a condition of providing the mortgage loan. Such insurance policies may not be available at a reasonable cost, which could inhibit our ability to finance or refinance our hotels. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover the potential losses. We may not have adequate coverage for such losses, which could have a material and adverse effect on us.

Compliance or failure to comply with the ADA and other safety regulations and requirements could result in substantial costs.

Under the ADA, all public accommodations must meet various federal requirements related to access and use by disabled persons. Compliance with the ADA's requirements could require removal of access barriers, and non-compliance could result in the U.S. government imposing fines or private damage awards. If we are required to make substantial modifications to the hotel properties that we own or the hotel properties that we acquire, whether to comply with the ADA or other changes in governmental rules and regulations, we could be materially and adversely affected.

Our hotel properties are also subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. If we incur substantial costs to comply with the ADA or other safety regulations and requirements, our financial condition, results of operations, the market

price of our common shares, cash flows and our ability to satisfy our debt obligations and to make distributions to our shareholders could be materially and adversely affected.

We could incur significant costs related to government regulation and litigation with respect to environmental matters, which could have a material and adverse effect on us.

Our hotel properties are subject to various U.S. federal, state and local environmental laws that impose liability for contamination. Under these laws, governmental entities have the authority to require us, as the current owner of a hotel property, to perform or pay for the clean-up of contamination (including hazardous substances, asbestos and asbestos-containing materials ("ACM"), waste or petroleum products) at, on, under or emanating from the hotel and to pay for natural resource damages arising from such contamination. Such laws often impose liability without regard to whether the owner or operator or other responsible party knew of, or caused such contamination, and the liability may be joint and several. Because these laws also impose liability on persons who owned or operated a property at the time it became contaminated, it is possible we could incur cleanup costs or other environmental liabilities even after we sell or no longer operate the hotel properties. Contamination at, on, under or emanating from our hotels also may expose us to liability to private parties for the costs of remediation and/or personal injury or property damage. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. If contamination is discovered on our hotel properties, the environmental laws may also impose restrictions on the manner in which the properties may be used or how the businesses may be operated, and these restrictions may require substantial expenditures. Moreover, environmental contamination can affect the value of a property and, therefore, an owner's ability to borrow funds using the property as collateral or to sell the property on favorable terms or at all. Furthermore, any persons who send waste to a waste disposal facility, such as a landfill or an incinerator, may be liable for costs associated with cleanup of that facility.

In addition, our hotel properties are subject to various U.S. federal, state, and local environmental, health and safety laws and regulations that address a wide variety of issues, including, but not limited to, storage tanks, air emissions from emergency generators, storm water and wastewater discharges, lead-based paint, mold and mildew, and waste management. Some of our hotel properties routinely handle and use hazardous or regulated substances and waste as part of their operations (*e.g.*, swimming pool chemicals). Our hotel properties incur costs to comply with these environmental, health and safety laws and regulations and could be subject to fines and penalties for non-compliance with the applicable requirements.

Certain of our hotel properties contain, and the hotel properties that we acquire in the future may contain, or may have contained ACM. Federal, state and local environmental, health and safety laws require that ACM be properly managed and maintained, and include requirements to undertake special precautions, such as removal or abatement, if ACM would be disturbed during maintenance, renovation or demolition of a building. Such laws regarding ACM may impose fines and penalties on building owners, employers and operators for failure to comply with these requirements. In addition, third parties may seek recovery from owners or operators for personal injury associated with exposure to asbestos-containing building materials.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels is alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our hotel properties could require us to undertake a costly remediation program to contain or remove

the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to third party liability if property damage or personal injury occurs.

The liabilities and the costs associated with environmental contamination at, on, under or emanating from our properties, defending against the claims related to alleged or actual environmental issues, or complying with environmental, health and safety laws could be material and could materially and adversely affect us. We can make no assurances that changes in current laws or regulations or future laws or regulations will not impose additional, new, or material environmental liabilities or that the current environmental condition of our hotels will not be affected by our operations, the condition of the properties in the vicinity of our hotels, or by third parties unrelated to us. The discovery of material environmental liabilities at our hotel properties could subject us to unanticipated costs, which could significantly reduce or eliminate our profitability and the cash available for distribution to our shareholders.

We may from time to time be subject to litigation that could expose us to uncertain or uninsured costs.

As owners of hotel properties, we may from time to time face potential claims, litigation and threatened litigation from guests, visitors to our hotel properties, contractors, sub-contractors and others. These claims and proceedings are inherently uncertain and their costs and outcomes cannot be predicted with certainty. Some of these claims may result in defense costs, settlements, fines or judgments against us, and some of which are not, or cannot be, covered by insurance. Payment of any such costs, settlements, fines or judgments that are not insured could have a material and adverse impact on our financial position and results of operations. In addition, certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could materially and adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and trustees.

Risks Related to Our Status as a REIT

Legislative or regulatory tax changes related to REITs could materially and adversely affect us.

There are a number of issues associated with an investment in a REIT that are related to the federal income tax laws, including, but not limited to, the consequences of a company's failing to qualify or to continue to qualify as a REIT and the tax rates applicable to REITs and their shareholders. At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended or modified. In particular, the Tax Cuts & Jobs Act (the "Tax Reform Act"), which generally takes effect for taxable years beginning on or after January 1, 2018 (subject to certain exceptions), makes many significant changes to the federal income tax laws that will profoundly impact the taxation of individuals and corporations (both regular C corporations as well as corporations that have elected to be taxed as REITs). A number of changes that affect non-corporate taxpayers will expire at the end of 2025 unless Congress acts to extend them. These changes will impact us and our shareholders in various ways, some of which are adverse or potentially adverse compared to prior law. To date, the IRS has issued only limited guidance with respect to certain of the new provisions, and there are numerous interpretive issues that will require guidance. It is highly likely that technical corrections legislation will be needed to clarify certain aspects of the new law and give proper effect to Congressional intent. There can be no assurance, however, that technical clarifications or changes needed to prevent unintended or unforeseen tax consequences will be enacted by Congress in the near future. We cannot predict when or if any other federal income tax law, regulation or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective. Any such new law, regulation or interpretation may take effect retroactively and could materially and adversely affect us.

If we do not qualify as a REIT, or if we fail to remain qualified as a REIT, we will be subject to federal income tax and potentially state and local taxes, which would reduce our earnings and the amount of cash available for distribution to our shareholders.

If we were to fail to qualify as a REIT in any taxable year and any available relief provisions do not apply, we would be subject to federal and state corporate income tax, including any applicable alternative minimum tax (for taxable years beginning before December 31, 2017), on our taxable income, and dividends paid to our shareholders would not be deductible by us in computing our taxable income. Unless we were entitled to statutory relief under certain Code provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year in which we failed to qualify as a REIT.

Any determination that we do not qualify as a REIT would have a material adverse effect on our results of operations and could materially reduce the value of our common shares. Our additional tax liability could be substantial and would reduce our net earnings available for investment, debt service or distributions to shareholders.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We intend to continue to make distributions to our shareholders to comply with the REIT requirements of the Code. We generally must distribute annually at least 90% of our "REIT taxable income," subject to certain adjustments and excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. To the extent that we satisfy this distribution requirement but distribute less than 100% of our taxable income, we will be subject to corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our shareholders in a calendar year is less than a minimum amount specified under the Code.

From time to time, we may generate taxable income greater than our income for financial reporting purposes prepared in accordance with U.S. generally accepted accounting principles, or GAAP, or differences in timing between the recognition of taxable income and the actual receipt of cash may occur. Further, under amendments to the Code made by the Tax Reform Act, income must be accrued for federal income tax purposes no later than when such income is taken into account as revenue in our financial statements, subject to certain exceptions, which could also create mismatches between REIT taxable income and the receipt of cash attributable to such income. If we do not have other funds available in these situations we could be required to (i) borrow funds on unfavorable terms, (ii) sell investments at disadvantageous prices, (iii) distribute amounts that would otherwise be invested in future acquisitions, or (iv) make a taxable distribution of our common shares as part of a distribution in which shareholders may elect to receive our common shares or (subject to a limit measured as a percentage of the total distribution) cash to make distributions sufficient to enable us to pay out enough of our REIT taxable income to satisfy the REIT distribution requirements. These alternatives could increase our costs or reduce our shareholders' equity. Thus, compliance with the REIT distribution requirements may hinder our ability to grow, which could adversely affect the value of our shares.

Since the REIT distribution requirements prevent us from retaining earnings, we generally will be required to refinance debt at its maturity with additional debt or equity.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to "qualified dividends" paid by regular C corporations to non-corporate U.S. shareholders is 23.8% (taking into account the 3.8% Medicare tax applicable to net investment income). Dividends payable by REITs (other than designated capital gain dividends and "qualified dividend income"), however, generally are not eligible for the reduced rates and are taxed at

rates applicable to ordinary income. Effective for taxable years beginning after December 31, 2017 and before January 1, 2026, the non-corporate U.S. shareholders may deduct 20% of their dividends from REITs (excluding qualified dividend income and capital gains dividends). For non-corporate U.S. shareholders in the top marginal tax bracket of 37%, the deduction for REIT dividends yields an effective income tax rate of 29.6% on REIT dividends, which is higher than the 20% tax rate on qualified dividend income paid by C corporations but still lower than the effective rate that applies prior to 2018, which is the first year that this special deduction for the REIT dividend is available. Although the reduced rates applicable to dividends from regular C corporations do not adversely affect the taxation of REITs or dividends payable by REITs, it could cause non-corporate U.S. shareholders to perceive investments in REITs to be relatively less attractive than investments in the shares of regular C corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common shares.

If our leases are not respected as true leases for federal income tax purposes, we would likely fail to qualify as a REIT.

To qualify as a REIT, we must satisfy two gross income tests, pursuant to which specified percentages of our gross income must be passive income, such as rent. For the rent paid pursuant to the hotel leases with our TRSs, which we currently expect will continue to constitute substantially all of our gross income, to qualify for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and must not be treated as service contracts, joint ventures or some other type of arrangement. We believe that the leases will be respected as true leases for federal income tax purposes. There can be no assurance, however, that the IRS will agree with this characterization. If the leases were not respected as true leases for federal income tax purposes, we would not be able to satisfy either of the two gross income tests applicable to REITs and would likely lose our REIT status. Additionally, we could be subject to a 100% excise tax for any adjustment to our leases.

If our TRSs fail to qualify as "taxable REIT subsidiaries" under the Code, we would likely fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" will not be qualifying income for purposes of the gross income tests applicable to REITs. We currently lease and expect to continue to lease substantially all of our hotels to our TRSs, which will not be treated as "related party tenants" so long as they qualify as "taxable REIT subsidiaries" under the Code. To qualify as such, most significantly, a TRS cannot engage in the operation or management of hotels. We believe that our TRSs qualify to be treated as "taxable REIT subsidiaries" for federal income tax purposes. There can be no assurance, however, that the IRS will not challenge the status of a TRS for federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in disqualifying any of our TRSs from treatment as a "taxable REIT subsidiary," it is likely that we would fail to meet the asset tests applicable to REITs and substantially all of our income would fail to qualify for the gross income tests. If we failed to meet either the asset tests or the gross income tests, we would likely lose our REIT status.

If any hotel management companies that we engage do not qualify as "eligible independent contractors," or if our hotel properties are not "qualified lodging facilities," we would likely fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" of ours generally will not be qualifying income for purposes of the gross income tests applicable to REITs. An exception is provided, however, for leases of "qualified lodging facilities" to a TRS so long as the hotels are managed by an "eligible independent contractor" and certain other requirements are satisfied. We currently lease and expect to continue to lease all or substantially all of our hotels to TRS lessees and we currently engage and

expect to continue to engage hotel management companies that are intended to qualify as "eligible independent contractors." In addition, for a hotel management company to qualify as an eligible independent contractor, (i) the hotel management company must not own, directly or through its shareholders, more than 35% of our outstanding shares, and no person or group of persons can own more than 35% of our outstanding shares and the shares (or ownership interest) of the hotel management company and (ii) such company or a related person must be actively engaged in the trade or business of operating "qualified lodging facilities" (as defined below) for one or more persons not related to the REIT or its TRSs at each time that such company enters into a hotel management contract with a TRS or its TRS lessee. Finally, each hotel with respect to which our TRS lessees pay rent must be a "qualified lodging facility." A "qualified lodging facility" is a hotel, motel, or other establishment in which more than one-half of the dwelling units are used on a transient basis, including customary amenities and facilities, provided that no wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility. As of the date hereof, we believe the hotel management companies operate qualified lodging facilities for certain persons who are not related to us or our TRS. As of the date hereof, we believe that all of the hotels leased to our TRS lessees will be qualified lodging facilities. Although we intend to monitor future acquisitions and improvements of hotels, the REIT provisions of the Code provide only limited guidance for making determinations under the requirements for qualified lodging facilities, and there can be no assurance that these requirements will be satisfied in all cases.

Our ownership of TRSs is limited, and our transactions with our TRSs will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm's length terms.

A REIT may own up to 100% of the equity interests of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% (20% for taxable years beginning after December 31, 2017) of the value of a REIT's assets may consist of stock or securities of one or more TRS. In addition, the rules applicable to TRSs limit the deductibility of interest paid or accrued by a TRS to its parent REIT in order to assure that the TRS is subject to an appropriate level of corporate taxation.

Our TRSs will pay federal, state and local income taxes on their net taxable income, and their after-tax net income will be available for distribution to us but is not required to be distributed. We believe that the aggregate value of the stock and securities of our TRSs has been less than 25% (and will be less than 20% for taxable years beginning after December 31, 2017) of the value of our total assets (including the stock and securities of our TRSs). Furthermore, we have monitored and will continue to monitor the value of our respective investments in our TRSs for the purpose of ensuring compliance with the ownership limitations applicable to TRSs. We believe that our rents and other transactions with our TRSs have each been entered into on an arm's-length basis and reflect normal business practices, but there can be no assurance that the IRS will agree with our belief.

Complying with REIT requirements may force us to forgo and/or liquidate otherwise attractive investment opportunities.

To qualify as a REIT, we must ensure that we meet the gross income tests annually and that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, no more than 25% (20% for taxable years beginning after December 31, 2017) of the value of our total assets can be represented by securities of one or more TRSs, and no more than 25% of the value of our total assets may be represented by debt instruments issued by publicly offered REITs that are "nonqualified" (i.e., not secured by real property or interests in real property). If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate from our portfolio, or contribute to a TRS, otherwise attractive investments in order to maintain our qualification as a REIT. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders. In addition, we may be required to make distributions to shareholders at disadvantageous times or when we do not have funds readily available for distribution, and may be unable to pursue investments that would otherwise be advantageous to us. Thus, compliance with the REIT requirements may hinder our ability to make, and, in certain cases, maintain ownership of, certain attractive investments.

Our TRSs may be limited in using certain tax benefits.

If a corporation undergoes an "ownership change" within the meaning of Section 382 of the Code and the Treasury Regulations thereunder, such corporation's ability to use net operating losses ("NOLs"), generated prior to the time of that ownership change may be limited. To the extent the affected corporation's ability to use NOLs is limited, such corporation's taxable income may increase. As of December 31, 2017, we had approximately $333.4 million of NOLs (all of which are attributable to our TRSs) which will begin to expire in 2024 for federal tax purposes and during the period from 2018 to 2031 for state tax purposes if not utilized. An ownership change within the meaning of Section 382 of the Code with respect to one of the REIT's TRSs occurred during the 2012 and 2013 tax years. The ownership change with respect to the acquisition of FelCor in 2017 also resulted in NOL limitations under Section 382 of the Code. Accordingly, to the extent that the TRSs have taxable income in future years, their ability to use NOLs incurred prior to these ownership changes in such future years will be limited, and they may have greater taxable income as a result of such limitation.

Section 383 of the Code and the Treasury Regulations thereunder govern the limitations of tax credits generated prior to the time of an ownership change. To the extent the affected corporation's ability to use tax credits is limited, such corporation's tax liability may increase. As of December 31, 2017, we had approximately $19.5 million of tax credit carryforwards related to alternative minimum tax and historic tax credits (all of which are attributable to our TRSs) which will begin to expire in 2035.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate risk will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if the instrument hedges interest rate risk on liabilities used to carry or acquire real estate assets (each

such hedge, a “Borrowings Hedge”) or manages the risk of certain currency fluctuations (each such hedge, a “Currency Hedge”), and such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute non-qualifying income for purposes of both the REIT 75% and 95% gross income tests. Exclusion from the REIT 75% and 95% gross income tests also applies if we previously entered into a Borrowings Hedge or a Currency Hedge, a portion of the hedged indebtedness or property is disposed of, and in connection with such extinguishment or disposition we enter into a new properly identified hedging transaction to offset the prior hedging position. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRSs will generally not provide any tax benefit, except for being carried back or forward against past or future taxable income in the TRSs; provided, however, losses in our TRSs arising in taxable years beginning after December 31, 2017 may only be deducted against 80% of future taxable income in the TRSs.

If our Operating Partnership fails to maintain its status as a partnership for federal income tax purposes, its income may be subject to taxation, and we would lose our REIT status.

Our Operating Partnership will qualify as a partnership for federal income tax purposes; however, if the IRS were to successfully challenge the status of our Operating Partnership as a partnership, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that our Operating Partnership could make to us. This could also result in our losing REIT status and becoming subject to corporate level tax on our income. This would substantially reduce our cash available to pay distributions and the return on a shareholder’s investment. In addition, if any of the entities through which our Operating Partnership owns its properties, in whole or in part, loses its characterization as a disregarded entity or a partnership for federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to our Operating Partnership. Such a re-characterization of an underlying property owner could also threaten our ability to maintain REIT status.

Risks Related to Our Common Shares

Our cash available for distribution to shareholders may not be sufficient to pay distributions at expected or required levels, and we may need to borrow funds or rely on other external sources in order to make such distributions, or we may not be able to make such distributions at all, which could cause the market price of our common shares to decline significantly.

We intend to continue to pay regular quarterly distributions to holders of our common shares. All distributions will be made at the discretion of our board of trustees and will depend on our historical and projected results of operations, EBITDA, FFO, liquidity and financial condition, REIT qualification, debt service requirements, capital expenditures and operating expenses, prohibitions and other restrictions under financing arrangements and applicable law and other factors as our board of trustees may deem relevant from time to time. No assurance can be given that our projections will prove to be accurate or that any level of distributions or particular yield will be made or sustained. We may not be able to make distributions in the future or we may need to fund such distributions through borrowings or other external financing sources, which may be available only at unattractive terms, if at all. Any of the foregoing could cause the market price of our common shares to decline significantly.

To the extent that our distributions represent a return of capital for tax purposes, you could recognize an increased capital gain upon a subsequent sale of your stock.

Distributions in excess of our current and accumulated earnings and profits and not treated by us as a dividend will not be taxable to a U.S. stockholder to the extent such distributions do not exceed the stockholder's adjusted tax basis in its shares of our stock but instead will constitute a return of capital and will reduce the stockholder's adjusted tax basis in its share of our stock. If our distributions result in a reduction of a stockholder's adjusted basis in its shares of our stock, subsequent sales by such stockholder of its shares of our stock could potentially result in recognition of an increased capital gain or reduced capital loss due to the reduction in such stockholder's adjusted basis in its shares of our stock.

Future issuances of debt securities, which would rank senior to our common shares upon our liquidation, and future issuances of equity securities (including OP units), which would dilute the holdings of our existing common shareholders and may be senior to our common shares for the purposes of making distributions, periodically or upon liquidation, may negatively affect the market price of our common shares.

In the future, we may issue debt or equity securities or incur additional borrowings. Upon our liquidation, holders of our debt securities and other loans and preferred shares will receive a distribution of our available assets before common shareholders. If we incur debt in the future, our future interest costs could increase, and adversely affect our liquidity, FFO and results of operations. We are not required to offer any additional equity securities to existing common shareholders on a preemptive basis. Therefore, additional common share issuances, directly or through convertible or exchangeable securities (including OP units), warrants or options, will dilute the holdings of our existing common shareholders, and such issuances or the perception of such issuances may reduce the market price of our common shares. Our preferred shares, if issued, would likely have a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common shareholders. Because our decision to issue debt or equity securities or incur additional borrowings in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of any future capital raising efforts. Thus, the common shareholders bear the risk that our future issuances of debt or equity securities or our incurrence of additional borrowings will negatively affect the market price of our common shares.

The number of common shares available for future issuance or sale could adversely affect the per share trading price of our common shares.

As of February 20, 2018, we had 174,847,263 common shares outstanding. In addition, as of such date, 773,902 OP units in the Operating Partnership were outstanding, which are redeemable for cash or, at our option, for a like number of our common shares. We cannot predict the effect, if any, of future resales of our common shares or OP units, or the perception of such resales, on the market price of our common shares. Any such future resales, or the perception that such resales might occur, could adversely affect the market price of our common shares and may also make it more difficult for us to sell equity or equity-related securities in the future and at terms that we deem appropriate.

In addition, subject to applicable law, our board of trustees has the authority, without further shareholder approval, to issue additional common shares and preferred shares on the terms and for the consideration it deems appropriate. We may issue additional common shares or OP units from time to time in connection with hotel acquisitions and we may grant registration rights in connection with such issuances, pursuant to which we would agree to register the resale of such securities under the Securities Act. Furthermore, in the future we may issue common shares and securities convertible into, or exchangeable or exercisable for, our common shares under our equity incentive plan. The market

price of our common shares may decline significantly upon future issuances of equity under our equity incentive plan or in connection with hotel acquisitions.

The market price and trading volume of our common shares may be volatile and could decline substantially in the future.

The market price of our common shares may be volatile in the future. In addition, the trading volume of our common shares may fluctuate and cause significant price variations to occur. We cannot assure shareholders that the market price and the trading volume of our common shares will not decline or fluctuate significantly in the future, including as a result of factors unrelated to our operating performance. In particular, the market price and the trading volume of our common shares could be subject to wide fluctuations in response to a number of factors, including, among others, the following:

- actual or anticipated differences in our operating results, liquidity, or financial condition;
- changes in our revenues, expenses, EBITDA, FFO or earnings estimates;
- publication of research reports about us, our hotels, the lodging industry, or the overall real estate industry;
- additions and departures of key personnel;
- the performance and market valuations of other similar companies;
- the passage of legislation or other regulatory developments that adversely affect us or our industry;
- the realization of any of the other risk factors presented in this Annual Report on Form 10-K;
- speculation in the press or investment community;
- changes in accounting principles;
- terrorist acts; and
- general market and economic conditions, including factors unrelated to our operating performance.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of their common shares. If the market price of our common shares is volatile and this type of litigation is brought against us, it could result in substantial costs and divert our management's attention and resources, which could have a material and adverse effect on us.

Increases in market interest rates may reduce demand for our common shares and result in a decline in the market price of our common shares.

The market price of our common shares may be influenced by the distribution yield on our common shares (i.e., the amount of our annual distributions as a percentage of the market price of our common shares) relative to market interest rates. An increase in market interest rates, which are currently low compared to historical levels, may lead prospective purchasers of our common shares to expect a higher distribution yield, which we may not be able, or may choose not, to provide. Higher interest rates would also likely increase our borrowing costs and decrease our operating results and the cash available for distribution. Thus, higher market interest rates could cause the market price of our common shares to decline.

Our business could be negatively affected as a result of actions by activist shareholders.

Shareholder campaigns to effect changes in publicly-traded companies are sometimes led by activist investors through various corporate actions, including proxy contests. Responding to these actions can disrupt our operations by diverting the attention of management and our employees as well as our financial resources. Shareholder activism could create perceived uncertainties as to our future direction, which could result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel and business partners. Furthermore, the election of individuals to our Board with a specific agenda could adversely affect our ability to effectively and timely implement our strategic plans.

Risks Related to the Mergers

We expect to incur substantial expenses related to the Mergers.

We have incurred substantial legal, accounting, financial advisory and other costs, and our management has devoted considerable time and effort in connection with the Mergers. We expect to incur substantial expenses in connection with integrating the business, operations, network, systems, technologies, policies and procedures of the two companies. The fees and expenses may be significant and could have an adverse impact on our results of operations.

Although we have assumed that a certain level of integration expenses would be incurred, there are a number of factors beyond our control that could affect the total amount or the timing of the integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. As a result, the transaction and integration expenses associated with the Mergers could, particularly in the near term, exceed the savings that we expect to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses.

We may be unable to integrate the businesses successfully and realize the anticipated synergies and other expected benefits of the Mergers on the anticipated timeframe or at all.

The Mergers involved the combination of two companies that previously operated as independent public companies. We expect the combined company to benefit from the elimination of duplicative costs associated with supporting a public company platform and the resulting economies of scale. These savings are not expected to be realized until the companies are fully integrated, which is not expected to occur until late 2018. We will be required to devote significant management attention and resources to the integration of the combined company's business practices and operations. The potential difficulties we may encounter in the integration process include the following:

- the inability to successfully combine the businesses in a manner that permits us to achieve the anticipated cost savings from the Mergers, which would result in the anticipated benefits of the Mergers not being realized in the timeframe currently anticipated or at all;
- the complexities associated with integrating personnel from the two companies;
- the complexities of combining two companies with different histories, cultures, geographic footprints and hotel properties;
- potential unknown liabilities and unforeseen increased expenses, delays or conditions associated with the Mergers; and
- performance shortfalls as a result of the diversion of management's attention caused by completing the Mergers and integrating the companies' operations.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of our management, the disruption of our ongoing business or inconsistencies in our operations, services, standards, controls, policies and procedures, any of which could adversely affect our ability to achieve the anticipated benefits of the Mergers, or could otherwise materially and adversely affect our business and financial results.

Our future results will suffer if we do not effectively manage our expanded operations following the Mergers.

Our future success will depend, in part, upon our ability to manage our expanded operations following the Mergers, which may pose substantial challenges for us to integrate new operations into our existing business in an efficient and timely manner, and upon our ability to successfully monitor our operations, costs, regulatory compliance and service quality, and to maintain other necessary internal controls. There is no assurance that our expanded operations will be successful, or that we will realize our expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits.

The market price of our common shares may decline as a result of the Mergers and may be affected by factors different from those that affected the price of our common shares before the Mergers.

The market price of our common shares may decline if we do not achieve the benefits of the Mergers or the effect of the Mergers on our financial results is not consistent with the expectations of financial or industry analysts, or our shareholders.

In addition, the consummation of the Mergers resulted in the combination of two companies that previoiusly operated as independent public companies. The two companies had different histories, markets, hotel properties and customer bases. For example, FelCor owned hotel properties in different geographic markets than us that operated under different hotel brands than ours. As a result, while we expect to benefit from certain synergies, we may also encounter new risks and liabilities associated with these differences. Our shareholders own interests in a combined company operating an expanded business and may not wish to continue to invest in the combined company, or for other reasons may wish to dispose of some or all of our common shares. If large amounts of our Common Shares are sold, the price of our Common Shares could decline.

An adverse judgment in any shareholder litigation could adversely affect us.

It is possible that our shareholders or former FelCor stockholders may file additional lawsuits challenging the Mergers, which may name us as defendants. The outcome of such lawsuits cannot be assured, including the amount of costs associated with defending these claims or any other liabilities that may be incurred in connection with the litigation of these claims. Whether or not any plaintiff's claim is successful, this type of litigation may result in significant costs and divert management's attention and resources, which could adversely affect our business.

Risks Related to our Business Following the Mergers

We may not continue to pay dividends at or above the rate previously paid by us.

Our shareholders may not receive dividends at the same rate that they did as our shareholders prior to the Mergers for various reasons, including the following:

- we may not have enough cash to pay such dividends due to changes in our cash requirements, capital spending plans, cash flow or financial position;
- decisions on whether, when and in what amounts to make any future dividends will remain at all times entirely at the discretion of our board of trustees, which reserves the right to change our dividend practices at any time and for any reason;

- the amount of dividends that our subsidiaries may distribute to us may be subject to restrictions imposed by state law and restrictions imposed by the terms of any current or future indebtedness that these subsidiaries may incur; and
- under the terms of our outstanding preferred stock, we are not permitted to pay dividends on our common stock unless all accrued preferred dividends then payable have been paid. While our preferred dividends are current, if we fail to pay future dividends on our preferred stock for any reason, including to comply with the terms of our senior secured notes, our preferred dividends will accrue, and we will be prohibited from paying any common dividends until all such accrued but unpaid preferred dividends have been paid.

Our shareholders will have no contractual or other legal right to dividends that have not been declared by our board of trustees.

We will have a significant amount of indebtedness and may need to incur more in the future.

As a result of the Mergers, we have substantial indebtedness. In addition, in connection with executing our business strategies, we expect to continue to evaluate the possibility of acquiring additional properties and making strategic investments, and we may elect to finance these endeavors by incurring additional indebtedness. The amount of such indebtedness could have material adverse consequences for us, including:

- hindering our ability to adjust to changing market, industry or economic conditions;
- limiting our ability to access the capital markets to raise additional equity or refinance maturing debt on favorable terms or to fund acquisitions or emerging businesses;
- limiting the amount of free cash flow available for future operations, acquisitions, dividends, share repurchases or other uses;
- making us more vulnerable to economic or industry downturns, including interest rate increases; and
- placing us at a competitive disadvantage compared to less leveraged competitors.

Moreover, to respond to competitive challenges, we may be required to raise substantial additional capital to execute our business strategy. Our ability to arrange additional financing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. If we are able to obtain additional financing, our credit ratings could be further adversely affected, which could further raise our borrowing costs and further limit our future access to capital and our ability to satisfy our obligations under our indebtedness.

Risks Related to Taxes and the Mergers

We would incur adverse tax consequences if FelCor failed to qualify as a REIT for federal income tax purposes prior to the Mergers.

In connection with the closing of the Mergers, FelCor received an opinion of counsel to the effect that it qualified as a REIT for U.S. federal income tax purposes under the Code through the time of the Mergers. FelCor, however, did not request a ruling from the Internal Revenue Service (the “IRS”) that it qualified as a REIT. If, notwithstanding this opinion, FelCor’s REIT status prior to the Mergers were successfully challenged, we would face serious tax consequences that would substantially reduce our core funds from operations, and cash available for distribution, including cash available to pay dividends to our shareholders, because:

- FelCor, would be subject to federal, state and local income tax on its net income at regular corporate rates for the years that it did not qualify as a REIT (and, for such years, would not be

allowed a deduction for dividends paid to shareholders in computing its taxable income) and we would succeed to the liability for such taxes;

- the deemed sale of assets by FelCor in the REIT Merger would be subject to federal, state and local income tax at regular corporate rates (and FelCor would not be allowed a deduction for dividends paid for the deemed liquidating distribution paid to its shareholders) and we would succeed to the liability for such taxes; and
- we would succeed to any earnings and profits accumulated by FelCor, as applicable, for the tax periods that FelCor did not qualify as a REIT and we would have to pay a special dividend and/or employ applicable deficiency dividend procedures (including interest payments to the IRS) to eliminate such earnings and profits to maintain our REIT qualification.

As a result of these factors, FelCor's failure to qualify as a REIT prior to the Mergers could impair our ability to expand our business and raise capital and could materially adversely affect the value of our stock. In addition, even if FelCor qualified as a REIT for the duration of its existence, if there is an adjustment to FelCor's taxable income or dividends paid deductions, we could be required to elect to use the deficiency dividend procedure to maintain FelCor's REIT status. That deficiency dividend procedure could require us to make significant distributions to our shareholders and pay significant interest to the IRS.

Certain of our taxable REIT subsidiaries will be limited in using certain tax net operating loss carryovers.

