RLJ Lodging Trust
Form 10-K
February 25, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2015
OR

o 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 x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No x
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. x Yes o 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). x Yes o 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. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company o

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

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The aggregate market value of the 126,754,540 common shares of beneficial interest held by non-affiliates of the Registrant was approximately $3,774,750,201 based on the closing price of $29.78 as reported on the New York Stock Exchange for such common shares of beneficial interest on June 30, 2015.

As of February 17, 2016, 124,627,008 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 2016 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, 2015.

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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 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" of 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 "our operating partnership";
- "our predecessor" collectively refers to RLJ Development, LLC ("RLJ Development"), and two lodging-focused private equity funds that were sponsored and managed by RLJ Development, RLJ Lodging Fund II, L.P. (and its parallel fund), (collectively, "Fund II"), and RLJ Real Estate Fund III, L.P. (and its parallel fund), (collectively, "Fund III"), all of which were entities under the common control of Robert L. Johnson, our Executive Chairman;
- "our hotels" refers to the 126 hotels owned by us as of December 31, 2015;
- 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 typical full-service or compact full-service hotel. For example, a focused-service hotel may have a restaurant, but, unlike a restaurant in a typical 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 our operating partnership and any disregarded subsidiaries of our TRSs;
- "Average Daily Rate" ("ADR") represents total hotel room revenues divided by 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 hotels 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

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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 Occupancy, ADR, RevPAR, and the RevPAR penetration index, please see "Key Indicators of Operating Performance."

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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 hotels are concentrated in markets that we believe exhibit multiple demand generators and high barriers to entry. 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, 2015, we, through wholly-owned subsidiaries, owned 126 hotels with approximately 20,900 rooms, located in 21 states and the District of Columbia and an interest in one mortgage loan secured by a hotel. We own, through wholly-owned subsidiaries, 100% of the interests in all properties, with the exception of one property in which we own a 98.3% controlling interest in a joint venture.

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 are held by, and all of our operations are conducted through, our operating partnership. We are the sole general partner of our operating partnership. As of December 31, 2015, we owned, through a combination of direct and indirect interests, 99.3% of the OP units in our operating partnership.

The Lodging Industry

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

- Owners — own the hotel and typically enter into a management agreement for an independent third party to manage the hotel. 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 their hotels with brand recognition, marketing support and worldwide reservation systems for the franchised hotels.
- Managers — responsible for the day-to-day operation of the hotel, 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 expenditures 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 hotels 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 intend to pursue acquisitions of these hotels and selectively dispose of properties when we believe returns have been maximized 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 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. We also may acquire compact full-service hotels which have operating characteristics that resemble those of focused-service hotels.
- Use of premium hotel brands. We believe in affiliating our hotels with premium brands owned by leading international franchisors such as Marriott, Hilton and Hyatt. We target hotels affiliated with premium brands such as Courtyard by Marriott, Residence Inn by Marriott, Hilton Garden Inn and Hyatt House. 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 hotels in markets that we believe have multiple demand generators and high barriers to entry. As a result, we believe that these hotels generate higher returns on investment.

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Growth Strategies

- Maximize returns from our hotels. We believe that our hotels have the potential to generate significant 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 hotels in an effort to enhance the quality and attractiveness of our hotels, increase their long-term value and generate attractive returns on investment.
- Pursue a disciplined hotel acquisition strategy. We seek to acquire additional hotels 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 value of our investments by selectively selling hotels that are no longer consistent with our investment strategy or whose returns appear to have been maximized. To the extent that we sell hotels, we intend to redeploy the capital into higher yielding investments including acquisition and investment opportunities that we believe will achieve higher returns as well as repurchasing our shares on an opportunistic basis.

Our Hotels

Overview

As of December 31, 2015, we owned a high-quality portfolio of 126 hotels located in 21 states and the District of Columbia comprised of approximately 20,900 rooms. No single hotel accounted for more than 6.2% of our total revenue for the year ended December 31, 2015. We believe that the quality of our portfolio is evidenced by the RevPAR penetration index of 110.7 for our hotels for the year ended December 31, 2015.

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Brand Affiliations

Our hotels operate under strong, premium brands, with nearly 97% of our hotels operating under existing relationships with Marriott, Hilton or Hyatt. The following table sets forth the brand affiliations of our hotels as of December 31, 2015:

Brand Affiliations	Number of hotels	Percentage of total	Number of rooms	Percentage of total
Marriott				
Residence Inn	29	23.0 %	3,376	16.2 %
Courtyard	24	19.0 %	4,038	19.3 %
SpringHill Suites	9	7.1 %	1,159	5.5 %
Fairfield Inn & Suites	7	5.6 %	819	3.9 %
Marriott	5	4.0 %	1,544	7.4 %
Renaissance	3	2.4 %	782	3.7 %
Subtotal	77	61.1 %	11,718	56.0 %
Hilton				
Hilton Garden Inn	9	7.1 %	1,843	8.8 %
Hampton Inn/Hampton Inn & Suites	7	5.6 %	945	4.5 %
Embassy Suites	6	4.8 %	1,492	7.1 %
DoubleTree	3	2.4 %	1,132	5.4 %
Hilton	2	1.6 %	511	2.4 %
Homewood Suites	2	1.6 %	345	1.7 %
Subtotal	29	23.1 %	6,268	29.9 %
Hyatt				
Hyatt House	11	8.7 %	1,762	8.4 %
Hyatt Place	3	2.4 %	466	2.2 %
Hyatt	2	1.6 %	264	1.3 %
Subtotal	16	12.7 %	2,492	11.9 %
Other Brand Affiliation	4	3.1 %	419	2.2 %
Total	126	100.0 %	20,897	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 hotels are being adequately maintained in order to preserve the value of the asset and the safety of the hotel to customers, and that our hotel management companies are maximizing revenue and enhancing operating margins.

Competition

The U.S. lodging industry is highly competitive. Our hotels 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 hotels are located and includes competition from existing and new hotels in the focused-service and compact full-service segments. We believe that

hotels, such as our hotels, that are affiliated with leading national brands, such as the Marriott, Hilton or Hyatt brands, will enjoy competitive advantages associated with operating under such brands.

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We face competition for the acquisition of hotels from institutional pension funds, private equity funds, REITs, hotel companies and others who are engaged in the acquisition of hotels. 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 both unsecured debt and mortgage debt secured by our hotels. 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 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 properties are indirectly owned by our operating partnership, RLJ Lodging Trust, L.P., through limited partnerships, limited liability companies or other subsidiaries. We are the sole general partner of our operating partnership, and as of December 31, 2015, we owned 99.3% of the OP units in our operating partnership. In the future, we may issue OP units from time to time in connection with acquisitions of properties or for 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 hotels. Accordingly, we lease each of our hotels, and 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.

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The following chart generally depicts our corporate structure as of December 31, 2015:

Regulation

General

Our hotels 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 hotels has the necessary permits and approvals to operate its business.

Americans with Disabilities Act

Our hotels 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 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 hotels 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.

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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 hotels 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 hotels 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 hotels 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 hotels 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 hotels 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 hotels 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 basis, for costs incurred to repair or rebuild each hotel, including loss of revenue 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 uninsured losses, 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, 2015, we had 56 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

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also make our Code of Business Conduct and Ethics for our trustees, officers and employees available on our website on the Corporate Governance page under the Investor Relations section of our website.

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.

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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 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 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 New York, New York, South Florida, Chicago, Illinois, Austin, Texas, and Denver-Boulder, Colorado metropolitan areas accounted for approximately 13.1%, 8.5%, 8.4%, 8.3%, and 7.4%, respectively, of our total revenue for the fiscal year ended December 31, 2015. As a result, we are particularly susceptible to adverse market conditions in these areas, including industry downturns, relocation of businesses and any oversupply of hotel rooms 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 climate, could materially and adversely affect us.

We are dependent on the performance of the third-party hotel management companies that manage the operations of each of our hotels and 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 hotels, we do not operate or manage our hotels. Instead, we lease all of our hotels to our TRS lessees, and our TRS lessees retain third-party managers to operate our hotels pursuant to management agreements. We have entered into individual hotel management agreements for 126 of our hotels, 72 of which are with White Lodging Services ("WLS").

Under the terms of the hotel 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 law 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 our TRS lessees closely monitor the performance and operations of our third-party 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 hotel 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 hotel 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 hotel 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 WLS, 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 WLS-managed hotels could be challenging and time consuming, depending on the number of WLS-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.

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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 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 hotels operate under either Marriott, Hilton or Hyatt brands; therefore, we are subject to risks associated with concentrating our portfolio in just three brand families.

122 of the 126 hotels that we owned as of December 31, 2015 utilize brands owned by Marriott, Hilton or Hyatt. As a result, our success is dependent in part on the continued success of Marriott, Hilton and Hyatt and their respective brands. We believe that building brand value is critical to increase demand and build customer loyalty. Consequently, if market recognition or the positive perception of Marriott and/or Hilton and/or Hyatt is reduced or compromised, the goodwill associated with the Marriott-, Hilton- or Hyatt-branded hotels in our portfolio may be adversely affected. Furthermore, if our relationship with Marriott, Hilton or Hyatt 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 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 impede our growth.

We can provide no assurances that we will be successful in identifying attractive hotels 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 hotels 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 hotels 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 impede our growth.

The departure of any of our key personnel who have significant experience and relationships in the lodging industry, including Robert L. Johnson, Thomas J. Baltimore, Jr. and Ross H. Bierkan, could materially and adversely affect us.

We depend on the experience and relationships of our senior management team, especially Robert L. Johnson, Executive Chairman of our board of trustees, Thomas J. Baltimore, Jr., our President and Chief Executive Officer and a member of our board of trustees, and Ross H. Bierkan, our Executive Vice President and Chief Investment Officer, to manage our day-to-day operations and strategic business direction. Although the members of our senior management team have entered into employment agreements with us, we can provide no assurances that any of our key personnel will continue their employment with us. The loss of services of Messrs. Johnson, Baltimore or Bierkan, or of the services of other members of our senior management team, or any difficulty attracting and retaining other talented and experienced personnel, could adversely affect our ability to source potential investment opportunities, our relationships with global and national hotel brands and other industry participants and the execution of our business strategy. Further, such a loss could be negatively perceived in the capital markets, which could reduce the market

value of our common shares.

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

Our hotels experienced declining operating performance across various U.S. markets 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. 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. 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 capital necessary to make required periodic capital expenditures and renovation of our hotels could materially and adversely affect our financial condition and results of operations.

Our hotels have an ongoing need for renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures and equipment ("FF&E"). The franchisors of our hotels 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 hotels. The costs of these capital improvements could materially and adversely affect us. In addition, acquisitions or redevelopment of additional hotels will require significant capital expenditures.

We may not be able to fund capital improvements on our hotels or acquisitions solely from the cash provided from our operating activities because we must distribute annually at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain, 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 hotels 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 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. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we adjust the real estate and related intangible assets to the fair value and recognize an impairment loss. Because our predecessor acquired many of our hotels when prices for hotels in many markets were at or near their peaks, we may be particularly susceptible to future non-cash impairment charges as compared to companies that have carrying values well below current market values, 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 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 accomodations for travelers, such as online room sharing services. These competitors may have an operating model that enables them to offer rooms 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 results of

operations.

At December 31, 2015, we had approximately $1.6 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, 2015, we had approximately $1.6 billion of outstanding debt, approximately $1.5 billion of which bears interest at variable rates. After taking into consideration the effect of interest rate swaps, $131.0 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.

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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 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 substantial 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 or to make distributions to our shareholders and 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 market prices of many stocks 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 expansion, acquisition activities and other purposes, on favorable terms or at all, which may negatively affect our business. Additionally, due to this potential uncertainty, we may in the future 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 might adversely affect our ability to service other debt and to meet our other obligations. A prolonged downturn in the financial markets may cause us to seek alternative 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 capital 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.

Subject to maintaining our qualification as a REIT, 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 hedge may not match the duration of the related liability;
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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

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- 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, which are intended to limit losses, could have a material 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 do not continue to improve to the extent that we expect. Our failure to comply with covenants in our existing or future indebtedness, as well as our inability to make required 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 or hotels 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 acceleration of 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.

For tax purposes, a foreclosure of any of our hotels would be treated as a sale of the hotel. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the hotel, we would recognize taxable income on foreclosure, but we would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"). If any of our hotels are foreclosed on due to a default, our ability to pay cash distributions to our shareholders will be limited.

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 hotels 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 could decline significantly from the loss of associated name recognition, marketing support, participation in guest loyalty programs and the centralized system provided by the franchisor, which could require us to recognize an impairment charge on the hotel. Furthermore, the loss of a franchise license at a particular hotel 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 activities. Business activities that could be impacted by applicable REIT laws include, but are not limited to, activities such as developing alternative uses of real estate, including the development and/or sale of timeshare or condominium units. 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 entirely dependent on unrelated third-party operators/managers.

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

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 hotels, is

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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 hotels for investment with a view to long-term appreciation, to engage in the business of acquiring and owning hotels and to make occasional sales of hotels 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 application of this penalty tax could deter us from selling one or more hotels even though it otherwise 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 sales transactions that we might otherwise consider. As a result, we may not be able to vary our portfolio promptly in response to economic or other conditions or on favorable terms, which may adversely affect us.

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 the DoubleTree Metropolitan Hotel New York City through a joint venture with an affiliate of the hotel's property manager. In addition, we may enter into joint ventures in the future to acquire, develop, improve or partially dispose of hotels, 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 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 or 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 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.

The hotels that we own 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 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 hotels 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 increased supply and will adversely affect occupancy and revenues at our hotels;
- dependence on business and leisure travelers;

- labor strikes, disruptions or lockouts that may impact operating performance;
- increases in energy costs and other expenses affecting travel, which may affect travel patterns and reduce the number of business and leisure travelers;

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- 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, including pandemics and epidemics, imposition of taxes or surcharges by regulatory authorities, travel-related accidents and unusual weather patterns, 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 adverse effect on us.

The lodging industry is seasonal in nature, which can be expected to cause 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 can be expected to cause 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 adverse effect on us.

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

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, renovated, repositioned 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 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 may be unable to recover expenses already incurred in connection with exploring such opportunities;

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- acquired, redeveloped, 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, renovated, redeveloped, repositioned or re-branded hotels to meet our expectations;
- we may be unable to quickly, effectively and efficiently integrate new acquisitions, particularly acquisitions of portfolios 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 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 hotels through ground leases exposes us to the risks that we may be forced to sell such hotels for a lower price, we may be unable to renew a ground lease or we may lose such hotels upon breach of a ground lease.

As of December 31, 2015, nine of our hotels were on land subject to ground leases. Accordingly, we only own a long-term leasehold or similar interest in those nine hotels. 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 hotels 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 properties subject to a ground lease and may pay a lower price for such properties than for a comparable property in fee simple or they may not purchase such 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. In addition, unless we can purchase a fee 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 properties and our interest in the improvements upon expiration of the leases. If we were to lose the right to use a hotel due to a breach or non-renewal of the ground lease, we would be unable to derive income from such hotel and would be required to purchase an interest in another hotel to 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 and Hyatt, some of our hotel rooms will be 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'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 "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 reservations systems rather than to the brands under which our hotels are franchised, the value of our hotels could deteriorate and our business could be materially and adversely affected. Although most of the business for our hotels is expected to be derived from traditional channels, if the amount of sales made through Internet 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, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data. 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. Any failure to maintain proper function, security and availability of information systems could interrupt operations, damage reputation,

subject us to liability claims or regulatory penalties and could have a material adverse effect on our business, financial condition and results of operations.