If a corporation undergoes an "ownership change" within the meaning of Section 382 of the Code and the Treasury Regulations thereunder, such corporation's ability to use NOLs, generated prior to the time of that ownership change may be limited. To the extent the affected corporation's ability to use NOLs is limited, such corporation's taxable income may increase. As of December 31, 2017, FelCor's taxable REIT subsidiaries had approximately $237.9 million of NOLs which will begin to expire in 2024 for U.S. federal tax purposes and 2018 to 2024 for state tax purposes if not utilized. An ownership change with respect to the acquisition of FelCor in 2017 resulted in NOL limitations under Section 382 of the Code. Accordingly, certain of FelCor's taxable REIT subsidiaries' ability to use NOLs incurred prior to the Mergers in such future years will be limited, and these taxable REIT subsidiaries will have greater taxable income as a result of such limitation.

Section 383 of the Code and the Treasury Regulations governs the limitations of tax credits generated prior to the time of an ownership change. To the extent the affected corporation's ability to use tax credits is limited, such corporation's tax liability may increase. As of December 31, 2017, FelCor's taxable REIT subsidiaries had approximately $19.4 million of tax credit carryforwards related to alternative minimum tax and historic tax credits which will begin to expire in 2035.

Some of our hotel properties will be subject to property tax reappraisal.

As a result of the Mergers, some of our hotel properties will be subject to property tax reappraisal that could increase property tax expense and adversely affect our profitability. Ten of our hotel properties are located in jurisdictions that may provide for property tax reappraisal upon a change of ownership and so may face such a reassessment. Further, an additional five of our hotel properties are located in jurisdictions where the property tax value is subject to a ceiling that will no longer be applicable following the Mergers. The Mergers and the associated publicity together with the related transfers of property and property name changes that will occur in connection with the Mergers may cause other jurisdictions, in which the timing of the reappraisals is discretionary with the taxing authorities, to decide to reappraise our hotel properties in those jurisdictions and may correspondingly increase the property tax expense to the combined company. Due to the significant uncertainties involved, the possible increases in property tax expense have not been quantified.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our Hotel Properties

The following table provides a comprehensive list of our hotel properties as of December 31, 2017:

State	Hotel Property Name	Rooms
Alabama		
	Embassy Suites Birmingham	242
Arizona		
	Embassy Suites Phoenix—Biltmore	232
California		
	Courtyard San Francisco	166
	Embassy Suites Irvine Orange County	293
	Embassy Suites Los Angeles Downey	220
	Embassy Suites Los Angeles—International Airport South	349
	Embassy Suites Mandalay Beach—Hotel & Resort	250
	Embassy Suites Milpitas Silicon Valley	266
	Embassy Suites Napa Valley	205
	Embassy Suites San Francisco Airport—South San Francisco	312
	Embassy Suites San Francisco Airport—Waterfront	340
	Hilton Garden Inn Los Angeles Hollywood	160
	Hilton Garden Inn San Francisco Oakland Bay Brg	278
	Holiday Inn San Francisco—Fisherman's Wharf	585
	Hyatt House Cypress Anaheim	142
	Hyatt House Emeryville San Francisco Bay Area	234
	Hyatt House San Diego Sorrento Mesa	193
	Hyatt House San Jose Silicon Valley	164
	Hyatt House San Ramon	142
	Hyatt House Santa Clara	150
	Hyatt Place Fremont Silicon Valley	151
	Residence Inn Palo Alto Los Altos	156
	San Francisco Marriott Union Square	401
	Wyndham San Diego Bayside	600
	Wyndham Santa Monica At The Pier	132
Colorado		
	Courtyard Boulder Longmont	78
	Courtyard Boulder Louisville	154
	Courtyard Denver West Golden	110
Kentucky		
	Courtyard Louisville Northeast	114
	Marriott Louisville Downtown	616
	Residence Inn Louisville Downtown	140
	Residence Inn Louisville Northeast	102
	SpringHill Suites Louisville Hurstbourne North	142
Louisiana		
	Chateau LeMoyne—French Quarter, New Orleans (1)	171
	Hilton Garden Inn New Orleans Convention Center	286
	Hotel Indigo New Orleans Garden District	132
	Wyndham New Orleans—French Quarter	374
Massachusetts		
	Embassy Suites Boston Marlborough	229
	Embassy Suites Boston Waltham	275
	Wyndham Boston Beacon Hill	304
Maryland		
	DoubleTree Hotel Columbia	152
	Residence Inn Bethesda Downtown	188
	Residence Inn Columbia	108
	Residence Inn National Harbor Washington DC	162
	Residence Inn Silver Spring	130
Michigan		
	Residence Inn Detroit Novi	107
Minnesota		
	Embassy Suites Minneapolis—Airport	310
New Jersey		
	Embassy Suites Secaucus—Meadowlands (2)	261
New York		
	Courtyard New York Manhattan Upper East Side	226
	DoubleTree Metropolitan Hotel New York City (3)	764
	Hampton Inn Garden City	143
	The Knickerbocker New York (4)	330

State	Hotel Property Name	Rooms
	Fairfield Inn & Suites Denver Cherry Creek	134
	Hampton Inn & Suites Denver Tech Center	123
	Marriott Denver Airport @ Gateway Park	238
	Marriott Denver South @ Park Meadows	279
	Renaissance Boulder Flatiron Hotel	232
	Residence Inn Boulder Louisville	88
	Residence Inn Denver West Golden	88
	Residence Inn Longmont Boulder	84
	SpringHill Suites Boulder Longmont	90
	SpringHill Suites Denver North Westminster	164
District of Columbia		
	Fairfield Inn & Suites Washington DC Downtown	198
	Homewood Suites Washington DC Downtown	175
	Hyatt Place Washington DC Downtown K Street	164
Florida		
	Courtyard Fort Lauderdale SW Miramar	128
	DoubleTree Grand Key Resort	216
	DoubleTree Suites by Hilton Orlando—Lake Buena Vista	229
	Embassy Suites Deerfield Beach—Resort & Spa	244
	Embassy Suites Fort Lauderdale 17th Street	361
	Embassy Suites Fort Myers Estero	150
	Embassy Suites Miami—International Airport	318
	Embassy Suites Orlando—International Drive South/Convention Center	244
	Embassy Suites Tampa Downtown Convention Center	360
	Embassy Suites West Palm Beach Central	194
	Fairfield Inn & Suites Key West	106
	Hampton Inn Fort Walton Beach	100
	Hampton Inn & Suites Clearwater St Petersburg Ulmerton Road	128
	Hampton Inn West Palm Beach Airport Central	105
	Hilton Cabana Miami Beach	231
	Hilton Garden Inn West Palm Beach Airport	100
	Renaissance Fort Lauderdale Plantation Hotel	250
	Residence Inn Fort Lauderdale Plantation	138
	Residence Inn Fort Lauderdale SW Miramar	130
	The Vinoy Renaissance St. Petersburg Resort & Golf Club	362
North Carolina		
	Hilton Garden Inn Durham Raleigh Research Triangle Park	177
	Hyatt House Charlotte Center City	163
Oregon		
	Courtyard Portland City Center	256
	SpringHill Suites Portland Hillsboro	106
Pennsylvania		
	Hilton Garden Inn Pittsburgh University Place	202
	Renaissance Pittsburgh Hotel	300
	Sheraton Philadelphia Society Hill Hotel	364
	Wyndham Philadelphia Historic District	364
	Wyndham Pittsburgh University Center	251
South Carolina		
	Courtyard Charleston Historic District	176
	Embassy Suites Myrtle Beach—Oceanfront Resort	255
	Hilton Myrtle Beach Resort	385
	The Mills House Wyndham Grand Hotel	216
Texas		
	Courtyard Austin Airport	150
	Courtyard Austin Downtown Convention Center	270
	Courtyard Austin Northwest Arboretum	102
	Courtyard Austin South	110
	Courtyard Houston By The Galleria	190
	Courtyard Houston Downtown Convention Center	191
	Courtyard Houston Sugarland	112
	DoubleTree Suites by Hilton Austin	188
	Embassy Suites Dallas—Love Field	248
	Fairfield Inn & Suites Austin South Airport	63
	Fairfield Inn & Suites San Antonio Downtown Market	110
	Hampton Inn Houston Near The Galleria	176
	Hyatt House Austin Arboretum	131
	Hyatt House Dallas Lincoln Park	155
	Hyatt House Dallas Uptown	141
	Hyatt House Houston Galleria	147
	Hyatt Centric The Woodlands	70

State	Hotel Property Name	Rooms
Georgia		
	Courtyard Atlanta Buckhead	181
	Embassy Suites Atlanta—Buckhead	316
	Hyatt Atlanta Midtown	194
	Residence Inn Atlanta Midtown Historic	90
Hawaii		
	Courtyard Waikiki Beach	403
Illinois		
	Courtyard Chicago Downtown Magnificent Mile	306
	Courtyard Midway Airport	174
	Fairfield Inn & Suites Chicago Midway Airport	114
	Hampton Inn Chicago Midway Airport	170
	Hilton Garden Inn Chicago Midway Airport	174
	Holiday Inn Express & Suites Midway Airport	104
	Marriott Chicago Midway	200
	Residence Inn Chicago Oak Brook	156
	Residence Inn Chicago Naperville	130
	Sleep Inn Midway Airport	121
Indiana		
	Courtyard Chicago Southeast Hammond	85
	Courtyard Indianapolis @ The Capitol	124
	Courtyard South Bend Mishawaka	78
	Fairfield Inn & Suites Chicago SE Hammond	94
	Hilton Garden Inn Bloomington	168
	Residence Inn Chicago Southeast Hammond	78
	Residence Inn Indianapolis Downtown On The Canal	134
	Residence Inn Indianapolis Fishers	78
	Residence Inn Merrillville	78
	SpringHill Suites South Bend Mishawaka	87
	Marriott Austin South	211
	Residence Inn Austin Downtown Convention Center	179
	Residence Inn Austin North Parmer Lane	88
	Residence Inn Austin Northwest Arboretum	84
	Residence Inn Austin South	66
	Residence Inn Houston By The Galleria	146
	Residence Inn Houston Downtown Convention Center	171
	Residence Inn Houston Sugarland	78
	Residence Inn San Antonio Downtown Market Square	95
	SpringHill Suites Austin North Parmer Lane	132
	SpringHill Suites Austin South	152
	SpringHill Suites Houston Downtown Convention Center	167
	Wyndham Houston—Medical Center Hotel & Suites	287
Utah		
	Courtyard Salt Lake City Airport	154
	Residence Inn Salt Lake City Airport	104
Vermont		
	DoubleTree by Hilton Burlington Vermont	309
Washington		
	Homewood Suites Seattle Lynnwood	170
Wisconsin		
	Hyatt Place Madison Downtown	151

(1) We own an indirect 50% ownership interest in this hotel property and we account for the ownership interest using the equity method of accounting. This hotel property is operated without a lease.

(2) We own an indirect 50% ownership interest in the real estate at this hotel property and we record the real estate interests using the equity method of accounting. We lease the hotel property to its TRS, of which we own a controlling financial interest in the operating lessee, so we consolidate the ownership interest in the leased hotel.

(3) We own a 98.3% controlling ownership interest in this hotel property.

(4) We own a 95% controlling ownership interest in this hotel property.

Management Agreements

In order to qualify as a REIT, we cannot directly or indirectly operate any of our hotel properties. We lease each of our hotel properties to TRS lessees, which in turn engage property management

companies to manage our hotel properties. Each of our hotel properties is operated pursuant to a hotel management agreement with one of 17 independent hotel management companies. Each hotel management company receives a base management fee and is also eligible to receive an incentive management fee upon the achievement of certain financial thresholds as set forth in each applicable management agreement. The incentive management fee is generally calculated as a percentage of hotel operating profit after we have received a priority return on our investment in the hotel.

As of December 31, 2017, WLS was the management company for 71 of our hotel properties. Our remaining hotel properties were managed by 16 other management companies located in the United States. Below is a summary of the principal terms of the management agreements with WLS and a general overview of our non-WLS management agreements.

On January 24, 2018, Interstate Hotels & Resorts ("Interstate") acquired 62 of our management agreements with WLS. Pursuant to this transaction, we now have 73 management agreements with Interstate and nine management agreements with WLS. The terms of the original WLS management agreements (described below) remain in effect.

WLS Management Agreements

WLS is a fully-integrated owner, developer, and manager of premium-brand hotels. Our TRS lessees, as lessees of the respective hotels, have entered into management agreements with WLS. This summary is qualified in its entirety by reference to the form of the WLS management agreement included as an exhibit to this Annual Report on Form 10-K.

Our WLS management agreements contain initial terms of 10 to 20 years and are generally subject to two automatic renewal terms of five to 10 years each. The WLS management agreements have an average remaining initial term of approximately nine years.

Under the WLS management agreements, WLS receives a base management fee and, if certain financial thresholds are met or exceeded, an incentive management fee. The base management fee is generally 3.5% of gross hotel revenues for the applicable hotel. Gross hotel revenue is calculated as all hotel revenue before subtracting expenses. The incentive management fee, which is calculated on a per hotel basis, is 15% of the operating profit (as defined in the applicable hotel management agreement) remaining after we receive an annual return equal to 11% of our total capital investment, including debt, in the applicable hotel. We also pay certain computer support and accounting service fees to WLS, as reflected in each management agreement.

We have structured our WLS management agreements to align our interests with those of WLS by providing us with a right to terminate a WLS management agreement if WLS fails to achieve certain criteria relating to the performance of a hotel property under WLS management, as measured with respect to any two consecutive fiscal years.

Subject to certain qualifications and applicable cure periods, the management agreements are generally terminable by either party upon material casualty or condemnation of the hotel or the occurrence of certain customary events of default. If an event of default occurs and continues beyond the grace period set forth in the WLS management agreement, the non-defaulting party generally has, among other remedies, the option of terminating the applicable management agreement, upon at least 30 days written notice to the other party.

In the event that WLS elects to terminate a WLS management agreement due to an event of default by us, WLS may elect to recover a termination fee, as liquidated damages, equal to 2.5 times the actual base management fee and incentive management fee earned by WLS under that management agreement in the fiscal year immediately preceding the fiscal year in which such termination occurred.

Generally, the WLS management agreements state that we cannot sell the applicable hotel property to any unrelated third party or engage in certain change of control actions (1) if we are in default under the management agreement, or (2) with or to a person or entity that is known in the community as being of bad moral character or has been convicted of a felony or is in control of or controlled by persons convicted of a felony or would be in violation of any franchise agreement requirements applicable to us. Generally, the WLS management agreements further require that any future owner of the applicable hotel property, at the option of WLS, assume the WLS management agreement or enter into a new WLS management agreement for such hotel property.

Other Management Agreements

As of December 31, 2017, 87 of our hotel properties were managed by 16 hotel management companies other than WLS. This number includes 47 hotel properties that receive the benefits of a franchise agreement pursuant to management agreements with Hilton, Hyatt, Marriott, Wyndham, or other hotel brands. Each of these hotels is subject to a management agreement that contains customary terms and conditions that generally are similar to the provisions found in the WLS management agreements described above.

The management agreements generally have initial terms that range from three to 25 years, and some provide for one or two automatic extension periods ranging from one to ten years. In addition, each hotel management company receives a base management fee generally between 3.0% and 3.5% of hotel revenues. Management agreements that include the benefits of a franchise agreement incur a base management fee generally between 2.0% and 7.0% of hotel revenues.

The hotel management companies may also earn an incentive management fee ranging from 10% to 25% of the available cash flow (or other similar metric), as defined in the management agreement. The incentive management fee is generally calculated as a percentage of the hotel operating income after we have received a priority return on our investment in the hotel property.

Each of the management agreements provides us with a right to terminate such management agreement if the hotel management company fails to reach certain performance targets (as provided in the applicable management agreement) or provides us with a right to terminate the management agreement in our sole and absolute discretion. In addition, certain management agreements give us the right to terminate the management agreement upon the sale of the hotel property or for any reason upon payment of a stipulated termination fee. The management agreements are also generally terminable by either party upon material casualty or condemnation of the hotel property or the occurrence of certain customary events of default.

The Wyndham management agreements guarantee minimum levels of annual net operating income at each of the Wyndham-managed hotels for each year of the initial 10-year term to 2023, subject to an aggregate $100 million limit over the term and an annual $21.5 million limit. As of December 31, 2017, approximately $22.1 million of the Wyndham net operating income guarantee, in the aggregate, had been recognized. We recognize the guaranty as a reduction of Wyndham's contractual management and other fees.

Franchise Agreements

As of December 31, 2017, 110 of our hotels operated under franchise agreements with Marriott, Hilton, Hyatt or other hotel brands. These numbers exclude 47 hotel properties that receive the benefits of a franchise agreement pursuant to management agreements with Hilton, Hyatt, Marriott, Wyndham, or other hotel brands. In addition, The Knickerbocker is not operated with a hotel brand so the hotel does not have a franchise agreement.

The franchisors provide a variety of benefits to the franchisees, including centralized reservation systems, national advertising, marketing programs and publicity designed to increase brand awareness, training of personnel and maintenance of operational quality at the hotels across the brand system. The franchise agreements generally specify management, operational, record-keeping, accounting, reporting and marketing standards and procedures, all of which our TRS lessees, as the franchisees, must follow. The franchise agreements require our TRS lessees to comply with the franchisors' standards and requirements, including the training of operational personnel, safety, maintaining specified insurance, the types of services and products ancillary to guest room services that may be provided by the TRS lessee, the display of signage and the type, quality and age of furniture, fixtures and equipment included in the guest rooms and the nature of the lobbies and other common areas. The franchise agreements have initial terms ranging from 10 to 30 years. Each of our existing franchise agreements require that we pay a royalty fee generally between 4.0% and 6.0% of room revenue, plus additional fees for marketing, central reservation systems and other franchisor costs generally between 1.0% and 4.3% of room revenue. Certain hotels are also charged a royalty fee of generally 3.0% of food and beverage revenues.

The franchise agreements also provide for termination at the applicable franchisor's option upon the occurrence of certain events, including the failure to pay royalties and fees, the failure to perform our obligations under the franchise license, bankruptcy and the abandonment of the franchise, or a change in control. The TRS lessee is responsible for making all payments under the applicable franchise agreement to the franchisor; however, we are required to guarantee the obligations under each of the franchise agreements. In addition, many of our existing franchise agreements provide the franchisor with a right of first offer in the event of certain sales or transfers of a hotel and provide the franchisor the right to approve any change in the hotel management company who manages the hotel.

TRS Leases

In order for us to qualify as a REIT, neither our company nor any of our subsidiaries may directly or indirectly operate any of our hotels. The subsidiaries of the Operating Partnership, as the lessors, lease our hotels to our TRS lessees, which, in turn, are the parties to the existing hotel management agreements with the third-party hotel management companies at each of our hotels. The TRS leases contain the provisions that are described below. For the hotels that are acquired in the future, we intend for the leases to contain substantially similar provisions as to those described below; however, we may, in our discretion, alter any of these provisions with respect to any particular lease.

Lease Terms

Our TRS leases have initial terms that range from three to five years and a majority of the leases can be renewed by our TRS lessees for three successive five-year renewal terms unless the lessee is in default at the expiration of the then-current term. In addition, our TRS leases are subject to early termination by us in the event that we sell the hotel to an unaffiliated party, a change in control occurs or the applicable provisions of the Code are amended to permit us to operate our hotels. Our TRS leases are also subject to early termination upon the occurrence of certain events of default and/or other contingencies described in the lease.

Amounts Payable under the Leases

During the term of each TRS lease, our TRS lessees are obligated to pay us a fixed annual base rent plus a percentage rent and certain other additional charges that our TRS lessees agree to pay under the terms of the respective TRS lease. The percentage rent is calculated based on the revenues generated from the rental of guest rooms, food and beverage sales, and certain other sources, including meeting room and movie rentals.

The TRS leases require our TRS lessees to pay rent, all costs and expenses, management fees, franchise fees, personal property taxes, certain insurance policies and all utility and other charges incurred in the operation of the hotels. The leases also provide for rent reductions and abatements in the event of damage to, destruction, or a partial taking of, any hotel.

All of the above mentioned intercompany transactions eliminate in consolidation.

Maintenance and Modifications

Under each TRS lease, the TRS lessee may, at its expense, make additions, modifications or improvements to the hotel that it deems desirable, and that we approve. In addition, our TRS lessees are required, at their expense, to maintain the hotels in good order and repair, except for ordinary wear and tear, and to make repairs that may be necessary and appropriate to keep the hotel in good order and repair. Under the TRS lease, we are responsible for maintaining, at our cost, any underground utilities or structural elements, including the exterior walls and the roof of the hotel (excluding, among other things, windows and mechanical, electrical and plumbing systems). Each TRS lessee, when and as required to meet the standards of the applicable hotel management agreement, any applicable hotel franchise agreement, or to satisfy the requirements of any lender, must establish an FF&E reserve in an amount equal to up to 5% of gross revenue for the purpose of periodically repairing, replacing or refurbishing the furnishings and equipment.

Events of Default

The events of default under each of the leases include, among others: the failure by a TRS lessee to pay rent when due; the breach by a TRS lessee of a covenant, condition or term under the lease, subject to the applicable cure period; the bankruptcy or insolvency of a TRS lessee; cessation of operations by a TRS lessee of the leased hotel for more than 30 days, except as a result of damage, destruction, or a partial or complete condemnation; or the default by a TRS lessee under a franchise agreement subject to any applicable cure period.

Termination of Leases on Disposition of the Hotels or Change of Control

In the event that we sell a hotel to a non-affiliate or a change of control occurs, we generally have the right to terminate the lease by paying the applicable TRS lessee a termination fee to be governed by the terms and conditions of the lease.

Ground Leases

As of December 31, 2017, 17 of our consolidated hotel properties and two of our unconsolidated hotel properties were subject to ground lease agreements that cover the land under the respective hotel properties. Additional information on the ground leases can be found in Note 12 to our accompanying consolidated financial statements.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Our common shares are traded on the New York Stock Exchange ("NYSE") under the symbol "RLJ." The table below is a summary of the high and low prices of our common shares for each quarterly period for the years ended December 31, 2017 and 2016, as reported on the NYSE and the distributions paid by us with respect to each quarterly period.

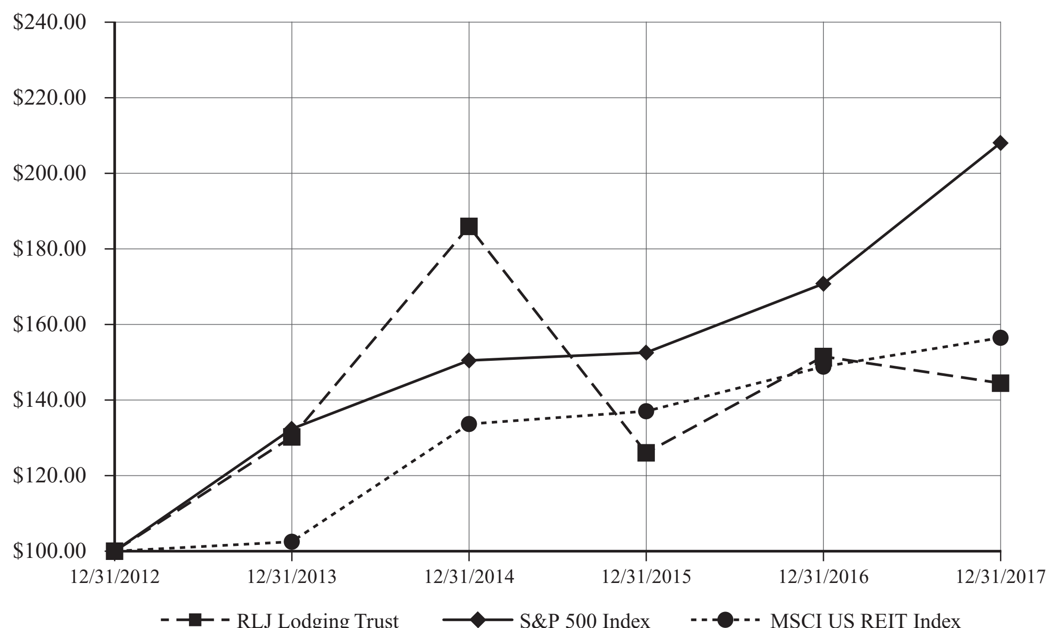
2017	High	Low	Distribution
January 1, 2017 through March 31, 2017	$25.01	$21.86	$0.33
April 1, 2017 through June 30, 2017	$23.98	$19.12	$0.33
July 1, 2017 through September 30, 2017	$22.77	$19.24	$0.33
October 1, 2017 through December 31, 2017	$22.92	$20.52	$0.33

2016	High	Low	Distribution
January 1, 2016 through March 31, 2016	$23.33	$16.15	$0.33
April 1, 2016 through June 30, 2016	$22.81	$18.86	$0.33
July 1, 2016 through September 30, 2016	$24.60	$20.58	$0.33
October 1, 2016 through December 31, 2016	$25.10	$18.92	$0.33

On December 29, 2017 and February 20, 2018, the closing price of our common shares as reported on the NYSE was $21.97 and $21.62, respectively.

Share Return Performance

The graph and the table set forth below assume $100 was invested on December 31, 2012 in RLJ Lodging Trust's common shares. The graph and the table compare the total shareholder return of our common shares against the cumulative total returns of the Standard & Poor's 500 Index ("S&P 500 Index") and the Morgan Stanley Capital International United States REIT Index ("MSCI US REIT Index") between December 31, 2012 and December 31, 2017. The graph assumes an initial investment of $100 in our common shares and in each of the indices, and it also assumes the reinvestment of dividends.



Name	Initial Investment at December 31, 2012	Value of Initial Investment at December 31, 2013	Value of Initial Investment at December 31, 2014	Value of Initial Investment at December 31, 2015	Value of Initial Investment at December 31, 2016	Value of Initial Investment at December 31, 2017
RLJ Lodging Trust	$100.00	$130.24	$185.96	$126.03	$151.52	$144.46
S&P 500 Index	$100.00	$132.37	$150.48	$152.55	$170.78	$208.05
MSCI US REIT Index .	$100.00	$102.50	$133.66	$137.04	$148.84	$156.48

This performance graph shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing by us under the Securities Act of 1933, as amended, or the Securities Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Shareholder Information

At February 20, 2018, we had 155 holders of record of our common shares. However, because many of our common shares are held by brokers and other institutions on behalf of shareholders, we believe there are substantially more beneficial holders of our common shares than record holders. At February 20, 2018, there were 17 holders (other than our company) of our OP units. Our OP units are redeemable for cash or, at our election, for our common shares.

In order to comply with certain requirements related to our qualification as a REIT, our declaration of trust provides that, subject to certain exceptions, no person or entity (other than a

person or entity who has been granted an exception) may directly or indirectly, beneficially or constructively, own more than 9.8% of the aggregate of our outstanding common shares, by value or by number of shares, whichever is more restrictive, or 9.8% of the aggregate of the outstanding preferred shares of any class or series, by value or by number of shares, whichever is more restrictive.

Distribution Information

We intend, over time, to make quarterly distributions to our common shareholders. In order to qualify and maintain our qualification for taxation as a REIT, we intend to make annual distributions to our shareholders of at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain.

The credit agreements governing our $600 million unsecured revolving credit facility (the "Revolver") and our unsecured term loans (the "Term Loans") limit our ability to pay cash dividends. However, so long as no default or event of default exists, the credit agreements allow us to pay cash dividends with respect to any period of four fiscal quarters in an amount not to exceed (i) 95% of adjusted funds from operations (as defined in the credit agreements), (ii) the amount required for us to maintain our status as a REIT (including the right to distribute 100% of net capital gain) under Sections 856 through 860 of the Code, and (iii) the amount necessary for us to avoid income or excise tax under the Code. If certain defaults or events of default exist, we may pay cash dividends with respect to any fiscal year in an aggregate amount not to exceed the greater of (a) the minimum amount required for us to maintain our status as a REIT under Sections 856 through 860 of the Code, or (b) the amount necessary to avoid income or excise tax under the Code.

The terms of our outstanding preferred stock prohibit us from paying dividends on our common shares unless all accrued preferred dividends then payable have been paid.

Any future distributions will be at the sole discretion of our board of trustees, and their form, timing and amount, if any, will depend upon a number of factors, including our actual and projected financial condition, liquidity, EBITDA, FFO and results of operations, the revenue we actually receive from our properties, our operating expenses, our debt service requirements, our capital expenditures, prohibitions and other limitations under our financing arrangements, as described above, our REIT taxable income, the annual REIT distribution requirements, applicable law and such other factors as our board of trustees deems relevant. To the extent that our cash available for distribution is less than 90% of our REIT taxable income, we may consider various means to cover any such shortfall, including borrowing under the Revolver or other loans, selling certain of our assets, or using a portion of the net proceeds we receive from offerings of equity, equity-related or debt securities or declaring taxable share dividends.

Unregistered Sales of Equity Securities

The Company did not sell any securities during the fiscal year ended December 31, 2017 that were not registered under the Securities Act of 1933, as amended (the "Securities Act").

Issuer Purchases of Equity Securities

On May 1, 2015, the Company's board of trustees authorized a share repurchase program to acquire up to $200.0 million of the Company's common shares. On October 30, 2015, the Company's board of trustees increased the authorized amount that may be repurchased by $200.0 million to a total of $400.0 million. On February 17, 2017, the Company's board of trustees increased the authorized amount that may be repurchased by $40.0 million to a total of $440.0 million. During the year ended December 31, 2017, the Company repurchased and retired 122,508 of its common shares for approximately $2.6 million in connection with its share repurchase program. On February 16, 2018, the

Company's board of trustees extended the duration of the share repurchase program to February 28, 2019.

Additionally, during the year ended December 31, 2017, certain of our employees surrendered common shares owned by them to satisfy their statutory minimum federal and state tax obligations associated with the vesting of restricted common shares of beneficial interest issued under the RLJ Lodging Trust 2015 Equity Incentive Plan (the "2015 Plan").

The following table summarizes all of the share repurchases during the year ended December 31, 2017:

Period	Total number of shares purchased	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(1)
January 1, 2017 through January 31, 2017	1,335	$24.15	—	8,683,441
February 1, 2017 through February 28, 2017	19,526	$23.26	—	8,855,126
March 1, 2017 through March 31, 2017	—	$ —	—	8,572,636
April 1, 2017 through April 30, 2017	1,298	$22.66	—	9,378,440
May 1, 2017 through May 31, 2017	31,125	$20.02	—	9,903,817
June 1, 2017 through June 30, 2017	—	$ —	—	10,143,063
July 1, 2017 through July 31, 2017	2,035	$21.13	—	9,524,701
August 1, 2017 through August 31, 2017	50,059	$20.64	—	9,987,248
September 1, 2017 through September 30, 2017	122,508	$21.31	122,508	9,042,387
October 1, 2017 through October 31, 2017	17,424	$21.35	—	9,184,327
November 1, 2017 through November 30, 2017	21,964	$21.05	—	9,175,854
December 1, 2017 through December 31, 2017	—	$ —	—	9,054,735
Total for the year ended December 31, 2017	267,274		122,508	

(1) 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.

Item 6. Selected Financial Data

The following selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements as of December 31, 2017 and 2016 and for the three years ended December 31, 2017, 2016 and 2015, and the related notes included elsewhere in this Annual Report on Form 10-K.

The selected financial information as of and for the years ended December 31, 2017, 2016, 2015, 2014 and 2013 has been derived from our audited historical financial statements.

	For the year ended December 31,				
	2017	2016	2015	2014	2013
	(In thousands, except share and per share data)				
Statements of Operations Data:					
Revenue					
Room revenue	$1,146,882	$1,010,637	$ 985,361	$ 969,402	$844,741
Other property revenue	209,379	149,358	150,979	139,795	125,639
Total revenue	1,356,261	1,159,995	1,136,340	1,109,197	970,380
Expense					
Room expense	270,729	228,656	220,101	213,071	186,667
Other property expense	541,142	439,453	437,545	433,274	388,440
Total property operating expense	811,871	668,109	657,646	646,345	575,107
Depreciation and amortization	186,993	162,500	156,226	144,294	127,231
Impairment loss	—	—	1,003	9,200	—
Property tax, insurance and other	91,406	77,281	76,682	71,443	63,627
General and administrative	40,453	31,516	37,810	41,671	35,466
Transaction costs	44,398	192	3,058	4,850	4,410
Total operating expense	1,175,121	939,598	932,425	917,803	805,841
Operating income	181,140	220,397	203,915	191,394	164,539
Interest and other income	5,926	1,998	3,161	2,688	7,431
Interest expense	(78,322)	(58,820)	(54,788)	(56,810)	(64,348)
Income from continuing operations before equity in income from unconsolidated joint ventures and income tax (expense) benefit	108,744	163,575	152,288	137,272	107,622
Equity in income from unconsolidated joint ventures	133	—	—	—	—
Income tax (expense) benefit	(42,118)	(8,190)	39,126	(1,145)	(879)
Gain on sale of hotel properties	8,980	45,929	28,398	353	—
Net income from continuing operations, including gain on sale	75,739	201,314	219,812	136,480	106,743
Net income attributable to noncontrolling interests	(904)	(962)	(1,591)	(1,039)	(1,258)
Preferred dividends	(8,372)	—	—	—	—
Net income from continuing operations attributable to common shareholders	$ 66,463	$ 200,352	$ 218,221	$ 135,441	$105,485

	As of December 31,				
	2017	2016	2015	2014	2013
	(In thousands, except share and per share data)				
Balance Sheet Data:					
Investment in hotel properties, net	$ 5,791,925	$ 3,368,674	$ 3,674,999	$ 3,518,803	$ 3,241,163
Cash and cash equivalents	$ 586,470	$ 456,672	$ 134,192	$ 262,458	$ 332,248
Total assets	$ 6,794,805	$ 4,023,393	$ 3,972,942	$ 4,118,727	$ 3,709,074
Total debt	$ 2,880,488	$ 1,582,715	$ 1,575,486	$ 1,548,095	$ 1,400,765
Total liabilities	$ 3,224,527	$ 1,788,116	$ 1,772,418	$ 1,740,243	$ 1,562,740
Total equity	$ 3,570,278	$ 2,235,277	$ 2,200,524	$ 2,378,484	$ 2,146,334
Per Common Share Data:					
Basic income from continuing operations per share	$ 0.47	$ 1.61	$ 1.69	$ 1.06	$ 0.89
Diluted income from continuing operations per share(1)	$ 0.47	$ 1.61	$ 1.68	$ 1.05	$ 0.88
Weighted-average common shares outstanding—basic	140,616,838	123,651,003	128,444,469	127,360,669	117,950,066
Weighted-average common shares outstanding—diluted(1)	140,694,049	123,879,007	128,967,754	128,293,843	118,738,626
Dividends declared per common share	$ 1.32	$ 1.32	$ 1.32	$ 1.04	$ 0.86

(1) Income allocated to the noncontrolling interest in the Operating Partnership has been excluded from the numerator, and the OP units of the Operating Partnership have been omitted from the denominator, since the effect of including these amounts in the numerator and denominator would have no impact.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements, the related notes included thereto, and Item 1A., "Risk Factors", all of which appear elsewhere in this Annual Report on Form 10-K.

Overview

We are a self-advised and self-administered Maryland REIT that acquires primarily premium-branded, focused-service and compact full-service hotels. We are one of the largest U.S. publicly-traded lodging REITs in terms of both number of hotels and number of rooms. Our hotel properties are concentrated in markets that we believe exhibit multiple demand generators with dense corporate and individual populations. We believe premium-branded, focused-service and compact full-service hotels with these characteristics generate high levels of RevPAR, strong operating margins and attractive returns.

Our strategy is to acquire 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 we look at factors that could impact our business, we find that the consumer is generally in good health, job creation remains positive, and an increase in wages is adding to consumers' disposable income. While geopolitical and global economic uncertainty still exists, we remain hopeful that positive employment trends and an improving consumer balance sheet will continue to drive economic expansion in the U.S.

We are cautiously optimistic that the recent tax reform will accelerate the expansion of the U.S. economy and generate positive lodging demand and RevPAR growth for the industry. However, in light of accelerating supply, RevPAR growth is likely to be moderate.

We continue to follow a prudent and disciplined capital allocation strategy. We will continue to look for and weigh all possible investment decisions against the highest and best returns for our shareholders over the long term. We believe that our cash on hand and expected access to capital (including availability under our Revolver) along with our senior management team's experience, extensive industry relationships and asset management expertise, will enable us to pursue investment opportunities that generate additional internal and external growth.

On August 31, 2017, we completed our merger with FelCor Lodging Trust Incorporated ("FelCor"). The combined company, headquartered in Bethesda, Maryland, continues to be led by our existing senior management team. As of December 31, 2017, we owned 158 hotel properties with approximately 31,000 rooms, located in 26 states and the District of Columbia. We owned, through wholly-owned subsidiaries, a 100% interest in 154 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 156 hotel properties in which we hold a controlling financial interest, and we record the real estate interests in the two hotels in which we hold an indirect 50% interest using the equity method of accounting. We lease 157 of the 158 hotel properties to our TRS, of which we own a controlling financial interest.

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 revenue is primarily derived from the operation of hotels, including the sale of rooms, food and beverage revenue and other revenue, which consists of parking fees, golf, pool and other 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 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 hotel management companies on a monthly basis, which reflects hotel-level sales less hotel-level operating expenses.

Key Indicators of Operating 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 represents the total hotel room revenues divided by the total number of rooms sold in a given period. ADR measures the average room price attained by a hotel and ADR trends provide useful information concerning the pricing environment and the nature of the customer base at a hotel or group of hotels. We use ADR to assess the pricing levels that we are able to generate, as changes in rates have a greater impact on operating margins and profitability than changes in occupancy.

- ***Occupancy***—Occupancy represents the total number of hotel rooms sold in a given period divided by the total number of rooms available. Occupancy measures the utilization of our hotels' available capacity. We use occupancy to measure demand at a specific hotel or group of hotels in a given period. Additionally, occupancy levels help us determine the achievable ADR levels.

- ***Revenue Per Available Room***—RevPAR is the product of ADR and occupancy. RevPAR does not include non-room revenues, such as food and beverage revenue or other revenue. We use RevPAR to identify trend information with respect to room revenues from comparable hotel properties and to evaluate hotel performance on a regional basis.

RevPAR changes that are primarily driven by changes in occupancy have different implications for overall revenues and profitability than the changes that are driven primarily by changes in ADR. For example, an increase in occupancy at a hotel would lead to additional variable operating costs (including housekeeping services, utilities and room supplies) and could also result in an increase in other revenue and other operating expense. Changes in ADR typically have a greater impact on operating margins and profitability as they only have a limited effect on variable operating costs.

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. Room revenue comprised approximately 84.6% of our total revenue for the year ended December 31, 2017, and it is dictated by demand (as measured by occupancy), pricing (as measured by ADR) and our available supply of hotel rooms.

Another commonly used measure in the lodging industry is the RevPAR penetration index, which measures a hotel property's RevPAR in relation to the average RevPAR of that hotel's competitive set. Like other lodging companies, we use the RevPAR penetration index as an indicator of a hotel's market share in relation to its competitive set. However, the RevPAR penetration index for a particular hotel is not necessarily reflective of that hotel's relative share of any particular lodging market. The RevPAR penetration index for a particular hotel is calculated as the quotient of (1) the subject hotel's RevPAR divided by (2) the average RevPAR of the hotels in the subject hotel's competitive set, multiplied by 100. For example, if a hotel's RevPAR is $90 and the average RevPAR of the hotels in its competitive set is $90, the RevPAR penetration index would be 100, which would indicate that the subject hotel is capturing its fair market share in relation to its competitive set (i.e., the hotel's RevPAR is, on average, the same as its competitors). If, however, a hotel's RevPAR is $110 and the average RevPAR of the hotels in its competitive set is $90, the RevPAR penetration index of the subject hotel would be 122.2, which would indicate that the subject hotel has a RevPAR premium of approximately 22.2% (and, therefore, a market share premium) in relation to its competitive set.

One critical component in the RevPAR penetration index calculation is the determination of a hotel property's competitive set, which consists of a small group of hotels in the relevant market that we and the third-party hotel management company that manages the hotel property believe are comparable for purposes of benchmarking the performance of such hotel. The hotel property's competitive set is mutually agreed upon by us and the hotel's management company. Factors that we consider when establishing a competitive set include geographic proximity, brand affiliations, rate structure, and the level of service provided at the hotel. The determination of the competitive set is highly subjective, however, our methodology for determining a hotel property's competitive set may differ materially from those used by other hotel owners and/or management companies.

For the year ended December 31, 2017, the portfolio wide RevPAR penetration index of our hotel properties was 109.8, which indicates that, on average, our hotels maintained a market share premium of approximately 9.8% in relation to their competitive set.

We also use non-GAAP measures such as FFO, Adjusted FFO, EBITDA 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.

Principal Factors Affecting Our Results of Operations

The principal factors affecting our operating results include the overall demand for lodging compared to the supply of available hotel rooms and other lodging options, and the ability of our third-party hotel management companies to increase or maintain revenues while controlling expenses.

- ***Demand***—The demand for lodging, especially business travel, generally fluctuates with the overall economy. Historically, periods of declining demand are followed by extended periods of relatively strong demand, which typically occurs during the growth phase of the lodging cycle.
- ***Supply***—The development of new hotels is driven largely by construction costs, the availability of financing and the expected performance of existing hotels and other lodging options.

We expect that our ADR, Occupancy and RevPAR performance will be impacted by macroeconomic factors such as regional and local employment growth, government spending, personal income and corporate earnings, office vacancy rates, business relocation decisions, airport activity, business and leisure travel demand, new hotel construction and the pricing strategies of our competitors. In addition, our ADR, Occupancy and RevPAR performance are dependent on the continued success of the Marriott, Hilton, Hyatt and Wyndham hotel brands.

- ***Revenue***—Substantially all of our revenue is derived from the operation of hotels. Specifically, our revenue is comprised of:
  - *Room revenue*—Occupancy and ADR are the major drivers of room revenue. Room revenue accounts for the majority of our total revenue.
  - *Food and beverage revenue*—Occupancy, the nature of the hotel property and the type of customer staying at the hotel are the major drivers of food and beverage revenue (i.e., group business typically generates more food and beverage revenue through catering functions as compared to transient business, which may or may not utilize the hotel's food and beverage outlets).
  - *Other revenue*—Occupancy and the nature of the hotel property are the main drivers of other ancillary revenue, such as parking fees, golf, pool and other resort fees, gift shop sales and other guest service fees. Some hotels, due to the limited focus of the services offered and size or space limitations at the hotel, may not have the type of facilities that generate other revenue.
- ***Property Operating Expense***—The components of our property operating expense are as follows:
  - *Room expense*—These expenses include housekeeping and front office wages and payroll taxes, reservation systems, room supplies, laundry services and other room-related costs. Like room revenue, occupancy is the major driver of room expense. These costs can increase based on an increase in salaries and wages, as well as the level of service and amenities that are provided at the hotel property.
  - *Food and beverage expense*—These expenses primarily include food, beverage and labor costs. Occupancy and the type of customer staying at the hotel (i.e., catered functions are generally more profitable than restaurant, bar, and other food and beverage outlets that are located on the hotel property) are the major drivers of food and beverage expense, which correlates closely with food and beverage revenue.
  - *Management and franchise fee expense*—A base management fee is computed as a percentage of gross hotel revenues. An incentive management fee is typically paid when the hotel's operating income exceeds certain thresholds, and it is generally calculated as a percentage of hotel operating income after we have received a priority return on our investment in the hotel. A franchise fee is computed as a percentage of room revenue, plus an additional percentage of room revenue for marketing, central reservation systems and other franchisor costs. Certain hotels will also pay an additional franchise fee which is computed as a percentage of food and beverage revenue. For a more in depth discussion of the management and franchise fees, please refer to the "Our Hotel Properties—Our Hotel Management Agreements" and "Our Hotel Properties—Franchise Agreements" sections.

- *Other operating expense*—These expenses include labor and other costs associated with the sources of our other revenue, as well as the labor and other costs associated with the administrative departments, sales and marketing, repairs and maintenance, and utility costs at the hotel properties.

Most categories of variable operating expenses, including labor costs, fluctuate with changes in occupancy. Increases in occupancy are accompanied by increases in most categories of variable operating expenses, while increases in ADR typically only result in increases in certain categories of operating costs and expenses, such as management fees, franchise fees, travel agency commissions, and credit card processing fees, all of which are based on hotel revenues. Therefore, changes in the ADR have a more significant impact on operating margins than changes in occupancy.

2017 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. During the year ended December 31, 2017, the following significant activities took place:

- On August 31, 2017, we completed the merger transaction with FelCor for a total purchase price of approximately $1.4 billion. As a result, we acquired an ownership interest in 37 hotel properties that are located in major urban and resort markets.
- In December 2017, we sold The Fairmont Copley Plaza in Boston, Massachusetts for $170.0 million.
- In connection with the merger with FelCor, we designated and authorized the issuance of up to 12,950,000 Series A Preferred Shares.
- We declared cash dividends of $0.975 on each Series A Preferred Share for the year.
- We declared cash dividends of $1.32 per Common Share for the year.

Results of Operations

At December 31, 2017, 2016 and 2015 we owned 158, 122 and 126 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 years ended December 31, 2017, 2016 and 2015.

For the comparison between the years ended December 31, 2017 and 2016, the non-comparable properties include 37 hotel properties that were acquired in the merger with FelCor on August 31, 2017, and five dispositions that were completed between January 1, 2016 and December 31, 2017.

For the comparison between the years ended December 31, 2016 and 2015, the non-comparable properties include three acquisitions that were completed between January 1, 2015 and December 31, 2016, 27 dispositions that were completed between January 1, 2015 and December 31, 2016, and two hotel properties that were closed for renovations during all or a portion of the period between January 1, 2015 and December 31, 2016.

Comparison of the year ended December 31, 2017 to the year ended December 31, 2016

	For the year ended December 31,			
	2017	2016	$ Change	% Change
	(amounts in thousands)			
Revenue				
Operating revenue				
Room revenue	$1,146,882	$1,010,637	$ 136,245	13.5%
Food and beverage revenue	157,672	111,691	45,981	41.2%
Other revenue	51,707	37,667	14,040	37.3%
Total revenue	$1,356,261	$1,159,995	$ 196,266	16.9%
Expense				
Operating expense				
Room expense	$ 270,729	$ 228,656	$ 42,073	18.4%
Food and beverage expense	113,914	79,589	34,325	43.1%
Management and franchise fee expense	122,633	118,210	4,423	3.7%
Other operating expense	304,595	241,654	62,941	26.0%
Total property operating expense	811,871	668,109	143,762	21.5%
Depreciation and amortization	186,993	162,500	24,493	15.1%
Property tax, insurance and other	91,406	77,281	14,125	18.3%
General and administrative	40,453	31,516	8,937	28.4%
Transaction costs	44,398	192	44,206	—%
Total operating expense	1,175,121	939,598	235,523	25.1%
Operating income	181,140	220,397	(39,257)	(17.8)%
Other income	269	303	(34)	(11.2)%
Interest income	2,987	1,695	1,292	76.2%
Interest expense	(78,322)	(58,820)	(19,502)	33.2%
Gain on settlement of investment in loan	2,670	—	2,670	100.0%
Income before equity in income from unconsolidated joint ventures	108,744	163,575	(54,831)	(33.5)%
Equity in income from unconsolidated joint ventures	133	—	133	100.0%
Income before income tax expense	108,877	163,575	(54,698)	(33.4)%
Income tax expense	(42,118)	(8,190)	(33,928)	—%
Income from operations	66,759	155,385	(88,626)	(57.0)%
Gain on sale of hotel properties	8,980	45,929	(36,949)	(80.4)%
Net income	75,739	201,314	(125,575)	(62.4)%
Net income attributable to noncontrolling interests:				
Noncontrolling interest in consolidated joint ventures	(117)	(55)	(62)	—%
Noncontrolling interest in the Operating Partnership	(291)	(907)	616	(67.9)%
Preferred distributions—consolidated joint venture	(496)	—	(496)	100.0%
Net income attributable to RLJ	74,835	200,352	(125,517)	(62.6)%
Preferred dividends	(8,372)	—	(8,372)	100.0%
Net income attributable to common shareholders	$ 66,463	$ 200,352	$(133,889)	(66.8)%

Revenue

Total revenue increased $196.3 million, or 16.9%, to $1.36 billion for the year ended December 31, 2017 from $1.16 billion for the year ended December 31, 2016. The increase was a result of a $136.2 million increase in room revenue, a $46.0 million increase in food and beverage revenue, and a $14.0 million increase in other revenue.

Room Revenue

Room revenue increased $136.2 million, or 13.5%, to $1.15 billion for the year ended December 31, 2017 from $1.01 billion for the year ended December 31, 2016. The increase was a result of a $146.0 million increase in room revenue attributable to the non-comparable properties, which was partially offset by a $9.7 million decrease in room revenue attributable to the comparable properties. The decrease in room revenue from the comparable properties was attributable to a 0.7% decrease in RevPAR, which included RevPAR decreases in our Louisville, Chicago and New York City markets of 5.6%, 5.5% and 3.8%, respectively, partially offset by RevPAR increases in our Southern California, South Florida and Washington, D.C. markets of 4.6%, 3.9% and 3.5%, respectively.

The following are the key hotel operating statistics for the comparable properties owned at December 31, 2017 and 2016, respectively:

	For the year ended December 31,		
	2017	2016	% Change
Number of comparable properties (at end of period)	122	122	—
Occupancy	77.8%	78.2%	(0.5)%
ADR	$166.10	$166.62	(0.3)%
RevPAR	$129.27	$130.23	(0.7)%

Food and Beverage Revenue

Food and beverage revenue increased $46.0 million, or 41.2%, to $157.7 million for the year ended December 31, 2017 from $111.7 million for the year ended December 31, 2016. The increase was a result of a $47.1 million increase in food and beverage revenue attributable to the non-comparable properties, which was offset by a $1.1 million decrease in food and beverage revenue attributable to the comparable properties.

Other Revenue

Other revenue, which includes revenue derived from ancillary sources such as parking fees, golf, pool and other resort fees, gift shop sales and other guest service fees, increased $14.0 million, or 37.3%, to $51.7 million for the year ended December 31, 2017 from $37.7 million for the year ended December 31, 2016. The increase was due to a $14.7 million increase in other revenue attributable to the non-comparable properties, which was offset by a $0.7 million decrease in other revenue attributable to the comparable properties.

Property Operating Expense

Property operating expense increased $143.8 million, or 21.5%, to $811.9 million for the year ended December 31, 2017 from $668.1 million for the year ended December 31, 2016. The increase was due to a $136.9 million increase in property operating expense attributable to the non-comparable properties and a $6.9 million increase in property operating expense attributable to the comparable properties. The increase in property operating expense attributable to the comparable properties was related to higher room expense and other operating department costs, which were partially offset by

lower management and franchise fees. Room expense and other operating department costs fluctuate based on various factors, including changes in occupancy, labor costs, utilities and insurance costs. Management fees and franchise fees, which are computed as a percentage of gross revenue and room revenue, respectively, decreased as a result of lower revenues at the comparable properties.

Depreciation and Amortization

Depreciation and amortization expense increased $24.5 million, or 15.1%, to $187.0 million for the year ended December 31, 2017 from $162.5 million for the year ended December 31, 2016. The increase was due to a $28.1 million increase in depreciation and amortization expense attributable to the non-comparable properties, which was offset by a $3.6 million decrease in depreciation and amortization expense attributable to the comparable properties as a result of furniture, fixtures and equipment at certain hotel properties that were fully depreciated in 2016.

Property Tax, Insurance and Other

Property tax, insurance and other expense increased $14.1 million, or 18.3%, to $91.4 million for the year ended December 31, 2017 from $77.3 million for the year ended December 31, 2016. The increase was due to a $13.2 million increase in property tax, insurance and other expense attributable to the non-comparable properties and a $1.0 million increase in property tax, insurance and other expense attributable to the comparable properties.

General and Administrative

General and administrative expense increased $8.9 million, or 28.4%, to $40.5 million for the year ended December 31, 2017 from $31.5 million for the year ended December 31, 2016. The increase in general and administrative expense was primarily attributable to a $8.0 million increase in compensation expense and a net increase of $1.0 million in other general and administrative costs, including legal fees and other professional fees and costs. The increase in compensation expense for the year ended December 31, 2017 was primarily due to an increase in salary, bonus, and other employee compensation costs and the impact of a $2.8 million benefit realized during the year ended December 31, 2016 from the forfeiture of restricted shares and performance units upon the resignation of our former President and Chief Executive Officer in 2016.

Transaction Costs

Transaction costs increased $44.2 million to $44.4 million for the year ended December 31, 2017 from $0.2 million for the year ended December 31, 2016. The increase in transaction costs was attributable to approximately $38.4 million in transaction costs and $5.7 million in integration costs that were incurred by the Company related to the merger with FelCor.

Interest Expense

The components of our interest expense for the years ended December 31, 2017 and 2016 were as follows (in thousands):

	For the year ended December 31,			
	2017	2016	$ Change	% Change
Senior Notes	$15,918	$ —	$15,918	—%
Revolver and Term Loans	39,262	38,849	413	1.1%
Mortgage loans	19,643	16,006	3,637	22.7%
Amortization of deferred financing costs	3,499	3,965	(466)	(11.8)%
Total interest expense	$78,322	$58,820	$19,502	33.2%

Interest expense increased $19.5 million, or 33.2%, to $78.3 million for the year ended December 31, 2017 from $58.8 million for the year ended December 31, 2016. The increase in interest expense was primarily due to assuming the senior notes and mortgage loans in the merger with FelCor, partially offset by a decrease in amortization of the deferred financing costs as a result of the accelerated amortization of the deferred financing costs associated with the debt refinancing transactions in 2016 and by the additional amortization of the costs capitalized in conjunction with the debt refinancing transactions in 2016.

Gain on Settlement of Investment in Loan

During the year ended December 31, 2017, the Company recognized a gain on settlement of investment in loan of approximately $2.7 million as a result of the investment in loan maturing in September 2017.

Income Taxes

As part of our structure, we own TRSs that are subject to federal and state income taxes. The Company's effective tax rates were 35.4% and 3.9% for the years ended December 31, 2017 and 2016, respectively. Income tax expense increased $33.9 million to $42.1 million for the year ended December 31, 2017 from $8.2 million for the year ended December 31, 2016. The increase was primarily due to the impact of the Tax Cuts and Jobs Act (the "Tax Reform Act"), which was signed into law on December 22, 2017. The Tax Reform Act reduced the corporate income tax rate from 35% to 21%. The enactment of the Tax Reform Act resulted in a $31.7 million increase in our deferred tax expense as the lower corporate income tax rates that are expected to be in effect in the future reduced the future realizable value of our net deferred tax assets.

Comparison of the year ended December 31, 2016 to the year ended December 31, 2015

	For the year ended December 31,			
	2016	2015	$ Change	% Change
	(amounts in thousands)			
Revenue				
Operating revenue				
Room revenue	$1,010,637	$ 985,361	$ 25,276	2.6%
Food and beverage revenue	111,691	114,818	(3,127)	(2.7)%
Other revenue	37,667	36,161	1,506	4.2%
Total revenue	$1,159,995	$1,136,340	$ 23,655	2.1%
Expense				
Operating expense				
Room expense	$ 228,656	$ 220,101	$ 8,555	3.9%
Food and beverage expense	79,589	81,117	(1,528)	(1.9)%
Management and franchise fee expense	118,210	116,462	1,748	1.5%
Other operating expense	241,654	239,966	1,688	0.7%
Total property operating expense	668,109	657,646	10,463	1.6%
Depreciation and amortization	162,500	156,226	6,274	4.0%
Impairment loss	—	1,003	(1,003)	(100.0)%
Property tax, insurance and other	77,281	76,682	599	0.8%
General and administrative	31,516	37,810	(6,294)	(16.6)%
Transaction costs	192	3,058	(2,866)	(93.7)%
Total operating expense	939,598	932,425	7,173	0.8%
Operating income	220,397	203,915	16,482	8.1%
Other income	303	1,598	(1,295)	(81.0)%
Interest income	1,695	1,563	132	8.4%
Interest expense	(58,820)	(54,788)	(4,032)	7.4%
Income from continuing operations before income taxes	163,575	152,288	11,287	7.4%
Income tax (expense) benefit	(8,190)	39,126	(47,316)	—
Income from continuing operations	155,385	191,414	(36,029)	(18.8)%
Gain on sale of hotel properties	45,929	28,398	17,531	61.7%
Net income	201,314	219,812	(18,498)	(8.4)%
Net income attributable to noncontrolling interests:				
Noncontrolling interest in consolidated joint venture	(55)	(77)	22	(28.6)%
Noncontrolling interest in the Operating Partnership	(907)	(1,514)	607	(40.1)%
Net income attributable to common shareholders	$ 200,352	$ 218,221	$(17,869)	(8.2)%

Revenue

Total revenue increased $23.7 million, or 2.1%, to $1.16 billion for the year ended December 31, 2016 from $1.14 billion for the year ended December 31, 2015. The increase was a result of a $25.3 million increase in room revenue and a $1.5 million increase in other revenue, partially offset by a $3.1 million decrease in food and beverage revenue.

Room Revenue

Room revenue increased $25.3 million, or 2.6%, to $1.01 billion for the year ended December 31, 2016 from $985.4 million for the year ended December 31, 2015. The increase was a result of a $13.6 million increase in room revenue attributable to the comparable properties and an $11.6 million increase in room revenue attributable to the non-comparable properties. The increase in room revenue from the comparable properties was attributable to a 1.2% increase in RevPAR, led by RevPAR increases in our Northern California, Southern California and Washington, D.C. markets of 9.6%, 8.0% and 4.4%, respectively, which were partially offset by RevPAR decreases in our Houston, Chicago and New York City markets of 12.3%, 3.3% and 2.3%, respectively.

The following are the key hotel operating statistics for the comparable properties owned at December 31, 2016 and 2015, respectively:

	For the year ended December 31,		
	2016	**2015**	**% Change**
Number of comparable properties (at end of period)	117	117	—
Occupancy	78.2%	78.1%	0.1%
ADR	$164.93	$163.09	1.1%
RevPAR	$128.91	$127.34	1.2%

Food and Beverage Revenue

Food and beverage revenue decreased $3.1 million, or 2.7%, to $111.7 million for the year ended December 31, 2016 from $114.8 million for the year ended December 31, 2015. The decrease was a result of a $2.0 million decrease in food and beverage revenue attributable to the comparable properties and a $1.1 million decrease in food and beverage revenue attributable to the non-comparable properties.

Other Revenue

Other revenue, which includes revenue derived from ancillary sources such as parking fees, gift shop sales and other guest service fees, increased $1.5 million, or 4.2%, to $37.7 million for the year ended December 31, 2016 from $36.2 million for the year ended December 31, 2015. The increase was due to a $0.8 million increase in other revenue attributable to the non-comparable properties and a $0.7 million increase in other revenue attributable to the comparable properties.

Property Operating Expense

Property operating expense increased $10.5 million, or 1.6%, to $668.1 million for the year ended December 31, 2016 from $657.6 million for the year ended December 31, 2015. The increase was due to an $11.0 million increase in property operating expense attributable to the comparable properties, partially offset by a $0.5 million decrease in property operating expense attributable to the non-comparable properties. The increase in property operating expense attributable to the comparable properties was related to higher room expense, other operating department costs and management and franchise fees. Room expense and other operating department costs fluctuate based on various factors, including changes in occupancy, labor costs, utilities and insurance costs. Management fees and franchise fees, which are computed as a percentage of gross revenue and room revenue, respectively, increased as a result of higher revenues.

Depreciation and Amortization

Depreciation and amortization expense increased $6.3 million, or 4.0%, to $162.5 million for the year ended December 31, 2016 from $156.2 million for the year ended December 31, 2015. The increase was due to a $4.8 million increase in depreciation and amortization expense arising from the non-comparable properties and additional depreciation expense of $1.5 million as a result of capital expenditures to improve our comparable properties.

Impairment

For the year ended December 31, 2016, we did not have an impairment loss on any of our hotel properties. For the year ended December 31, 2015, we incurred a $1.0 million impairment loss on one hotel property. The impairment was the result of an evaluation of the hotel's carrying value given the expectation to sell the hotel property before the end of its previously estimated useful life.

Property Tax, Insurance and Other

Property tax, insurance and other expense increased $0.6 million, or 0.8%, to $77.3 million for the year ended December 31, 2016 from $76.7 million for the year ended December 31, 2015. The increase was due to a $1.0 million increase in property tax, insurance and other expense attributable to the non-comparable properties, partially offset by a $0.4 million decrease in property tax, insurance and other expense attributable to the comparable properties.

General and Administrative

General and administrative expense decreased $6.3 million, or 16.6%, to $31.5 million for the year ended December 31, 2016 from $37.8 million for the year ended December 31, 2015. The decrease in general and administrative expense is primarily attributable to a $7.0 million decrease in compensation expense, partially offset by a net increase in other general and administrative costs, including legal fees and other professional fees and costs. The decrease in compensation expense was primarily due to the forfeiture of restricted shares and performance units upon the resignation of our former Company's President and Chief Executive Officer in 2016.

Interest Expense

The components of our interest expense for the years ended December 31, 2016 and 2015 are as follows (in thousands):

	For the year ended December 31,			
	2016	2015	$ Change	% Change
Revolver and Term Loans	$38,849	$35,898	$2,951	8.2%
Mortgage loans	16,006	16,500	(494)	(3.0)%
Amortization of deferred financing costs	3,965	4,164	(199)	(4.8)%
Capitalized interest	—	(1,774)	1,774	(100.0)%
Total interest expense	$58,820	$54,788	$4,032	7.4%

Interest expense increased $4.0 million, or 7.4%, to $58.8 million for the year ended December 31, 2016 from $54.8 million for the year ended December 31, 2015. The increase in interest expense from the Revolver and Term Loans was due to the entry into new interest rate swaps and additional borrowings. The decrease in interest expense from the mortgage loans was due to a decrease in the balances outstanding as a result of principal payments, partially offset by additional borrowings. The decrease in amortization of the deferred financing costs was insignificant due to the impact of extended

loan maturities as a result of debt refinancing transactions during 2016 being offset by the accelerated amortization from the debt refinancing transactions and additional amortization from newly capitalized costs. The decrease in capitalized interest was due to two major redevelopment projects in 2015, both of which were completed in the third quarter of 2015. There were no major redevelopment projects during the year ended December 31, 2016.