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

Previous terrorist attacks and subsequent terrorist alerts have adversely affected the U.S. travel and hospitality industries over the past several years, 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 adverse effect on travel and hotel demand and our ability to insure our hotels, 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 adverse effect on us.

A widespread outbreak of an infectious or contagious disease in the U.S. could reduce travel and adversely affect demand within the lodging industry. If demand at our hotels 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 adverse effect on us.

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. Our declaration of trust, with certain exceptions, authorizes our board of trustees to take the actions that are necessary and desirable 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 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.

In addition, our board of trustees may change the share ownership limits. Our declaration of trust also prohibits any person from (1) beneficially or constructively owning, as determined by applying certain attribution rules of the Code, our shares if that would result in us being "closely held" under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT, including, but not limited to, as a result of any "eligible independent contractor" that operates a "qualified lodging facility" (each as defined in the Code) on behalf of a TRS failing to qualify as such, or us having significant non-qualifying income from "related" parties, or (2) transferring shares if such transfer would result in our shares being owned by fewer than 100 persons. The share ownership limits contained in our declaration of trust key off the ownership at any time by any "person," which term includes entities, and take into account direct and indirect ownership as determined under various ownership attribution rules in the Code. The share ownership limits also might 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.

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 authority to issue and classify or reclassify any unissued common shares or preferred shares and 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.

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Certain provisions of Maryland law could inhibit changes 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 provisions of the MGCL applicable to Maryland real estate investment trusts permit our board of trustees, without shareholder approval and regardless of what is currently provided in our declaration of trust or bylaws, to adopt certain mechanisms, some of which (for example, a classified board) we do not have. These provisions may have the effect of limiting or precluding a third party from making an acquisition proposal for us or of delaying, deferring or preventing 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 current market price. Our board of trustees has resolved to opt out of these "unsolicited takeover" provisions of Maryland law, and that resolution may not be repealed absent the approval by our shareholders; however, there can be no assurance that the resolution adopted by our board of trustees will not be amended or eliminated at some point in the future.

Certain advance notice provisions of our bylaws inhibit changes 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 our 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 significant amounts of severance compensation, including accelerated vesting of equity awards, thereby making it costly to terminate their employment. Furthermore, these provisions could delay or prevent a transaction or a change in our control that might involve a premium paid for our common shares or otherwise be in the best interests of our shareholders.

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Our declaration of trust contains provisions that make 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 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 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 may delay or prevent a change in our 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 money damages, except for liability resulting from:

- 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 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 integrated internal controls, 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 effective 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 our financial reporting and may determine in the future that our existing internal controls need improvement. If we fail to comply with proper overall controls, 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 in 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, leading to a substantial decline in the market price of our common shares.

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Risks Related to the Real Estate Industry

The illiquidity 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 properties, which could 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 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 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. 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 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 adversely affect our cash flows and results of operations.

Moreover, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs require that we hold our hotels for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of hotels 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 adversely affect our cash flows, our ability to make distributions to shareholders and the market price of our common shares.

In addition, our ability to dispose of some of our hotels could be constrained by their tax attributes. Hotels 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 our operating partnership may have low tax bases. If we dispose of these hotels 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 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 hotels could materially and adversely affect us.

We maintain comprehensive insurance on each of our hotels and intend to maintain comprehensive insurance on any hotels that we acquire, including liability, fire and extended coverage, of the type and amount we believe are customarily obtained for or by hotel owners. There are no assurances that coverage will be available at reasonable rates. Various types of catastrophic losses, like windstorms, earthquakes and floods, losses from foreign terrorist activities such as those on September 11, 2001, or losses from domestic terrorist activities such as the Oklahoma City bombing on April 19, 1995, may not be insurable or may not be economically insurable. Even when insurable, these policies may have high deductibles and/or high premiums. Lenders may require such insurance and our failure to obtain such insurance could constitute a default under loan agreements, which could have a material 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, as well as the anticipated future revenue from the hotel. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the hotel. 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 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, which could have a material adverse effect on us.

In addition, 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 mortgage loans. 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 potential losses. We may not have adequate coverage for such losses, which could have a material adverse effect on us.

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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 in private litigants winning damages. If we are required to make substantial modifications to the hotels 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 hotels also are 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 adversely affected.

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

Our hotels 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, 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 hotels. Contamination at, on, under or emanating from our hotels also may expose us to liability to private parties for 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 properties, environmental laws also may impose restrictions on the manner in which the properties may be used or 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, 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.

In addition, our hotels 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. Some of our hotels routinely handle and use hazardous or regulated substances and wastes as part of their operations, which substances and wastes are subject to regulation (e.g., swimming pool chemicals). Our hotels 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 applicable requirements.

Certain of our hotels contain, and those 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 can be 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 hotels 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 liability to third parties if property damage or personal injury occurs.

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Liabilities and costs associated with environmental contamination at, on, under or emanating from our properties, defending against 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 or new 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 properties could subject us to unanticipated significant costs, which could significantly reduce or eliminate our profitability and the cash available for distribution to our shareholders.

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

We cannot predict with certainty whether climate change is occurring and, if so, at what rate. However, the physical effects of climate change could have a material adverse effect on us. For example, many of our properties are located along the Gulf and East coasts. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity and rising sea-levels. Over time, these conditions could result in declining hotel demand or our inability to operate the affected hotels at all. Climate change also may have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal at our properties. There can be no assurance that climate change will not have a material adverse effect on us.

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 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, 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 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 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

Qualifying as a REIT involves highly technical and complex provisions of the Code.

Our qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT. Maintaining our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. Our ability to satisfy the REIT income and asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination and for which we will not obtain independent appraisals, and upon our ability to successfully manage the composition of our income and assets on an ongoing basis. In addition, our ability to satisfy the requirements to maintain our qualification as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in some cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

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. Any new laws or

interpretations may take effect retroactively and could materially and adversely affect us. For example, several REIT rules were recently amended under the Protecting Americans from Tax Hikes Act of 2015, which was enacted on December 18, 2015. These rules were enacted with varying effective dates, some of which are retroactive.

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If we do not qualify as a REIT or if we fail to remain qualified as a REIT, we will be subject to U.S. 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.

We have been organized, operate, and intend to continue to operate, in a manner that will enable us to qualify as a REIT for U.S. federal income tax purposes commencing with the taxable year ended December 31, 2011 and thereafter. Our qualification as a REIT depends on our satisfaction of the requirements described above under "—Qualifying as a REIT involves highly technical and complex provisions of the Code."

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 U.S. federal and state corporate income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, 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. Furthermore, we would no longer be required to make any distributions to shareholders as a condition to REIT qualification and all of our distributions to shareholders would be taxable as ordinary C corporation dividends to the extent of our current and accumulated earnings and profits. This means that our shareholders currently taxed as individuals would be taxed on those dividends at capital gain rates and our corporate shareholders generally would be entitled to the dividends received deduction with respect to such dividends, subject in each case, to applicable limitations under the Code. Our failure to qualify as a REIT also could cause an event of default under loan documents governing our debt.

REIT distribution requirements could adversely affect our ability to execute our business plan or cause us to finance our needs during unfavorable market conditions.

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 U.S. federal 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 U.S. federal 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 U.S. federal tax laws. We intend to make distributions to our shareholders to comply with the REIT requirements of the Code.

From time to time, we may generate taxable income greater than our income for financial reporting purposes prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In addition, differences in timing between the recognition of taxable income and the actual receipt of cash may occur. As a result, we may find it difficult or impossible to meet distribution requirements in certain circumstances. In particular, where we experience differences in timing between the recognition of taxable income and the actual receipt of cash, the requirement to distribute a substantial portion of our taxable income could cause us to: (1) sell assets in adverse market conditions; (2) incur debt or issue additional equity on unfavorable terms; (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt; or (4) 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, in order to comply with REIT requirements. These alternatives could increase our costs or dilute our equity. In addition, because the REIT distribution requirement prevents us from retaining earnings, we generally will be required to refinance debt at its maturity with additional debt or equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the market price of our common shares.

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

For taxable years beginning on or after January 1, 2013, the maximum tax rate applicable to "qualified dividends" paid to U.S. shareholders that are individuals, trusts and estates is 23.8% (taking into account the 3.8% Medicare tax applicable to net investment income). Dividends payable by REITs, however, generally are not eligible for the reduced rates and will continue to be subject to tax at rates applicable to ordinary income, which will be as high as 43.4% (taking into account the 3.8% Medicare tax applicable to net investment income). The more favorable tax rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the shares of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common shares.

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Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes, including payroll taxes, taxes on any undistributed income, taxes on income from some activities conducted as a result of a foreclosure, a 100% excise tax on any transactions with a TRS that are not conducted on an arm's-length basis, and state or local income, property and transfer taxes. In addition, we could, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Code to maintain our qualification as a REIT. In addition, our TRSs will be subject to U.S. federal, state and local corporate income taxes on their net taxable income, if any. To the extent that we conduct operations outside of the United States, our operations would subject us to applicable foreign taxes, as well. Any of these taxes would decrease cash available for the payment of our debt obligations and distributions to shareholders.

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.

Rents paid to us by each of our TRSs may not be based on the net income or profits of any person, or they would not be treated as "rents from real property," in which case we would likely fail to qualify for taxation as a REIT. We receive "percentage rents" calculated based on the gross revenues of the hotels subject to leases with our TRSs, but not on net income or profits. We believe our leases have customary terms and rents, reflect normal business practices and do not provide for rent based on net income or profits, but there can be no assurance the IRS will agree. While it would not affect our REIT status, the IRS could adjust rents related to our leases which would cause us to incur a 100% excise tax on the potential adjustment.

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 two gross income tests applicable to REITs. We 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 taxable REIT subsidiary cannot engage in the operation or management of hotels. We believe that our TRSs will 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 hotels 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 two 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 lease and expect to lease all or substantially all of our hotels to TRS lessees, which are disregarded subsidiaries of the TRSs, and to engage hotel management companies that are intended to qualify as "eligible independent contractors." Among other requirements, in order to qualify as an eligible independent contractor, 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 (taking into account certain ownership attribution rules and, with respect to our shares and the outstanding shares of any publicly traded hotel management company, only the shares owned by persons who own, directly or indirectly, more than 5% of a publicly traded class of shares). The ownership attribution rules that apply for purposes of these 35% thresholds are complex, and monitoring actual and constructive ownership of our shares by the hotel management companies and their owners may not be practical. Accordingly, there can be no assurance that these ownership levels will not be exceeded.

In addition, for a hotel management company to qualify as an eligible independent contractor, 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

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a TRS or its TRS lessee. 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. However, no assurances can be provided that this will continue to be the case or that any other hotel management companies that we may engage in the future will in fact comply with this requirement in the future. Failure to comply with this requirement would require us to find other managers for future contracts, and, if we hired a management company without knowledge of the failure, it could jeopardize our status as a REIT.

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 more than one-half of the dwelling units in which 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 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 taxable REIT subsidiaries is limited, and our transactions with our taxable REIT subsidiaries 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 stock of one or more taxable REIT subsidiaries. A taxable REIT subsidiary 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 taxable REIT subsidiary. A corporation of which a taxable REIT subsidiary directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a taxable REIT subsidiary. 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 taxable REIT subsidiaries. In addition, the rules applicable to taxable REIT subsidiaries limit the deductibility of interest paid or accrued by a taxable REIT subsidiary to its parent REIT to assure that the taxable REIT subsidiary is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on "redetermined rent," "redetermined deductions," "excess interest" or, effective for taxable years beginning after December 31, 2015, "redetermined TRS service income" to the extent rent paid by a taxable REIT subsidiary exceeds an arm's-length amount.

Our TRSs will pay U.S. 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 anticipate that the aggregate value of the stock and securities of our TRSs will be less than 25% (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 will monitor the value of our respective investments in our TRSs for the purpose of ensuring compliance with the ownership limitations applicable to taxable REIT subsidiaries. In addition, we will scrutinize all of our transactions with our TRSs to ensure that they are entered into on arm's-length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the TRS limitation discussed above or to avoid application of the 100% excise tax discussed above. While we believe our leases have customary terms and reflect normal business practices and that the rents paid thereto reflect market terms, there can be no assurance that the IRS will agree.

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 REIT 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, and 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 taxable REIT subsidiaries. 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 taxable REIT subsidiary, 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 in order to satisfy the source of income or asset diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make, and, in certain cases, maintain ownership of, certain attractive investments.

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Our TRS 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, 2015, we had approximately $134.6 million of NOLs (all of which are attributable to our TRS) which will begin to expire in 2028 for federal tax purposes and during the period from 2018 to 2028 for state tax purposes if not utilized. An ownership change within the meaning of Section 382 of the Code with respect to the REIT's TRS occurred during the 2012 and 2013 tax years. Accordingly, to the extent our TRS has taxable income in future years, its ability to use NOLs incurred prior to these ownership changes in such future years will be limited, and it may have greater taxable income as a result of such limitation.

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. Effective for taxable years beginning after December 31, 2015, this exclusion from the REIT 75% and 95% gross income tests will also apply 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 TRS will generally not provide any tax benefit, except for being carried back or forward against past or future taxable income in the TRS.

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 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 may need to fund such distributions through borrowings or other external financing sources, which may be available only at commercially unattractive terms, if at all. Any of the foregoing could cause the market price of our common shares to decline significantly.