Income Taxes

As part of our structure, we own TRSs that are subject to federal and state income taxes. We had an income tax expense of $8.2 million for the year ended December 31, 2016 as compared to an income tax benefit of $39.1 million for the year ended December 31, 2015. The $47.3 million increase in income taxes primarily resulted from the release of a deferred tax asset valuation allowance of $39.9 million during the year ended December 31, 2015 and deferred tax expense during the year ended December 31, 2016. The Company's effective tax rates were 3.9% and (21.7)% for the years ended December 31, 2016 and 2015, respectively. The effective tax rate increased in 2016 as a result of the release of the deferred tax asset valuation allowance in 2015.

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, and (4) 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 and Adjusted EBITDA, as calculated by us, may not be comparable to FFO, Adjusted FFO, EBITDA 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 FFO in accordance with standards established by the National Association of Real Estate Investment Trusts ("NAREIT"), which defines FFO as net income or loss (calculated in accordance with GAAP), 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 hotel transaction costs, non-cash income tax expense or benefit, the amortization of share-based compensation, and certain other income or 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 is a reconciliation of our GAAP net income to FFO attributable to common shareholders and unitholders and Adjusted FFO attributable to common shareholders and unitholders for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	For the year ended December 31,		
	2017	2016	2015
Net income	$ 75,739	$201,314	$219,812
Preferred dividends	(8,372)	—	—
Preferred distributions—consolidated joint venture	(496)	—	—
Gain on sale of hotel properties	(8,980)	(45,929)	(28,398)
Depreciation and amortization	186,993	162,500	156,226
Impairment loss	—	—	1,003
Noncontrolling interest in consolidated joint ventures	(117)	(55)	(77)
Adjustments related to consolidated joint ventures(1)	(193)	(152)	(170)
Adjustments related to unconsolidated joint ventures(2)	900	—	—
FFO	245,474	317,678	348,396
Non-cash income tax expense (benefit)	39,747	7,001	(39,845)
Transaction costs	44,398	192	3,058
Gain on settlement of investment in loan	(2,670)	—	—
Amortization of share-based compensation	10,607	5,990	13,002
Loan related costs (3)	—	1,247	97
Other expenses (4)	1,591	604	—
Adjusted FFO	$339,147	$332,712	$324,708

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

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

(3) Represents debt modification costs, debt extinguishment costs, and the accelerated amortization of deferred financing costs.

(4) Represents income and expenses outside of the normal course of operations, including hurricane-related costs not reimbursed by insurance and property-level severance costs.

Earnings Before Interest, Taxes, Depreciation and Amortization

EBITDA is defined as net income or loss excluding: (1) interest expense; (2) provision for income taxes, including income taxes applicable to sales of assets; and (3) depreciation and amortization. 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) from our operating results. In addition, EBITDA is used as one measure in determining the value of hotel property acquisitions and disposals. We present EBITDA 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 EBITDA attributable to all common shares and OP units.

We further adjust EBITDA for certain additional items such as gains or losses on dispositions, hotel transaction costs, impairment losses, the amortization of share-based compensation and certain other income and 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 and EBITDA, is beneficial to an investor's understanding of our operating performance.

The following is a reconciliation of our GAAP net income to EBITDA attributable to common shareholders and unitholders and Adjusted EBITDA attributable to common shareholders and unitholders for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	For the year ended December 31,		
	2017	2016	2015
Net income	$ 75,739	$201,314	$219,812
Depreciation and amortization	186,993	162,500	156,226
Interest expense, net(1)	76,703	58,793	54,758
Income tax expense (benefit)	42,118	8,190	(39,126)
Noncontrolling interest in consolidated joint ventures	(117)	(55)	(77)
Adjustments related to consolidated joint ventures(2)	(275)	(152)	(170)
Adjustments related to unconsolidated joint ventures(3)	1,072	—	—
EBITDA	382,233	430,590	391,423
Transaction costs	44,398	192	3,058
Gain on sale of hotel properties	(8,980)	(45,929)	(28,398)
Gain on settlement of investment in loan	(2,670)	—	—
Impairment loss	—	—	1,003
Amortization of share-based compensation	10,607	5,990	13,002
Loan related costs(4)	—	924	—
Other expenses(5)	1,591	604	—
Adjusted EBITDA	$427,179	$392,371	$380,088

(1) Excludes amounts attributable to investment in loans of $1.4 million, $1.7 million and $1.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

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

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

(4) Represents debt modification costs and debt extinguishment costs.

(5) Represents income and expenses outside of the normal course of operations, including hurricane-related costs not reimbursed by insurance and property-level severance costs.

Liquidity and Capital Resources

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

- recurring maintenance and capital expenditures necessary to maintain our hotel properties in accordance with brand standards;
- interest expense and scheduled principal payments on outstanding indebtedness; and
- distributions necessary to qualify for taxation as a REIT.

We expect to meet our short-term liquidity requirements generally through the net cash provided by operations, existing cash balances and, if necessary, short-term borrowings under our Revolver, of

which $600.0 million was available at December 31, 2017, or proceeds from public offerings of common shares.

Our long-term liquidity requirements consist primarily of the funds necessary to pay for the costs of acquiring additional hotel properties, the redevelopments, renovations, expansions and other capital expenditures that need to be made periodically with respect to our hotel properties, and scheduled debt payments, at maturity or otherwise. We expect to meet our long-term liquidity requirements through various sources of capital, including our Revolver and future equity (including OP units) or debt offerings, existing working capital, net cash provided by operations, long-term mortgage loans and other secured and unsecured borrowings.

Sources and Uses of Cash

As of December 31, 2017, we had $659.1 million of cash, cash equivalents, and restricted cash reserves as compared to $523.9 million at December 31, 2016.

Cash flows from Operating Activities

The net cash flow provided by operating activities totaled $260.6 million, $331.4 million, and $328.9 million for the years ended December 31, 2017, 2016 and 2015, respectively. Our cash flows provided by operating activities generally consist of the net cash generated by our hotel operations, partially offset by 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 years ended December 31, 2017, 2016 and 2015.

Cash flows from Investing Activities

The net cash flow provided by investing activities totaled $65.0 million for the year ended December 31, 2017 primarily due to $180.3 million in proceeds resulting from the sale of hotel properties and $12.8 million in proceeds from the settlement of an investment in loan. The net cash flow provided by investing activities was partially offset by $103.0 million in routine capital improvements and additions to the hotel properties and cash consideration, net of cash, cash equivalents, and restricted cash reserves acquired, of $24.9 million for the acquisition of FelCor.

The net cash flow provided by investing activities totaled $185.1 million for the year ended December 31, 2016 primarily due to $269.2 million in proceeds resulting from the sale of four hotel properties. The net cash flow provided by investing activities was partially offset by $83.8 million in routine capital improvements and additions to the hotel properties.

The net cash flow used in investing activities totaled $45.7 million for the year ended December 31, 2015 primarily due to $142.2 million used for the purchase of three hotel properties, $124.8 million in routine capital improvements and additions to the hotel properties and $24.5 million related to two major redevelopment projects. The net cash flow used in investing activities was partially offset by $246.4 million of net proceeds from the sale of 23 hotel properties.

Cash flows from Financing Activities

The net cash flow used in financing activities totaled $190.4 million for the year ended December 31, 2017 primarily due to $177.0 million in distributions to shareholders and unitholders, $5.7 million paid to repurchase common shares, $4.8 million in mortgage loan principal payments, and $1.6 million in deferred financing cost payments.

The net cash flow used in financing activities totaled $182.3 million for the year ended December 31, 2016 primarily due to $165.2 million in distributions to shareholders and unitholders, $18.8 million paid to repurchase common shares, $5.4 million in deferred financing cost payments and

$3.7 million in mortgage loan principal payments. The net cash flow used in financing activities was partially offset by $11.0 million in additional mortgage loan debt.

The net cash flow used in financing activities totaled $419.1 million for the year ended December 31, 2015 primarily due to $166.6 million in mortgage loan principal payments, $171.3 million in distributions to shareholders and unitholders, and $237.2 million paid to repurchase common shares. The net cash flow used in financing activities was partially offset by $150.0 million in borrowings on the Term Loans and $7.0 million in additional mortgage loan debt.

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 all such routine improvements and alterations are paid out of FF&E reserves, which are funded by a portion of each hotel property's gross revenues. Routine capital expenditures are 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 December 31, 2017, approximately $70.6 million was held in FF&E reserve accounts for future capital expenditures.

Off-Balance Sheet Arrangements

As of December 31, 2017, we owned 50% interests in joint ventures that owned two hotel properties. We own more than 50% of the operating lessee for one of these hotels and the other hotel is operated without a lease. The Company also owned 50% interests in joint ventures that owned real estate and a condominium management business that are associated with two of our resort hotel properties. None of our trustees, officers or employees holds an ownership interest in any of these joint ventures or entities.

One of the 50% unconsolidated joint ventures that owned a hotel property had $21.5 million of non-recourse mortgage debt, of which our pro rata portion was $10.8 million, none of which is reflected as a liability on our consolidated balance sheet. Our liabilities with regard to the non-recourse debt and the liabilities of our subsidiaries that are members or partners in joint ventures are generally limited to guaranties of the borrowing entity's obligations to pay for the lender's losses caused by misconduct, fraud or misappropriation of funds by the venture and other typical exceptions from the non-recourse provisions in the mortgages, such as for environmental liabilities. In addition, this joint venture is subject to two ground leases with terms expiring in 2044.

The other 50% unconsolidated joint venture that owned a hotel property is subject to a ground lease with an initial term expiring in 2021. After the initial term, the joint venture may extend the ground lease for an additional term of 10 years to 2031.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2017 (in thousands):

Obligations and Commitments	2018	2019	2020	2021	2022	Thereafter	Total
Senior Notes and interest(1)	$ 57,976	$ 57,976	$ 57,976	$ 57,976	$ 57,976	$1,072,795	$1,362,675
Mortgage loans and interest(1)	408,123	22,231	15,727	98,392	171,227	—	715,700
Revolver and Term Loans and interest(1)	40,646	654,234	17,716	409,052	150,314	—	1,271,962
Ground rent	12,982	10,987	11,001	11,016	11,031	626,674	683,691
Operating lease obligations	1,759	1,811	1,854	2,423	775	3,779	12,401
	$521,486	$747,239	$104,274	$578,859	$391,323	$1,703,248	$4,046,429

(1) Amounts include principal and interest payments. The interest payments are based on the interest rate at December 31, 2017, giving consideration to the effect of interest rate swaps if applicable.

Critical Accounting Policies

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. We have provided a summary of our significant accounting policies in the notes to the consolidated financial statements included elsewhere in this filing. We have set forth below those accounting policies that we believe require material subjective or complex judgments and have the most significant impact on our financial condition and results of operations. 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.

Investment in Hotel Properties

Our acquisitions generally consist of land, land improvements, buildings, building improvements, FF&E and inventory. We may also acquire intangible assets or liabilities related to in-place leases, management agreements and franchise agreements. We allocate the purchase price among the assets acquired and the liabilities assumed based on their respective fair values at the date of acquisition. We determine the fair value by using market data and independent appraisals available to us and making numerous estimates and assumptions. Transaction costs are expensed for acquisitions that are considered business combinations and capitalized for asset acquisitions.

Our investments in hotel properties are carried at cost and are depreciated using the straight-line method over the estimated useful lives of 15 years for land improvements, 15 years for building improvements, 40 years for buildings and three to five years for FF&E. Maintenance and repairs are expensed and major renewals or improvements to the hotel properties are capitalized. Interest used to finance the real estate under development is capitalized as an additional cost of development. The Company discontinues the capitalization of interest once the real estate development project is substantially complete. Upon the sale or disposition of a hotel property, the asset and related accumulated depreciation accounts are removed and the related gain or loss is included in the gain or

loss on sale of hotel properties in the consolidated statements of operations and comprehensive income. A sale or disposition of a hotel property that represents a strategic shift that has or will have a major effect on our operations and financial results is presented as discontinued operations in the consolidated statements of operations and comprehensive income.

In accordance with the guidance on impairment or disposal of long-lived assets, we do not consider "held for sale" classification on the consolidated balance sheet until it is probable that the sale will be completed within one year and the other requisite criteria for such classification have been met. We do not depreciate hotel properties so long as they are classified as held for sale. Upon designation as held for sale and quarterly thereafter, we review the realizability of the carrying value, less costs to sell, in accordance with the guidance. Any such adjustment to the carrying value is recorded as an impairment loss.

We assess the carrying value whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverability is measured by comparing the carrying amount to the estimated future undiscounted cash flows which take into account current market conditions and our intent with respect to holding or disposing of the hotel properties. If our analysis indicates that the carrying value is not recoverable on an undiscounted cash flow basis, we will recognize an impairment loss for the amount by which the carrying value exceeds the fair value. The fair value is determined through various valuation techniques, including internally developed discounted cash flow models, comparable market transactions or third-party appraisals.

The use of projected future cash flows is based on assumptions that are consistent with a market participant's future expectations for the travel industry and the economy in general and our expected use of the underlying hotel properties. The assumptions and estimates related to the future cash flows and the capitalization rates are complex and subjective in nature. Changes in economic and operating conditions that occur subsequent to a current impairment analysis and our ultimate use of the hotel property could impact the assumptions and result in future impairment losses to the hotel properties.

Revenue Recognition

Our revenue consists of room revenue, food and beverage revenue, and revenue from other hotel operating departments (such as parking fees, golf, pool and other resort fees, gift shop sales and other guest service fees). These revenues are recorded net of any sales and occupancy taxes collected from the hotel guests. All rebates or discounts are recorded as a reduction to revenue, and there are no material contingent obligations with respect to rebates and discounts offered by the hotels. All revenues are recorded on an accrual basis as they are earned. An allowance for doubtful accounts is our best estimate of the amount of probable credit losses in the existing accounts receivable portfolio and it is recorded as a bad debt expense. The allowance for doubtful accounts is calculated as a percentage of the aged accounts receivable. Any cash received prior to a guest's arrival is recorded as an advance deposit from the guest and recognized as revenue at the time of the guest's occupancy at the hotel property.

Income Taxes

We have elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code, as amended, commencing with the taxable year ended December 31, 2011. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute at least 90% of our REIT taxable income, subject to certain adjustments and excluding any net capital gain, to shareholders. It is our current intention to adhere to the REIT qualification requirements and to maintain our qualification for taxation as a REIT.

As a REIT, we generally are not subject to federal corporate income tax on the portion of taxable income that is distributed to shareholders. If we fail to qualify for taxation as a REIT in any taxable

year, we will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and we may not be able to qualify as a REIT for four subsequent taxable years. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income and property, and to federal income and excise taxes on undistributed taxable income. Taxable income from non-REIT activities managed through our taxable REIT subsidiaries is subject to federal, state and local income taxes.

Income taxes are recorded 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.

We perform an annual review for any uncertain tax positions and, if necessary, we will record the expected future tax consequences of uncertain tax positions in the consolidated financial statements.

Share-Based Compensation

From time to time, we may issue share-based awards under the 2015 Plan as compensation to officers, employees and non-employee trustees. The vesting of the awards issued to the officers and employees is based on either the continued employment (time-based) or the relative total shareholder returns of the Company and continued employment (performance-based), as determined by the board of trustees at the date of grant. For time-based awards, we recognize compensation expense for the 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 grant, adjusted for forfeitures. For performance-based awards, we recognize compensation expense over the requisite service period for each award, based on the fair market value of the shares on the date of grant, as determined using a Monte Carlo simulation, adjusted for forfeitures.

Item 7A. 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 December 31, 2017, we had approximately $1.6 billion of total variable rate debt outstanding (or 58.2% of total indebtedness) with a weighted-average interest rate of 3.63% per annum. After taking into consideration the effect of interest rate swaps, $277.0 million (or 9.8% of total indebtedness) was subject to variable rates. If market interest rates on our variable rate debt outstanding as of December 31, 2017 were to increase by 1.00%, or 100 basis points, interest expense would decrease future earnings and cash flows by approximately $2.8 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 December 31, 2017, the following table presents the principal repayments and related weighted-average interest rates by contractual maturity dates (in thousands):

	2018	2019	2020	2021	2022	Thereafter	Total
Fixed rate debt(1)	$ 3,304	$ 3,765	$3,936	$ 4,166	$164,308	$999,010	$1,178,489
Weighted-average interest rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.80%	5.68%
Variable rate debt(1)	$378,250	$625,000	$ —	$485,000	$150,000	$ —	$1,638,250
Weighted-average interest rate(2)	4.16%	3.67%	—%	3.24%	3.43%	—%	3.63%
Total(3)	$381,554	$628,765	$3,936	$489,166	$314,308	$999,010	$2,816,739

(1) Excludes $4.0 million and $0.9 million of net deferred financing costs on the Term Loans and mortgage loans, respectively.

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

(3) Excludes a total of $68.7 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 December 31, 2017, the estimated fair value of our fixed rate debt was $1.2 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 $60.9 million.

Item 8. Financial Statements and Supplementary Data

See Index to the Financial Statements on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management has evaluated, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), as required by paragraph (b) of Rules 13a-15 and 15d-15 of the Exchange Act. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2017, the Company's disclosure controls and procedures were effective to ensure that information we are required to disclose in reports

filed or submitted with the Securities and Exchange Commission (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of its internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework (2013).* Based on this assessment, management has concluded that, as of December 31, 2017, our internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on page F-2 of this Annual Report on Form 10-K.

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 December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by this Item is contained in our definitive Proxy Statement for our 2018 Annual Meeting of Shareholders, and is incorporated herein by reference.

Item 11. Executive Compensation

The information called for by this Item is contained in our definitive Proxy Statement for our 2018 Annual Meeting of Shareholders, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information called for by this Item is contained in our definitive Proxy Statement for our 2018 Annual Meeting of Shareholders, or in Item 5 of this Annual Report on Form 10-K for the year ended December 31, 2017, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information called for by this Item is contained in our definitive Proxy Statement for our 2018 Annual Meeting of Shareholders, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information called for by this Item is contained in our definitive Proxy Statement for our 2018 Annual Meeting of Shareholders, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following is a list of documents filed as a part of this report:

(1) Financial Statements—See Index to the Financial Statements on page F-1

(2) Financial Statement Schedules—The following financial statement schedule is included herein on pages F-45 through F-51:

Schedule III—Real Estate and Accumulated Depreciation for RLJ Lodging Trust

All other schedules for which a provision is made in Regulation S-X are either not required to be included herein under the related instructions, are inapplicable, or the related information is included in the footnotes to the applicable financial statement and, therefore, have been omitted.

(3) Exhibits—The exhibits required to be filed by Item 601 of Regulation S-K are noted below:

Exhibit Index

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger, dated April 23, 2017, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P., Rangers Sub I, LLC, Rangers Sub II, L.P., FelCor Lodging Trust Incorporated and FelCor Lodging Limited Partnership (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on April 25, 2017)
3.1	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)
3.2	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)
3.3	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)
3.4	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)
3.5	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)
3.6	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)
4.1	Form of Specimen Common Share Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-11/A (File. No. 333-172011) filed on April 29, 2011)
4.2	Form of stock certificate evidencing the $1.95 Series A Cumulative Convertible Preferred Shares, par value $0.01 per share (incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-A filed on August 30, 2017)
4.3	Registration Rights Agreement, dated May 16, 2011, by and among RLJ Lodging Trust and the persons listed on Schedule I thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
4.4	Registration Rights Agreement, dated May 16, 2011, by and among RLJ Lodging Trust and the persons listed on Schedule I thereto (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
4.5	Second Supplemental Indenture with respect to FelCor Lodging Limited Partnership's 5.625% Senior Secured Notes due 2023, dated as of August 31, 2017, by and among FelCor Lodging Limited Partnership, Rangers Sub I, LLC, the other guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on September 1, 2017)

Exhibit Number	Description of Exhibit
4.6	Second Supplemental Indenture with respect to FelCor Lodging Limited Partnership's 6.000% Senior Notes due 2025, dated as of August 31, 2017, by and among FelCor Lodging Limited Partnership, Rangers Sub I, LLC, the other guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on September 1, 2017)
10.1	Amended and Restated Agreement of Limited Partnership, dated May 13, 2011 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.2	Amendment No. 1 to Amended and Restated Agreement of Limited Partnership, dated August 31, 2017 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on September 1, 2017)
10.3	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Evan Bayh (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.4	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Ross H. Bierkan (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.5	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Nathaniel Davis (incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.6	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Leslie D. Hale (incorporated by reference to Exhibit 10.8 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.7	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Robert L. Johnson (incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.8	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Robert M. La Forgia (incorporated by reference to Exhibit 10.10 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.9	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Glenda McNeal (incorporated by reference to Exhibit 10.11 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.10	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Joseph Ryan (incorporated by reference to Exhibit 10.13 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.11	RLJ Lodging Trust 2015 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-203947) filed on May 7, 2015)
10.12	Form of Restricted Share Agreement (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-11/A (File. No. 333-172011) filed on May 5, 2011)

Exhibit Number	Description of Exhibit
10.13	Form of Restricted Share Agreement for Trustees (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-11/A (File. No. 333-172011) filed on May 5, 2011)
10.14	Form of Non-Qualified Option Agreement (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-11/A (File. No. 333-172011) filed on April 13, 2011)
10.15	Form of Share Units Agreement (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-11/A (File. No. 333-172011) filed on April 13, 2011)
10.16	Employment Agreement, dated as of May 14, 2015, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P. and Robert L. Johnson (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on May 20, 2015)
10.17	Employment Agreement, dated as of August 22, 2016, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P. and Ross H. Bierkan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 26, 2016)
10.18	Employment Agreement, dated as of August 22, 2016, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P. and Leslie D. Hale (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on August 26, 2016)
10.19	Second Amended and Restated Credit Agreement, dated as of April 22, 2016, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P., Wells Fargo Bank National Association, as Administrative Agent and a lender, and the other agents and lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 28, 2016)
10.20	First Amendment to Second Amended and Restated Credit Agreement, dated as of August 31, 2017, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P., 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 10.1 to the Registrant's Current Report on Form 8-K filed on September 1, 2017)
10.21	Second Amended and Restated Guaranty, dated as of April 22, 2016, by and among RLJ Lodging Trust, certain subsidiaries of RLJ Lodging Trust party thereto and Wells Fargo Bank National Association, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on April 28, 2016)
10.22	Term Loan Agreement, dated as of November 20, 2012, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent, PNC Bank, National Association, as Syndication Agent, Capital One, N.A., as Documentation Agent, Raymond James, as Managing Agent, Wells Fargo Securities LLC and PNC Capital Markets LLC, as Joint Lead Arrangers and Joint Bookrunners and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on September 3, 2013)

Exhibit Number	Description of Exhibit
10.23	First Amendment to Term Loan Agreement, dated as of August 27, 2013, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent, PNC Bank, National Association, as Syndication Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on September 3, 2013)
10.24	Second Amendment to Term Loan Agreement, dated as of June 1, 2015, by and between RLJ Lodging Trust, L.P., RLJ Lodging Trust and Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K filed on February 25, 2016)
10.25	Third Amendment to Term Loan Agreement, dated as of November 12, 2015, by and between RLJ Lodging Trust, L.P., RLJ Lodging Trust and Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K filed on February 25, 2016)
10.26	Fourth Amendment to Term Loan Agreement and First Amendment to Guaranty, dated as of April 22, 2016, 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 10.3 to the Registrant's Current Report on Form 8-K filed on April 28, 2016)
10.27	Fifth Amendment to Term Loan Agreement, dated August 31, 2017, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P., 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 September 1, 2017)
10.28	Additional Lender Supplement, dated as of August 27, 2013, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on September 3, 2013)
10.29	Guaranty, dated as of November 20, 2012, by RLJ Lodging Trust and certain subsidiaries of RLJ Lodging Trust party thereto (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on September 3, 2013)
10.30	Term Loan Agreement, dated as of August 27, 2013, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent, PNC Bank, National Association, as Syndication Agent, Bank of America, N.A., Barclays Bank PLC, Compass Bank, an Alabama Banking Corporation, and U.S. Bank National Association, as Documentation Agents, and Wells Fargo Securities LLC and PNC Capital Markets LLC, as Joint Lead Arrangers and Joint Bookrunners and the lenders party thereto (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on September 3, 2013)
10.31	Guaranty, dated as of August 27, 2013, by RLJ Lodging Trust and certain subsidiaries of RLJ Lodging Trust party thereto (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed on September 3, 2013)

Exhibit Number	Description of Exhibit	
10.32	First Amendment to Term Loan Agreement, dated as of June 1, 2015, by and between RLJ Lodging Trust, L.P., RLJ Lodging Trust and Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K filed on February 25, 2016)	
10.33	Second Amendment to Term Loan Agreement, dated as of November 12, 2015, by and between RLJ Lodging Trust, L.P., RLJ Lodging Trust and Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K filed on February 25, 2016)	
10.34	Additional Term Loan Lender Supplement, dated as of March 20, 2014, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on March 25, 2014)	
10.35	Additional Lender Supplement, dated as of March 20, 2014, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on March 25, 2014)	
21.1*	List of subsidiaries of RLJ Lodging Trust	
23.1*	Consent of PricewaterhouseCoopers LLP	
31.1*	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	
31.2*	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	
32.1*	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	
101.INS	XBRL Instance Document	Submitted electronically with this report
101.SCH	XBRL Taxonomy Extension Schema Document	Submitted electronically with this report
101.CAL	XBRL Taxonomy Calculation Linkbase Document	Submitted electronically with this report
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Submitted electronically with this report
101.LAB	XBRL Taxonomy Label Linkbase Document	Submitted electronically with this report
101.PRE	XBRL Taxonomy Presentation Linkbase Document	Submitted electronically with this report

* Filed herewith

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 28, 2018.

RLJ LODGING TRUST

By: /s/ ROSS H. BIERKAN

Ross H. Bierkan
President, Chief Executive Officer, Chief Investment Officer and Trustee

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROBERT L. JOHNSON Robert L. Johnson	Executive Chairman and Trustee	February 28, 2018
/s/ ROSS H. BIERKAN Ross H. Bierkan	President, Chief Executive Officer, Chief Investment Officer and Trustee (Principal Executive Officer)	February 28, 2018
/s/ LESLIE D. HALE Leslie D. Hale	Chief Operating Officer, Chief Financial Officer and Executive Vice President (Principal Financial Officer)	February 28, 2018
/s/ CHRISTOPHER A. GORMSEN Christopher A. Gormsen	Chief Accounting Officer (Principal Accounting Officer)	February 28, 2018
/s/ EVAN BAYH Evan Bayh	Trustee	February 28, 2018
/s/ ARTHUR R. COLLINS Arthur R. Collins	Trustee	February 28, 2018

Signature	Title	Date
/s/ NATHANIEL A. DAVIS Nathaniel A. Davis	Trustee	February 28, 2018
/s/ PATRICIA L. GIBSON Patricia L. Gibson	Trustee	February 28, 2018
/s/ ROBERT M. LA FORGIA Robert M. La Forgia	Trustee	February 28, 2018
/s/ ROBERT J. MCCARTHY Robert J. McCarthy	Trustee	February 28, 2018
/s/ GLENDA G. MCNEAL Glenda G. McNeal	Trustee	February 28, 2018

Item 8. Financial Statements.

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RLJ Lodging Trust:

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of
RLJ Lodging Trust:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the consolidated financial statements, including the related notes and financial statement schedule, of RLJ Lodging Trust and its subsidiaries as listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

McLean, Virginia
February 28, 2018

We have served as the Company's auditor since 2001.