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 other 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 other borrowings in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount,

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timing, nature or success of our future capital raising efforts. Thus, common shareholders bear the risk that our future issuances of debt or equity securities or our incurrence of other 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 17, 2016, we had 124,627,008 common shares outstanding. In addition, as of such date, 894,000 OP units in our 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 at times and upon 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 from time to time additional common shares or OP units in connection with hotel acquisitions and 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 trading volume and market price 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 in our common shares may fluctuate and cause significant price variations to occur. We cannot assure shareholders that the market price of our common shares will not fluctuate or decline significantly in the future, including as a result of factors unrelated to our operating performance or prospects. In particular, the market price 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, EBITDA, FFO or earnings estimates;
- publication of research reports about us, our hotels or the lodging or 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 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 cash available for distribution. Thus, higher market interest rates could cause the market price of our common shares to decline.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our Properties

The following table provides a comprehensive list of our properties as of December 31, 2015:

Location	Property Name	Rooms
California		
	Courtyard San Francisco	166
	Embassy Suites Irvine Orange County	293
	Embassy Suites Los Angeles Downey	220
	Hilton Garden Inn Los Angeles Hollywood	160
	Hilton Garden Inn San Francisco Oakland Bay Brg	278
	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
	SpringHill Suites Bakersfield	119
Colorado		
	Courtyard Boulder Longmont	78
	Courtyard Boulder Louisville	154
	Courtyard Denver West Golden	110
	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		
	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		
	Hilton Garden Inn New Orleans Convention Center	286
	Hotel Indigo New Orleans Garden District	132
Massachusetts		
	Embassy Suites Boston Waltham	275
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
North Carolina		
	Hilton Garden Inn Durham Raleigh Research Triangle Park	177
	Hyatt House Charlotte Center City	163
New York		
	Courtyard New York Manhattan Upper East Side	226
	DoubleTree Metropolitan Hotel New York City (1)	764
	Hampton Inn Garden City	143
	Hilton Garden Inn New York West 35th Street	298
	Hilton New York Fashion District	280
Oregon		
	Courtyard Portland City Center	256

	Fairfield Inn & Suites Washington DC Downtown	198		SpringHill Suites Portland Hillsboro	106
	Homewood Suites Washington DC Downtown	175	Pennsylvania		
	Hyatt Place Washington DC Downtown K Street	164		Hilton Garden Inn Pittsburgh University Place	202
Florida				Renaissance Pittsburgh Hotel	300
	Courtyard Fort Lauderdale SW Miramar	128	South Carolina		
	DoubleTree Grand Key Resort	216		Courtyard Charleston Historic District	176
	Embassy Suites Fort Myers Estero	150	Texas		
	Embassy Suites Tampa Downtown Convention Center	360		Courtyard Austin Airport	150
	Embassy Suites West Palm Beach Central	194		Courtyard Austin Downtown Convention Center	270
	Fairfield Inn & Suites Key West	106		Courtyard Austin Northwest Arboretum	102
	Hampton Inn Fort Walton Beach	100		Courtyard Austin South	110
	Hampton Inn & Suites Clearwater St Petersburg Ulmerton Road	128		Courtyard Houston By The Galleria	190
	Hampton Inn West Palm Beach Airport Central	105		Courtyard Houston Downtown Convention Center	191

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Location	Property Name	Rooms
	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
Georgia		
	Courtyard Atlanta Buckhead	181
	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
	Holiday Inn Express Merrillville	62
	Residence Inn Chicago Southeast Hammond	78
	Residence Inn Indianapolis Downtown On The Canal	134
	Residence Inn Indianapolis Fishers	78
	Courtyard Houston Sugarland	112
	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 Market Street The Woodlands	70
	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
Utah		
	Courtyard Salt Lake City Airport	154
	Residence Inn Salt Lake City Airport	104
Washington		
	Homewood Suites Seattle Lynnwood	170
Wisconsin		
	Hyatt Place Madison Downtown	151

Residence Inn Merrillville	78
SpringHill Suites South Bend Mishawaka	87

(1) This hotel is owned through a joint venture in which we own a 98.3% economic interest. We are the managing member of this joint venture and control all material decisions related to this hotel. Our joint venture partner is affiliated with the hotel's property manager.

Our Hotel Management Agreements

In order to qualify as a REIT, we cannot directly or indirectly operate any of our hotels. We lease our hotels to TRS lessees, which in turn engage property management companies to manage our hotels. Each of our hotels is operated pursuant to a hotel management agreement with one of 15 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. WLS, a fully-integrated owner, developer and manager of premium-brand hotels, is the management company for 72 of our hotels. Our remaining hotels are managed by 14 other hotel management companies located in the United States. Below is a summary of the principal terms of the hotel management agreements with WLS and a general overview of our non-WLS hotel management agreements.

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WLS Hotel Management Agreements

Our TRS lessees, as lessees of the respective hotels, have entered into hotel management agreements with WLS for 72 of our hotels. This summary is qualified in its entirety by reference to the form of the WLS hotel management agreement included as an exhibit to this Annual Report on Form 10-K.

Term

Our WLS hotel management agreements contain initial terms of 10 to 20 years and are subject to two automatic renewal terms of five to 10 years each. The WLS hotel management agreements have an average remaining initial term of approximately 11 years.

Amounts Payable under our WLS Hotel Management Agreements

Under the WLS hotel 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 operating profit (as defined in the applicable management agreements) 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 hotel management agreement.

Termination Events

Performance Termination. We have structured our WLS hotel management agreements to align our interests with those of WLS by providing us with a right to terminate a WLS hotel management agreement if WLS fails to achieve certain criteria relating to the performance of a hotel under WLS management, as measured with respect to any two consecutive fiscal years. We may initiate a performance termination if, during any two consecutive year period, (1) an independent hotel consulting expert, agreed to by both WLS and us, determines that the operating profit of the affected hotel is less than the operating profit of comparable hotels as determined by the independent hotel consulting expert, and (2) the RevPAR penetration index fails to exceed a specified RevPAR penetration index threshold, as set forth in the applicable hotel management agreement. WLS has the right, which can be exercised no more than three times per hotel, to avoid a performance termination by paying an amount equal to the amount that the operating profit fell below the annual operating budget for the relevant performance termination period, as reflected in each WLS hotel management agreement, or by agreeing to offset the operating budget difference against future management fees due to WLS.

Early Termination for Casualty/Condemnation or Cause. Subject to certain qualifications and applicable cure periods, the hotel 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, including, among others: the bankruptcy or insolvency of either party; the failure of either party to make a payment when due, and failure to cure such non-payment after due notice; failure by us to provide WLS with sufficient working capital to operate the hotel after due notice; breach by either party of covenants or obligations under a WLS hotel management agreement; and failure by us to complete work approved or required under the terms of the hotel's franchise agreement and the applicable WLS hotel management agreement.

If an event of default occurs and continues beyond the grace period set forth in the WLS hotel management agreement, the non-defaulting party generally has, among other remedies, the option of terminating the applicable hotel management agreement, upon at least 30 days written notice to the other party.

Early Termination by WLS — Liquidated Damages. In the event that WLS elects to terminate a WLS hotel 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 hotel management agreement in the fiscal year immediately preceding the fiscal year in which such termination occurred.

Sale of a Hotel. Generally, the WLS hotel management agreements state that we cannot sell the applicable hotel to any unrelated third party or engage in certain change of control actions (1) if we are in default under the hotel 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 hotel management agreements further require that any future owner of the applicable hotel, at the option of WLS, assume the WLS hotel management agreement or enter into a new WLS hotel management agreement for such hotel.

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Other Hotel Management Agreements

As of the date of this Annual Report on Form 10-K, 54 of our hotels are managed by 14 hotel management companies other than WLS. This number includes five and ten hotels that receive the benefits of a franchise agreement pursuant to hotel management agreements with Marriott and Hyatt, respectively. Each of these hotels is subject to a hotel management agreement that contains customary terms and conditions that generally are similar to the provisions found in the WLS hotel management agreements described above. The hotel 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 equal to 3.0% of gross hotel revenues. Management agreements that include the benefits of a franchise agreement incur a base management fee generally equal to 7.0% of gross hotel revenues. Management companies may also earn an incentive management fee ranging from 10% to 25% of available cash flow (or other similar metric) as set forth in the applicable hotel management agreement, calculated on a per hotel basis, generally equal to the operating profit of the hotel after deducting a priority return to us based upon a percentage of our total capital investment in the hotels. Each of these hotel management agreements also 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 hotel management agreements give us the right to terminate the management agreement upon the sale of the hotel or for any reason upon payment of a stipulated termination fee. The performance targets vary, but generally provide us with the right to terminate the applicable hotel management agreement if the operating profit of the hotel is less than the budget targets set forth pursuant to such management agreement and/or the RevPAR penetration index fails to exceed a specified RevPAR penetration index threshold as set forth in the applicable management agreement. The hotel management agreements are also generally terminable by either party upon material casualty or condemnation of the hotel or the occurrence of certain customary events of default.

Franchise Agreements

As of December 31, 2015, 72, 29 and 6 of our hotels operated under franchise agreements with Marriott, Hilton and Hyatt, respectively. These numbers exclude five and ten hotels that receive the benefits of a franchise agreement pursuant to hotel management agreements with Marriott and Hyatt, respectively. The remaining four hotels that we own as of December 31, 2015 operate under existing franchise agreements with brands other than Marriott, Hilton or Hyatt.

Franchisors provide a variety of benefits to 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 hotels across the brand system. The franchise agreements generally specify management, operational, record-keeping, accounting, reporting and marketing standards and procedures with which our TRS lessees, as the franchisees, must comply. The franchise agreements require our TRS lessees to comply with the franchisors' standards and requirements, including 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, display of signage and the type, quality and age of furniture, fixtures and equipment included in guest rooms, lobbies and other common areas. Each of the existing franchise agreements for our hotels 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 that amount to between 1.0% and 4.3% of room revenue. Certain hotels are also charged a royalty fee of between 1.0% and 3.0% of food and beverage revenues. In addition, under certain of our franchise agreements, the franchisor may require that we renovate guest rooms and public facilities from time to time to comply with then-current brand standards.

The franchise agreements also provide for termination at the applicable franchisor's option upon the occurrence of certain events, including failure to pay royalties and fees or to perform other obligations under the franchise license, bankruptcy and abandonment of the franchise or a change in control. The TRS lessee that is the franchisee 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 engaged to manage the hotel.

TRS Leases

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

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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 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. Percentage rent is calculated based on revenues generated from guest rooms, food and beverage sales, and certain other sources, including meeting rooms and movie rentals.

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

All of the above mentioned 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 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 furnishings and equipment.

Events of Default

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, 2015, nine of our hotels were subject to ground lease agreements that cover the land underlying the respective hotels. Additional information regarding our hotels that are subject to ground leases can be found in Note 9 to our accompanying consolidated financial statements.

Item 3. Legal Proceedings

The nature of the operations of our hotels exposes our hotels, the Company 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, the Company is not presently subject to any material litigation nor, to the Company's knowledge, is any material litigation threatened against the Company.

Item 4. Mine Safety Disclosures

Not applicable.

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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." Below is a summary of the high and low prices of our common shares for each quarterly period for the years ended December 31, 2015 and 2014, as reported on the NYSE and the distributions paid by us with respect to each quarterly period.

2015	High	Low	Distribution
January 1, 2015 through March 31, 2015	$36.25	$29.90	$0.33
April 1, 2015 through June 30, 2015	$32.09	$28.73	$0.33
July 1, 2015 through September 30, 2015	$32.14	$25.00	$0.33
October 1, 2015 through December 31, 2015	$27.52	$21.48	$0.33

2014	High	Low	Distribution
January 1, 2014 through March 31, 2014	$27.28	$23.65	$0.22
April 1, 2014 through June 30, 2014	$29.00	$25.00	$0.22
July 1, 2014 through September 30, 2014	$30.64	$27.76	$0.30
October 1, 2014 through December 31, 2014	$34.47	$27.95	$0.30

On December 31, 2015 and February 17, 2016, the closing price of our common shares as reported on the NYSE was $21.63 and $19.13, respectively.

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Share Return Performance

The following graph compares 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") for the period from May 11, 2011, the date of the initial listing of our common shares of beneficial interest on the NYSE, to December 31, 2015. The graph assumes an initial investment of $100 in our common shares and in each of the indices, and also assumes the reinvestment of dividends.

Name	Initial Investment at May 11, 2011	Value of Initial Investment at Dec 31, 2011	Value of Initial Investment at Dec 31, 2012	Value of Initial Investment at Dec 31, 2013	Value of Initial Investment at Dec 31, 2014	Value of Initial Investment at Dec 31, 2015
RLJ Lodging Trust	$100.00	$97.64	$116.67	$151.95	$216.96	$147.03
S&P 500 Index	$100.00	$95.05	$110.26	$145.96	$165.93	$168.20
MSCI US REIT Index	$100.00	$97.87	$115.32	$118.20	$154.24	$158.15

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 17, 2016, we had 101 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 17, 2016, there were four 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.

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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 $300 million unsecured revolving credit facility and our unsecured 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.

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 our unsecured revolving credit facility 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, 2015 that were not registered under the Securities Act of 1933, as amended.

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 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 authorized amount that may be repurchased by $200.0 million to a total of $400.0 million. Between May 1, 2015 and December 31, 2015, the Company repurchased 8,044,372 of its common shares for approximately $225.2 million under the authorized share repurchase program.

Additionally, during the year ended December 31, 2015, 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").

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The following table summarizes all of these repurchases during the year ended December 31, 2015:

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, 2015 through January 31, 2015	—	—	N/A	N/A
February 1, 2015 through February 28, 2015	43,009	$33.48	N/A	N/A
March 1, 2015 through March 31, 2015	10,459	$31.78	N/A	N/A
April 1, 2015 through April 30, 2015	—	—	N/A	N/A
May 1, 2015 through May 31, 2015	944,121	$29.95	888,408	5,736,341
June 1, 2015 through June 30, 2015	1,117,837	$30.05	1,106,769	4,706,502
July 1, 2015 through July 31, 2015	203,158	$30.06	—	4,698,613
August 1, 2015 through August 31, 2015	3,370,792	$28.26	3,342,428	1,659,500
September 1, 2015 through September 30, 2015	1,666,844	$27.57	1,655,103	—
October 1, 2015 through October 31, 2015	360	$25.47	—	7,973,525
November 1, 2015 through November 30, 2015	772,247	$24.21	744,138	7,461,307
December 1, 2015 through December 31, 2015	319,267	$23.58	307,526	8,082,015
Total for the year ended December 31, 2015	8,448,094		8,044,372	

(1) The maximum number of shares that may yet be repurchased under the stock repurchase plan 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, 2015 and 2014 and for the three years ended December 31, 2015, 2014 and 2013, and the related notes included elsewhere in this Annual Report on Form 10-K.

We completed our initial public offering ("IPO") on May 16, 2011. Due to the timing of the IPO, we present herein certain combined consolidated historical financial data for us and our predecessor. The consolidated financial data for our predecessor is not necessarily indicative of our results of operations, cash flows or financial position following the completion of the IPO.

The selected financial information as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 has been derived from our audited historical financial statements. Due to the timing of the IPO, the results of operations for the year ended December 31, 2011 reflect the financial condition and results of operations of our predecessor together with our Company.