RLJ Lodging Trust

Consolidated Balance Sheets

(Amounts in thousands, except share and per share data)

	December 31, 2017	December 31, 2016
Assets		
Investment in hotel properties, net	$5,791,925	$3,367,776
Investment in unconsolidated joint ventures	23,885	—
Cash and cash equivalents	586,470	456,672
Restricted cash reserves	72,606	67,206
Hotel and other receivables, net of allowance of $510 and $182, respectively	60,011	26,018
Deferred income tax asset, net	56,761	44,614
Intangible assets, net	133,211	898
Prepaid expense and other assets	69,936	60,209
Total assets	$6,794,805	$4,023,393
Liabilities and Equity		
Debt, net	$2,880,488	$1,582,715
Accounts payable and other liabilities	225,664	137,066
Deferred income tax liability	5,547	11,430
Advance deposits and deferred revenue	30,463	11,975
Accrued interest	17,081	3,444
Distributions payable	65,284	41,486
Total liabilities	3,224,527	1,788,116
Commitments and Contingencies (Note 12)		
Equity		
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 December 31, 2017	366,936	—
Common shares of beneficial interest, $0.01 par value, 450,000,000 shares authorized; 174,869,046 and 124,364,178 shares issued and outstanding at December 31, 2017 and 2016, respectively	1,749	1,244
Additional paid-in capital	3,208,002	2,187,333
Accumulated other comprehensive income (loss)	8,846	(4,902)
(Distributions in excess of net earnings) retained earnings	(82,566)	38,249
Total shareholders' equity	3,502,967	2,221,924
Noncontrolling interest:		
Noncontrolling interest in consolidated joint ventures	11,700	5,973
Noncontrolling interest in the Operating Partnership	11,181	7,380
Total noncontrolling interest	22,881	13,353
Preferred equity in a consolidated joint venture, liquidation value of $45,430 at December 31, 2017	44,430	—
Total equity	3,570,278	2,235,277
Total liabilities and equity	$6,794,805	$4,023,393

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

RLJ Lodging Trust

Consolidated Statements of Operations and Comprehensive Income

(Amounts in thousands, except share and per share data)

	For the year ended December 31,		
	2017	2016	2015
Revenue			
Operating revenue			
Room revenue	$ 1,146,882	$ 1,010,637	$ 985,361
Food and beverage revenue	157,672	111,691	114,818
Other revenue	51,707	37,667	36,161
Total revenue	$ 1,356,261	$ 1,159,995	$ 1,136,340
Expense			
Operating expense			
Room expense	$ 270,729	$ 228,656	$ 220,101
Food and beverage expense	113,914	79,589	81,117
Management and franchise fee expense	122,633	118,210	116,462
Other operating expense	304,595	241,654	239,966
Total property operating expense	811,871	668,109	657,646
Depreciation and amortization	186,993	162,500	156,226
Impairment loss	—	—	1,003
Property tax, insurance and other	91,406	77,281	76,682
General and administrative	40,453	31,516	37,810
Transaction costs	44,398	192	3,058
Total operating expense	1,175,121	939,598	932,425
Operating income	181,140	220,397	203,915
Other income	269	303	1,598
Interest income	2,987	1,695	1,563
Interest expense	(78,322)	(58,820)	(54,788)
Gain on settlement of investment in loan	2,670	—	—
Income before equity in income from unconsolidated joint ventures	108,744	163,575	152,288
Equity in income from unconsolidated joint ventures	133	—	—
Income before income tax (expense) benefit	108,877	163,575	152,288
Income tax (expense) benefit	(42,118)	(8,190)	39,126
Income from operations	66,759	155,385	191,414
Gain on sale of hotel properties	8,980	45,929	28,398
Net income	75,739	201,314	219,812
Net income attributable to noncontrolling interests:			
Noncontrolling interest in consolidated joint ventures	(117)	(55)	(77)
Noncontrolling interest in the Operating Partnership	(291)	(907)	(1,514)
Preferred distributions—consolidated joint venture	(496)	—	—
Net income attributable to RLJ	74,835	200,352	218,221
Preferred dividends	(8,372)	—	—
Net income attributable to common shareholders	$ 66,463	$ 200,352	$ 218,221
Basic per common share data:			
Net income per share attributable to common shareholders	$ 0.47	$ 1.61	$ 1.69
Weighted-average number of common shares	140,616,838	123,651,003	128,444,469
Diluted per common share data:			
Net income per share attributable to common shareholders	$ 0.47	$ 1.61	$ 1.68
Weighted-average number of common shares	140,694,049	123,879,007	128,967,754
Dividends declared per common share	$ 1.32	$ 1.32	$ 1.32
Comprehensive income:			
Net income	$ 75,739	$ 201,314	$ 219,812
Unrealized gain (loss) on interest rate derivatives	13,748	11,700	(2,958)
Comprehensive income	89,487	213,014	216,854
Comprehensive income attributable to the noncontrolling interest in consolidated joint ventures	(117)	(55)	(77)
Comprehensive income attributable to the noncontrolling interest in the Operating Partnership	(291)	(907)	(1,514)
Comprehensive income attributable to the preferred distributions—consolidated joint venture	(496)	—	—
Comprehensive income attributable to RLJ	$ 88,583	$ 212,052	$ 215,263

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)

	Shareholders' Equity					Noncontrolling Interest		
	Common Stock							
	Shares	Par Value	Additional Paid-in Capital	Retained Earnings (Distributions in excess of net earnings)	Accumulated Other Comprehensive Loss	Operating Partnership	Consolidated Joint Venture	Total Equity
Balance at December 31, 2014	131,964,706	$1,319	$2,419,731	$ (46,415)	$(13,644)	$11,198	$6,295	$2,378,484
Net income	—	—	—	218,221	—	1,514	77	219,812
Unrealized loss on interest rate derivatives	—	—	—	—	(2,958)	—	—	(2,958)
Shares acquired as part of a share repurchase program	(8,044,372)	(80)	(225,106)	—	—	—	—	(225,186)
Issuance of restricted stock	1,126,431	11	(11)	—	—	—	—	—
Amortization of share-based compensation	—	—	13,002	—	—	—	—	13,002
Share grants to trustees	5,008	—	132	—	—	—	—	132
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock	(403,722)	(4)	(12,016)	—	—	—	—	(12,020)
Forfeiture of restricted stock	(12,376)	—	—	—	—	—	—	—
Distribution to joint venture partner	—	—	—	—	—	—	(195)	(195)
Distributions on common shares and units	—	—	—	(169,367)	—	(1,180)	—	(170,547)
Balance at December 31, 2015	124,635,675	$1,246	$2,195,732	$ 2,439	$(16,602)	$11,532	$6,177	$2,200,524

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)

	Shareholders' Equity					Noncontrolling Interest		
	Common Stock							
	Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Operating Partnership	Consolidated Joint Venture	Total Equity
Balance at December 31, 2015	124,635,675	$1,246	$2,195,732	$ 2,439	$(16,602)	$11,532	$6,177	$2,200,524
Net income	—	—	—	200,352	—	907	55	201,314
Unrealized gain on interest rate derivatives	—	—	—	—	11,700	—	—	11,700
Redemption of Operating Partnership units	335,250	3	4,322	—	—	(4,325)	—	—
Shares acquired as part of a share repurchase program	(610,607)	(6)	(13,265)	—	—	—	—	(13,271)
Issuance of restricted stock	672,821	7	(7)	—	—	—	—	—
Amortization of share-based compensation	—	—	5,990	—	—	—	—	5,990
Share grants to trustees	2,554	—	57	—	—	—	—	57
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock	(244,015)	(2)	(5,500)	—	—	—	—	(5,502)
Forfeiture of restricted stock	(427,500)	(4)	4	—	—	—	—	—
Distribution to joint venture partner	—	—	—	—	—	—	(259)	(259)
Distributions on common shares and units	—	—	—	(164,542)	—	(734)	—	(165,276)
Balance at December 31, 2016	124,364,178	$1,244	$2,187,333	$ 38,249	$ (4,902)	$ 7,380	$5,973	$2,235,277

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)

	Shareholders' Equity							Noncontrolling Interest			
	Preferred Stock		Common Stock			Retained Earnings (Distributions in excess of net earnings)	Accumulated Other Comprehensive Income (Loss)			Preferred Equity in a Consolidated Joint Venture	Total Equity
	Shares	Amount	Shares	Par Value	Additional Paid-in Capital			Operating Partnership	Consolidated Joint Ventures		
Balance at December 31, 2016	—	$ —	124,364,178	$1,244	$2,187,333	$ 38,249	$ (4,902)	$ 7,380	$ 5,973	$ —	$2,235,277
Net income	—	—	—	—	—	74,835	—	291	117	496	75,739
Unrealized gain on interest rate derivatives	—	—	—	—	—	—	13,748	—	—	—	13,748
Issuance of common shares	—	—	50,358,104	504	1,015,723	—	—	—	—	—	1,016,227
Issuance of Operating Partnership units	—	—	—	—	—	—	—	4,342	—	—	4,342
Issuance of Series A Cumulative Convertible Preferred Shares	12,879,475	366,936	—	—	—	—	—	—	—	—	366,936
Noncontrolling interest recorded in connection with the Mergers	—	—	—	—	—	—	—	—	5,493	—	5,493
Preferred equity in a consolidated joint venture	—	—	—	—	—	—	—	—	—	44,430	44,430
Issuance of restricted stock	—	—	425,076	4	(4)	—	—	—	—	—	—
Amortization of share-based compensation	—	—	—	—	10,607	—	—	—	—	—	10,607
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock	—	—	(144,766)	(2)	(3,048)	—	—	—	—	—	(3,050)
Shares acquired as part of a share repurchase program	—	—	(122,508)	(1)	(2,609)	—	—	—	—	—	(2,610)
Forfeiture of restricted stock	—	—	(11,038)	—	—	—	—	—	—	—	—
Contributions from joint venture partners	—	—	—	—	—	—	—	—	117	—	117
Distributions on preferred shares	—	—	—	—	—	(8,372)	—	—	—	—	(8,372)
Distributions on common shares and units	—	—	—	—	—	(187,278)	—	(832)	—	—	(188,110)
Preferred distributions—consolidated joint venture	—	—	—	—	—	—	—	—	—	(496)	(496)
Balance at December 31, 2017	12,879,475	$366,936	174,869,046	$1,749	$3,208,002	$ (82,566)	$ 8,846	$11,181	$11,700	$44,430	$3,570,278

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

RLJ Lodging Trust

Consolidated Statements of Cash Flows

(Amounts in thousands)

	For the year ended December 31,		
	2017	**2016**	**2015**
Cash flows from operating activities			
Net income	$ 75,739	$ 201,314	$ 219,812
Adjustments to reconcile net income to cash flow provided by operating activities:			
Gain on sale of hotel properties	(8,980)	(45,929)	(28,398)
Gain on settlement of investment in loan	(2,670)	—	—
Depreciation and amortization	186,993	162,500	156,226
Amortization of deferred financing costs	3,499	3,965	4,164
Other amortization	(2,098)	751	784
Equity in income from unconsolidated joint ventures	(133)	—	—
Distributions of income from unconsolidated joint ventures	1,900	—	—
Accretion of interest income on investment in loan	(664)	(613)	(389)
Impairment loss	—	—	1,003
Share grants to trustees	—	57	132
Amortization of share-based compensation	10,607	5,990	13,002
Deferred income taxes	40,140	6,994	(40,554)
Changes in assets and liabilities:			
Hotel and other receivables, net	(5,686)	(263)	115
Prepaid expense and other assets	3,805	(5,162)	4,802
Accounts payable and other liabilities	(27,575)	2,870	(5,502)
Advance deposits and deferred revenue	(5,307)	328	1,617
Accrued interest	(8,975)	(1,439)	2,100
Net cash flow provided by operating activities	260,595	331,363	328,914
Cash flows from investing activities			
Acquisition of FelCor, net of cash acquired	(24,883)	—	—
Acquisition of hotel properties, net	—	—	(142,221)
Proceeds from the sale of hotel properties, net	180,279	269,185	246,405
Improvements and additions to hotel properties	(102,989)	(83,780)	(149,225)
Additions to property and equipment	(219)	(283)	(659)
Proceeds from the settlement of an investment in loan	12,792	—	—
Net cash flow provided by (used in) investing activities	64,980	185,122	(45,700)
Cash flows from financing activities			
Borrowings under Revolver	—	51,000	—
Repayments under Revolver	—	(51,000)	—
Borrowings on Term Loans	—	—	150,000
Payments of Senior Notes	(990)	—	—
Proceeds from mortgage loans	—	11,000	7,000
Payments of mortgage loans principal	(4,770)	(3,651)	(166,587)
Repurchase of common shares under a share repurchase program	(2,610)	(13,271)	(225,186)
Repurchase of common shares to satisfy employee withholding requirements	(3,050)	(5,502)	(12,020)
Distributions on preferred shares	(6,279)	—	—
Distributions on common shares	(169,942)	(164,364)	(170,092)
Distributions on Operating Partnership units	(775)	(838)	(1,160)
Payments of deferred financing costs	(1,582)	(5,369)	(839)
Preferred distributions—consolidated joint venture	(496)	—	—
Contributions from joint venture partners	117	—	—
Distributions to joint venture partners	—	(259)	(195)
Net cash flow used in financing activities	(190,377)	(182,254)	(419,079)
Net change in cash and cash equivalents	135,198	334,231	(135,865)
Cash, cash equivalents, and restricted cash reserves, beginning of year	523,878	189,647	325,512
Cash, cash equivalents, and restricted cash reserves, end of year	$ 659,076	$ 523,878	$ 189,647

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

1. 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 acquires primarily premium-branded, 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 December 31, 2017, there were 175,642,948 units of limited partnership interest in the Operating Partnership ("OP units") outstanding and the Company owned, through a combination of direct and indirect interests, 99.6% of the outstanding OP units.

As of December 31, 2017, the Company owned 158 hotel properties with approximately 31,000 rooms, located in 26 states and the District of Columbia. The Company, through wholly-owned subsidiaries, owned a 100% interest in 154 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 156 hotel properties in which it holds a controlling financial interest, and the Company records the real estate interests in the two hotels in which it holds an indirect 50% interest using the equity method of accounting. The Company leases 157 of the 158 hotel properties to its taxable REIT subsidiaries ("TRS"), of which the Company owns a controlling financial interest.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The 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").

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.

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. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (Continued)

Reclassifications

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

Revenue Recognition

The Company's revenue consists of room revenue, food and beverage revenue, and revenue from other hotel operating departments (such as parking fees, golf, pool and other resort fees, gift shop sales and other guest service fees). These revenues are recorded net of any sales and occupancy taxes collected from the hotel guests. All rebates or discounts are recorded as a reduction to revenue, and there are no material contingent obligations with respect to rebates and discounts offered by the hotels. All revenues are recorded on an accrual basis as they are earned. An allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the existing accounts receivable portfolio and it is recorded as a bad debt expense. The allowance for doubtful accounts is calculated as a percentage of the aged accounts receivable. Any cash received prior to a guest's arrival is recorded as an advance deposit from the guest and recognized as revenue at the time of the guest's occupancy at the hotel property.

Investment in Hotel Properties

The Company's acquisitions generally consist of land, land improvements, buildings, building improvements, furniture, fixtures and equipment ("FF&E"), and inventory. The Company may also acquire intangible assets or liabilities related to in-place leases, management agreements, franchise agreements and advanced bookings. The Company allocates the purchase price among the assets acquired and the liabilities assumed based on their respective fair values at the date of acquisition. The Company determines the fair value by using market data and independent appraisals available to us and making numerous estimates and assumptions. Transaction costs are expensed for acquisitions that are considered business combinations and capitalized for asset acquisitions.

The Company's investments in hotel properties are carried at cost and are depreciated using the straight-line method over the estimated useful lives of 15 years for land improvements, 15 years for building improvements, 40 years for buildings and three to five years for FF&E. Maintenance and repairs are expensed and major renewals or improvements to the hotel properties are capitalized. Interest used to finance the real estate under development is capitalized as an additional cost of development. The Company discontinues the capitalization of interest once the real estate development project is substantially complete. Upon the sale or disposition of a hotel property, the asset and related accumulated depreciation accounts are removed and the related gain or loss is included in the gain or loss on sale of hotel properties in the consolidated statements of operations and comprehensive income. A sale or disposition of a hotel property that represents a strategic shift that has or will have a major effect on the Company's operations and financial results is presented as discontinued operations in the consolidated statements of operations and comprehensive income.

In accordance with the guidance on impairment or disposal of long-lived assets, the Company does not consider "held for sale" classification on the consolidated balance sheet until it is probable that the sale will be completed within one year and the other requisite criteria for such classification have been met. The Company does not depreciate hotel properties so long as they are classified as held for sale.

2. Summary of Significant Accounting Policies (Continued)

Upon designation as held for sale and quarterly thereafter, the Company reviews the realizability of the carrying value, less costs to sell, in accordance with the guidance. Any such adjustment to the carrying value is recorded as an impairment loss.

The Company assesses the carrying value whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverability is measured by comparing the carrying amount to the estimated future undiscounted cash flows which take into account current market conditions and the Company's intent with respect to holding or disposing of the hotel properties. If the Company's analysis indicates that the carrying value is not recoverable on an undiscounted cash flow basis, the Company will recognize an impairment loss for the amount by which the carrying value exceeds the fair value. The fair value is determined through various valuation techniques, including internally developed discounted cash flow models, comparable market transactions or third-party appraisals.

The use of projected future cash flows is based on assumptions that are consistent with a market participant's future expectations for the travel industry and the economy in general and the Company's expected use of the underlying hotel properties. The assumptions and estimates related to the future cash flows and the capitalization rates are complex and subjective in nature. Changes in economic and operating conditions that occur subsequent to a current impairment analysis and the Company's ultimate use of the hotel property could impact the assumptions and result in future impairment losses to the hotel properties.

For acquisitions that are considered business combinations, the Company recognizes the cumulative impact of a measurement period adjustment, if any, in the reporting period in which the adjustment is identified. Depending on the circumstances of the measurement period adjustment, the Company will disclose the prior period impact of the adjustment separately on the face of the consolidated statement of operations or in the notes to the consolidated financial statements.

Investment in Unconsolidated Joint Ventures

If the Company determines that it does not have a controlling financial interest in a joint venture, either through a controlling financial interest in a variable interest entity or through the Company's voting interest in a voting interest entity, but the Company exercises significant influence over the operating and financial policies of the joint venture, the Company accounts for the joint venture using the equity method of accounting. Under the equity method of accounting, the Company's investment is adjusted each reporting period to recognize the Company's share of the net earnings or losses of the joint venture, plus any contributions to the joint venture, less any distributions received from the joint venture and any adjustment for impairment. In addition, the Company's share of the net earnings or losses of the joint venture is adjusted for the straight-line depreciation of the difference between the Company's basis in the investment in the unconsolidated joint ventures as compared to the historical basis of the underlying net assets in the joint venture at the date of acquisition.

The Company assesses the carrying value of its investment in unconsolidated joint ventures whenever events or changes in circumstances may indicate that the carrying value of the investment exceeds its fair value on an other-than-temporary basis. When an impairment indicator is present, the Company will estimate the fair value of the investment, which will be determined by using internally developed discounted cash flow models, third-party appraisals, or if appropriate, the net sales proceeds from pending offers. If the estimated fair value is less than the carrying value, and management

2. Summary of Significant Accounting Policies (Continued)

determines that the decline in value is considered to be other-than-temporary, the Company will recognize an impairment loss on its investment in the joint venture.

The Company tracks the inception-to-date contributions, distributions, and earnings for each of our unconsolidated joint ventures. Any cash distributions received up to the aggregate historical earnings of the unconsolidated joint venture is presented as an operating activity in the consolidated statements of cash flows. Any cash distributions in excess of the aggregate historical earnings of the unconsolidated joint venture is presented as an investing activity in the consolidated statements of cash flows.

Intangible Assets

In a business combination, the Company may acquire intangible assets related to in-place leases, management agreements, franchise agreements, advanced bookings, and other intangible assets. The Company recognizes each of the intangible assets at fair value. The Company estimated the fair value of the intangible assets by using market data and independent appraisals and making numerous estimates and assumptions. The below market lease intangible assets are amortized over the remaining terms of the respective leases as adjustments to rental expense in property tax, insurance and other in the consolidated statements of operations and comprehensive income. The advanced bookings intangible asset is amortized over the duration of the hotel room and guest event reservations period at the respective hotel property to depreciation and amortization in the consolidated statements of operations and comprehensive income. The other intangible assets are amortized over the remaining non-cancelable term of the related agreement or the useful life of the respective intangible asset to depreciation and amortization in the consolidated statements of operations and comprehensive income.

The Company assesses the carrying value of the intangible assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverability is measured by comparing the carrying amount to the estimated future undiscounted cash flows which take into account current market conditions and the Company's intent with respect to holding or disposing of the hotel properties. If the Company's analysis indicates that the carrying value is not recoverable on an undiscounted cash flow basis, the Company will recognize an impairment loss for the amount by which the carrying value exceeds the fair value. The fair value is determined through various valuation techniques, including internally developed discounted cash flow models or third-party appraisals.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments that mature three months or less when they are purchased. The Company maintains its cash at domestic banks, which, at times, may exceed the limits of the amounts insured by the Federal Deposit Insurance Corporation.

Restricted Cash Reserves

Restricted cash reserves consists of all cash that is required to be maintained in a reserve escrow account by a hotel management agreement, franchise agreement and/or a mortgage loan agreement for the replacement of furniture, fixtures and equipment and the funding of real estate taxes and insurance.

2. Summary of Significant Accounting Policies (Continued)

Hotel Receivables

Hotel receivables consist mainly of receivables due from hotel guests and meeting and banquet room rentals. The Company does not generally require collateral, as ongoing credit evaluations are performed, and an allowance for doubtful accounts is established against any receivable that is estimated to be uncollectible.

Deferred Financing Costs

Deferred financing costs are the costs incurred to obtain long-term financing. The deferred financing costs are recorded at cost and are amortized using the straight-line method, which approximates the effective interest method, over the respective term of the financing agreement and are included as a component of interest expense. The Company expenses unamortized deferred financing costs when the associated financing agreement is refinanced or repaid before maturity unless certain criteria are met that would allow for the carryover of such costs to the refinanced agreement. The Company presents the deferred financing costs for its Term Loans (as defined in Note 9) and mortgage loans on the balance sheet as a direct deduction from the carrying amount of the respective debt liability. The Company presents the deferred financing costs for its Revolver (as defined in Note 9) on the balance sheet as an asset, which is included in prepaid expense and other assets in the accompanying consolidated balance sheets.

For the years ended December 31, 2017, 2016 and 2015, approximately $3.5 million, $4.0 million and $4.2 million, respectively, of amortization expense was recorded as a component of interest expense in the consolidated statements of operations and comprehensive income. Accumulated amortization at December 31, 2017 and 2016 was approximately $13.2 million and $9.7 million, respectively.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense was approximately $6.2 million, $4.2 million and $4.1 million for the years ended December 31, 2017, 2016 and 2015, respectively, and is included in other operating expense in the consolidated statements of operations and comprehensive income.

Transaction Costs

The Company incurs costs during the review of potential hotel property acquisitions and dispositions, including legal fees, architectural costs, environmental reviews, market studies, financial advisory, and other professional service fees. In addition, if the Company does complete a hotel property acquisition or a business combination, the Company may incur transfer taxes and integration costs, including professional fees and employee-related costs. These costs are expensed as incurred in the consolidated statements of operations and comprehensive income.

Derivative Financial Instruments

In the normal course of business, the Company is exposed to the effects of interest rate changes. The Company utilizes a variety of borrowing vehicles including an unsecured revolving credit facility (the "Revolver") and medium and long-term financings. The Company reduces its risk to interest rate changes by following its established risk management policies and procedures, including the use of

2. Summary of Significant Accounting Policies (Continued)

derivative financial instruments as part of its interest rate risk management strategy. The Company utilizes derivatives to manage, or hedge, interest rate risk. To mitigate the Company's exposure to interest rate changes, the Company uses interest rate derivative instruments, typically interest rate swaps, to convert a portion of its variable rate debt to fixed rate debt. The Company attempts to require the hedging derivative instruments to be effective in reducing the interest rate risk exposure that they are designated to hedge. This effectiveness is essential in order to qualify for hedge accounting. Derivative financial instruments that meet the hedging criteria are formally designated as cash flow hedges at the inception of the derivative contract. The Company does not use derivative instruments for trading or speculative purposes.

Interest rate swap agreements contain a credit risk that the counterparties may be unable to fulfill the terms of the agreement. The Company has minimized that risk by evaluating the creditworthiness of its counterparties, who are limited to major banks and financial institutions, and it does not anticipate nonperformance by these counterparties.

The estimated fair values of the derivatives have been determined by using available market information and appropriate valuation methods. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The Company recognizes all derivatives as assets or liabilities on its consolidated balance sheet at fair value. The gains and losses on the derivatives that have been determined to be effective cash flow hedges are reported in other comprehensive income (loss) and are reclassified to interest expense in the period in which the interest expense is recognized on the underlying hedged item. The ineffective portion of the change in fair value of the interest rate derivatives is recognized in earnings immediately.

When the terms of an underlying transaction are modified, or when the underlying hedged item ceases to exist, and the interest rate derivative no longer qualifies for hedge accounting, all changes in the fair value of the derivative instrument are marked-to-market with the changes in fair value recognized in earnings each period until the derivative instrument matures.

Noncontrolling Interests

The consolidated financial statements include all subsidiaries controlled by the Company. 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.

As of December 31, 2017, the Company consolidated the Operating Partnership, which has a 0.4% third-party ownership interest. The third-party ownership interest is included in the noncontrolling interest in the Operating Partnership in the equity section of the consolidated balance sheets. The portion of the income and losses associated with the third-party ownership interest are included in the noncontrolling interest in the Operating Partnership in the consolidated statements of operations and comprehensive income.

As of December 31, 2017, the Company consolidated the joint venture that owns the DoubleTree Metropolitan Hotel New York City hotel property; this joint venture has a 1.7% third-party ownership interest in the joint venture. The Company also consolidated the joint venture that owns The Knickerbocker hotel property; this joint venture has a 5% third-party ownership interest in the joint venture. In addition, the Company consolidated the operating lessee of the Embassy Suites Secaucus—

2. Summary of Significant Accounting Policies (Continued)

Meadowlands hotel property through its 51% controlling financial interest in the operating lessee of the joint venture; this joint venture has a 49% third-party ownership interest in the joint venture. The third-party ownership interest is included in the noncontrolling interest in consolidated joint ventures in the equity section of the consolidated balance sheets. The income and losses associated with the third-party ownership interest are included in the noncontrolling interest in consolidated joint venture in the consolidated statements of operations and comprehensive income.

Preferred Equity in a Consolidated Joint Venture

The Knickerbocker joint venture raised capital through the sale of redeemable preferred equity under the EB-5 Immigrant Investor Program. Based on the redemption features of the preferred equity, the Company presents the preferred equity raised by the Knickerbocker joint venture as preferred equity in a consolidated joint venture within the equity section of the consolidated balance sheets.

Income Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code, as amended. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it distribute at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain, to shareholders. The Company's current intention is to adhere to these REIT qualification requirements and to maintain its qualification for taxation as a REIT.

As a REIT, the Company generally is not subject to U.S. federal corporate income tax on the portion of taxable income that is distributed to shareholders. If the Company fails to qualify for taxation as a REIT in any taxable year, it will be subject to U.S. federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and it may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, it may be subject to certain state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income. Taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to U.S. federal, state and local income taxes.

Income taxes are recorded 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.

2. Summary of Significant Accounting Policies (Continued)

The Company performs an annual review for any uncertain tax positions and, if necessary, will record the expected future tax consequences of uncertain tax positions in the consolidated financial statements.

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 and performance units 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 unvested share-based awards, calculated using the treasury stock method. Any anti-dilutive shares have been excluded from the diluted earnings per common share calculation.

Share-based Compensation

From time to time, the Company may issue share-based awards under the RLJ Lodging Trust 2015 Equity Incentive Plan (the "2015 Plan") as compensation to officers, employees and non-employee trustees. The vesting of the awards issued to the officers and employees is based on either the continued employment (time-based) or the relative total shareholder returns of the Company and continued employment (performance-based), as determined by the board of trustees at the date of grant. For time-based awards, the Company recognizes compensation expense for the 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 grant, adjusted for forfeitures. For performance-based awards, the Company recognizes compensation expense over the requisite service period for each award, based on the fair market value of the shares on the date of grant, as determined using a Monte Carlo simulation, adjusted for forfeitures.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which supersedes or replaces nearly all GAAP revenue recognition guidance. The guidance establishes a new control-based revenue recognition model that changes the basis for deciding when revenue is recognized over time or at a point in time and expands the disclosures about revenue. The guidance also applies to sales of real estate and the new principles-based approach is largely based on the transfer of control of the real estate to the buyer. The guidance is effective for annual reporting periods beginning after December 15, 2017, and the interim periods within those annual periods, with early adoption permitted. The Company adopted this standard on January 1, 2018 using the modified retrospective transition method. Based on the Company's assessment, the adoption of this standard will not have a material impact on the Company's consolidated financial statements but it will result in additional disclosures in the notes to the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance will require lessees to recognize a right-of-use asset and a lease liability for most of their leases on the balance sheet, and an entity will need to classify its leases as either an operating or finance lease in order to

2. Summary of Significant Accounting Policies (Continued)

determine the income statement presentation. Leases with a term of 12 months or less will be accounted for similar to the existing guidance today for operating leases. Lessors will classify their leases using an approach that is substantially equivalent to the existing guidance today for operating, direct financing, or sales-type leases. Lessors may only capitalize the incremental direct costs of leasing, so any indirect costs of leasing will be expensed as incurred. The guidance requires an entity to separate the lease components from the non-lease components in a contract, with the lease components being accounted for in accordance with ASC 842 and the non-lease components being accounted for in accordance with other applicable accounting guidance. The guidance is effective for annual reporting periods beginning after December 15, 2018, and the interim periods within those annual periods, with early adoption permitted. The Company expects to adopt this new standard on January 1, 2019. The Company has not yet completed its analysis on this standard, but it believes the application of the new standard will result in the recording of a right-of-use asset and a lease liability on the consolidated balance sheet for each of its ground leases and equipment leases, which represent the majority of the Company's current operating lease payments. The Company does not expect the adoption of this standard will materially affect its consolidated statements of operations and comprehensive income.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash.* This guidance requires that the statement of cash flows reconcile the change during the period in the total of cash, cash equivalents, and restricted cash reserves. As a result, the restricted cash reserves will be included with cash and cash equivalents when reconciling the beginning-of-period and the end-of-period total amounts presented in the statement of cash flows. The Company adopted the guidance on October 1, 2017, and applied its provisions retrospectively. The adoption of ASU 2016-18 did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The guidance clarifies the definition of a business with the objective of adding guidance to assist companies and other reporting organizations with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries. The guidance is effective for annual reporting periods beginning after December 15, 2017, and the interim periods within those annual periods. The Company adopted this guidance on January 1, 2018. The Company will evaluate each future acquisition (or disposal) to determine whether it will be considered to be an acquisition (or disposal) of assets or a business. The Company does not believe the accounting for each future acquisition (or disposal) of assets or a business will be materially different, therefore, the adoption of this guidance will not have a material impact on the Company's consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*. The guidance clarifies that ASC 610-20 applies to the derecognition of nonfinancial assets, including real estate, and in substance nonfinancial assets, which are defined as assets or a group of assets for which substantially all of the fair value consists of nonfinancial assets and the group or subsidiary is not a business. As a result of the guidance, sales and partial sales of real estate assets will be accounted for similar to all other sales of nonfinancial and in substance nonfinancial assets. The guidance is effective for annual reporting periods beginning after December 15, 2017, and the interim periods within those annual periods, with early adoption permitted. The Company adopted this guidance on January 1, 2018 using the modified

2. Summary of Significant Accounting Policies (Continued)

retrospective transition method. Based on the Company's assessment, the adoption of this guidance will not have a material impact on the Company's consolidated financial statements.

3. Merger with FelCor Lodging Trust Incorporated

On August 31, 2017 (the "Acquisition Date"), the Company, the Operating Partnership, Rangers Sub I, LLC, a wholly owned subsidiary of the Operating Partnership ("Rangers"), and Rangers Sub II, LP, a wholly owned subsidiary of the Operating Partnership ("Partnership Merger Sub"), consummated the transactions contemplated by the Agreement and Plan of Merger (the "Merger Agreement"), dated as of April 23, 2017, with FelCor Lodging Trust Incorporated ("FelCor") and FelCor Lodging Limited Partnership ("FelCor LP") pursuant to which Partnership Merger Sub merged with and into FelCor LP, with FelCor LP surviving as a wholly owned subsidiary of the Operating Partnership (the "Partnership Merger"), and, immediately thereafter, FelCor merged with and into Rangers, with Rangers surviving as a wholly owned subsidiary of the Operating Partnership (the "REIT Merger" and, together with the Partnership Merger, the "Mergers").

Upon completion of the REIT Merger and under the terms of the Merger Agreement, each issued and outstanding share of common stock, par value $0.01 per share, of FelCor (other than shares held by any wholly owned subsidiary of FelCor or by the Company or any of its subsidiaries) was converted into the right to receive 0.362 (the "Common Exchange Ratio") common shares of beneficial interest, par value $0.01 per share, of the Company (the "Common Shares"), and each issued and outstanding share of $1.95 Series A cumulative convertible preferred stock, par value $0.01 per share, of FelCor was converted into the right to receive one $1.95 Series A Cumulative Convertible Preferred Share, par value $0.01 per share, of the Company (a "Series A Preferred Share").

Upon completion of the Partnership Merger and under the terms of the Merger Agreement, each limited partner of FelCor LP was entitled to elect to exchange its outstanding common limited partnership units in FelCor LP (the "FelCor LP Common Units") for a number of newly issued Common Shares based on the Common Exchange Ratio. Upon completion of the Partnership Merger, each outstanding FelCor LP Common Unit of any holder who did not make the foregoing election was converted into the right to receive a number of common limited partnership units in the Operating Partnership (the "OP Units") based on the Common Exchange Ratio. No fractional shares of units of Common Shares or OP Units were issued in the Mergers, and the value of any fractional interests was paid in cash.

3. Merger with FelCor Lodging Trust Incorporated (Continued)

The Company accounted for the Mergers under the acquisition method of accounting in ASC 805, *Business Combinations.* As a result of the Mergers, the Company acquired an ownership interest in the following 37 hotel properties:

Hotel Property Name	Location	Ownership Interest	Management Company	Rooms
DoubleTree Suites by Hilton Austin	Austin, TX	100%	Hilton	188
DoubleTree Suites by Hilton Orlando—Lake Buena Vista	Orlando, FL	100%	Hilton	229
Embassy Suites Atlanta—Buckhead	Atlanta, GA	100%	Hilton	316
Embassy Suites Birmingham	Birmingham, AL	100%	Hilton	242
Embassy Suites Boston Marlborough	Marlborough, MA	100%	Hilton	229
Embassy Suites Dallas—Love Field	Dallas, TX	100%	Aimbridge Hospitality	248
Embassy Suites Deerfield Beach—Resort & Spa	Deerfield Beach, FL	100%	Hilton	244
Embassy Suites Fort Lauderdale 17th Street	Fort Lauderdale, FL	100%	Hilton	361
Embassy Suites Los Angeles—International Airport South	El Segundo, CA	100%	Hilton	349
Embassy Suites Mandalay Beach—Hotel & Resort	Oxnard, CA	100%	Hilton	250
Embassy Suites Miami—International Airport	Miami, FL	100%	Hilton	318
Embassy Suites Milpitas Silicon Valley	Milpitas, CA	100%	Hilton	266
Embassy Suites Minneapolis—Airport	Bloomington, MN	100%	Hilton	310
Embassy Suites Myrtle Beach—Oceanfront Resort	Myrtle Beach, SC	100%	Hilton	255
Embassy Suites Napa Valley	Napa, CA	100%	Hilton	205
Embassy Suites Orlando—International Drive South/Convention Center	Orlando, FL	100%	Hilton	244
Embassy Suites Phoenix—Biltmore	Phoenix, AZ	100%	Hilton	232
Embassy Suites San Francisco Airport—South San Francisco	San Francisco, CA	100%	Hilton	312
Embassy Suites San Francisco Airport—Waterfront	Burlingame, CA	100%	Hilton	340
Embassy Suites Secaucus—Meadowlands(1)	Secaucus, NJ	50%	Hilton	261
Hilton Myrtle Beach Resort	Myrtle Beach, SC	100%	Hilton	385
Holiday Inn San Francisco—Fisherman's Wharf	San Francisco, CA	100%	InterContinental Hotels	585
San Francisco Marriott Union Square	San Francisco, CA	100%	Marriott Hotel Services	400
Sheraton Burlington Hotel & Conference Center(3)	Burlington, VT	100%	Marriott Hotel Services	309
Sheraton Philadelphia Society Hill Hotel	Philadelphia, PA	100%	Marriott Hotel Services	364
The Fairmont Copley Plaza(4)	Boston, MA	100%	FRHI Hotels & Resorts	383
The Knickerbocker New York	New York, NY	95%	Highgate Hotels	330
The Mills House Wyndham Grand Hotel	Charleston, SC	100%	Wyndham	216
The Vinoy Renaissance St. Petersburg Resort & Golf Club	St. Petersburg, FL	100%	Marriott Hotel Services	361
Wyndham Boston Beacon Hill	Boston, MA	100%	Wyndham	304
Wyndham Houston—Medical Center Hotel & Suites	Houston, TX	100%	Wyndham	287
Wyndham New Orleans—French Quarter	New Orleans, LA	100%	Wyndham	374
Wyndham Philadelphia Historic District	Philadelphia, PA	100%	Wyndham	364
Wyndham Pittsburgh University Center	Pittsburgh, PA	100%	Wyndham	251
Wyndham San Diego Bayside	San Diego, CA	100%	Wyndham	600
Wyndham Santa Monica At The Pier	Santa Monica, CA	100%	Wyndham	132
Chateau LeMoyne—French Quarter, New Orleans(2)	New Orleans, LA	50%	InterContinental Hotels	171
				11,215

(1) The Company owns an indirect 50% ownership interest in the real estate at this hotel property and records the real estate interests using the equity method of accounting. The Company leases the hotel property to its TRS, of which the Company owns a controlling financial interest in the operating lessee, so the Company consolidates its ownership interest in the leased hotel.

(2) The Company owns an indirect 50% ownership interest in this hotel property and accounts for its ownership interest using the equity method of accounting. This hotel property is operated without a lease.

(3) In December 2017, this hotel property was converted to the DoubleTree by Hilton Burlington Vermont.

(4) In December 2017, the Company sold this hotel property for a sale price of $170.0 million.

3. Merger with FelCor Lodging Trust Incorporated (Continued)

The total consideration for the Mergers was approximately $1.4 billion, which included the Company's issuance of approximately 50.4 million common shares at $20.18 per share to FelCor common stockholders, the Company's issuance of approximately 12.9 million Series A Preferred Shares at $28.49 per share to former FelCor preferred stockholders, the Operating Partnership's issuance of approximately 0.2 million OP Units at $20.18 per unit to former FelCor LP limited partners, and cash. The total consideration consisted of the following (in thousands):

	Total Consideration
Common Shares	$1,016,227
Series A Preferred Shares	366,936
OP Units	4,342
Cash, net of cash, cash equivalents, and restricted cash reserves acquired	24,883
Total consideration	$1,412,388

The Company allocated the purchase price consideration as follows (in thousands):

	August 31, 2017
Investment in hotel properties	$ 2,661,114
Investment in unconsolidated joint ventures	25,651
Hotel and other receivables	28,308
Deferred income tax assets	58,170
Intangible assets	139,673
Prepaid expenses and other assets	23,811
Debt	(1,305,337)
Accounts payable and other liabilities	(118,360)
Advance deposits and deferred revenue	(23,795)
Accrued interest	(22,612)
Distributions payable	(4,312)
Noncontrolling interest in consolidated joint ventures	(5,493)
Preferred equity in a consolidated joint venture	(44,430)
Total consideration	$ 1,412,388

During the fourth quarter of 2017, the Company refined its valuation models to reflect changes in inputs and assumptions related to cash flow projections, discount rates, and tax attributes. Therefore, the Company recorded certain measurement period adjustments to decrease investment in hotel properties by $12.5 million, to decrease intangible assets by $12.0 million, to increase deferred income tax assets by approximately $26.2 million, to increase prepaid expenses and other assets by $1.2 million, to increase accounts payable and other liabilities by $2.6 million, and to increase noncontrolling interest in consolidated joint ventures by $0.3 million.

3. Merger with FelCor Lodging Trust Incorporated (Continued)

The Company used the following valuation methodologies, inputs, and assumptions to estimate the fair value of the assets acquired, the liabilities assumed, and the equity interests acquired:

- Investment in hotel properties—The Company estimated the fair values of the land and improvements, buildings and improvements, and furniture, fixtures, and equipment at the hotel properties by using a combination of the market, cost, and income approaches. These valuation methodologies are based on significant Level 3 inputs in the fair value hierarchy, such as estimates of future income growth, capitalization rates, discount rates, capital expenditures, and cash flow projections at the respective hotel properties.
- Investment in unconsolidated joint ventures—The Company estimated the fair value of its real estate interests in the unconsolidated joint ventures by using the same valuation methodologies for the investment in hotel properties noted above and for the debt noted below. The Company recognized the net assets acquired based on its respective ownership interest in the joint venture according to the joint venture agreement.
- Deferred income tax assets—The Company estimated the future realizable value of the deferred income tax assets by estimating the amount of the net operating loss that will be utilized in future periods by the acquired taxable REIT subsidiaries. The Company then applied its applicable effective tax rate against the net operating losses to determine the appropriate deferred income tax assets to recognize. This valuation methodology is based on Level 3 inputs in the fair value hierarchy.
- Intangible assets—The Company estimated the fair value of its below market ground lease intangible assets by calculating the present value of the difference between the contractual rental amounts paid according to the in-place lease agreements and the market rental rates for similar leased space, measured over a period equal to the remaining non-cancelable term of the lease. This valuation methodology is based on Level 3 inputs in the fair value hierarchy. The below market ground lease intangible assets are amortized over the remaining terms of the respective leases as adjustments to rental expense in property tax, insurance and other in the consolidated statements of operations and comprehensive income. The Company estimated the fair value of the advanced bookings intangible asset by using the income approach to determine the projected cash flows that a hotel property will receive as a result of future hotel room and guests events that have already been reserved and pre-booked at the hotel property as of the Acquisition Date. This valuation methodology is based on Level 3 inputs in the fair value hierarchy. The advanced bookings intangible asset is amortized over the duration of the hotel room and guest event reservations period at the hotel property to depreciation and amortization in the consolidated statements of operations and comprehensive income. The Company recognized the following intangible assets in the Mergers (dollars in thousands):

		Weighted Average Amortization Period (in Years)
Below market ground leases	$118,050	54
Advanced bookings	13,862	1
Other intangible assets	7,761	6
Total intangible assets	$139,673	46

3. Merger with FelCor Lodging Trust Incorporated (Continued)

- Above market ground lease liabilities—The Company estimated the fair value of its above market ground lease liabilities by calculating the present value of the difference between the contractual rental amounts paid according to the in-place lease agreements and the market rental rates for similar leased space, measured over a period equal to the remaining non-cancelable term of the lease. This valuation methodology is based on Level 3 inputs in the fair value hierarchy. The Company recognized approximately $15.5 million of above market ground lease liabilities in the Mergers, which are included in accounts payable and other liabilities in the accompanying consolidated balance sheet. The above market ground lease liabilities are amortized over the remaining terms of the respective leases as adjustments to rental expense in property tax, insurance and other in the consolidated statements of operations and comprehensive income.
- Debt—The Company estimated the fair value of the Senior Notes by using publicly available trading prices, market interest rates, and spreads for the Senior Notes, which are Level 3 inputs in the fair value hierarchy. The Company estimated the fair value of the mortgage loans using a discounted cash flow model and incorporated 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 Company recognized approximately $71.7 million in above market debt fair value adjustments on the Senior Notes and the mortgage loans assumed in the Mergers, which is included in debt, net in the accompanying consolidated balance sheet. The above market debt fair value adjustments are amortized over the remaining terms of the respective debt instruments as adjustments to interest expense in the consolidated statements of operations and comprehensive income.
- Noncontrolling interest in consolidated joint ventures—The Company estimated the fair value of the consolidated joint ventures by using the same valuation methodologies for the investment in hotel properties noted above. The Company then recognized the fair value of the noncontrolling interest in the consolidated joint ventures based on the joint venture partner's ownership interest in the consolidated joint venture. This valuation methodology is based on Level 3 inputs and assumptions in the fair value hierarchy.
- Preferred equity in a consolidated joint venture—The Company estimated the fair value of the preferred equity in a consolidated joint venture by comparing the contractual terms of the preferred equity agreement to market-based terms of a similar preferred equity agreement, which is based on Level 3 inputs in the fair value hierarchy.
- Hotel and other receivables, prepaid expenses and other assets, accounts payable and other liabilities, advance deposits and deferred revenue, accrued interest, and distributions payable—The carrying amounts of the assets acquired, the liabilities assumed, and the equity interests acquired approximate fair value because of their short term maturities.

For the hotel properties acquired during the year ended December 31, 2017, the total revenues and net income from the date of acquisition through December 31, 2017 are included in the

3. Merger with FelCor Lodging Trust Incorporated (Continued)

accompanying consolidated statements of operations and comprehensive income as follows (in thousands):

	For the year ended December 31, 2017
Revenue	$260,020
Net income	$ 14,994

The following table presents the costs that were incurred in connection with the Mergers (in thousands):

	For the year ended December 31, 2017
Transaction costs	$38,391
Integration costs	5,696
	$44,087

The transaction costs primarily related to transfer taxes and financial advisory, legal, and other professional service fees in connection with the Mergers. The integration costs primarily related to professional fees and employee-related costs, including compensation for transition employees. The merger-related costs noted above are included in transaction costs in the accompanying consolidated statements of operations and comprehensive income.

The following unaudited condensed pro forma financial information presents the results of operations as if the Mergers had taken place on January 1, 2016. The unaudited condensed pro forma financial information is not necessarily indicative of what the actual results of operations of the Company would have been assuming the Mergers had taken place on January 1, 2016, nor is it indicative of the results of operations for future periods. The unaudited condensed pro forma financial information is as follows (in thousands):

	For the year ended December 31,	
	2017	2016
	(unaudited)	
Revenue	$ 1,893,899	$ 1,996,517
Net income attributable to common shareholders	$ 110,231	$ 213,354
Net income per share attributable to common shareholders—basic	$ 0.63	$ 1.23
Net income per share attributable to common shareholders—diluted	$ 0.63	$ 1.22
Weighted-average number of shares outstanding—basic	174,142,918	174,009,107
Weighted-average number of shares outstanding—diluted	174,220,129	174,237,111

4. Investment in Hotel Properties

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

	December 31, 2017	December 31, 2016
Land and improvements	$ 1,275,030	$ 675,889
Buildings and improvements	4,890,266	3,050,043
Furniture, fixtures and equipment	756,546	595,816
	6,921,842	4,321,748
Accumulated depreciation	(1,129,917)	(953,972)
Investment in hotel properties, net	$ 5,791,925	$3,367,776

For the years ended December 31, 2017, 2016 and 2015, the Company recognized depreciation and amortization expense related to its investment in hotel properties of approximately $182.0 million, $162.2 million and $155.8 million, respectively.

Impairment

During the years ended December 31, 2017 and 2016, the Company determined that there was no impairment of any assets.

During the year ended December 31, 2015, the Company recorded an impairment loss of $1.0 million related to one hotel property. The Company evaluated the recoverability of the hotel property's carrying value given the expectation to sell the hotel before the end of its previously estimated useful life. Based on an analysis of the estimated undiscounted net cash flows, the Company concluded that the carrying value of the hotel property was not recoverable. The Company estimated the fair value of the hotel property using a discounted cash flow analysis. In the analysis, the Company estimated the future net cash flows from the hotel property using the expected useful life and the holding period, and the applicable capitalization and discount rates.

5. Investment in Unconsolidated Joint Ventures

As of December 31, 2017, the Company owned 50% interests in joint ventures that owned two hotel properties. The Company also owned 50% interests in joint ventures that owned real estate and a condominium management business that are associated with two of our resort hotel properties. The Company accounts for the investments in these unconsolidated joint ventures under the equity method of accounting. The Company makes adjustments to the equity in income 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 December 31, 2017, the unconsolidated joint ventures' debt consisted entirely of non-recourse mortgage debt.

5. Investment in Unconsolidated Joint Ventures (Continued)

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

	December 31, 2017
Equity basis of the joint venture investments	$ 253
Cost of the joint venture investments in excess of the joint venture book value	23,632
Investment in unconsolidated joint ventures	$23,885

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

	For the year ended December 31, 2017
Unconsolidated joint venture net income attributable to the Company	$ 623
Depreciation of cost in excess of book value	(490)
Equity in income from unconsolidated joint ventures	$ 133

6. Intangible Assets

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

	Weighted Average Amortization Period (in Years)	December 31, 2017			December 31, 2016		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Below market ground leases	54	$118,609	$(1,217)	$117,392	$ —	$ —	$ —
Advanced bookings	1	11,360	(3,083)	8,277	—	—	—
Other intangible assets	6	9,511	(1,969)	7,542	2,309	(1,411)	898
Intangible assets, net	48	$139,480	$(6,269)	$133,211	$2,309	$(1,411)	$898

For the years ended December 31, 2017, 2016 and 2015, the Company recognized amortization expense related to its intangible assets of approximately $5.7 million, $0.2 million and $0.3 million, respectively.

As of December 31, 2017, the estimated amortization expense for the intangible assets over the next five years is as follows (in thousands):

	2018	2019	2020	2021	2022
Estimated amortization expense	$11,345	$6,314	$5,211	$4,797	$4,797

7. Acquisition of Hotel Properties

During the year ended December 31, 2017, other than the acquisition of FelCor, the Company did not acquire any other hotel properties. Refer to Note 3, Merger with FelCor Lodging Trust Incorporated, for information on the acquisition of FelCor.

During the year ended December 31, 2016, the Company did not acquire any hotel properties.

During the year ended December 31, 2015, the Company acquired a 100% interest in the following hotel properties:

Hotel Property Name	Location	Acquisition Date	Management Company	Rooms	Purchase Price (in thousands)
Hyatt Place Washington DC Downtown K Street	Washington, DC	July 15, 2015	Aimbridge Hospitality	164	$ 68,000
Homewood Suites Seattle Lynnwood	Lynnwood, WA	July 20, 2015	InnVentures	170	37,900
Residence Inn Palo Alto Los Altos(1)	Los Altos, CA	September 25, 2015	InnVentures	156	70,000
				490	$175,900

(1) In connection with this acquisition, the Company assumed a $33.4 million mortgage loan with a fair value at assumption of $34.7 million.

The allocation of the purchase price for the hotel properties acquired was as follows (in thousands):

	For the year ended December 31, 2015
Land and improvements	$ 31,692
Buildings and improvements	131,960
Furniture, fixtures and equipment	13,517
Fair value adjustment on mortgage debt assumed	(1,269)
Total purchase price	$175,900

See Note 18 for the detail of the other assets acquired and the liabilities assumed in conjunction with the Company's acquisitions.

For the hotel properties acquired during the year ended December 31, 2015, the total revenues and net loss from the date of acquisition through December 31, 2015 are included in the accompanying consolidated statements of operations and comprehensive income as follows (in thousands):

	For the year ended December 31, 2015
Revenue	$10,053
Net loss	$(1,477)

The following unaudited condensed pro forma financial information presents the results of operations as if the 2015 acquisitions had taken place on January 1, 2014. The unaudited condensed pro forma financial information is not necessarily indicative of what the actual results of operations of the Company would have been assuming the 2015 acquisitions had taken place on January 1, 2014, nor

7. Acquisition of Hotel Properties (Continued)

is it indicative of the results of operations for future periods. The unaudited condensed pro forma financial information is as follows (in thousands, except share and per share data):

	For the year ended December 31, 2015
	(unaudited)
Revenue	$ 1,149,453
Net income attributable to common shareholders	$ 222,498
Net income per share attributable to common shareholders—basic	$ 1.72
Net income per share attributable to common shareholders—diluted	$ 1.71
Weighted-average number of shares outstanding—basic	128,444,469
Weighted-average number of shares outstanding—diluted	128,967,754

8. Sale of Hotel Properties

During the year ended December 31, 2017, the Company sold one hotel property for a sale price of approximately $170.0 million. In conjunction with this transaction, the Company recorded a $0.6 million loss on sale which is included in gain on sale of hotel properties in the accompanying consolidated statement of operations and comprehensive income.

The following table discloses the hotel property that was sold during the year ended December 31, 2017:

Hotel Property Name	Location	Sale Date	Rooms
The Fairmont Copley Plaza	Boston, MA	December 14, 2017	383
Total			383

On February 21, 2018, the Company sold the Embassy Suites Boston Marlborough for $23.7 million.

During the year ended December 31, 2016, the Company sold four hotel properties in three separate transactions for a total sale price of approximately $301.5 million. In conjunction with these transactions, the Company recorded a $45.9 million gain on sale, which is included in the accompanying consolidated statement of operations and comprehensive income, and a deferred gain of $15.0 million related to the Company's maximum exposure to loss with respect to certain post-closing obligations, which is included in accounts payable and other liabilities in the accompanying consolidated balance sheet. During the year ended December 31, 2017, the Company met certain post-closing obligations and recognized an additional gain of $9.6 million which is included in gain on sale of hotel properties in the accompanying consolidated statement of operations and comprehensive income.

8. Sale of Hotel Properties (Continued)

The following table provides a list of the hotel properties that were sold during the year ended December 31, 2016:

Hotel Property Name	Location	Sale Date	Rooms
Holiday Inn Express Merrillville	Merrillville, IN	February 22, 2016	62
SpringHill Suites Bakersfield	Bakersfield, CA	November 30, 2016	119
Hilton Garden Inn New York 35th Street	New York, NY	December 5, 2016	298
Hilton New York Fashion District	New York, NY	December 5, 2016	280
Total			759

During the year ended December 31, 2015, the Company sold 23 hotel properties in four separate transactions for a total sale price of approximately $252.5 million. In conjunction with these transactions, the Company recorded a $28.4 million gain on sale, which is included in the accompanying consolidated statement of operations and comprehensive income.

The following table provides a list of the hotel properties that were sold during the year ended December 31, 2015:

Hotel Property Name	Location	Sale Date	Rooms
Courtyard Chicago Schaumburg	Schaumburg, IL	February 23, 2015	162
Courtyard Detroit Pontiac Bloomfield	Pontiac, MI	February 23, 2015	110
Courtyard Grand Junction	Grand Junction, CO	February 23, 2015	136
Courtyard Mesquite	Mesquite, TX	February 23, 2015	101
Courtyard San Antonio Airport Northstar	San Antonio, TX	February 23, 2015	78
Courtyard Tampa Brandon	Tampa, FL	February 23, 2015	90
Fairfield Inn & Suites Merrillville	Merrillville, IN	February 23, 2015	112
Fairfield Inn & Suites San Antonio Airport	San Antonio, TX	February 23, 2015	120
Fairfield Inn & Suites Tampa Brandon	Tampa, FL	February 23, 2015	107
Hampton Inn Merrillville	Merrillville, IN	February 23, 2015	64
Holiday Inn Grand Rapids Airport	Kentwood, MI	February 23, 2015	148
Homewood Suites Tampa Brandon	Tampa, FL	February 23, 2015	126
Marriott Auburn Hills Pontiac at Centerpoint	Pontiac, MI	February 23, 2015	290
Residence Inn Austin Round Rock	Round Rock, TX	February 23, 2015	96
Residence Inn Chicago Schaumburg	Schaumburg, IL	February 23, 2015	125
Residence Inn Detroit Pontiac Auburn Hills	Pontiac, MI	February 23, 2015	114
Residence Inn Grand Junction	Grand Junction, CO	February 23, 2015	104
Residence Inn Indianapolis Carmel	Carmel, IN	February 23, 2015	120
SpringHill Suites Chicago Schaumburg	Schaumburg, IL	February 23, 2015	132
SpringHill Suites Indianapolis Carmel	Carmel, IN	February 23, 2015	126
Fairfield Inn & Suites Valparaiso	Valparaiso, IN	May 22, 2015	63
Residence Inn South Bend	South Bend, IN	July 7, 2015	80
Embassy Suites Columbus	Columbus, OH	October 14, 2015	221
Total			2,825

8. Sale of Hotel Properties (Continued)

Investment in Loan

In November 2009, the Company purchased a mortgage loan that was collateralized by one hotel property. The loan matured on September 6, 2017. At the date of maturity, the Company's investment in loan receivable balance was $10.1 million and the Company received $12.8 million in net proceeds from the debtor. Accordingly, the Company recognized a gain on settlement of investment in loan of approximately $2.7 million.

9. Debt

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

	December 31, 2017	December 31, 2016
Senior Notes	$1,062,716	$ —
Revolver and Term Loans, net	1,170,954	1,169,308
Mortgage loans, net	646,818	413,407
Debt, net	$2,880,488	$1,582,715

Senior Notes

The Company's senior secured notes and the senior unsecured notes are collectively the "Senior Notes". The Company's Senior Notes consisted of the following (in thousands):

	Number of Assets Encumbered	Interest Rate	Maturity Date	Outstanding Borrowings at	
				December 31, 2017	December 31, 2016
Senior secured notes (1)(2)(3)	9	5.63%	March 2023	$ 552,669	$—
Senior unsecured notes(1)(2)(4)	—	6.00%	June 2025	510,047	—
Total Senior Notes				$1,062,716	$—

(1) Requires payments of interest only through maturity.

(2) Includes $28.7 million and $35.1 million at December 31, 2017 related to fair value adjustments on the senior secured notes and the senior unsecured notes, respectively, that were assumed in the Mergers.

(3) On February 27, 2018, the Company announced that it will early redeem the senior secured notes in full on March 9, 2018 (the "Redemption Date"). In accordance with the terms and conditions set forth in the indenture governing the senior secured notes, the aggregate amount payable upon redemption will be approximately $539.4 million, which includes the redemption price of 102.813% for the outstanding principal amount plus accrued and unpaid interest thereon through, but not including the Redemption Date.

(4) The Company has the option to redeem the senior unsecured notes beginning June 1, 2020 at a premium of 103.0%.

9. Debt (Continued)

The Senior Notes contain certain financial covenants relating to the Company's total leverage ratio, secured leverage ratio and interest coverage ratio. If an event of default exists, the Company is not permitted to (i) incur additional indebtedness, except to refinance maturing debt with replacement debt, as defined under our indentures; (ii) pay dividends in excess of the minimum distributions required to qualify as a REIT; (iii) repurchase capital stock; or (iv) merge. As of December 31, 2017, the Company was in compliance with all financial covenants.

Revolver and Term Loans

The Company has the following unsecured credit agreements in place:

- $600.0 million revolving credit facility with a scheduled maturity date of April 22, 2020 with a one-year extension option if certain conditions are satisfied (the "Revolver");
- $400.0 million term loan with a scheduled maturity date of March 20, 2019 (the "$400 Million Term Loan Maturing 2019");
- $225.0 million term loan with a scheduled maturity date of November 20, 2019 (the "$225 Million Term Loan Maturing 2019");
- $400.0 million term loan with a scheduled maturity date of April 22, 2021 (the "$400 Million Term Loan Maturing 2021"); and
- $150.0 million term loan with a scheduled maturity date of January 22, 2022 (the "$150 Million Term Loan Maturing 2022").

The $400 Million Term Loan Maturing 2019, the $225 Million Term Loan Maturing 2019, the $400 Million Term Loan Maturing 2021, and the $150 Million Term Loan Maturing 2022 are collectively the "Term Loans". The credit agreements contain certain financial covenants relating to the Company's maximum leverage ratio, minimum fixed charge coverage ratio, minimum tangible net worth and maximum secured indebtedness. If an event of default exists, the Company is not permitted to make distributions to shareholders, other than those required to qualify for and maintain REIT status. As of December 31, 2017 and 2016, the Company was in compliance with all financial covenants.

The borrowings under the Revolver and Term Loans bear interest at variable rates equal to the London InterBank Offered Rate ("LIBOR") plus an applicable margin. The margin ranges from 1.45% to 3.00%, depending on the Company's leverage ratio, as calculated under the terms of each facility. The Company incurs an unused facility fee on the Revolver of between 0.20% and 0.30%, based on the amount by which the maximum borrowing amount exceeds the total principal balance of the outstanding borrowings.

Under the terms of the credit agreement for the Revolver, one or more standby letters of credit, up to a maximum aggregate outstanding balance of $30.0 million, may be issued on behalf of the Company by the lenders under the Revolver. The Company will incur a fee that shall be agreed upon with the issuing bank. Any outstanding standby letters of credit reduce the available borrowings on the Revolver by a corresponding amount. No standby letters of credit were outstanding at December 31, 2017. The Company also may borrow up to a maximum aggregate outstanding balance of $40.0 million of swingline loans. Any outstanding swingline loans reduce the available borrowings under the Revolver by a corresponding amount. There were no swingline loans outstanding at December 31, 2017.

9. Debt (Continued)

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

	Interest Rate at December 31, 2017(1)	Maturity Date	Outstanding Borrowings at December 31, 2017	Outstanding Borrowings at December 31, 2016
Revolver(2)	3.16%	April 2020	$ —	$ —
$400 Million Term Loan Maturing 2019	3.35%	March 2019	400,000	400,000
$225 Million Term Loan Maturing 2019	4.24%	November 2019	225,000	225,000
$400 Million Term Loan Maturing 2021	3.14%	April 2021	400,000	400,000
$150 Million Term Loan Maturing 2022	3.43%	January 2022	150,000	150,000
			1,175,000	1,175,000
Deferred financing costs, net(3)			(4,046)	(5,692)
Total Revolver and Term Loans, net			$1,170,954	$1,169,308

(1) Interest rate at December 31, 2017 gives effect to interest rate hedges.

(2) At December 31, 2017 and 2016, there was $600.0 million and $400.0 million, respectively, of borrowing capacity on the Revolver. On August 31, 2017, the Company amended the Revolver to increase the borrowing capacity from $400.0 million to $600.0 million. The Company has the ability to further increase the borrowing capacity to $750.0 million, subject to certain lender requirements.

(3) Excludes $2.6 million and $2.3 million as of December 31, 2017 and 2016, respectively, related to deferred financing costs on the Revolver, which are included in prepaid expense and other assets in the accompanying consolidated balance sheets.

In January 2018, the Company amended the $400 Million Term Loan Maturing 2019, the $225 Million Term Loan Maturing 2019, and the $150 Million Term Loan Maturing 2022. The maturity dates for both the $400 Million Term Loan Maturing 2019 and the $225 Million Term Loan Maturing 2019 were extended to January 2023. The maturity date for the $150 Million Term Loan Maturing 2022 is still January 2022. The Company also reduced the interest rate pricing on each of the three term loans.

9. Debt (Continued)

Mortgage Loans

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

Lender	Number of Assets Encumbered	Interest Rate at December 31, 2017(1)	Maturity Date	Principal balance at December 31, 2017	Principal balance at December 31, 2016
Wells Fargo(5)	4	4.04%	March 2018(3)	$143,250	$146,250
Wells Fargo(2)	4	4.05%	October 2018(4)	150,000	150,000
PNC Bank(2)(6)	5	3.66%	March 2021(7)	85,000	85,000
Wells Fargo(8)	1	5.25%	June 2022	32,882	33,666
PNC Bank/Wells Fargo(9)	4	4.95%	October 2022	120,893	—
Prudential(10)	1	4.94%	October 2022	30,323	—
Scotiabank(2)(11)	1	LIBOR + 3.00%	November 2018	85,404	—
	20			647,752	414,916
Deferred financing costs, net				(934)	(1,509)
Total mortgage loans, net				$646,818	$413,407

(1) Interest rate at December 31, 2017 gives effect to interest rate hedges.

(2) Requires payments of interest only through maturity.

(3) The maturity date may be extended for four one-year terms at the Company's option, subject to certain lender requirements.

(4) In October 2017, the Company extended the maturity date for a one-year term. The maturity date may be extended for three additional one-year terms at the Company's option, subject to certain lender requirements.

(5) Two of the four hotels encumbered by the Wells Fargo loan are cross-collateralized.

(6) The five hotels encumbered by the PNC Bank loan are cross-collateralized.

(7) The maturity date may be extended for two one-year terms at the Company's option, subject to certain lender requirements.

(8) Includes $0.8 million and $1.0 million at December 31, 2017 and 2016, respectively, related to a fair value adjustment on mortgage debt assumed in conjunction with an acquisition.

(9) Includes $3.0 million at December 31, 2017 related to fair value adjustments on the mortgage loans that were assumed in the Mergers.

(10) Includes $0.7 million at December 31, 2017 related to a fair value adjustment on the mortgage loan that was assumed in the Mergers.

(11) Includes $0.4 million at December 31, 2017 related to a fair value adjustment on the mortgage loan that was assumed in the Mergers.

Certain mortgage agreements are subject to customary financial covenants. The Company was in compliance with all financial covenants at December 31, 2017 and 2016.

9. Debt (Continued)

Interest Expense

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

	For the year ended December 31,		
	2017	2016	2015
Senior Notes	$15,918	$ —	$ —
Revolver and Term Loans	39,262	38,849	35,898
Mortgage loans	19,643	16,006	16,500
Amortization of deferred financing costs	3,499	3,965	4,164
Capitalized interest	—	—	(1,774)
Total interest expense	$78,322	$58,820	$54,788

Future Minimum Principal Payments

As of December 31, 2017, the future minimum principal payments on the debt were as follows (in thousands):

2018	$ 381,553
2019(1)	628,766
2020	3,936
2021	489,166
2022	314,308
Thereafter	999,010
Total(2)	$2,816,739

(1) In January 2018, the maturity dates for both the $400 Million Term Loan Maturing 2019 and the $225 Million Term Loan Maturing 2019 were extended to January 2023.

(2) Excludes a total of $68.7 million related to fair value adjustments on debt.