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	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(In thousands, except share and per share data)				
Statement of Operations Data:					
Revenues:					
Room revenue	$985,361	$969,402	$844,741	$738,207	$653,044
Other property revenue	150,979	139,795	125,639	111,478	101,861
Total revenue	1,136,340	1,109,197	970,380	849,685	754,905
Expenses:					
Room expense	220,101	213,071	186,667	162,039	145,859
Other property expense	437,545	433,274	388,440	346,898	312,254
Total property operating expense	657,646	646,345	575,107	508,937	458,113
Depreciation and amortization	156,226	144,294	127,231	126,340	127,420
Impairment loss	1,003	9,200	—	—	—
Property tax, insurance and other	76,682	71,443	63,627	52,745	46,289
General and administrative	37,810	41,671	35,466	31,086	24,175
Transaction and pursuit costs	3,058	4,850	4,410	3,520	3,996
IPO costs	—	—	—	—	10,733
Total operating expenses	932,425	917,803	805,841	722,628	670,726
Operating income	203,915	191,394	164,539	127,057	84,179
Interest and other income	3,161	2,688	7,431	1,463	2,683
Interest expense	(54,788)	(56,810)	(64,348)	(83,689)	(95,362)
Income (loss) before provision for income tax benefit (expense)	152,288	137,272	107,622	44,831	(8,500)
Income tax benefit (expense)	39,126	(1,145)	(879)	(1,369)	(740)
Gain on disposal of hotel properties	28,398	353	—	—	—
Net income (loss) from continuing operations, including gain on disposal	219,812	136,480	106,743	43,462	(9,240)
Net income attributable to noncontrolling interests	(1,591)	(1,039)	(1,258)	(39)	(309)
Distributions to preferred shareholders	—	—	—	—	(61)
Net income (loss) from continuing operations available to shareholders/owners	$218,221	$135,441	$105,485	$43,423	$(9,610)

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	As of December 31,				
	2015	2014	2013	2012	2011
	(In thousands, except share and per share data)				
Balance Sheet Data:					
Investment in hotel properties, net	$3,674,999	$3,518,803	$3,241,163	$3,073,483	$2,820,457
Cash and cash equivalents	$134,192	$262,458	$332,248	$115,861	$310,231
Total assets	$3,980,211	$4,128,379	$3,717,974	$3,346,385	$3,290,018
Total debt	$1,582,755	$1,557,747	$1,409,665	$1,413,651	$1,341,735
Total liabilities	$1,779,687	$1,749,895	$1,571,640	$1,538,474	$1,456,030
Total equity	$2,200,524	$2,378,484	$2,146,334	$1,807,911	$1,833,988
Per Share Data:					
Basic income (loss) from continuing operations per share	$1.69	$1.06	$0.89	$0.40	$(0.10)
Diluted income (loss) from continuing operations per share (1)	$1.68	$1.05	$0.88	$0.40	$(0.10)
Weighted average shares outstanding—basic	128,444,469	127,360,669	117,950,066	105,423,604	95,340,666
Weighted average shares outstanding—diluted (1)	128,967,754	128,293,843	118,738,626	105,748,686	95,340,666
Dividends declared per share	$1.32	$1.04	$0.86	$0.70	$0.38

(1) Income (loss) allocated to noncontrolling interest in our operating partnership has been excluded from the numerator, and OP units of our 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, related notes included thereto and Item 1A., "Risk Factors", appearing elsewhere in this Annual Report on Form 10-K.

Overview

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 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 achieved by traditional full-service hotels while achieving higher profit margins due to their more efficient operating model and less volatile cash flows.

While the outlook for global economic growth has become more uncertain recently, the health of the domestic consumer has improved. As such, we are optimistic that the U.S. economy will continue to grow. Lodging demand is at record levels and hotel industry supply remains below historical averages. We believe that corporate profits will increase over the upcoming years and support lodging fundamentals. Accordingly, we remain cautiously optimistic that we are in a positive lodging cycle that will continue in the near term.

We believe that attractive acquisition opportunities that meet our investment profile remain available in the market and we intend to weigh all investment decisions against our capital allocation requirements. We believe our cash on hand and expected access to capital (including availability under our unsecured revolving credit facility) 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.

As of December 31, 2015, we owned 126 hotels with approximately 20,900 rooms, located in 21 states and the District of Columbia and an interest in a mortgage loan secured by a hotel. We own, through wholly-owned subsidiaries, 100% of the interests in all properties, with the exception of one property in which we own a 98.3% controlling interest in a joint venture.

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Our Customers

Substantially all 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 hotels are affiliated with brands marketed toward extended-stay customers. Extended-stay customers are generally defined as those staying five nights or longer. Reasons for extended stays may include, but are not limited to, training and/or special project business, relocation, litigation and insurance claims.

Our Revenues and Expenses

Our revenue is primarily derived from hotel operations, including the sale of rooms, food and beverage revenue and other operating department revenue, which consists of telephone, parking and other guest services.

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 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. 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 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:

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Average Daily Rate ("ADR") — ADR represents total hotel room revenues divided by the total number of rooms sold in a given period. ADR measures average room price attained by a hotel and ADR trends provide useful information concerning the pricing environment and the nature of the customer base of 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 achievable ADR levels.
- Revenue Per Available Room ("RevPAR") — RevPAR is the product of ADR and occupancy. RevPAR does not include non-room revenues such as food and beverage revenue or other operating department revenue. We use

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RevPAR to identify trend information with respect to room revenues from comparable 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 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 increased other operating department revenue and 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 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 86.7% of our total revenue for the year ended December 31, 2015, and 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'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'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 believe are comparable for purposes of benchmarking the performance of such hotel. A hotel'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 and rate structure, as well as the level of service provided at the hotel. Competitive set determinations are highly subjective, however, and our methodology for determining a hotel's competitive set may differ materially from those used by other hotel owners and/or management companies.

For the year ended December 31, 2015, the portfolio wide RevPAR penetration index of our hotels was 110.7 which indicates that, on average, our hotels maintained a market share premium of approximately 10.7% 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. See "—Non-GAAP Financial Measures."

Principal Factors Affecting Our Results of Operations

The principal factors affecting our operating results include overall demand for lodging compared to the supply of available hotel rooms and other lodging options, and the ability of our third-party 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 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 and 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 and Hyatt brands.

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- 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 substantial majority of our total revenue.

Food and beverage revenue — Occupancy, the nature of the 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 operating department revenue — Occupancy and the nature of the property are the main drivers of other ancillary revenue, such as telephone, parking and other guest services. Some hotels, due to the limited focus of the services offered and size or space limitations, may not have facilities that generate other operating department revenue.

- Property Operating Expense — The following presents the components of our property operating expenses:

Room expense — These costs include housekeeping and front office wages and payroll taxes, reservation systems, room supplies, laundry services and other costs. Like room revenue, occupancy is the major driver of room expense. These costs can increase based on increases in salaries and wages, as well as the level of service and amenities that are provided.

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 or other on-property food and beverage outlets) are the major drivers of food and beverage expense, which correlates closely with food and beverage revenue.

Management and franchise fee expense — Base management fees are computed as a percentage of gross revenue. Incentive management fees generally are paid when operating profits exceed certain threshold levels. Franchise fees are based on a percentage of room revenue and for certain hotels additional franchise fees are charged for food and beverage revenue. See "Our Properties — Our Hotel Management Agreements" and "Our Properties — Franchise Agreements."

Other operating expense — These 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.

Most categories of variable operating expenses, including labor costs such as housekeeping, 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 limited categories of operating costs and expenses, such as franchise fees, management fees, travel agency commissions and credit card processing fee expenses which are based on hotel revenues. Thus, changes in ADR have a more significant impact on operating margins than changes in occupancy.

2015 Significant Activities

Our significant activities reflect our commitment to creating long-term shareholder value through enhancing our portfolio's quality, recycling capital and maintaining a prudent capital structure. During the year ended December 31, 2015, the following significant activities took place:

- Purchased three hotel properties for an aggregate purchase price of $175.9 million;
- Sold 23 hotel properties for an aggregate sale price of $252.5 million and a gain on sale of $28.4 million;
- Completed two major redevelopment projects in San Francisco and Houston;
- Repurchased 8.0 million common shares for $225.2 million at an average per share price of $27.99; and
- Declared cash dividends of $1.32 per share for the year, an increase of 26.9% over the cash dividends declared in 2014.

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Results of Operations

At December 31, 2015, 2014 and 2013 we owned 126, 146 and 149 properties, respectively. Based on when a property is acquired, sold or closed for renovation, the operating results for certain properties are not comparable for the years ended December 31, 2015, 2014 and 2013.

For comparisons between the years ended December 31, 2015 and 2014, the non-comparable properties include 18 acquisitions that were completed between January 1, 2014 and December 31, 2015, 41 dispositions that were completed between January 1, 2014 and December 31, 2015 and three properties that were closed for renovations during all or a portion of the period between January 1, 2014 and December 31, 2015.

For comparisons between the years ended December 31, 2014 and 2013, the non-comparable properties include 22 acquisitions that were completed between January 1, 2013 and December 31, 2014, 18 dispositions that were completed in 2014 and one property that was closed for renovations during all or a portion of the period between January 1, 2013 and December 31, 2014.

We sold or transferred three hotels during 2013 which are included in discontinued operations for the year ended December 31, 2013, and therefore are not included in any of the comparisons presented.

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Comparison of the year ended December 31, 2015 to the year ended December 31, 2014

	For the year ended December 31,			
	2015	2014	$ Change	% Change
	(amounts in thousands)			
Revenue				
Operating revenue				
Room revenue	$985,361	$969,402	$15,959	1.6 %
Food and beverage revenue	114,818	107,538	7,280	6.8 %
Other operating department revenue	36,161	32,257	3,904	12.1 %
Total revenue	$1,136,340	$1,109,197	$27,143	2.4 %
Expense				
Operating expense				
Room expense	$220,101	$213,071	$7,030	3.3 %
Food and beverage expense	81,117	75,468	5,649	7.5 %
Management and franchise fee expense	116,462	114,802	1,660	1.4 %
Other operating expense	239,966	243,004	(3,038)	(1.3)%
Total property operating expense	657,646	646,345	11,301	1.7 %
Depreciation and amortization	156,226	144,294	11,932	8.3 %
Impairment loss	1,003	9,200	(8,197)	(89.1)%
Property tax, insurance and other	76,682	71,443	5,239	7.3 %
General and administrative	37,810	41,671	(3,861)	(9.3)%
Transaction and pursuit costs	3,058	4,850	(1,792)	(36.9)%
Total operating expense	932,425	917,803	14,622	1.6 %
Operating income	203,915	191,394	12,521	6.5 %
Other income	1,598	807	791	98.0 %
Interest income	1,563	1,881	(318)	(16.9)%
Interest expense	(54,788)	(56,810)	2,022	(3.6)%
Income from continuing operations before income taxes	152,288	137,272	15,016	10.9 %
Income tax benefit (expense)	39,126	(1,145)	40,271	— %
Income from continuing operations	191,414	136,127	55,287	40.6 %
Gain on disposal of hotel properties	28,398	353	28,045	— %
Net income	219,812	136,480	83,332	61.1 %
Net income attributable to noncontrolling interests				
Noncontrolling interest in consolidated joint venture	(77)	(171)	94	(55.0)%
Noncontrolling interest in common units of Operating Partnership	(1,514)	(868)	(646)	74.4 %
Net income attributable to common shareholders	$218,221	$135,441	$82,780	61.1 %

Revenue

Total revenue increased $27.1 million, or 2.4%, to $1.136 billion for the year ended December 31, 2015 from $1.109 billion for the year ended December 31, 2014. The increase was a result of a $27.9 million increase in total revenue from the comparable properties, partially offset by a $0.8 million decrease in total revenue from the non-comparable properties. The increase in total revenue at the comparable properties was attributable to a 2.4% increase in RevPAR.

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The following are the key hotel operating statistics for the comparable properties at December 31, 2015 and 2014, respectively:

	For the year ended December 31,					
	2015		2014		% Change	
Number of comparable properties (at end of period)	105		105			
Occupancy %	78.1	%	79.6	%	(1.9	)%
ADR	$163.01		$156.16		4.4	%
RevPAR	$127.33		$124.31		2.4	%

Room Revenue

Our portfolio consists primarily of focused-service and compact full-service hotels that generate the majority of their revenues through room sales. Room revenue increased $16.0 million, or 1.6%, to $985.4 million for the year ended December 31, 2015 from $969.4 million for the year ended December 31, 2014. The increase was a result of a $19.5 million increase in room revenue from the comparable properties, partially offset by a $3.5 million decrease in room revenue from the non-comparable properties. The increase in room revenue at the comparable properties was attributable to a 2.4% increase in RevPAR.

Food and Beverage Revenue

Food and beverage revenue increased $7.3 million, or 6.8%, to $114.8 million for the year ended December 31, 2015 from $107.5 million for the year ended December 31, 2014. The increase includes a $7.5 million increase in food and beverage revenue from the comparable properties, partially offset by a $0.2 million decrease in food and beverage revenue from the non-comparable properties.

Other Operating Department Revenue

Other operating department revenue, which includes revenue derived from ancillary sources such as telephone charges and parking fees, increased $3.9 million, or 12.1%, to $36.2 million for the year ended December 31, 2015 from $32.3 million for the year ended December 31, 2014. The increase was due to a $3.0 million increase in other operating department revenue from the non-comparable properties and a $0.9 million increase at the comparable properties.

Property Operating Expense

Property operating expense increased $11.3 million, or 1.7%, to $657.6 million for the year ended December 31, 2015 from $646.3 million for the year ended December 31, 2014. The increase includes a $14.1 million increase in property operating expense at the comparable properties, partially offset by a $2.8 million decrease in property operating expense from the non-comparable properties. The increase in property operating expense is attributable to higher room expense, food and beverage expense, other operating department costs, and management and franchise fees at the comparable properties. Room expense, food and beverage 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 $11.9 million, or 8.3%, to $156.2 million for the year ended December 31, 2015 from $144.3 million for the year ended December 31, 2014. The increase includes additional depreciation expense of $8.3 million as a result of capital expenditures to improve our comparable properties and a $3.6 million increase in depreciation and amortization expense arising from the non-comparable properties.

Impairment

For the year ended December 31, 2015, we incurred a $1.0 million impairment loss on one hotel, as compared to a $9.2 million impairment loss on three hotels for the year ended December 31, 2014. Each of these impairments was the result of an evaluation of the recoverability of the carrying values given the current expectation to sell the hotels before the end of their previously estimated useful lives.

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Property Tax, Insurance and Other

Property tax, insurance and other expense increased $5.2 million, or 7.3%, to $76.7 million for the year ended December 31, 2015 from $71.4 million for the year ended December 31, 2014. The increase is the result of a $6.9 million increase in property taxes at the comparable properties, partially offset by a 1.7 million decrease in property tax, insurance and other expense attributable to the non-comparable properties.

General and Administrative

General and administrative expense decreased $3.9 million, or 9.3%, to $37.8 million for the year ended December 31, 2015 from $41.7 million for the year ended December 31, 2014. The decrease in general and administrative expense is primarily attributable to lower compensation costs, including a decrease in salary and bonus expense of $2.5 million and a decrease in the amortization of restricted share awards and performance units of $2.1 million, partially offset by an increase in other general and administrative costs.

Interest Expense

The components of our interest expense for the years ended December 31, 2015 and 2014 are as follows (in thousands):

	For the year ended December 31,	
	2015	2014
Mortgage indebtedness	$16,500	$23,282
Revolving credit facility and term loans	35,898	29,560
Loss on defeasance	—	804
Amortization of deferred financing costs	4,164	4,298
Capitalized interest	(1,774)	(1,134)
Total interest expense	$54,788	$56,810

Interest expense decreased $2.0 million, or 3.6%, to $54.8 million for the year ended December 31, 2015 from $56.8 million for the year ended December 31, 2014. The decrease in interest expense from mortgage indebtedness was due to a decrease in the principal balances outstanding as a result of mortgage amortization as well as mortgage principal balances that were paid down. The increase in interest expense from the revolving credit facility and term loans was due to the new interest rate swaps and additional borrowings on the term loans. The loss on defeasance is related to the costs incurred to extinguish the mortgage indebtedness in conjunction with the disposal of certain properties in 2014. The increase in the capitalized interest was due to two major redevelopment projects in 2015, both of which were completed in the third quarter of 2015.