10. Derivatives and Hedging

The Company's interest rate swaps consisted of the following (in thousands):

Hedge type	Interest rate	Maturity	Notional value at December 31, 2017	Notional value at December 31, 2016	Fair value at December 31, 2017	Fair value at December 31, 2016
Swap-cash flow	1.12%	November 2017	$ —	$ 275,000	$ —	$ (558)
Swap-cash flow	1.56%	March 2018	175,000	175,000	(38)	(1,251)
Swap-cash flow	1.64%	March 2018	175,000	175,000	(71)	(1,413)
Swap-cash flow	1.83%	September 2018	15,758	16,088	(23)	(193)
Swap-cash flow	1.75%	September 2018	15,758	16,088	(14)	(172)
Swap-cash flow	1.83%	September 2018	38,678	39,488	(57)	(474)
Swap-cash flow	1.75%	September 2018	39,632	40,462	(35)	(433)
Swap-cash flow	1.83%	September 2018	17,190	17,550	(25)	(211)
Swap-cash flow	1.75%	September 2018	16,235	16,575	(14)	(177)
Swap-cash flow	2.02%	March 2019	125,000	125,000	(383)	(2,090)
Swap-cash flow	1.94%	March 2019	100,000	100,000	(213)	(1,505)
Swap-cash flow	1.27%	March 2019	125,000	125,000	836	54
Swap-cash flow(1)	1.96%	March 2019	100,000	100,000	(230)	(516)
Swap-cash flow(1)	1.85%	March 2019	50,000	50,000	(43)	(184)
Swap-cash flow(1)	1.81%	March 2019	50,000	50,000	(19)	(159)
Swap-cash flow(1)	1.74%	March 2019	25,000	25,000	13	(57)
Swap-cash flow(2)	1.80%	September 2020	33,000	33,000	202	111
Swap-cash flow(2)	1.80%	September 2020	82,000	82,000	502	277
Swap-cash flow(2)	1.80%	September 2020	35,000	35,000	214	118
Swap-cash flow	1.81%	October 2020	143,000	143,000	803	(1,113)
Swap-cash flow(3)	1.15%	April 2021	100,000	100,000	2,880	2,513
Swap-cash flow(3)	1.20%	April 2021	100,000	100,000	2,726	2,360
Swap-cash flow(3)	2.15%	April 2021	75,000	75,000	(144)	(410)
Swap-cash flow(3)	1.91%	April 2021	75,000	—	415	—
Swap-cash flow	1.61%	June 2021	50,000	50,000	769	224
Swap-cash flow	1.56%	June 2021	50,000	50,000	869	352
Swap-cash flow	1.71%	June 2021	50,000	50,000	598	5
Swap-cash flow(4)	2.29%	December 2022	200,000	—	(413)	—
Swap-cash flow(4)	2.29%	December 2022	125,000	—	(259)	—
			$2,186,251	$2,064,251	$8,846	$(4,902)

(1) Effective between the maturity of the swap in November 2017 and the maturity of the debt in March 2019.

(2) Effective between the maturity of the existing swaps in September 2018 and September 2020.

(3) Effective between the maturity of the existing swaps in March 2018 and the maturity of the debt in April 2021.

(4) Effective between the maturity of the existing swaps in March 2019 and December 2022.

10. Derivatives and Hedging (Continued)

As of December 31, 2017 and 2016, the aggregate fair value of the interest rate swap assets of $10.8 million and $6.0 million, respectively, was included in prepaid expense and other assets in the accompanying consolidated balance sheets. As of December 31, 2017 and 2016, the aggregate fair value of the interest rate swap liabilities of $2.0 million and $10.9 million, respectively, was included in accounts payable and other liabilities in the accompanying consolidated balance sheets.

As of December 31, 2017, there was approximately $8.8 million of unrealized gains included in accumulated other comprehensive income related to interest rate hedges that are effective in offsetting the variable cash flows. As of December 31, 2016, there was approximately $4.9 million 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 years ended December 31, 2017 and 2016. For the years ended December 31, 2017 and 2016, approximately $7.4 million and $15.9 million, respectively, of amounts included in accumulated other comprehensive loss were reclassified into interest expense. Approximately $0.1 million of the unrealized losses included in accumulated other comprehensive income (loss) at December 31, 2017 is expected to be reclassified into interest expense within the next 12 months.

11. 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 Senior Notes by using publicly available trading prices, market interest rates, and spreads for the Senior Notes, which are Level 2 and Level 3 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

11. Fair Value (Continued)

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):

	December 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Notes	$1,062,716	$1,038,892	$ —	$ —
Revolver and Term Loans, net	1,170,954	1,179,052	1,169,308	1,176,798
Mortgage loans, net	646,818	643,078	413,407	402,134
Debt, net	$2,880,488	$2,861,022	$1,582,715	$1,578,932

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 December 31, 2017 (in thousands):

	Fair Value at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Interest rate swap asset	$—	$10,827	$—	$10,827
Interest rate swap liability	—	(1,981)	—	(1,981)
Total	$—	$ 8,846	$—	$ 8,846

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, 2016 (in thousands):

	Fair Value at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Interest rate swap asset	$—	$ 6,014	$—	$ 6,014
Interest rate swap liability	—	(10,916)	—	(10,916)
Total	$—	$ (4,902)	$—	$ (4,902)

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 December 31, 2017, 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.

12. Commitments and Contingencies

Ground Leases

As of December 31, 2017, 17 of our hotel properties were subject to ground lease agreements that cover the land underlying the respective hotels. The total ground rent expense was $11.1 million, $5.4 million and $5.5 million for the years ended December 31, 2017, 2016 and 2015, respectively, which is included in property tax, insurance and other in the accompanying consolidated statements of operations and comprehensive income.

The Residence Inn Chicago Oak Brook is subject to a ground lease with an initial term expiring in 2100. After the initial term, the Company may extend the ground lease for an additional term of 99 years. The ground rent expense was de minimis for each of the years ended December 31, 2017, 2016 and 2015, respectively.

The Marriott Louisville Downtown is subject to a ground lease with an initial term expiring in 2053. After the initial term, the ground lease may be extended for up to four additional twenty-five year terms at the Company's option. The ground rent expense was de minimis for each of the years ended December 31, 2017, 2016 and 2015, respectively.

The Courtyard Austin Downtown Convention Center and Residence Inn Austin Downtown Convention Center are subject to a ground lease with a term expiring in 2100. The ground rent expense was $0.9 million, $0.9 million and $1.0 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The Hilton Garden Inn Bloomington is subject to a ground lease with an initial term expiring in 2053. After the initial term, the ground lease automatically extends for up to five additional ten-year terms unless certain conditions are met. The ground rent expense was de minimis for each of the years ended December 31, 2017, 2016 and 2015, respectively. In addition, the Hilton Garden Inn Bloomington is subject to an agreement to lease parking spaces with an initial term expiring in 2033. The agreement to lease parking spaces may be extended if certain events occur. The ground rent expense was de minimis for each of the years ended December 31, 2017, 2016 and 2015, respectively.

A portion of the site of the Courtyard Charleston Historic District is subject to a ground lease with a term expiring in 2096. The ground rent expense was $1.0 million for each of the years ended December 31, 2017, 2016 and 2015, respectively.

The Courtyard Waikiki Beach is subject to a ground lease with a term expiring in 2112. The ground rent expense was $3.5 million for the year ended December 31, 2017 and $3.4 million for each of the years ended December 31, 2016 and 2015, respectively.

A portion of the site of the Residence Inn Palo Alto Los Altos is subject to a ground lease with a term expiring in 2033. The ground rent expense was $0.1 million, $0.1 million and de minimis for the years ended December 31, 2017, 2016 and 2015, respectively.

The DoubleTree Suites by Hilton Orlando Lake Buena Vista is subject to a ground lease with an initial term expiring in 2032. After the initial term, the Company may extend the ground lease for an additional term of 25 years to 2057. The ground rent expense was $0.2 million for the year ended December 31, 2017.

The Embassy Suites San Francisco Airport Waterfront is subject to a ground lease with a term expiring in 2059. The ground rent expense was $0.7 million for the year ended December 31, 2017.

12. Commitments and Contingencies (Continued)

The DoubleTree by Hilton Burlington Vermont is subject to an agreement to lease parking spaces with a term expiring in 2051. The ground rent expense was $0.1 million for the year ended December 31, 2017.

The Vinoy Renaissance St. Petersburg Resort & Golf Club is subject to three ground leases on the hotel property. The hotel is subject to a ground lease with a term expiring in 2090. The golf course is subject to a ground lease with a term expiring in 2090. The marina is subject to a ground lease with a term expiring in 2088. The ground rent expense was $1.0 million for the year ended December 31, 2017.

The Wyndham Boston Beacon Hill is subject to a ground lease with a term expiring in 2028. The ground rent expense was $0.3 million for the year ended December 31, 2017.

The Wyndham New Orleans French Quarter is subject to a ground lease with a term expiring in 2065. The ground rent expense was $0.1 million for the year ended December 31, 2017.

The Wyndham Pittsburgh University Center is subject to a ground lease with an initial term expiring in 2038. After the initial term, the Company may extend the ground lease for up to five additional nine-year renewal terms to 2083. The ground rent expense was $0.1 million for the year ended December 31, 2017.

The Wyndham San Diego Bayside is subject to a ground lease with a term expiring in 2029. In addition, the Wyndham San Diego Bayside is subject to an agreement to lease parking spaces with a term expiring in 2018. The ground rent expense was $1.5 million for the year ended December 31, 2017.

The Holiday Inn San Francisco Fisherman's Wharf is subject to two ground leases with terms that expire in 2018. One of the ground leases can be extended to 2028, and the Company has the option to purchase the underlying land at fair market value at a future date. The ground rent expense was $1.6 million for the year ended December 31, 2017.

The Hampton Inn Garden City was subject to a ground lease that expired on December 31, 2016. The lease then reverted to a fee simple ownership interest. The ground rent expense was de minimis for each of the years ended December 31, 2016 and 2015, respectively.

As of December 31, 2017, the future minimum ground lease payments were as follows (in thousands):

	2018	2019	2020	2021	2022	Thereafter	Total
Future minimum ground lease payments	$12,982	$10,987	$11,001	$11,016	$11,031	$626,674	$683,691

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 and maintain the reserves

12. Commitments and Contingencies (Continued)

in restricted cash reserve escrows. Any unexpended amounts will remain the property of the Company upon termination of the management agreements, franchise agreements or mortgage loan documents. As of December 31, 2017 and 2016, approximately $72.6 million and $67.2 million, respectively, was available in the restricted cash reserves for future capital expenditures, real estate taxes and insurance.

Litigation

Other than the legal proceedings mentioned below, 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.

Shareholder Litigation

The Company and several affiliated entities were named as defendants in four putative shareholder class action lawsuits filed in connection with RLJ's merger with FelCor. The first case, *Assad v. FelCor Lodging Trust, Inc. et al.*, Case No. 1:17-cv-01744 (D. Md.) (the "Assad Lawsuit"), named as defendants the Company and certain affiliated entities, as well as FelCor, its former directors, and FelCor LP. The Assad Lawsuit was filed on June 26, 2017 in the United States District Court for the District of Maryland (the "Maryland Court"). The second case, *Bagheri v. FelCor Lodging Trust, Inc., et al.*, Case No. 3:17-cv-01892 (the "Bagheri Lawsuit"), named as defendants the Company and certain affiliated entities, as well as FelCor, its former directors, and FelCor LP. The Bagheri Lawsuit was filed on July 17, 2017 in the United States District Court for the Northern District of Texas but was subsequently transferred to the Maryland Court. The third case, *Johnson v. FelCor Lodging Trust Inc., et al.,* Case No. 1:17-cv-01786 (D. Md.) (the "Johnson Lawsuit"), named as defendants FelCor and its former directors. The Johnson Lawsuit was filed on June 28, 2017 in the Maryland Court. The fourth case, *Sachs Investment Group v. FelCor Lodging Trust Inc., et al.,* Case No. 1:17-cv-01933 (D. Md.) (the "Sachs Lawsuit"), named as defendants FelCor and its former directors. The Sachs Lawsuit was filed on July 11, 2017 in the Maryland Court. Each of the lawsuits alleges violations of the Securities and Exchange Act of 1934 (the "Exchange Act") arising in connection with the filing of the Company's Registration Statement on Form S-4 (the "Registration Statement") that was filed in connection with the Company's merger with FelCor. The plaintiffs in the lawsuits sought, among other things, damages, rescission of the Mergers, changes to the Registration Statement, an award of attorney's fees, and declaratory relief stating that the defendants violated the Exchange Act.

On July 21, 2017, the plaintiff in the Johnson Lawsuit filed a motion for preliminary injunction seeking to enjoin the Mergers. On August 8, 2017, however, the plaintiff withdrew that motion and represented that certain supplemental disclosures made by FelCor had addressed the basis for its preliminary injunction request.

On August 10, 2017, an order was entered consolidating the three original Maryland cases under the caption *In Re FelCor Lodging Securities Litig*., Case No. 1:17-cv-1786 (the "Consolidated Action"). The Assad Lawsuit was designated as the lead case for the Consolidated Action. On September 28, 2017, the Bagheri Lawsuit was also consolidated into the Consolidated Action.

On August 11, 2017, the Maryland Court entered an order regarding the selection of a Lead Plaintiff for the Consolidated Action. No stockholder moved for appointment and no Lead Plaintiff was appointed by the Court.

12. Commitments and Contingencies (Continued)

On October 26, 2017, the plaintiff and defendants in the Bagheri Lawsuit filed a stipulation of voluntary dismissal without prejudice. The Maryland Court entered an order dismissing the lawsuit that same day, and ordered the clerk to close the case.

On November 2, 2017, the plaintiffs in the Assad, Johnson, and Sachs lawsuits filed a notice of voluntary dismissal without prejudice. The Maryland Court entered an order dismissing the lawsuit that same day.

As a result of the resolution of the above shareholder lawsuits, there is currently no outstanding shareholder litigation relating to the merger with FelCor.

Pension Trust Litigation

Prior to the Mergers, on March 24, 2016, an affiliate of InterContinental Hotels Group PLC ("IHG"), which was previously the hotel management company for three of FelCor's hotels (two of which were sold in 2006, and one of which was converted by FelCor into a Wyndham brand and operation in 2013), notified FelCor that the National Retirement Fund in which the employees at those hotels had participated had assessed a withdrawal liability of $8.3 million, with required quarterly payments including interest, in connection with the termination of IHG's operation of those hotels. FelCor's hotel management agreements with IHG stated that it may be obligated to indemnify and hold IHG harmless for some or all of any amount ultimately contributed to the pension trust fund with respect to those hotels.

Based on the current assessment of the claim, the resolution of this matter may not occur until 2022. As of December 31, 2017, the Company had accrued approximately $5.4 million for the future quarterly payments to the pension trust fund, which is included in accounts payable and other liabilities in the accompanying consolidated balance sheet.

The Company plans to vigorously defend the underlying claims and, if appropriate, IHG's demand for indemnification.

Management Agreements

As of December 31, 2017, 157 of the Company's hotel properties were operated pursuant to long-term management agreements with initial terms ranging from 3 to 25 years, with 17 different hotel management companies as noted in the table below. This number includes 46 hotel properties that

12. Commitments and Contingencies (Continued)

receive the benefits of a franchise agreement pursuant to management agreements with Hilton, Hyatt, Marriott, Wyndham, and other hotel brands.

Management Company	Number of Hotel Properties
Aimbridge Hospitality	4
Concord Hospitality Enterprises Company	1
Crestline Hotels and Resorts	1
Davidson Hotels and Resorts	1
Hilton Management and affiliates	24
HEI Hotels and Resorts	1
Highgate Hotels	5
Hyatt Corporation and affiliates	10
Interstate Hotels & Resorts	11
InnVentures	3
InterContinental Hotels Group	1
K Partners Hospitality Group	1
Marriott Management and affiliates	7
Sage Hospitality	4
Urgo Hotels	4
WLS	71
Wyndham	8
	157

Each management company receives a base management fee generally between 3.0% and 3.5% of hotel revenues. Management agreements that include the benefits of a franchise agreement incur a base management fee generally between 2.0% 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.

The Wyndham management agreements guarantee minimum levels of annual net operating income at each of the Wyndham-managed hotels for each year of the initial 10-year term to 2023, subject to an aggregate $100.0 million limit over the term and an annual $21.5 million limit. For the year ended December 31, 2017, the Company recorded $2.4 million for its portion of the aggregate full-year guaranties. The Company recognized this amount as a reduction of Wyndham's contractual management and other fees.

Management fees are included in management and franchise fee expense in the accompanying consolidated statements of operations and comprehensive income. For the years ended December 31, 2017, 2016 and 2015, the Company incurred management fee expense, including amortization of deferred management fees, of approximately $48.9 million, $44.3 million and $44.1 million, respectively.

In December 2017, Interstate Hotels & Resorts ("Interstate") announced that it had entered into an agreement to acquire 62 of the Company's management agreements from WLS. The terms of the

12. Commitments and Contingencies (Continued)

original WLS management agreements remain in effect. The transaction closed on January 24, 2018, at which time Interstate began managing the hotel properties. Upon completion of the transaction, the Company has 73 management agreements with Interstate, and WLS will continue to manage nine of the Company's hotel properties.

Franchise Agreements

As of December 31, 2017, 110 of the Company's hotel properties were operated under franchise agreements with initial terms ranging from 10 to 30 years. This number excludes 46 hotel properties that receive the benefits of a franchise agreement pursuant to management agreements with Hilton, Hyatt, Marriott, Wyndham, and other hotel brands. In addition, The Knickerbocker is not operated with a hotel brand so the hotel 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, generally between 4.0% and 6.0% of room revenue, plus additional fees for marketing, central reservation systems and other franchisor costs generally between 1.0% and 4.3% of room revenue. Certain hotels are also charged a royalty fee of generally 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 income. For the years ended December 31, 2017, 2016 and 2015, the Company incurred franchise fee expense of approximately $73.7 million, $73.9 million and $72.3 million, respectively.

13. Equity

Common Shares of Beneficial Interest

Under the declaration of trust for the Company, there are 450,000,000 Common Shares authorized for issuance.

On May 1, 2015, the Company's board of trustees authorized a share repurchase program to acquire up to $200.0 million of the Company's Common Shares through April 30, 2016. On October 30, 2015, the Company's board of trustees extended the duration of the share repurchase program to December 31, 2016 and increased the amount by $200.0 million to a total of $400.0 million. Between May 1, 2015 and December 31, 2015, the Company repurchased and retired 8,044,372 Common Shares for approximately $225.2 million. During the year ended December 31, 2016, the Company repurchased and retired 610,607 Common Shares for approximately $13.3 million.

On February 17, 2017, the Company's board of trustees increased the authorized amount that may be repurchased by $40.0 million to a total of $440.0 million. During the year ended December 31, 2017, the Company repurchased and retired 122,508 Common Shares for approximately $2.6 million. As of December 31, 2017, the share repurchase program had a remaining capacity of $198.9 million. On February 16, 2018, the Company's board of trustees extended the duration of the share repurchase program to February 28, 2019.

As a result of the REIT Merger, the Company issued 50.4 million Common Shares at a price of $20.18 per share to former FelCor common stockholders as consideration in the REIT Merger.

13. Equity (Continued)

Preferred Shares of Beneficial Interest

Under the declaration of trust for the Company, there are 50,000,000 preferred shares authorized for issuance. As of both December 31, 2016 and 2015, there were no preferred shares of beneficial interest outstanding.

On August 31, 2017, the Company designated and authorized the issuance of up to 12,950,000 $1.95 Series A Preferred Shares. The Company issued 12,879,475 Series A Preferred Shares, at a price of $28.49 per share, to former FelCor preferred stockholders as consideration in the REIT Merger. The holders of the Series A Preferred Shares are entitled to receive dividends that are payable in cash in an amount equal to the greater of (i) $1.95 per annum or (ii) the cash distributions declared or paid for the corresponding period on the number of Common Shares into which a Series A Preferred Share is then convertible.

Noncontrolling Interest in Consolidated Joint Ventures

As of December 31, 2017, the Company consolidated the joint venture that owns the DoubleTree Metropolitan Hotel New York City hotel property, which has a third-party partner that owns a noncontrolling 1.7% ownership interest in the joint venture. In addition, the Company consolidated the joint venture that owns The Knickerbocker hotel property, which has a third-party partner that owns a noncontrolling 5% ownership interest in the joint venture. Lastly, the Company owns a controlling financial interest in the operating lessee of the Embassy Suites Secaucus Meadowlands hotel property, which has a third-party partner that owns a noncontrolling 49% 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. As of December 31, 2017, the Operating Partnership had 175,642,948 OP units outstanding, of which 99.6% of the outstanding OP units were owned by the Company and its subsidiaries, and the noncontrolling 0.4% ownership interest was owned by other limited partners.

As a result of the Partnership Merger, the Operating Partnership issued 215,152 OP units at a price of $20.18 per unit, to former FelCor LP limited partners as consideration in the Partnership Merger. During the year ended December 31, 2016, the Company issued 335,250 common shares of beneficial interest in exchange for redeemed units.

The limited partners own 773,902 OP units, which are redeemable for cash, or at the option of the Company, for a like number of Common Shares. The noncontrolling interest is included in the noncontrolling interest in the Operating Partnership on the consolidated balance sheets.

Consolidated Joint Venture Preferred Equity

The Company's joint venture that redeveloped The Knickerbocker raised $45.0 million ($44.4 million net of issuance costs) through the sale of redeemable preferred equity under the EB-5 Immigrant Investor Program. The purchasers receive a 3.25% current annual return (which increases to 8% if the Company does not redeem the equity interest before the fifth anniversary of the

13. Equity (Continued)

respective equity issuance), plus a 0.25% non-compounding annual return payable at redemption. The preferred equity raised by the joint venture is included in preferred equity in a consolidated joint venture on the consolidated balance sheets.

14. Equity Incentive Plan

On May 1, 2015, the Company's shareholders approved the RLJ Lodging Trust 2015 Equity Incentive Plan (the "2015 Plan"), which constitutes an amendment and restatement of the RLJ Lodging Trust 2011 Equity Incentive Plan (the "2011 Plan"), including an increase in the total number of available shares under the 2015 Plan by 2,500,000 shares and changes to certain other terms of the 2011 Plan. The Company may issue share-based awards to officers, employees, non-employee trustees and other eligible persons under the 2015 Plan. The 2015 Plan provides for a maximum of 7,500,000 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 under the 2015 Plan 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 under the 2015 Plan 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 is as follows:

	2017		2016		2015	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at January 1,	649,447	$23.00	540,885	$26.73	731,459	$21.21
Granted(1)	425,076	23.15	675,375	20.59	292,505	32.10
Vested(1)	(363,160)	23.41	(272,780)	23.66	(470,703)	21.52
Forfeited(2)	(11,038)	23.24	(294,033)	23.70	(12,376)	25.65
Unvested at December 31,	700,325	$22.88	649,447	$23.00	540,885	$26.73

(1) For the years ended December 31, 2016 and 2015, the Company issued 2,554 and 5,008, respectively, unrestricted shares in lieu of cash compensation to non-employee trustees at a weighted-average grant date fair value of $22.26 and $26.43, respectively.

(2) Includes the forfeiture of 285,926 unvested restricted shares upon the resignation of the Company's President and Chief Executive Officer in May 2016.

14. Equity Incentive Plan (Continued)

For the years ended December 31, 2017, 2016 and 2015, the Company recognized approximately $8.9 million, $6.9 million and $9.6 million, respectively, of share-based compensation expense related to the restricted share awards, which includes a benefit of $0.5 million for the year ended December 31, 2016 as a result of the forfeiture of unvested restricted shares upon the resignation of the Company's President and Chief Executive Officer in May 2016.

As of December 31, 2017, there was $14.3 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 2.4 years. The total fair value of the shares vested (calculated as the number of shares multiplied by the vesting date share price) during the years ended December 31, 2017, 2016 and 2015 was approximately $7.7 million, $5.8 million and $14.0 million, respectively.

Performance Units

In July 2012, the Company awarded performance units to certain employees. The performance units vested over a four-year period, including three years of performance-based vesting (the "2012 performance units measurement period") plus an additional one year of time-based vesting. In July 2015, following the end of the 2012 performance units measurement period, the Company issued 838,934 restricted shares upon conversion of the performance units. Half of the restricted shares vested immediately and the remaining half vested in July 2016. In May 2016, 133,467 unvested restricted shares related to the conversion of the performance units were forfeited upon the resignation of the Company's President and Chief Executive Officer.

In May 2016, the Company awarded 280,000 performance units with a grant date fair value of $10.31 per unit to certain employees. The performance units vest over a four-year period, including three years of performance-based vesting (the "2016 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 25% to 150% of the number of performance units granted contingent upon the Company achieving an absolute total shareholder return and a relative total shareholder return over the measurement period at specified percentiles of the peer group, as defined by the award. If at the end of the 2016 performance units measurement period the target criterion is met, then 50% of the restricted shares will vest immediately. The remaining 50% will vest one year later. 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 2016 performance units measurement period. The fair value of the performance units is determined using a Monte Carlo simulation with the following assumptions: a risk-free interest rate of 1.05%, volatility of 23.82%, and an expected term equal to the requisite service period for the awards. The Company estimated 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.

In February 2017, the Company awarded 259,000 performance units with a grant date fair value of $14.93 per unit to certain employees. The performance units vest over a four-year period, including three years of performance-based vesting (the "2017 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 25% to 150% of the number of performance units granted contingent upon the Company

14. Equity Incentive Plan (Continued)

achieving an absolute total shareholder return and a relative total shareholder return over the measurement period at specified percentiles of the peer group, as defined by the award. If at the end of the 2017 performance units measurement period the target criterion is met, then 50% of the restricted shares will vest immediately. The remaining 50% will vest one year later. 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 2017 performance units measurement period. The fair value of the performance units is determined using a Monte Carlo simulation with the following assumptions: a risk-free interest rate of 1.57%, volatility of 25.73%, and an expected term equal to the requisite service period for the awards. The Company estimated 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.

For the years ended December 31, 2017 and 2015, the Company recognized $1.7 million and $3.4 million, respectively, of share-based compensation expense related to the performance unit awards. For the year ended December 31, 2016, the Company recognized a share-based compensation benefit of $0.9 million related to the performance unit awards, which included a benefit of $2.3 million as a result of the forfeiture of unvested restricted shares related to the conversion of the performance units upon the resignation of the Company's President and Chief Executive Officer in May 2016.

As of December 31, 2017, there was $4.3 million of total unrecognized compensation cost related to the performance unit awards and these costs are expected to be recognized over a weighted-average period of 2.5 years. The total fair value of the vested restricted shares related to the conversion of the performance units (calculated as the number of restricted shares issued multiplied by the vesting date share price) during the year ended December 31, 2016 was approximately $6.7 million.

As of December 31, 2017, there were 3,460,504 common shares available for future grant under the 2015 Plan.

15. 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.

15. Earnings per Common Share (Continued)

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 years ended December 31, 2017, 2016 and 2015, 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 year ended December 31,		
	2017	2016	2015
Numerator:			
Net income attributable to RLJ	$ 74,835	$ 200,352	$ 218,221
Less: Preferred dividends	(8,372)	—	—
Less: Dividends paid on unvested restricted shares	(1,029)	(1,105)	(1,180)
Less: Undistributed earnings attributable to unvested restricted shares	—	(188)	(378)
Net income attributable to common shareholders excluding amounts attributable to unvested restricted shares	$ 65,434	$ 199,059	$ 216,663
Denominator:			
Weighted-average number of Common Shares—basic	140,616,838	123,651,003	128,444,469
Unvested restricted shares	77,211	228,004	523,285
Unvested performance units	—	—	—
Weighted-average number of Common Shares—diluted	140,694,049	123,879,007	128,967,754
Net income per share attributable to common shareholders—basic	$ 0.47	$ 1.61	$ 1.69
Net income per share attributable to common shareholders—diluted	$ 0.47	$ 1.61	$ 1.68

16. Income Taxes

Current income tax expense represents the amounts expected to be reported on the Company's income tax returns, and deferred tax expense or benefit represents the change in the net deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. A valuation allowance is recognized to reduce the deferred tax assets to the amount considered likely to be realized.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "Tax Reform Act"). The legislation significantly changed U.S. tax law by, among other things, lowering corporate income tax rates, implementing limitations on net operating loss carryovers, and allowing dividend income from a REIT to be eligible for a 20% qualified business income deduction.

16. Income Taxes (Continued)

The Tax Reform Act permanently reduces the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018.

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. The deferred tax assets and liabilities are measured using the enacted tax rates that are expected to be applied to taxable income in the years in which those temporary differences are expected to reverse. As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% under the Tax Reform Act, the Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse. The provisional estimate of $31.7 million incorporates assumptions made based upon the best available interpretation of the Tax Reform Act and may change as the Company receives additional clarification and implementation guidance.

For federal income tax purposes, the cash distributions to shareholders are characterized as follows:

	For the Years Ended December 31,	
	2017	2016
Common distributions:		
Ordinary income	73.0%	87.0%
Return of capital	27.0%	—
Capital gains	—	13.0%
	100.0%	100.0%
Preferred distributions:		
Ordinary income	100.0%	—
Return of capital	—	—
Capital gains	—	—
	100.0%	—

The components of the income tax provision from continuing operations are as follows (in thousands):

	For the Years Ended December 31,		
	2017	2016	2015
Current:			
Federal	$ (67)	$ (76)	$ (287)
State	(2,304)	(1,113)	(1,145)
Deferred:			
Federal	(43,181)	(6,141)	36,359
State	3,434	(860)	4,199
Total net tax (expense) benefit	$(42,118)	$(8,190)	$39,126

16. Income Taxes (Continued)

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income from continuing operations as a result of the following differences (in thousands):

	For the Years Ended December 31,		
	2017	2016	2015
Expected federal tax expense at statutory rate	$(41,593)	$(73,327)	$(63,240)
Tax impact of REIT election	33,236	68,477	62,391
Expected tax expense at TRS	(8,357)	(4,850)	(849)
Change in valuation allowance	366	(1,254)	41,147
State income tax expense, net of federal	(1,388)	(1,520)	(1,111)
Impact of rate change	(31,667)	20	46
Other permanent items	(513)	(382)	(416)
Impact of provision to return/deferred adjustments	(559)	(204)	309
Income tax (expense) benefit	$(42,118)	$ (8,190)	$ 39,126

A reconciliation of the Company's effective tax rate and the U.S. federal statutory income tax rate is as follows:

	For the Years Ended December 31,		
	2017	2016	2015
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Impact of REIT election	(28.0)%	(32.7)%	(34.5)%
State and local income taxes	1.2%	0.7%	0.6%
Change in valuation allowance	(0.3)%	0.6%	(22.8)%
Impact of rate change	26.6%	—%	—%
Other	0.9%	0.3%	—%
Effective tax rate	35.4%	3.9%	(21.7)%

16. Income Taxes (Continued)

Deferred income taxes represent the tax effect from continuing operations of the differences between the book and tax basis of the assets and liabilities. The deferred tax assets (liabilities) include the following (in thousands):

	December 31,	
	2017	2016
Deferred tax liabilities:		
Property and equipment	$ —	$ (8,557)
Prepaid expenses	(1,501)	(2,349)
Intangible assets	(3,597)	—
Deposits	(449)	—
Other	—	(524)
Deferred tax liabilities	$ (5,547)	$(11,430)
Deferred tax assets:		
Property and equipment	$ 5,427	$ 1,082
Incentive and vacation accrual	4,576	2,640
Deferred revenue—key money	1,095	1,703
Allowance for doubtful accounts	128	72
Partnership basis	918	—
Contingent liability	301	—
Other	357	605
Other carryforwards	184	155
Net operating loss carryforwards	64,546	49,787
Federal historic tax credit	824	—
Valuation allowance	(21,595)	(11,430)
Deferred tax assets	$ 56,761	$ 44,614

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is most likely to be utilized in future periods to offset taxable income. As of December 31, 2017 and 2016, the Company had a valuation allowance of approximately $21.6 million and $11.4 million, respectively, related to net operating loss (“NOL”) carryforwards, historic tax credits, and other deferred tax assets of its TRSs. The Company considered all available evidence, both positive and negative, including cumulative income in recent years and its current forecast of future income in its analysis. While the Company believes its forecast of future income is reasonable, it is inherently uncertain. If the Company’s projections of future income are lower than expected, the Company may need to establish an additional valuation allowance.

The Company’s NOLs will begin to expire in 2024 for federal tax purposes and 2018 to 2031 for state tax purposes. Additionally, the annual utilization of these NOLs is limited pursuant to Section 382 of the Code. The Company’s historic tax credits begin to expire in 2035. Additionally, the annual utilization of these tax credits is limited pursuant to Section 383 of the Code.

The Company is subject to examination by the U.S. Internal Revenue Service (“IRS”) and various state jurisdictions. The tax years subject to examination vary by jurisdiction. With few exceptions, as of December 31, 2017, the Company is no longer subject to U.S. federal or state and local tax

16. Income Taxes (Continued)

examinations by tax authorities for the years of 2013 and before. During 2016, the IRS commenced examination of the federal income tax return of the Company's primary TRS for the 2013 tax year. During 2017, the IRS extended the examination of the federal income tax returns of the Company's primary TRS for the 2014 and 2015 tax years. The Company anticipates the examination will be completed in 2018.

The Company had no accruals for tax uncertainties as of December 31, 2017 and 2016.

17. Segment Information

The Company separately evaluates the performance of each of its hotel properties. However, because each of the hotels has similar economic characteristics, facilities, and services, the hotel properties have been aggregated into a single operating segment.

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

	For the year ended December 31,		
	2017	2016	2015
Reconciliation of cash, cash equivalents, and restricted cash reserves			
Cash and cash equivalents	$586,470	$456,672	$134,192
Restricted cash reserves	72,606	67,206	55,455
Cash, cash equivalents, and restricted cash reserves	$659,076	$523,878	$189,647
Interest paid, net of capitalized interest	$ 65,211	$ 56,294	$ 48,524
Income taxes paid	$ 1,176	$ 1,290	$ 1,012
Supplemental investing and financing transactions(1)			
In conjunction with the acquisitions, the Company recorded the following:			
Purchase of real estate	$ —	$ —	$177,169
Accounts receivable	—	—	179
Other assets	—	—	120
Mortgage debt assumed	—	—	(33,389)
Fair value adjustment on mortgage debt assumed	—	—	(1,269)
Advance deposits	—	—	(46)
Accounts payable and other liabilities	—	—	(543)
Acquisition of hotel properties, net	$ —	$ —	$142,221
In conjunction with the sale of hotel properties, the Company recorded the following:			
Sale of hotel properties	$170,000	$301,540	$252,500
Escrow related to certain post-closing obligations	14,000	(15,000)	—
Transaction costs	(4,564)	(16,693)	(9,055)
Operating prorations	843	(662)	2,960
Proceeds from the sale of hotel properties, net	$180,279	$269,185	$246,405
Supplemental non-cash transactions(1)			
Change in fair market value of designated interest rate swaps	$ 13,748	$ 11,700	$ (2,958)
Accrued capital expenditures	$ 14,138	$ 7,392	$ 11,383
Distributions payable	$ 65,284	$ 41,486	$ 41,409
Redemption of OP Units	$ —	$ 4,325	$ —

(1) Refer to Note 3, Merger with FelCor Lodging Trust, for information related to the non-cash investing and financing activities associated with the acquisition of FelCor.

19. Selected Quarterly Financial Data (unaudited)

The tables below set forth the Company's unaudited condensed consolidated quarterly financial data for the years ended December 31, 2017 and 2016 (in thousands, except share and per share data). In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of quarterly results have been reflected in the data. It is also management's opinion, however, that quarterly financial data for the hotel properties are not indicative of the financial results

19. Selected Quarterly Financial Data (unaudited) (Continued)

to be achieved in succeeding years or quarters. In order to obtain a more accurate indication of performance, there should be a review of the financial and operating results, changes in shareholders' equity, and cash flows for a period of several years.

	For the year ended December 31, 2017			
	First Quarter	Second Quarter	Third Quarter(1)	Fourth Quarter(1)
Total revenue	$ 260,232	$ 292,284	$ 341,255	$ 462,490
Net income	$ 21,777	$ 42,464	$ 4,111	$ 7,387
Net income attributable to common shareholders	$ 21,758	$ 42,246	$ 1,821	$ 638
Comprehensive income attributable to RLJ	$ 27,306	$ 40,531	$ 5,660	$ 15,086
Basic per share data(1):				
Net income attributable to common shareholders	$ 0.17	$ 0.34	$ 0.01	$ —
Diluted per share data(1):				
Net income attributable to common shareholders	$ 0.17	$ 0.34	$ 0.01	$ —
Basic weighted-average common shares outstanding	123,734,173	123,785,735	140,249,961	174,147,522
Diluted weighted-average common shares outstanding	123,841,400	123,871,762	140,307,269	174,210,578

(1) On August 31, 2017, the Company completed its merger with FelCor and acquired an ownership interest in 37 hotel properties. The increase in the quarterly financial data was a result of the

19. Selected Quarterly Financial Data (unaudited) (Continued)

financial impact related to the merger transaction. Refer to Note 3, Merger with FelCor Lodging Trust Incorporated, for more information on the accounting for the business combination.

	For the year ended December 31, 2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue	$ 275,171	$ 317,112	$ 296,259	$ 271,453
Net income	$ 25,350	$ 58,740	$ 41,389	$ 75,835
Net income attributable to common shareholders	$ 25,298	$ 58,447	$ 41,174	$ 75,433
Comprehensive income attributable to RLJ	$ 5,050	$ 53,081	$ 50,644	$ 103,277
Basic per share data(1):				
Net income attributable to common shareholders	$ 0.20	$ 0.47	$ 0.33	$ 0.61
Diluted per share data(1):				
Net income attributable to common shareholders	$ 0.20	$ 0.47	$ 0.33	$ 0.61
Basic weighted-average common shares outstanding	123,739,823	123,544,034	123,621,323	123,698,633
Diluted weighted-average common shares outstanding	124,141,824	123,942,846	123,836,452	123,757,660

(1) The basic and diluted net income per share attributable to common shareholders are calculated independently for each of the quarters presented. Accordingly, the sum of the quarterly amounts may not agree with the total for the year presented.

RLJ Lodging Trust
Schedule III—Real Estate and Accumulated Depreciation
December 31, 2017
(amounts in thousands)

Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2017					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total(1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Marriott Austin South	$ —	$ 2,253	$ 16,522	$ 1,761	$ 2,253	$ 18,283	$ 20,536	$ 5,120	2006	15 - 40 years
Marriott Denver South @ Park Meadows	—	5,385	39,488	3,692	5,352	43,212	48,564	12,224	2006	15 - 40 years
Marriott Louisville Downtown	80,000	—	89,541	7,603	—	97,144	97,144	26,547	2006	15 - 40 years
Marriott Chicago Midway	—	4,464	32,736	2,255	4,499	34,957	39,456	10,059	2006	15 - 40 years
Renaissance Boulder Flatiron Hotel	—	4,440	32,557	2,718	4,718	34,996	39,714	9,862	2006	15 - 40 years
Renaissance Fort Lauderdale Plantation Hotel	—	4,842	35,517	1,998	4,876	37,481	42,357	10,594	2006	15 - 40 years
Courtyard Austin Northwest Arboretum	—	1,443	10,585	3,019	1,447	13,600	15,047	3,682	2006	15 - 40 years
Courtyard Austin South	—	1,530	11,222	1,526	1,553	12,725	14,278	3,672	2006	15 - 40 years
Courtyard Chicago Downtown Magnificent Mile	—	8,140	59,696	8,486	8,142	68,180	76,322	18,073	2006	15 - 40 years
Courtyard Denver West Golden	—	1,325	9,716	1,441	1,325	11,157	12,482	3,185	2006	15 - 40 years
Courtyard Chicago Southeast Hammond	—	1,038	7,616	1,376	1,080	8,950	10,030	2,619	2006	15 - 40 years
Courtyard Indianapolis @ The Capitol	—	2,482	18,207	1,664	2,482	19,870	22,352	5,481	2006	15 - 40 years
Courtyard Boulder Longmont	—	1,192	8,745	1,027	1,192	9,772	10,964	2,798	2006	15 - 40 years
Courtyard Boulder Louisville	—	1,640	12,025	1,443	1,642	13,466	15,108	3,919	2006	15 - 40 years
Courtyard Louisville Northeast	—	1,374	10,079	891	1,382	10,962	12,344	3,181	2006	15 - 40 years
Courtyard Midway Airport	—	2,172	15,927	2,492	2,197	18,393	20,590	5,821	2006	15 - 40 years
Courtyard South Bend Mishawaka	—	640	4,699	1,255	642	5,951	6,593	1,911	2006	15 - 40 years
Courtyard Salt Lake City Airport	—	2,333	17,110	1,397	2,333	18,507	20,840	5,157	2006	15 - 40 years
Courtyard Houston Sugarland	—	1,217	8,931	1,862	1,217	10,792	12,009	2,783	2006	15 - 40 years

Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2017					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total(1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Courtyard Fort Lauderdale SW Miramar	—	1,619	11,872	1,181	1,619	13,053	14,672	3,325	2007	15 - 40 years
Courtyard Austin Downtown Convention Center	47,448	6,049	44,361	1,538	6,049	45,898	51,947	11,588	2007	15 - 40 years
Courtyard Austin Airport	—	1,691	12,404	3,687	1,753	16,029	17,782	3,797	2007	15 - 40 years
Residence Inn Austin Northwest Arboretum	—	1,403	10,290	1,959	1,403	12,249	13,652	3,430	2006	15 - 40 years
Residence Inn Austin South	—	802	5,883	966	820	6,831	7,651	1,836	2006	15 - 40 years
Residence Inn Austin North Parmer Lane	—	1,483	10,872	1,728	1,483	12,601	14,084	3,299	2006	15 - 40 years
Residence Inn Indianapolis Fishers	—	998	7,322	1,005	1,048	8,277	9,325	2,294	2006	15 - 40 years
Residence Inn Denver West Golden	—	1,222	8,963	1,195	1,222	10,158	11,380	2,811	2006	15 - 40 years
Residence Inn Chicago Southeast Hammond	—	980	7,190	1,010	1,043	8,138	9,181	2,239	2006	15 - 40 years
Residence Inn Houston By The Galleria	—	2,665	19,549	2,790	2,665	22,340	25,005	6,330	2006	15 - 40 years
Residence Inn Indianapolis Downtown On The Canal	—	2,670	19,588	2,102	2,670	21,690	24,360	6,060	2006	15 - 40 years
Residence Inn Longmont Boulder	—	1,407	10,321	796	1,407	11,117	12,524	3,088	2006	15 - 40 years
Residence Inn Boulder Louisville	—	1,298	9,519	972	1,298	10,490	11,788	2,991	2006	15 - 40 years
Residence Inn Louisville Northeast	—	1,319	9,675	1,203	1,325	10,872	12,197	3,006	2006	15 - 40 years
Residence Inn Merrillville	—	595	4,372	1,262	595	5,634	6,229	1,727	2006	15 - 40 years
Residence Inn Detroit Novi	—	1,427	10,445	2,119	1,666	12,325	13,991	3,317	2006	15 - 40 years
Residence Inn Chicago Oak Brook	—	—	20,436	938	—	21,374	21,374	6,013	2006	15 - 40 years

Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2017					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total(1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Residence Inn Fort Lauderdale Plantation	—	2,183	16,021	4,601	2,295	20,510	22,805	5,793	2006	15 - 40 years
Residence Inn Salt Lake City Airport	—	875	6,416	1,295	875	7,712	8,587	2,171	2006	15 - 40 years
Residence Inn San Antonio Downtown Market Sq	—	1,822	13,360	2,278	1,822	15,638	17,460	4,434	2006	15 - 40 years
Residence Inn Houston Sugarland	—	1,100	8,073	1,952	1,100	10,025	11,125	2,778	2006	15 - 40 years
Residence Inn Chicago Naperville	—	1,923	14,101	838	1,923	14,938	16,861	4,343	2006	15 - 40 years
Residence Inn Louisville Downtown	—	1,815	13,308	913	1,815	14,220	16,035	3,774	2007	15 - 40 years
Residence Inn Fort Lauderdale SW Miramar	—	1,692	12,409	1,581	1,700	13,982	15,682	3,566	2007	15 - 40 years
Residence Inn Austin Downtown Convention Center	31,632	3,767	27,626	636	3,767	28,262	32,029	7,174	2007	15 - 40 years
SpringHill Suites Austin North Parmer Lane	—	1,957	14,351	577	1,957	14,928	16,885	4,215	2006	15 - 40 years
SpringHill Suites Austin South	—	1,605	11,768	2,006	1,624	13,756	15,380	3,778	2006	15 - 40 years
SpringHill Suites Louisville Hurstbourne North	—	1,890	13,869	1,729	1,890	15,598	17,488	4,293	2006	15 - 40 years
SpringHill Suites South Bend Mishawaka	—	983	7,217	1,276	983	8,493	9,476	2,360	2006	15 - 40 years
SpringHill Suites Denver North Westminster	—	2,409	17,670	1,120	2,409	18,790	21,199	5,455	2006	15 - 40 years
SpringHill Suites Boulder Longmont	—	1,144	8,388	741	1,144	9,130	10,274	2,501	2007	15 - 40 years
Fairfield Inn & Suites Austin South Airport	—	505	3,702	1,127	505	4,829	5,334	1,231	2006	15 - 40 years
Fairfield Inn & Suites Denver Cherry Creek	—	1,203	8,823	1,309	1,203	10,132	11,335	2,924	2006	15 - 40 years

Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2017					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total(1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Fairfield Inn & Suites Chicago SE Hammond	—	722	5,301	1,386	790	6,620	7,410	1,856	2006	15 - 40 years
Fairfield Inn & Suites Key West	—	1,803	19,325	3,284	1,853	22,559	24,412	6,130	2006	15 - 40 years
Fairfield Inn & Suites Chicago Midway Airport	—	1,425	10,449	1,934	1,446	12,361	13,807	3,338	2006	15 - 40 years
Fairfield Inn & Suites San Antonio Dwntn Mkt	—	1,378	10,105	1,348	1,378	11,453	12,831	3,128	2006	15 - 40 years
Hampton Inn Chicago Midway Airport	—	2,747	20,143	2,905	2,793	23,002	25,795	6,460	2006	15 - 40 years
Hilton Garden Inn Chicago Midway Airport	—	2,978	21,842	1,237	3,000	23,057	26,057	6,608	2006	15 - 40 years
Sleep Inn Midway Airport	—	1,189	8,718	1,672	1,210	10,368	11,578	3,148	2006	15 - 40 years
Holiday Inn Express & Suites Midway Airport	—	1,874	13,742	1,994	1,897	15,714	17,611	4,127	2006	15 - 40 years
Hilton Garden Inn Bloomington	17,500	—	18,945	931	—	19,876	19,876	4,505	2009	15 - 40 years
TGI Friday's Chicago Midway	—	829	6,139	654	851	6,771	7,622	1,876	2006	15 - 40 years
Hampton Inn & Suites Clearwater St Petersburg Ulmerton Road	—	1,106	12,721	1,144	1,146	13,825	14,971	3,621	2007	15 - 40 years
Hampton Inn Garden City	—	5,691	22,764	1,584	5,717	24,323	30,040	6,231	2007	15 - 40 years
Courtyard Houston By The Galleria	26,000	3,069	22,508	1,423	3,069	23,931	27,000	6,063	2007	15 - 40 years
Hampton Inn Fort Walton Beach	—	8,774	6,109	2,075	8,928	8,030	16,958	1,915	2007	15 - 40 years
Embassy Suites Los Angeles Downey	26,500	4,857	29,943	6,245	4,970	36,076	41,046	8,631	2008	15 - 40 years
Hyatt House Austin Arboretum	11,000	2,813	15,940	2,157	2,813	18,098	20,911	4,168	2008	15 - 40 years
Hyatt House Dallas Lincoln Park	18,000	3,169	17,958	3,562	3,337	21,352	24,689	4,552	2008	15 - 40 years
Hyatt House Dallas Uptown	16,500	2,241	12,698	3,056	2,317	15,679	17,996	3,371	2008	15 - 40 years
Hyatt House Houston Galleria	13,000	2,976	16,866	2,027	2,976	18,893	21,869	4,468	2008	15 - 40 years
Embassy Suites Tampa Downtown Convention Ctr	—	2,161	71,017	2,861	2,410	73,628	76,038	14,378	2010	15 - 40 years

Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2017					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total(1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Fairfield Inn & Suites Washington DC Downtown	—	16,214	22,265	5,393	16,332	27,540	43,872	6,161	2010	15 - 40 years
Embassy Suites Fort Myers Estero	—	2,816	7,862	1,637	2,879	9,436	12,315	2,046	2010	15 - 40 years
Homewood Suites Washington DC Downtown	31,515	23,139	34,188	4,369	23,139	38,557	61,696	7,038	2010	15 - 40 years
Hampton Inn & Suites Denver Tech Center	—	2,373	9,180	1,861	2,428	10,986	13,414	2,576	2010	15 - 40 years
Hotel Indigo New Orleans Garden District	—	1,901	3,865	11,784	2,082	15,468	17,550	4,464	2010	15 - 40 years
Residence Inn Columbia	—	1,993	11,487	1,834	2,069	13,245	15,314	2,874	2010	15 - 40 years
Residence Inn National Harbor Washington DC	—	7,457	37,046	1,517	7,480	38,539	46,019	6,965	2010	15 - 40 years
Residence Inn Silver Spring	—	3,945	18,896	1,035	3,989	19,887	23,876	4,151	2010	15 - 40 years
Hilton Garden Inn New Orleans Convention Center	—	3,405	20,750	4,657	3,479	25,333	28,812	5,252	2010	15 - 40 years
Hampton Inn West Palm Beach Arprt Central	—	2,280	9,769	1,346	2,280	11,115	13,395	2,164	2010	15 - 40 years
Hilton Garden Inn West Palm Beach Airport	—	1,206	10,811	1,469	1,215	12,271	13,486	2,287	2010	15 - 40 years
Hilton Garden Inn Los Angeles Hollywood	—	5,303	19,136	6,259	5,521	25,177	30,698	5,602	2010	15 - 40 years
DoubleTree Metropolitan Hotel New York City	—	140,332	188,014	21,100	140,456	208,990	349,446	39,008	2010	15 - 40 years
Renaissance Pittsburgh Hotel	—	3,274	39,934	6,760	3,396	46,572	49,968	8,103	2011	15 - 40 years
Courtyard Atlanta Buckhead	—	2,860	21,668	3,579	2,875	25,231	28,106	4,524	2011	15 - 40 years
DoubleTree Hotel Columbia	—	1,933	6,486	5,504	2,070	11,854	13,924	2,775	2011	15 - 40 years
Marriott Denver Airport @ Gateway Park	26,500	3,083	38,356	3,831	3,178	42,092	45,270	7,902	2011	15 - 40 years

Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2017				Date Acquired	Depreciation Life
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total(1)	Accumulated Depreciation		
Embassy Suites West Palm Beach Central	—	3,656	9,614	6,366	3,792	15,844	19,636	3,835	2011	15 - 40 years
Hilton Garden Inn Durham Raleigh Research Triangle Park	—	1,751	4,763	5,417	1,888	10,042	11,930	3,041	2011	15 - 40 years
Hilton Garden Inn Pittsburgh University Place	—	1,975	18,490	8,723	2,435	26,752	29,187	5,904	2011	15 - 40 years
Hampton Inn Houston Near The Galleria	—	9,326	9,220	1,999	9,395	11,151	20,546	2,236	2011	15 - 40 years
Courtyard Charleston Historic District	—	2,714	35,828	1,341	2,837	37,047	39,884	5,857	2011	15 - 40 years
Residence Inn Bethesda Downtown	32,655	8,154	52,749	4,813	8,287	57,428	65,715	8,330	2012	15 - 40 years
Courtyard New York Manhattan Upper East Side	—	20,655	60,222	4,909	20,695	65,090	85,785	9,597	2012	15 - 40 years
Hilton Garden Inn San Francisco Oakland Bay Brg	—	11,903	22,757	2,448	11,947	25,161	37,108	3,775	2012	15 - 40 years
Embassy Suites Boston Waltham	—	6,268	56,024	3,519	6,322	59,490	65,812	8,329	2012	15 - 40 years
Courtyard Houston Downtown Convention Center	—	5,799	28,953	3,899	6,033	32,618	38,651	4,124	2013	15 - 40 years
Residence Inn Houston Downtown Convention Center	—	4,674	24,913	3,125	4,875	27,837	32,712	3,569	2013	15 - 40 years
SpringHill Suites Houston Downtown Convention Center	—	2,382	12,756	15,854	2,566	28,425	30,991	3,182	2013	15 - 40 years
Courtyard Waikiki Beach	—	557	79,033	9,432	670	88,351	89,021	10,553	2013	15 - 40 years
Courtyard San Francisco	—	11,277	18,198	27,349	11,291	45,533	56,824	4,630	2013	15 - 40 years
Residence Inn Atlanta Midtown Historic	—	2,812	6,044	7,246	2,939	13,163	16,102	1,534	2013	15 - 40 years
SpringHill Suites Portland Hillsboro	—	3,488	18,283	133	3,505	18,399	21,904	2,117	2013	15 - 40 years
Hilton Cabana Miami Beach	—	25,083	40,707	2,785	25,127	43,448	68,575	4,021	2014	15 - 40 years

Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2017					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total(1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Hyatt House Charlotte Center City	—	3,029	26,193	527	3,029	26,720	29,749	2,538	2014	15 - 40 years
Hyatt House Cypress Anaheim	—	3,995	9,164	3,958	4,354	12,763	17,117	1,664	2014	15 - 40 years
Hyatt House Emeryville San Francisco Bay Area	—	7,425	29,137	5,485	7,517	34,530	42,047	3,902	2014	15 - 40 years
Hyatt House San Diego Sorrento Mesa	—	10,420	21,288	1,208	10,530	22,386	32,916	2,413	2014	15 - 40 years
Hyatt House San Jose Silicon Valley	—	6,820	31,682	25	6,820	31,706	38,526	3,076	2014	15 - 40 years
Hyatt House San Ramon	—	5,712	11,852	2,723	5,717	14,571	20,288	1,522	2014	15 - 40 years
Hyatt House Santa Clara	—	8,044	27,703	2,932	8,046	30,634	38,680	3,003	2014	15 - 40 years
Hyatt Centric The Woodlands	—	5,950	16,882	384	5,957	17,260	23,217	1,669	2014	15 - 40 years
Hyatt Place Fremont Silicon Valley	—	6,209	13,730	1,314	6,217	15,036	21,253	1,637	2014	15 - 40 years
Hyatt Place Madison Downtown	—	6,701	25,478	—	6,701	25,478	32,179	2,449	2014	15 - 40 years
Embassy Suites Irvine Orange County	—	15,062	33,048	7,856	15,154	40,811	55,965	4,047	2014	15 - 40 years
Courtyard Portland City Center	—	8,019	53,024	1,339	8,022	54,361	62,383	5,000	2014	15 - 40 years
Hyatt Atlanta Midtown	—	3,737	41,731	497	3,737	42,228	45,965	3,732	2014	15 - 40 years
DoubleTree Grand Key Resort	—	48,192	27,770	5,346	48,233	33,076	81,309	3,170	2014	15 - 40 years
Hyatt Place Washington DC Downtown K Street	—	10,763	55,225	1,169	10,763	56,393	67,156	3,519	2015	15 - 40 years
Homewood Suites Seattle Lynnwood	—	3,933	30,949	41	3,959	30,965	34,924	2,009	2015	15 - 40 years
Residence Inn Palo Alto Los Altos	32,882	16,996	45,786	189	17,040	45,931	62,971	2,890	2015	15 - 40 years
DoubleTree Suites by Hilton Austin	—	7,072	50,827	21	7,072	50,848	57,920	428	2017	15 - 40 years
DoubleTree Suites by Hilton Orlando—Lake Buena Vista	—	896	44,508	47	899	44,553	45,452	392	2017	15 - 40 years

Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2017					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total(1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Embassy Suites Atlanta—Buckhead	—	31,279	46,015	41	31,279	46,056	77,335	444	2017	15 - 40 years
Embassy Suites Birmingham	22,908	10,495	33,568	—	10,495	33,568	44,063	296	2017	15 - 40 years
Embassy Suites Boston Marlborough	—	5,233	18,114	376	5,233	18,490	23,723	177	2017	15 - 40 years
Embassy Suites Dallas—Love Field	—	6,408	34,694	131	6,408	34,825	41,233	299	2017	15 - 40 years
Embassy Suites Deerfield Beach—Resort & Spa	30,323	7,527	56,128	590	7,528	56,717	64,245	527	2017	15 - 40 years
Embassy Suites Fort Lauderdale 17th Street	34,339	30,933	54,592	479	31,051	54,953	86,004	534	2017	15 - 40 years
Embassy Suites Los Angeles—International Airport South	—	13,110	94,733	148	13,110	94,881	107,991	799	2017	15 - 40 years
Embassy Suites Mandalay Beach—Hotel & Resort	—	35,769	53,280	75	35,780	53,344	89,124	482	2017	15 - 40 years
Embassy Suites Miami—International Airport	—	14,765	18,099	1,157	14,813	19,208	34,021	174	2017	15 - 40 years
Embassy Suites Milpitas Silicon Valley	—	43,157	26,399	787	43,216	27,127	70,343	253	2017	15 - 40 years
Embassy Suites Minneapolis—Airport	36,832	7,248	41,202	2,213	7,248	43,415	50,663	436	2017	15 - 40 years
Embassy Suites Myrtle Beach—Oceanfront Resort	—	14,103	55,236	696	14,501	55,534	70,035	491	2017	15 - 40 years
Embassy Suites Napa Valley	26,814	24,429	63,188	190	24,429	63,378	87,807	559	2017	15 - 40 years
Embassy Suites Orlando—International Drive South/Convention Center	—	4,743	37,687	148	4,743	37,835	42,578	328	2017	15 - 40 years
Embassy Suites Phoenix—Biltmore	—	24,680	24,487	264	24,701	24,730	49,431	222	2017	15 - 40 years
Embassy Suites San Francisco Airport—South San Francisco	—	39,616	55,163	594	39,634	55,739	95,373	476	2017	15 - 40 years

Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2017			Accumulated Depreciation	Date Acquired	Depreciation Life
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total(1)			
Embassy Suites San Francisco Airport—Waterfront	—	3,698	85,270	315	3,729	85,555	89,284	794	2017	15 - 40 years
Hilton Myrtle Beach Resort	—	17,864	73,713	83	17,870	73,790	91,660	646	2017	15 - 40 years
San Francisco Marriott Union Square	—	46,773	107,841	2,317	46,812	110,119	156,931	910	2017	15 - 40 years
DoubleTree by Hilton Burlington Vermont	—	8,362	30,812	1,178	8,410	31,942	40,352	342	2017	15 - 35 years
Sheraton Philadelphia Society Hill Hotel	—	13,304	83,333	289	13,317	83,608	96,925	711	2017	15 - 40 years
The Knickerbocker New York	85,404	113,613	119,453	191	113,614	119,643	233,257	1,000	2017	15 - 40 years
The Mills House Wyndham Grand Hotel	—	9,599	68,932	—	9,599	68,932	78,531	579	2017	15 - 40 years
The Vinoy Renaissance St. Petersburg Resort & Golf Club	—	3,754	64,024	7,710	4,934	70,554	75,488	693	2017	15 - 40 years
Wyndham Boston Beacon Hill	—	174	51,934	43	174	51,977	52,151	1,580	2017	12 years
Wyndham Houston—Medical Center Hotel & Suites	—	7,776	43,475	87	7,776	43,562	51,338	370	2017	15 - 40 years
Wyndham New Orleans—French Quarter	—	300	72,711	410	300	73,121	73,421	615	2017	15 - 40 years
Wyndham Philadelphia Historic District	—	8,367	51,914	78	8,367	51,992	60,359	439	2017	15 - 40 years
Wyndham Pittsburgh University Center	—	154	31,625	21	154	31,646	31,800	267	2017	15 - 40 years
Wyndham San Diego Bayside	—	989	29,440	338	989	29,778	30,767	848	2017	13 years
Wyndham Santa Monica At The Pier	—	27,054	45,866	129	27,063	45,986	73,049	390	2017	15 - 40 years
Holiday Inn San Francisco—Fisherman's Wharf	—	12,203	13,877	19	12,203	13,896	26,099	1,031	2017	2 - 40 years
Kingston Plantation Development Corp	—	—	2,000	10	—	2,010	2,010	17	2017	15 - 40 years
	$647,752	$1,266,655	$4,507,365	$391,276	$1,275,030	$4,890,266	$6,165,296	$628,518		

(1) The aggregate cost of real estate for federal income tax purposes was approximately $5.8 billion at December 31, 2017.

The change in the total cost of the hotel properties is as follows:

	2017	2016	2015
Reconciliation of Land and Buildings and Improvements			
Balance at beginning of period	$3,725,932	$3,942,413	$3,711,887
Add: Acquisitions	2,539,854	—	163,652
Add: Improvements	60,916	40,308	84,615
Less: Sale of hotel properties(1)	(161,406)	(256,789)	(16,738)
Less: Impairment loss	—	—	(1,003)
Less: Land, building and improvements of hotels held for sale	—	—	—
Balance at end of period	$6,165,296	$3,725,932	$3,942,413

(1) The sale of the hotel properties for the year ended December 31, 2015 is net of the hotels classified as held for sale for the year ended December 31, 2014 that were subsequently sold in 2015.

The change in the accumulated depreciation of the real estate assets is as follows:

	2017	2016	2015
Reconciliation of Accumulated Depreciation			
Balance at beginning of period	$(520,517)	$(464,691)	$(382,266)
Add: Depreciation for the period	(108,986)	(91,400)	(85,062)
Less: Sale of hotel properties(1)	985	35,574	2,637
Less: Accumulated depreciation of hotels held for sale	—	—	—
Balance at end of period	$(628,518)	$(520,517)	$(464,691)

(1) The sale of the hotel properties for the year ended December 31, 2015 is net of the hotels classified as held for sale for the year ended December 31, 2014 that were subsequently sold in 2015.

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Executive Officers

Robert L. Johnson
Executive Chairman

Ross H. Bierkan
President, Chief Executive Officer
and Chief Investment Officer

Leslie D. Hale
Chief Operating Officer, Chief Financial
Officer and Executive Vice President

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RLJ Lodging Trust

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Chief Investment Officer and Trustee
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Robert J. McCarthy
Chairman
Hotel Development Partners
Chairman
McCarthy Investments, LLC

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SEC FORM 10-K AND OTHER INFORMATION
Requests for additional copies of the Company's 2017 Annual Report on Form 10-K, charters of the board committees, code of ethics and corporate governance guidelines are made available on our website or in print (which will be provided free of charge) by sending requests to:

RLJ Lodging Trust
Investor Relations Department
3 Bethesda Metro Center
Suite 1000
Bethesda, MD 20814

ANNUAL MEETING OF SHAREHOLDERS
Details of the 2018 Annual Meeting of Shareholders will be included in the Company's definitive proxy statement when filed.

STOCK LISTING
RLJ Lodging Trust is traded on the New York Stock Exchange under the symbol RLJ. The number of shareholders of record as of February 20, 2018 was 155.

DIVIDENDS
The Company declared cash dividends of $1.32 on its common stock in 2017.

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