Income Taxes

As part of our structure, we own TRSs that are subject to federal and state income taxes. We had an income tax benefit of $39.1 million for the year ended December 31, 2015 as compared to an income tax expense of $1.1 million for the year ended December 31, 2014. The $40.3 million decrease in income taxes primarily resulted from the release of a deferred tax asset valuation allowance of $39.9 million. The effective tax rates were (21.7)% and 0.8% for the years ended December 31, 2015 and 2014, respectively. The effective tax rate decreased as a result of the release of the valuation allowance.

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Comparison of the year ended December 31, 2014 to the year ended December 31, 2013

	For the year ended December 31,			
	2014	2013	$ Change	% Change
	(amounts in thousands)			
Revenue				
Operating revenue				
Room revenue	$969,402	$844,741	$124,661	14.8 %
Food and beverage revenue	107,538	97,083	10,455	10.8 %
Other operating department revenue	32,257	28,556	3,701	13.0 %
Total revenue	$1,109,197	$970,380	$138,817	14.3 %
Expense				
Operating expense				
Room expense	$213,071	$186,667	$26,404	14.1 %
Food and beverage expense	75,468	67,945	7,523	11.1 %
Management and franchise fee expense	114,802	99,158	15,644	15.8 %
Other operating expense	243,004	221,337	21,667	9.8 %
Total property operating expense	646,345	575,107	71,238	12.4 %
Depreciation and amortization	144,294	127,231	17,063	13.4 %
Impairment loss	9,200	—	9,200	— %
Property tax, insurance and other	71,443	63,627	7,816	12.3 %
General and administrative	41,671	35,466	6,205	17.5 %
Transaction and pursuit costs	4,850	4,410	440	10.0 %
Total operating expense	917,803	805,841	111,962	13.9 %
Operating income	191,394	164,539	26,855	16.3 %
Other income	807	903	(96)	(10.6)%
Interest income	1,881	1,665	216	13.0 %
Interest expense	(56,810)	(64,348)	7,538	(11.7)%
Gain on foreclosure	—	4,863	(4,863)	— %
Income from continuing operations before income taxes	137,272	107,622	29,650	27.6 %
Income tax expense	(1,145)	(879)	(266)	30.3 %
Income from continuing operations	136,127	106,743	29,384	27.5 %
Income from discontinued operations	—	7,436	(7,436)	— %
Gain on disposal of hotel properties	353	—	353	— %
Net income	136,480	114,179	22,301	19.5 %
Net income attributable to noncontrolling interests				
Noncontrolling interest in joint venture	(171)	(540)	369	(68.3)%
Noncontrolling interest in common units of Operating Partnership	(868)	(718)	(150)	20.9 %
Net income attributable to common shareholders	$135,441	$112,921	$22,520	19.9 %

Revenue

Total revenue increased $138.8 million, or 14.3%, to $1.1 billion for the year ended December 31, 2014 from $970.4 million for the year ended December 31, 2013. The increase was a result of $83.1 million in revenue attributable to non-comparable properties and a 6.9% increase in RevPAR at the comparable properties.

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The following are the key hotel operating statistics for the comparable properties at December 31, 2014 and 2013, respectively:

	For the year ended December 31,					
	2014		2013		% Change	
Number of comparable properties (at end of period)	123		123			
Occupancy %	78.4	%	75.6	%	3.7	%
ADR	$148.50		$144.05		3.1	%
RevPAR	$116.38		$108.89		6.9	%

Room Revenue

Our portfolio consists primarily of focused-service and compact full-service hotels that generate the majority of their revenues through room sales. Room revenue increased $124.7 million, or 14.8%, to $969.4 million for the year ended December 31, 2014 from $844.7 million for the year ended December 31, 2013. This increase was a result of $72.7 million of room revenue from non-comparable properties and a 6.9% increase in RevPAR at the comparable properties.

Food and Beverage Revenue

Food and beverage revenue increased $10.5 million, or 10.8%, to $107.5 million for the year ended December 31, 2014 from $97.1 million for the year ended December 31, 2013. The increase includes $7.1 million in food and beverage revenue arising from non-comparable properties. Food and beverage revenue for the remainder of the portfolio increased $3.4 million.

Other Operating Department Revenue

Other operating department revenue, which includes revenue derived from ancillary sources such as telephone charges and parking fees, increased $3.7 million, or 13.0%, to $32.3 million for the year ended December 31, 2014 from $28.6 million for the year ended December 31, 2013. The increase was primarily due to $3.3 million of other operating department revenue from non-comparable properties.

Property Operating Expense

Property operating expense increased $71.2 million, or 12.4%, to $646.3 million for the year ended December 31, 2014 from $575.1 million for the year ended December 31, 2013. This increase includes $44.7 million in hotel operating expense attributable to non-comparable properties. The remaining increase was primarily attributable to higher room expense, food and beverage expense, other operating department costs, and management and franchise fees at the comparable properties. Room expense, food and beverage 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 $17.1 million, or 13.4%, to $144.3 million for the year ended December 31, 2014 from $127.2 million for the year ended December 31, 2013. The increase is the result of a $14.5 million increase in depreciation and amortization expense arising from non-comparable properties. The remaining

increase is the result of capital expenditures to improve our properties.

Impairment

For the year ended December 31, 2014, we incurred $9.2 million of impairment loss on three hotels. The impairment was the result of an evaluation of the recoverability of the carrying values given the current expectation to sell the hotels before the end of their previously estimated useful lives.

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Property Tax, Insurance and Other

Property tax, insurance and other expense increased $7.8 million, or 12.3%, to $71.4 million for the year ended December 31, 2014 from $63.6 million for the year ended December 31, 2013. The increase includes $5.3 million in property tax, insurance and other expense attributable to non-comparable properties. The remaining increase of $2.5 million is the net impact of increasing property tax assessments offset by favorable resolution of property tax appeals at the comparable properties.

General and Administrative

General and administrative expense increased $6.2 million, or 17.5%, to $41.7 million for the year ended December 31, 2014 from $35.5 million for the year ended December 31, 2013. The increase in general and administrative expense is primarily attributable to an increase in compensation related expense of $4.3 million and an increase in amortization of restricted share awards of $2.0 million.

Interest Expense

The components of our interest expense for the years ended December 31, 2014 and 2013 are as follows (in thousands):

	For the year ended December 31,	
	2014	2013
Mortgage indebtedness	$23,282	$44,290
Revolving credit facility and term loans	29,560	15,574
Loss on defeasance	804	—
Amortization of deferred financing costs	4,298	4,484
Capitalized interest	(1,134)	—
Total interest expense	$56,810	$64,348

Interest expense decreased $7.5 million, or 11.7%, to $56.8 million for the year ended December 31, 2014 from $64.3 million for the year ended December 31, 2013. The decrease in interest expense from mortgage indebtedness was due to decreases in principal balances as a result of mortgage amortization as well as mortgage principal balances that were paid down. The increase in interest expense from the revolving credit facility and term loans was due to increased borrowings on the term loans. The loss on defeasance related to costs incurred to extinguish the mortgage indebtedness in conjunction with the disposal of certain properties. The increase in capitalized interest was due to the three major redevelopment projects underway during the year ended December 31, 2014.

Income Taxes

As part of our structure, we own TRSs that are subject to federal and state income taxes. Income tax expense increased $0.3 million to $1.1 million for the year ended December 31, 2014 from $0.9 million for the year ended December 31, 2013, primarily as a result of the recognition of deferred tax benefits related to our TRSs in 2013. The effective tax rates were 0.8% and 0.8% for the years ended December 31, 2014 and 2013, respectively.

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.

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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 and pursuit costs, non-cash income tax expense or benefit, the amortization of share-based compensation, and certain other expenses that we consider outside the normal course of business. 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 and Adjusted FFO for the years ended December 31, 2015, 2014 and 2013 (in thousands):

	For the year ended December 31,		
	2015	2014	2013
Net income (1)	$219,812	$136,480	$114,179
Gain on sale of hotel properties	(28,398)	(353)	(2,081)
Depreciation and amortization	156,226	144,294	127,231
Gain on extinguishment of indebtedness (2)	—	—	(5,708)
Impairment loss	1,003	9,200	—
Noncontrolling interest in joint venture	(77)	(171)	(540)
Adjustments related to joint venture (3)	(170)	(186)	(484)
Adjustments related to discontinued operations (4)	—	—	199
FFO attributable to common shareholders	348,396	289,264	232,796
Non-cash income tax benefit (5)	(39,845)	—	—
Gain on foreclosure	—	—	(4,863)
Transaction and pursuit costs	3,058	4,850	4,410
Amortization of share based compensation	13,002	15,088	13,078
Loan related costs (6)	97	1,073	1,046
Other expenses (7)	—	432	157
Adjusted FFO attributable to common shareholders	$324,708	$310,707	$246,624

(1) Includes net income from discontinued operations for the year ended December 31, 2013.
(2)

Includes the gain on extinguishment of indebtedness from the SpringHill Suites Southfield, Michigan and Courtyard Goshen, Indiana.

(3) Includes depreciation and amortization expense allocated to the noncontrolling interest in joint venture.

(4) Includes depreciation and amortization expense from discontinued operations.

(5) Reflects the non-cash portion of income tax benefit (expense) related to the release of a valuation allowance.

(6) Represents debt extinguishment costs and accelerated amortization of deferred financing costs.

(7) Represents legal and other expenses outside the normal course of operations.

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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 acquisitions and dispositions. 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 and pursuit costs, impairment losses, the amortization of share-based compensation, and certain other expenses that we consider outside the normal course of business. 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 and Adjusted EBITDA for the years ended December 31, 2015, 2014 and 2013 (in thousands):

	For the year ended December 31,		
	2015	2014	2013
Net income (1)	$219,812	$136,480	$114,179
Depreciation and amortization	156,226	144,294	127,231
Interest expense, net (2)	54,758	56,144	64,317
Income tax (benefit) expense	(39,126)	1,145	879
Noncontrolling interest in joint venture	(77)	(171)	(540)
Adjustments related to joint venture (3)	(170)	(186)	(484)
Adjustments related to discontinued operations (4)	—	—	572
EBITDA attributable to common shareholders	391,423	337,706	306,154
Transaction and pursuit costs	3,058	4,850	4,410
Gain on sale of property	(28,398)	(353)	(2,081)
Gain on foreclosure	—	—	(4,863)
Gain on extinguishment of indebtedness (5)	—	—	(5,708)
Impairment loss	1,003	9,200	—
Amortization of share based compensation	13,002	15,088	13,078
Other expenses (6)	—	432	157
Adjusted EBITDA attributable to common shareholders	$380,088	$366,923	$311,147

(1) Includes net income from discontinued operations for the year ended December 31, 2013.

(2) Excludes amounts attributable to investment in loans of $1.5 million, $1.2 million and $1.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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

(4) Includes depreciation, amortization and interest expense related to discontinued operations.

(5) Includes the gain on extinguishment of indebtedness from the SpringHill Suites Southfield, Michigan and Courtyard Goshen, Indiana.

(6) Represents legal and other expenses outside the normal course of operations.

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of 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;

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- 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 net cash provided by operations, existing cash balances and, if necessary, short-term borrowings under our unsecured $300.0 million revolving credit facility, of which $300.0 million was available at December 31, 2015, or proceeds from public offerings of common shares.

Our long-term liquidity requirements consist primarily of funds necessary to pay for the costs of acquiring additional properties and redevelopments, renovations, expansions and other capital expenditures that need to be made periodically with respect to our 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 unsecured revolving credit facility and future equity (including OP units) or debt offerings, existing working capital, net cash provided by operations, long-term hotel mortgage indebtedness and other secured and unsecured borrowings.

Sources and Uses of Cash

As of December 31, 2015, we had $134.2 million of cash and cash equivalents compared to $262.5 million at December 31, 2014.

Cash flows from Operating Activities

Net cash flow provided by operating activities totaled $328.9 million for the year ended December 31, 2015. Net income of $219.8 million included significant non-cash expenses, including $156.2 million of depreciation and amortization, $13.0 million of amortization of share-based compensation, $4.2 million of amortization of deferred financing costs and $1.0 million of impairment. These amounts were partially offset by a $28.4 million gain on sale of hotel properties. In addition, changes in operating assets and liabilities due to the timing of cash receipts and payments from our hotels resulted in net cash inflow of $3.1 million.

Net cash flow provided by operating activities totaled $298.8 million for the year ended December 31, 2014. Net income of $136.5 million included significant non-cash expenses, including $144.3 million of depreciation, $15.1 million of amortization of share-based compensation, $9.2 million of impairment, $4.3 million of amortization of deferred financing costs, $1.0 million of amortization of deferred management fees, $0.8 million loss on defeasance and $0.1 million of expense related to the grant of shares to our trustees, partially offset by a $0.4 million gain on sale of property and $0.2 million of accretion of interest income on investment in loans. In addition, changes in operating assets and liabilities due to the timing of cash receipts and payments from our hotels resulted in net cash outflow of $11.2 million.

Net cash flow provided by operating activities totaled $251.4 million for the year ended December 31, 2013. Net income of $114.2 million included significant non-cash expenses, including $127.4 million of depreciation, $13.1 million of amortization of share-based compensation, $4.5 million of amortization of deferred financing costs, $1.1 million of amortization of deferred management fees and $0.1 million of expense related to the grant of shares to our trustees, partially offset by a $5.7 million gain on extinguishment of indebtedness, a $4.9 million gain on foreclosure, a $2.1 million gain on sale of property and $0.5 million of accretion of interest income on investment in loans. In addition, changes in operating assets and liabilities due to the timing of cash receipts and payments from our hotels, which resulted in net cash inflow of $5.0 million.

Cash flows from Investing Activities

Net cash flow used in investing activities totaled $38.1 million for the year ended December 31, 2015 primarily due to $143.8 million used for the purchase of three hotels, $124.8 million in routine capital improvements and additions to hotels and other properties and $24.5 million related to two major redevelopment projects. These were partially offset by $246.4 million of proceeds resulting from the sale of 23 properties and the net releases from restricted cash reserves of $9.1 million.

For the two major redevelopment projects we had underway, we incurred $24.5 million of costs for the year ended December 31, 2015, and total costs of $45.4 million since the inception of the projects. Both projects were completed in the third quarter of 2015.

Net cash flow used in investing activities totaled $611.2 million for the year ended December 31, 2014 primarily due to $631.6 million used for the purchase of 15 hotels, $92.3 million in routine improvements and additions to hotels, $26.5 million related to three major redevelopment projects, and the net funding of restricted cash reserves of $0.6 million. These

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were partially offset by $7.2 million in purchase deposits applied against property acquisitions and $132.7 million of proceeds resulting from the sale of 18 properties.

Net cash flow used in investing activities totaled $262.1 million for the year ended December 31, 2013 primarily due to $208.2 million used for the purchase of four hotels, $0.2 million paid for additions to property and equipment and $61.1 million in routine capital improvements and additions to hotels. These were partially offset $2.7 million in purchase deposits applied against property acquisitions and the net release from restricted cash reserves of $2.4 million in conjunction with the completion of renovation projects and $2.4 million of proceeds resulting from the sale of property.

Cash flows from Financing Activities

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 payments of mortgage principal, $171.3 million in payment of distributions to shareholders and unitholders, $225.2 million paid to repurchase common shares under a share repurchase program and $12.0 million paid to repurchase common shares to satisfy the statutory minimum federal and state tax obligations of certain employees in connection with the vesting of restricted common shares of beneficial interest issued to such employees. This was partially offset by $150.0 million of borrowings on the term loans and $7.0 million in additional mortgage debt.

Net cash flow provided by financing activities totaled $242.6 million for the year ended December 31, 2014 primarily due to $175.0 million of aggregate proceeds from the unsecured term loans, $232.7 million from the issuance and sale of common shares of beneficial interest, $143.0 million in proceeds from mortgage loans and $292.5 million in borrowings on the revolving credit facility. This was offset by $170.7 million of mortgage loan repayments, $292.5 million of repayments on the revolving credit facility, $126.0 million in payments of distributions to shareholders and unitholders, $4.1 million paid for deferred financing costs, a $1.2 million distribution related to the joint venture noncontrolling interest and $6.1 million of shares acquired to satisfy the statutory minimum federal and state tax obligations of certain employees in connection with the vesting of restricted common shares of beneficial interest issued to such employees.

Net cash flow provided by financing activities totaled $227.1 million for the year ended December 31, 2013 primarily due to $450.0 million of aggregate proceeds from the unsecured term loans, $327.5 million from the issuance and sale of common beneficial interest, $150.0 million in proceeds from mortgage loans and $205.5 million in borrowings on the revolving credit facility. This was offset by $577.4 million of mortgage loan repayments, $221.5 million of repayments on the revolving credit facility, $98.1 million in payment of distributions to shareholders and unitholders, $5.0 million paid for deferred financing costs and $4.0 million of shares acquired to satisfy the statutory minimum federal and state tax obligations of certain employees in connection with the vesting of restricted common shares of beneficial interest issued to such employees.

Capital Expenditures and Reserve Funds

We maintain each of our 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 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 properties.

From time to time, certain of our hotels 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 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 revolving credit facility 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, 2015, approximately $55.1 million was held in FF&E reserve accounts for future capital expenditures.

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Off-Balance Sheet Arrangements

As of December 31, 2015, we had no off-balance sheet arrangements.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2015 (in thousands):

Obligations and Commitments	2016	2017	2018	2019	2020	Thereafter	Total
Mortgage loans and interest (1)	$237,152	$157,312	$2,319	$2,319	$2,319	$32,484	$433,905
Borrowings under credit facilities (2)	37,490	37,490	433,206	640,550	5,139	155,449	1,309,324
Ground rent	4,708	4,711	4,713	4,716	4,718	420,588	444,154
Operating lease obligations	370	1,034	1,062	1,092	1,122	1,686	6,366
	$279,720	$200,547	$441,300	$648,677	$13,298	$610,207	$2,193,749

(1) Amounts include principal and interest payments. Interest payments have been included in the long-term debt obligations based on the interest rate at December 31, 2015, considering the effect of interest rate swaps.

(2) Amounts include principal and interest payments. Interest expense is calculated based on the variable rate as of December 31, 2015. It is assumed that the outstanding debt as of December 31, 2015 will be repaid upon maturity with interest-only payments until then.

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 liabilities assumed based on their respective fair values. We determine the fair values 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 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. Intangible assets and liabilities arising from the acquisitions are amortized using the straight-line method over the non-cancelable portion of the term of the agreement. Maintenance and repairs are expensed and major renewals or improvements are capitalized. Interest used to finance real estate under development is capitalized as an additional cost of development. Upon the sale or disposition of a property, the asset and related

accumulated depreciation are removed from the accounts and the related gain or loss is included in gain or loss on disposal of hotel properties. Gains or losses from dispositions that represent a strategic shift that has or will have a major effect on operations and financial results will be presented as discontinued operations.

In accordance with the guidance on impairment or disposal of long-lived assets, we do not consider "held for sale" classification 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 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 cost to sell, in accordance with the guidance. Any such adjustment in the carrying value is reflected as an impairment charge.

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We assess the carrying value whenever events or changes in circumstances indicate that the carrying amounts may not be fully recoverable. 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 properties. If our analysis indicates that the carrying value is not recoverable on an undiscounted cash flow basis, we recognize an impairment charge for the amount by which the carrying value exceeds the fair value. Fair value is determined through various valuation techniques, including internally developed discounted cash flow models, comparable market transactions and third-party appraisals, when considered necessary.

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 properties. The assumptions and estimates related to the future cash flows and capitalization rates are complex and subjective. Changes in economic and operating conditions that occur subsequent to a current impairment analysis and our ultimate use of the property could impact these assumptions and result in future impairment charges with respect to the properties.

Revenue Recognition

Our revenue consists of room revenue, food and beverage revenue and revenue from other hotel operating departments (such as telephone, parking and other guest services). These revenues are recorded net of any sales and occupancy taxes collected from 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 earned. An allowance for doubtful accounts is our best estimate of the amount of probable credit losses in the existing accounts receivable and it is recorded as bad debt expense. The allowance is calculated as a percentage of aged accounts receivable. Cash received prior to guest arrival is recorded as an advance deposit from the guest and recognized as revenue at the time of occupancy.

Income Taxes

We have elected to be taxed as a real estate investment trust 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. Our current intention is to adhere to these requirements and maintain the qualification for taxation as a REIT. As a REIT, we generally are not subject to federal corporate income tax on that portion of net income that is distributed. 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 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 taxable REIT subsidiaries is subject to federal, state and local income taxes. The taxable REIT subsidiaries are required to pay income taxes at the applicable rates. Our consolidated income tax provision or benefit includes the income tax provision or benefit related to the operations of the taxable REIT subsidiaries as well as state income taxes incurred.

Where required, deferred income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting bases of assets and liabilities and their respective income tax bases and for operating loss, capital loss and tax credit carryforwards based on enacted income tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that is more likely than not they will be realized based on consideration of available evidence, including future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies.

We perform an annual review for any uncertain tax positions and, if necessary, will record expected future tax consequences of uncertain tax positions in the 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 officers and employees is based on either continued employment (time-based) or based on 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 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

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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, 2015, we had approximately $1.5 billion of total variable debt outstanding (or 97.9% of total indebtedness) with a weighted average interest rate of 3.35% per annum. After taking into consideration the effect of interest rate swaps, $131.0 million (or 8.3% of total indebtedness) was subject to variable rates. If market interest rates on our variable rate debt outstanding as of December 31, 2015 were to increase by 1.00%, or 100 basis points, interest expense would decrease future earnings and cash flows by approximately $0.5 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, 2015, the following table presents principal repayments and related weighted average interest rates by contractual maturity dates (in thousands):

	2016	2017	2018	2019	2020	Thereafter	Total
Fixed rate debt (1)	$605	$594	$626	$660	$691	$30,123	$33,299
Weighted average interest rate	5.25 %	5.25 %	5.25 %	5.25 %	5.25 %	5.25 %	5.25 %
Variable rate debt	223,250	150,000	400,000	625,000	—	150,000	1,548,250
Weighted average interest rate (2)	3.72 %	3.99 %	3.10 %	3.19 %	—	3.43 %	3.35 %
Total	$223,855	$150,594	$400,626	$625,660	$691	$180,123	$1,581,549

(1) Excludes $1.2 million related to a fair value adjustment of $1.3 million on mortgage debt assumed in conjunction with an acquisition, net of accumulated amortization of $0.1 million.

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

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 on our consolidated financial statements. As of December 31, 2015, the estimated fair value of our fixed rate debt was $34.7 million, 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 $1.9 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.

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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, 2015, 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, 2015. 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, 2015, 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, 2015 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, 2015 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other information

None.

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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 2016 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 2016 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 2016 Annual Meeting of Shareholders, or in Item 5 of this Annual Report on Form 10-K for the year ended December 31, 2015, 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 2016 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 2016 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-36 through F-41:

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

All other schedules for which 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 listed in the Exhibit Index on pages 61 to 63 of this report, which is incorporated by reference herein.

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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 25, 2016.

RLJ LODGING TRUST
By: /s/ THOMAS J. BALTIMORE, JR.
Thomas J. Baltimore, Jr.
President, Chief Executive 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 25, 2016
/s/ THOMAS J. BALTIMORE, JR. Thomas J. Baltimore, Jr.	President, Chief Executive Officer and Trustee (principal executive officer)	February 25, 2016
/s/ LESLIE D. HALE Leslie D. Hale	Executive Vice President, Chief Financial Officer and Treasurer (principal financial officer)	February 25, 2016
/s/ CHRISTOPHER A. GORMSEN Christopher A. Gormsen	Chief Accounting Officer (principal accounting officer)	February 25, 2016
/s/ EVAN BAYH Evan Bayh	Trustee	February 25, 2016
/s/ NATHANIEL A. DAVIS Nathaniel A. Davis	Trustee	February 25, 2016
/s/ ROBERT M. LA FORGIA Robert M. La Forgia	Trustee	February 25, 2016
/s/ GLENDA G. MCNEAL Glenda G. McNeal	Trustee	February 25, 2016
/s/ JOSEPH RYAN Joseph Ryan	Trustee	February 25, 2016

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Exhibit Index

Exhibit Number	Description of Exhibit
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 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 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)
3.4	Second 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 February 26, 2015)
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	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)
4.3	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 10.3 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
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	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Thomas J. Baltimore, Jr. (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
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)
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)

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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 May 14, 2015, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P. and Thomas J. Baltimore, Jr. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 20, 2015)
10.18	Amended and Restated Employment Agreement dated as of August 2, 2013 by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P. and Leslie D. Hale (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 8, 2013)
10.19	Employment Agreement, dated as of May 14, 2015, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P. and Ross H. Bierkan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on May 20, 2015)
10.20	Amended and Restated Credit Agreement, dated as of November 20, 2012, by and among the Operating Partnership, the Company, Wells Fargo Bank National Association, as Administrative Agent, Bank of America, N.A., as Syndication Agent, PNC Bank, National Association, as Documentation Agent, Compass Bank, an Alabama corporation, Deutsche Bank Securities Inc., and U.S. Bank National Association, as Senior Managing Agents, Royal Bank of Canada and Sumitomo Mitsui Banking Corporation, as Managing Agents, Wells Fargo Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lead Arrangers and Joint Bookrunners 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 November 27, 2012)
10.21	First Amendment to Amended and Restated Credit Agreement, dated as of March 20, 2014, 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 10.1 to the Registrant's Current Report on Form 8-K filed on March 20, 2014)
10.22*	Second Amendment to Amended and Restated Credit 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
10.23*	Third Amendment to Amended and Restated Credit 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
10.24	Amended and Restated Guaranty, dated as of November 20, 2012, by the Company and certain subsidiaries of the Company party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on November 27, 2012)
10.25	Form of WLS Management Agreement (incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-11/A (File. No. 333-172011) filed on April 13, 2011)
10.26	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)
10.27	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)
10.28*	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
10.29*	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
10.30	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)
10.31	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)

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10.32	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)	
10.33	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)	
10.34*	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	
10.35*	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	
10.36	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 20, 2014)	
10.37	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 20, 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

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Item 8. Financial Statements.

INDEX TO FINANCIAL STATEMENTS

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:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of RLJ Lodging Trust and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, 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 Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for discontinued operations in 2014 due to the adoption of Accounting Standards Update No. 2014-08, Reporting Discounted Operations and Disclosures of Disposals of Components of an Entity.

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 25, 2016

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

	December 31, 2015	2014
Assets		
Investment in hotel properties, net	$3,674,999	$3,518,803
Cash and cash equivalents	134,192	262,458
Restricted cash reserves	55,455	63,054
Hotel and other receivables, net of allowance of $117 and $166, respectively	25,755	25,691
Deferred financing costs, net	8,096	11,421
Deferred income tax asset	49,978	7,502
Prepaid expense and other assets	31,736	42,115
Assets of hotel properties held for sale	—	197,335
Total assets	$3,980,211	$4,128,379
Liabilities and Equity		
Mortgage loans	$407,755	$532,747
Term loans	1,175,000	1,025,000
Accounts payable and other liabilities	129,192	129,388
Deferred income tax liability	9,801	7,879
Advance deposits and deferred revenue	11,647	9,984
Accrued interest	4,883	2,783
Distributions payable	41,409	42,114
Total liabilities	1,779,687	1,749,895
Commitments and Contingencies (Note 9)		
Equity		
Shareholders' equity:		
Preferred shares of beneficial interest, $0.01 par value, 50,000,000 shares authorized; zero shares issued and outstanding at December 31, 2015 and 2014, respectively.	—	—
Common shares of beneficial interest, $0.01 par value, 450,000,000 shares authorized; 124,635,675 and 131,964,706 shares issued and outstanding at December 31, 2015 and 2014, respectively.	1,246	1,319
Additional paid-in-capital	2,195,732	2,419,731
Accumulated other comprehensive loss	(16,602)	(13,644)
Retained earnings (distributions in excess of net earnings)	2,439	(46,415)
Total shareholders' equity	2,182,815	2,360,991
Noncontrolling interest:		
Noncontrolling interest in joint venture	6,177	6,295
Noncontrolling interest in Operating Partnership	11,532	11,198
Total noncontrolling interest	17,709	17,493
Total equity	2,200,524	2,378,484
Total liabilities and equity	$3,980,211	$4,128,379

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

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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,		
	2015	2014	2013
Revenue			
Operating revenue			
Room revenue	$985,361	$969,402	$844,741
Food and beverage revenue	114,818	107,538	97,083
Other operating department revenue	36,161	32,257	28,556
Total revenue	$1,136,340	$1,109,197	$970,380
Expense			
Operating expense			
Room expense	$220,101	$213,071	$186,667
Food and beverage expense	81,117	75,468	67,945
Management and franchise fee expense	116,462	114,802	99,158
Other operating expense	239,966	243,004	221,337
Total property operating expense	657,646	646,345	575,107
Depreciation and amortization	156,226	144,294	127,231
Impairment loss	1,003	9,200	—
Property tax, insurance and other	76,682	71,443	63,627
General and administrative	37,810	41,671	35,466
Transaction and pursuit costs	3,058	4,850	4,410
Total operating expense	932,425	917,803	805,841
Operating income	203,915	191,394	164,539
Other income	1,598	807	903
Interest income	1,563	1,881	1,665
Interest expense	(54,788)	(56,810)	(64,348)
Gain on foreclosure	—	—	4,863
Income from continuing operations before income tax benefit (expense)	152,288	137,272	107,622
Income tax benefit (expense)	39,126	(1,145)	(879)
Income from continuing operations	191,414	136,127	106,743
Income from discontinued operations	—	—	7,436
Gain on disposal of hotel properties	28,398	353	—
Net income	219,812	136,480	114,179
Net income attributable to noncontrolling interests			
Noncontrolling interest in consolidated joint venture	(77)	(171)	(540)
Noncontrolling interest in the Operating Partnership	(1,514)	(868)	(718)
Net income attributable to common shareholders	$218,221	$135,441	$112,921
Basic per common share data:			
Net income per share attributable to common shareholders before discontinued operations	$1.69	$1.06	$0.89
Discontinued operations	—	—	0.06
Net income per share attributable to common shareholders	$1.69	$1.06	$0.95
Weighted-average number of common shares	128,444,469	127,360,669	117,950,066

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Diluted per common share data:			
Net income per share attributable to common shareholders before discontinued operations	$1.68	$1.05	$0.88
Discontinued operations	—	—	0.06
Net income per share attributable to common shareholders	$1.68	$1.05	$0.94
Weighted-average number of common shares	128,967,754	128,293,843	118,738,626
Amounts attributable to the Company's common shareholders:			
Income from continuing operations	$190,022	$135,090	$105,539
Income from discontinued operations	—	—	7,382
Gain on disposal of hotel properties	28,199	351	—
Net income attributable to common shareholders	$218,221	$135,441	$112,921
Comprehensive income:			
Net income	$219,812	$136,480	$114,179
Unrealized loss on interest rate derivatives	(2,958)	(7,703)	(5,941)
Comprehensive income	216,854	128,777	108,238
Comprehensive income attributable to the noncontrolling interest in consolidated joint venture	(77)	(171)	(540)
Comprehensive income attributable to the noncontrolling interest in the Operating Partnership	(1,514)	(868)	(718)
Comprehensive income attributable to the Company	$215,263	$127,738	$106,980

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

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

	Shareholders' Equity					Noncontrolling Interests			
	Common Stock								
	Shares	Par Value	Additional Paid-in Capital	Distributions in excess of net earnings	Accumulated Other Comprehensive Loss	Operating Partnership	Consolidated Joint Venture	Total Non-controlling Interests	Total Equity
Balance at December 31, 2012	106,565,516	$1,066	$1,841,449	$(52,681)	$—	$11,311	$6,766	$18,077	$1,807,911
Net income	—	—	—	112,921	—	718	540	1,258	114,179
Unrealized loss on interest rate derivatives	—	—	—	—	(5,941)	—	—	—	(5,941)
Proceeds from sale of common stock, net	15,870,000	159	327,388	—	—	—	—	—	327,547
Issuance of restricted stock	377,830	3	(3)	—	—	—	—	—	—
Amortization of share based compensation	—	—	13,078	—	—	—	—	—	13,078
Share grants to trustees	5,357	—	124	—	—	—	—	—	124
Shares acquired to satisfy statutory minimum federal and state tax obligations on vesting restricted stock	(173,409)	(2)	(4,032)	—	—	—	—	—	(4,034)
Forfeiture of restricted stock	(5,252)	—	—	—	—	—	—	—	—
Distributions on common shares and units	—	—	—	(105,762)	—	(768)	—	(768)	(106,530)
Balance at December 31, 2013	122,640,042	$1,226	$2,178,004	$(45,522)	$(5,941)	$11,261	$7,306	$18,567	$2,146,334

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

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

	Shareholders' Equity					Noncontrolling Interests			
	Common Stock								
	Shares	Par Value	Additional Paid-in Capital	Distributions in excess of net earnings	Accumulated Other Comprehensive Loss	Operating Partnership	Consolidated Joint Venture	Total Non-controlling Interests	Total Equity
Balance at December 31, 2013	122,640,042	$1,226	$2,178,004	$(45,522)	$(5,941)	$11,261	$7,306	$18,567	$2,146,334
Net income	—	—	—	135,441	—	868	171	1,039	136,480
Unrealized loss on interest rate derivatives	—	—	—	—	(7,703)	—	—	—	(7,703)
Proceeds from sale of common stock, net	9,200,000	92	232,620	—	—	—	—	—	232,712
Issuance of restricted stock	343,887	3	(3)	—	—	—	—	—	—
Amortization of share based compensation	—	—	15,088	—	—	—	—	—	15,088
Share grants to trustees	4,347	—	127	—	—	—	—	—	127
Shares acquired to satisfy statutory minimum federal and state tax obligations on vesting restricted stock	(211,983)	(2)	(6,105)	—	—	—	—	—	(6,107)
Forfeiture of restricted stock	(11,587)	—	—	—	—	—	—	—	—
Distribution to joint venture partner	—	—	—	—	—	—	(1,182)	(1,182)	(1,182)
	—	—	—	(136,334)	—	(931)	—	(931)	(137,265)

Distributions on common shares and units									
Balance at December 31, 2014	131,964,706	$1,319	$2,419,731	$(46,415)	$(13,644)	$11,198	$6,295	$17,493	$2,378,484

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

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

	Shareholders' Equity					Noncontrolling Interests			
	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 Non-controlling Interests	Total Equity
Balance at December 31, 2014	131,964,706	$1,319	$2,419,731	$(46,415)	$(13,644)	$11,198	$6,295	$17,493	$2,378,484
Net income	—	—	—	218,221	—	1,514	77	1,591	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 statutory minimum federal and state tax obligations on vesting restricted stock	(403,722)	(4)	(12,016)	—	—	—	—	—	(12,020)
Forfeiture of restricted stock	(12,376)	—	—	—	—	—	—	—	—
Distribution to joint venture	—	—	—	—	—	—	(195)	(195)	(195)

partner Distributions on common shares and units	—	—	—	(169,367)	—	(1,180)	—	(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	$17,709	$2,200,524

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

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

	For the year ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income	$219,812	$136,480	$114,179
Adjustments to reconcile net income to cash flow provided by operating activities:			
Gain on sale of property	(28,398)	(353)	(2,081)
Gain on extinguishment of indebtedness	—	—	(5,708)
Loss on defeasance	—	804	—
Gain on foreclosure	—	—	(4,863)
Depreciation and amortization	156,226	144,294	127,430
Amortization of deferred financing costs	4,164	4,298	4,484
Amortization of deferred management fees	784	954	1,128
Accretion of interest income on investment in loans	(389)	(248)	(513)
Impairment loss	1,003	9,200	—
Share grants to trustees	132	127	124
Amortization of share-based compensation	13,002	15,088	13,078
Deferred income taxes	(40,554)	(642)	(839)
Changes in assets and liabilities:			
Hotel and other receivables, net	115	(2,122)	716
Prepaid expense and other assets	4,802	(3,513)	2,924
Accounts payable and other liabilities	(5,502)	(5,096)	(114)
Advance deposits and deferred revenue	1,617	(526)	1,030
Accrued interest	2,100	88	411
Net cash flow provided by operating activities	328,914	298,833	251,386
Cash flows from investing activities:			
Acquisition of hotel properties, net of cash acquired	(143,769)	(631,640)	(208,195)
Proceeds from sale of property	246,405	132,669	2,369
Purchase deposits, net	—	7,246	2,664
Improvements and additions to hotel properties	(149,225)	(118,787)	(61,077)
Additions to property and equipment	(659)	(47)	(185)
Decrease (increase) in restricted cash reserves, net	9,147	(624)	2,357
Net cash flow used in investing activities	(38,101)	(611,183)	(262,067)
Cash flows from financing activities:			
Borrowings under revolving credit facility	—	292,500	205,500
Repayments under revolving credit facility	—	(292,500)	(221,500)
Borrowings on term loans	150,000	175,000	450,000
Proceeds from mortgage loans	7,000	143,000	150,000
Payments of mortgage loans principal	(166,587)	(170,722)	(577,441)
Repurchase of common shares under a share repurchase program	(225,186)	—	—
Repurchase of common shares to satisfy employee withholding requirements	(12,020)	(6,107)	(4,034)
Distributions on common shares	(170,092)	(125,143)	(97,316)
Distributions on Operating Partnership units	(1,160)	(878)	(736)
Payments of deferred financing costs	(839)	(4,120)	(4,952)

Distribution to joint venture partner	(195)	(1,182)	—
Proceeds from issuance of common shares	—	232,712	327,547
Net cash flow (used in) provided by financing activities	(419,079)	242,560	227,068
Net change in cash and cash equivalents	(128,266)	(69,790)	216,387
Cash and cash equivalents, beginning of period	262,458	332,248	115,861
Cash and cash equivalents, end of period	$134,192	$262,458	$332,248

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

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RLJ Lodging Trust
Notes to the 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 qualified and elected to be taxed as a REIT, for U.S. federal income tax purposes, commencing with the portion of its taxable year ending December 31, 2011.

Substantially all of the Company's assets 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, 2015, there were 125,529,675 units of limited partnership interest in the Operating Partnership ("OP units") outstanding and the Company owned, through a combination of direct and indirect interests, 99.3% of the outstanding OP units.

As of December 31, 2015, the Company owned 126 hotel properties with approximately 20,900 rooms, located in 21 states and the District of Columbia and an interest in one mortgage loan secured by a hotel. The Company, through wholly-owned subsidiaries, owned a 100% interest in all of its properties, with the exception of the DoubleTree Metropolitan Hotel New York City, in which the Company, through wholly-owned subsidiaries, owned a 98.3% controlling interest in a joint venture, DBT Met Hotel Venture, LP, which was formed to engage in the hotel operations related to this hotel. An independent operator manages the operations of each property.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements 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, including joint ventures in which the Company has a majority voting interest and control. All intercompany balances 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.

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, 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 telephone, parking and other guest services). These revenues are recorded net of any sales and occupancy taxes collected from guests. All rebates or discounts are recorded as a reduction in 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 earned. An allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the existing accounts receivable and it is recorded as bad debt expense. The allowance is calculated as a percentage of aged accounts receivable. Cash received prior to guest arrival is recorded as an advance deposit from the guest and recognized as revenue at the time of occupancy.

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Investment in Hotels and Other 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 and franchise agreements. The Company allocates the purchase price among the assets acquired and liabilities assumed based on their respective fair values. We determine the fair values 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 hotels and other properties are carried at cost and are depreciated using the straight-line method over 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. Intangible assets or liabilities arising from the acquisitions are amortized using the straight-line method over the non-cancelable portion of the term of the agreement. Maintenance and repairs are expensed and major renewals or improvements are capitalized. Interest used to finance real estate under development is capitalized as an additional cost of development. Upon the sale or disposition of a property, the asset and related accumulated depreciation are removed from the accounts and the related gain or loss is included in gain or loss on disposal of hotel properties. Gains or losses from dispositions that represent a strategic shift that has or will have a major effect on operations and financial results will be presented as discontinued operations.

In accordance with the guidance on impairment or disposal of long-lived assets, the Company does not consider "held for sale" classification 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 properties so long as they are classified as held for sale. Upon designation as held for sale and quarterly thereafter, the Company reviews the realizability of the carrying value, less cost to sell, in accordance with the guidance. Any such adjustment in the carrying value is reflected as an impairment charge.

The Company assesses the carrying value whenever events or changes in circumstances indicate that the carrying amounts may not be fully recoverable. 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 properties. If the Company's analysis indicates that the carrying value is not recoverable on an undiscounted cash flow basis, it recognizes an impairment charge for the amount by which the carrying value exceeds the fair value. Fair value is determined through various valuation techniques, including internally developed discounted cash flow models, comparable market transactions and third-party appraisals, when considered necessary.

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 properties. The assumptions and estimates related to the future cash flows and capitalization rates are complex and subjective. Changes in economic and operating conditions that occur subsequent to a current impairment analysis and the Company's ultimate use of the properties could impact these assumptions and result in future impairment charges with respect to the properties.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments with a maturity of three months or less when 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 management agreement, franchise agreement and/or a mortgage agreement for the replacement of furniture, fixtures and equipment and the funding of real estate taxes and insurance.

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.

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Deferred Financing Costs

Deferred financing costs relate to costs incurred to obtain long-term financing. 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 (see Note 6) 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. For the years ended December 31, 2015, 2014 and 2013, approximately $4.2 million, $4.3 million and $4.5 million (excluding discontinued operations), respectively, of amortization expense was recorded as a component of interest expense. Accumulated amortization at December 31, 2015 and 2014 was approximately $10.6 million and $6.8 million, respectively.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense was approximately $4.1 million, $3.7 million and $3.7 million for the years ended December 31, 2015, 2014 and 2013 (excluding discontinued operations), respectively, and is included in other operating expense.

Transaction and Pursuit Costs

The Company incurs costs during the review of potential property acquisitions and dispositions, including legal fees, architectural costs, environmental reviews and market studies. These costs are expensed as incurred.

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 and medium and long-term financings. To reduce the Company's susceptibility to interest rate variability, the Company uses interest rate instruments, typically interest rate swaps, to convert a portion of variable rate debt to fixed rate debt. The Company limits the risks associated with interest rate changes by following the Company's established risk management policies and procedures, including the use of derivatives. The Company utilizes derivative financial instruments to manage, or hedge, interest rate risk. The Company attempts to require that hedging derivative instruments 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. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract. When the terms of an underlying transaction are modified, or when the underlying hedged item ceases to exist, all changes in the fair value of the instrument are marked-to-market with changes in value included in net income each period until the instrument matures.

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.

Gains and losses on derivatives determined to be effective hedges are reported in other comprehensive income (loss) and are reclassified to earnings in the period in which the earnings are affected by the underlying hedged item. The ineffective portion of all hedged items is recognized in earnings in the current period.

Noncontrolling Interests

The consolidated financial statements include all subsidiaries controlled by the Company. For the controlled subsidiaries that are not wholly-owned, the noncontrolling interests in these subsidiaries are presented separately in the consolidated financial statements. As of December 31, 2015, the Company consolidated DBT Met Hotel Venture, LP, a majority-owned partnership that has a third-party, noncontrolling 1.7% ownership interest. The third-party partnership interest is included in noncontrolling interest in joint venture on the consolidated balance sheet. Profits and losses are allocated in proportion to each party's respective ownership interest.

As of December 31, 2015, the Company consolidated the Operating Partnership, which has a third-party, noncontrolling 0.7% ownership interest. The third-party partnership interest is included in noncontrolling interest in Operating Partnership on the consolidated balance sheet. Profits and losses are allocated in proportion to each party's respective ownership interest.

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Income Taxes

The Company has elected to be taxed as a real estate investment trust 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, 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, subject to certain adjustments and excluding any net capital gain. The Company's current intention is to adhere to these requirements and maintain the qualification for taxation as a REIT. As a REIT, the Company generally is not subject to federal corporate income tax on that portion of net income that is distributed. If the Company fails to qualify for taxation as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and 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 income and property, and to federal income and excise taxes on undistributed taxable income.

Taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to federal, state and local income taxes. The taxable REIT subsidiaries are required to pay income taxes at the applicable rates. The consolidated income tax provision or benefit includes the income tax provision or benefit related to the operations of the taxable REIT subsidiaries as well as state income taxes incurred.

Where required, deferred income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting bases of assets and liabilities and their respective income tax bases and for operating loss, capital loss and tax credit carryforwards based on enacted income tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that is more likely than not they will be realized based on consideration of available evidence, including future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies.

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

Earnings Per 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. 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 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 (see Note 11). The vesting of the awards issued to officers and employees is based on either continued employment (time-based) or based on 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 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 April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which significantly changed the requirements for reporting discontinued operations. Under the new guidance, only disposals representing a strategic shift that has (or will have) a major effect on operations and final results should be presented as discontinued operations. The guidance also provides additional disclosure requirements in connection with both discontinued operations and other dispositions not qualifying as discontinued operations. The guidance applies to all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption was permitted, but only for disposals (or classifications as held for sale) that had not been

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reported in financial statements previously issued or available for issuance. The Company adopted the new guidance for the quarterly period ended March 31, 2014. Prior to January 1, 2014, properties disposed of were presented in discontinued operations for all periods presented.

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 new guidance establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and expands disclosures about revenue. The guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. The Company is currently evaluating whether this ASU will have a material impact on its financial position, results of operations or cash flows.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. ASU 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. ASU 2014-15 is effective for the annual period ended December 31, 2016 and for annual periods and interim periods thereafter with early adoption permitted. The Company does not believe this ASU will have a material impact on its financial position, results of operations or cash flows.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU 2015-02 requires reporting entities to reevaluate whether they should consolidate certain legal entities under the revised consolidation model. This standard modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs"), eliminates the presumption that a general partner should consolidate a limited partnership, and affects the consolidation analysis of reporting entities that are involved with VIEs, especially those that have fee arrangements and related party relationships. This ASU is effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years. The Company does not believe this ASU will have a material impact on its financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The guidance is effective for fiscal years beginning after December 15, 2015 with early adoption permitted. The Company does not believe this ASU will have a material impact on its financial position, results of operations or cash flows.

In August 2015, the FASB issued ASU 2015-15, Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. ASU 2015-15 allows debt issuance costs related to a line of credit arrangement to be presented in the balance sheet as an asset and amortized ratably over the term of the line of credit arrangement, regardless of whether there are any amounts outstanding on the line of credit arrangement. The guidance is effective for fiscal years beginning after December 15, 2015 with early adoption permitted. The Company does not believe this ASU will have a material impact on its financial position, results of operations or cash flows.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. ASU 2015-16 requires that the cumulative impact of a measurement period

adjustment be recognized in the period in which the adjustment is identified. The guidance is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. The Company does not believe this ASU will have a material impact on its financial position, results of operations or cash flows.

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3. Investment in Hotel Properties

Investment in hotel properties as of December 31, 2015 and 2014 consisted of the following (in thousands):

	December 31, 2015	December 31, 2014
Land and improvements	$736,709	$706,497
Buildings and improvements	3,205,704	3,005,390
Furniture, fixtures and equipment	571,118	498,126
Intangible assets	2,507	2,507
	4,516,038	4,212,520
Accumulated depreciation and amortization	(841,039)	(693,717)
Investment in hotel properties, net	$3,674,999	$3,518,803

For the years ended December 31, 2015, 2014 and 2013, the Company recognized depreciation and amortization expense related to investment in hotel properties of approximately $155.8 million, $143.9 million and $126.8 million (excluding discontinued operations), respectively.

Impairment

During the year ended December 31, 2015, the Company recorded an impairment loss of $1.0 million related to one hotel. The Company evaluated the recoverability of the hotel'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 was not recoverable. The Company estimated the fair value of the hotel using a discounted cash flow analysis. In the analysis, the Company estimated the future net cash flows from the hotel using the expected useful life and holding period, and the applicable capitalization and discount rates.

During the year ended December 31, 2014, the Company recorded an impairment loss of $9.2 million related to three hotels. The Company evaluated the recoverability of the carrying values of the hotels given the expectation to sell certain hotels before the end of their previously estimated useful lives. Based on an analysis of the estimated undiscounted net cash flows, the Company concluded that the carrying values of the three hotels were not recoverable. The Company estimated the fair value of the hotels using a widely accepted revenue multiple valuation approach with significant unobservable inputs, including revenue growth projections and prevailing market multiples, from third-party sources.

Held for Sale

In November 2014, the Company entered into a purchase and sale agreement to sell a portfolio of 20 hotel properties for an aggregate sale price of $230.3 million. At December 31, 2014, these hotel properties have been included in assets of hotel properties held for sale in the accompanying consolidated balance sheets. The transaction closed on February 23, 2015.

4. Acquisition of Hotel Properties

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

Property	Location	Acquisition Date	Management Company	Rooms	Purchase Price (in thousands)
		July 15, 2015	Aimbridge Hospitality	164	$68,000

Hyatt Place Washington DC Downtown K Street	Washington, DC				
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.

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During the year ended December 31, 2014, the Company acquired a 100% interest in the following properties:

Property	Location	Acquisition Date	Management Company	Rooms	Purchase Price (in thousands)
Hyatt House Charlotte Center City	Charlotte, NC	March 12, 2014	Hyatt Affiliate	163	$32,496
Hyatt House Cypress Anaheim	Cypress, CA	March 12, 2014	Hyatt Affiliate	142	14,753
Hyatt House Emeryville San Francisco Bay Area	Emeryville, CA	March 12, 2014	Hyatt Affiliate	234	39,274
Hyatt House San Diego Sorrento Mesa	San Diego, CA	March 12, 2014	Hyatt Affiliate	193	35,985
Hyatt House San Jose Silicon Valley	San Jose, CA	March 12, 2014	Hyatt Affiliate	164	44,159
Hyatt House San Ramon	San Ramon, CA	March 12, 2014	Hyatt Affiliate	142	20,833
Hyatt House Santa Clara	Santa Clara, CA	March 12, 2014	Hyatt Affiliate	150	40,570
Hyatt Market Street The Woodlands	The Woodlands, TX	March 12, 2014	Hyatt Corporation	70	25,817
Hyatt Place Fremont Silicon Valley	Fremont, CA	March 12, 2014	Hyatt Affiliate	151	23,525
Hyatt Place Madison Downtown	Madison, WI	March 12, 2014	Hyatt Affiliate	151	35,088
Courtyard Portland City Center	Portland, OR	May 22, 2014	Sage Hospitality	256	67,000
Embassy Suites Irvine Orange County	Irvine, CA	May 22, 2014	Sage Hospitality	293	53,000
Hilton Cabana Miami Beach	Miami, FL	June 19, 2014	Highgate Hotels	231	71,700
Hyatt Atlanta Midtown	Atlanta, GA	July 14, 2014	Interstate Hotels and Resorts	194	49,500
DoubleTree Grand Key Resort (1)	Key West, FL	September 11, 2014	Interstate Hotels and Resorts	215	78,250
				2,749	$631,950

(1) Purchase price includes $1.3 million paid for five condominium units.

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

	For the year ended December 31,	
	2015	2014
Land and improvements	$31,692	$164,396
Buildings and improvements	131,960	409,540
Furniture, fixtures and equipment	13,517	57,575
Intangible and other assets	—	439
Fair value adjustment on mortgage debt assumed	(1,269)	—
Total purchase price	$175,900	$631,950

See Note 15 for the detail of the other assets acquired and liabilities assumed in conjunction with the Company’s acquisitions.

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

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

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For the properties acquired during the year ended December 31, 2014, total revenues and net income from the date of acquisition through December 31, 2014 are included in the accompanying consolidated statements of operations as follows (in thousands):

	For the year ended December 31, 2014
Total revenue	$106,306
Net income	$18,773

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 and the 2014 acquisitions had taken place on January 1, 2013. 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 and 2014 acquisitions had taken place on January 1, 2014 and 2013, respectively, nor 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)	2014
Total revenue	$1,149,453	$1,165,303
Net income attributable to common shareholders	$222,498	$146,755
Net income per share attributable to common shareholders - basic	$1.72	$1.14
Net income per share attributable to common shareholders - diluted	$1.71	$1.14
Weighted average number of shares outstanding - basic	128,444,469	127,360,669
Weighted average number of shares outstanding - diluted	128,967,754	128,293,843

5. Disposal of Hotel Properties

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 disposal, which is included in the accompanying consolidated statement of operations.

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

Property Name	Location	Disposal 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

During the year ended December 31, 2014, the Company sold 18 hotel properties in eight separate transactions for a total sale price of approximately $137.8 million. In conjunction with these transactions, the Company recorded a $0.4 million gain on disposal, which is included in the accompanying consolidated statement of operations. Additionally, the Company completed a legal defeasance of the mortgage indebtedness secured by three of the properties that were sold. The cost of the defeasance was approximately $0.8 million, which is included in interest expense in the accompanying consolidated statement of operations.

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The following table provides a list of properties that were sold during the year ended December 31, 2014:

Property Name	Location	Disposal Date	Rooms
Courtyard Denver Southwest Lakewood	Lakewood, CO	February 20, 2014	90
Residence Inn Denver Southwest Lakewood	Lakewood, CO	February 20, 2014	102
Hyatt House Colorado Springs	Colorado Springs, CO	February 20, 2014	125
SpringHill Suites Gainesville	Gainesville, FL	February 20, 2014	126
Residence Inn Indianapolis Airport	Indianapolis, IN	February 20, 2014	95
Fairfield Inn & Suites Indianapolis Airport	Indianapolis, IN	February 20, 2014	86
Courtyard Grand Rapids Airport	Kentwood, MI	February 20, 2014	84
Hampton Inn Suites Las Vegas Red Rock Summerlin	Las Vegas, NV	February 20, 2014	106
Courtyard Austin University Area	Austin, TX	February 20, 2014	198
Fairfield Inn & Suites Austin University Area	Austin, TX	February 20, 2014	63
Hyatt House Dallas Richardson	Richardson, TX	February 20, 2014	130
Hilton Garden Inn St. George	St. George, UT	February 25, 2014	150
Hilton Mystic	Mystic, CT	March 26, 2014	182
Holiday Inn Austin NW Arboretum Area	Austin, TX	June 18, 2014	194
Courtyard Benton Harbor St Joseph	Benton Harbor, MI	December 16, 2014	98
Courtyard Valparaiso	Valparaiso, IN	December 17, 2014	111
Courtyard Merrillville	Merrillville, IN	December 18, 2014	112
Courtyard Fort Wayne	Fort Wayne, IN	December 19, 2014	142
		Total	2,194

During 2013, the Company disposed of three properties in three separate transactions. The operating results for the year ended December 31, 2013 for these properties are included in discontinued operations in the accompanying consolidated statement of operations.

Property Name	Location	Disposal Date	Rooms
SpringHill Suites Southfield (1)	Southfield, MI	May 30, 2013	84
Courtyard Goshen (2)	Goshen, IN	August 28, 2013	91
Fairfield Inn & Suites Memphis	Memphis, TN	November 18, 2013	63
		Total	238

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(1) In November 2011, the Company elected to cease the subsidization of debt service on the mortgage loan secured by the SpringHill Suites Southfield, Michigan. In January 2012, the Company received notice of an event of default for failure to make the required monthly payments. Under the terms of the mortgage loan, the lender received the monthly net cash from operations from the hotel. In December 2012, the Company entered into a deed in lieu of foreclosure agreement with the lender, providing for a consensual transfer of the property to the lender or its designee. On May 30, 2013, the Company transferred title to the hotel to the lender pursuant to the deed in lieu of foreclosure arrangement. The Company recorded a gain on extinguishment of indebtedness of approximately $2.4 million to discontinued operations at that time.

(2) In November 2011, the Company elected to cease the subsidization of debt service on the mortgage loan secured by the Courtyard Goshen, Indiana. In December 2011, the Company received notice of an event of default for failure to make the required monthly payments. In May 2012, a receiver took control of the property for the benefit of the lender of the mortgage loan. On August 28, 2013, the property was sold at a foreclosure auction and was purchased by an affiliate of the lender. The Company recorded a gain on extinguishment of indebtedness of approximately $3.3 million to discontinued operations at that time.

In February 2013, the Goshen lender filed suit against the Company claiming amounts due from the Company in its capacity as a guarantor of certain borrower obligations and has continued to pursue this claim following the sale of the property. The Company disputes that any amounts are owed to the lender under the guaranty and is defending itself against this claim.

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The operating results of the discontinued operations were as follows (in thousands):

	For the year ended December 31, 2013
Operating revenue	$2,950
Operating expense	(2,930)
Operating income	20
Interest expense	(373)
Loss from discontinued operations before gain on sale	(353)
Gain on sale of property	2,081
Gain on extinguishment of indebtedness	5,708
Net income from discontinued operations	$7,436

6. Debt

Credit Facilities

The Company has the following unsecured credit agreements in place:

- $300.0 million revolving credit facility with a scheduled maturity date of November 20, 2016 with a one-year extension option if certain conditions are satisfied (the "Revolver");
- $400.0 million term loan with a scheduled maturity date of August 27, 2018 (the "2013 Five-Year Term Loan");
- $400.0 million term loan with a scheduled maturity date of March 20, 2019 (which was originally scheduled to mature in 2017) (the "2012 Five-Year Term Loan");
- $225.0 million term loan with a scheduled maturity date of November 20, 2019 (the "2012 Seven-Year Term Loan"); and
- $150.0 million term loan with a scheduled maturity date of January 22, 2022 (the "2014 Seven-Year Term Loan").

The 2012 Five-Year Term Loan, the 2012 Seven-Year Term Loan, the 2013 Five-Year Term Loan and the 2014 Seven-Year Term loan are collectively the "Term Loans". The credit agreements for these term loans require that a group of no less than 20 of the Company’s hotel properties remain unencumbered by outstanding indebtedness. 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, 2015, the Company was in compliance with all financial covenants.

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 1.55% 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 0.25% and 0.35%, based on the amount by which the maximum borrowing amount exceeds the total principal balance of 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 of 0.125% of the value of each standby letter of credit that is issued on its behalf. 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, 2015. 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. No swingline loans were outstanding at December 31, 2015.

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As of December 31, 2015 and 2014, the details of the credit facilities were as follows (in thousands):

	Interest Rate at December 31, 2015 (1)	Maturity Date	Outstanding Borrowings at December 31, 2015	Outstanding Borrowings at December 31, 2014
Revolver (2)	2.18%	November 2016	$—	$—
2013 Five-Year Term Loan	3.10%	August 2018	400,000	400,000
2012 Five-Year Term Loan	2.72%	March 2019	400,000	400,000
2012 Seven-Year Term Loan	4.04%	November 2019	225,000	225,000
2014 Seven-Year Term Loan	3.43%	January 2022	150,000	—
Total			$1,175,000	$1,025,000

(1) Interest rate at December 31, 2015 gives effect to interest rate hedges.
(2) At December 31, 2015 there was $300.0 million of borrowing capacity on the Revolver.

Mortgage Loans

As of December 31, 2015 and 2014, the Company was subject to the following mortgage loans (in thousands):

Lender	Number of Assets Encumbered	Interest Rate at December 31, 2015 (1)		Maturity Date		Principal balance at December 31, 2015	Principal balance at December 31, 2014
PNC Bank (2)	5	2.78%	(3)	May 2016	(4)	$74,000	$74,000
Wells Fargo (5)	4	4.19%		September 2016	(6)	149,250	150,000
Wells Fargo	4	3.99%	(3)	October 2017	(6)	150,000	143,000
Wells Fargo (7)	1	5.25%		June 2022		34,505	—
Capmark Financial Group				May 2015		—	10,513
Capmark Financial Group				June 2015		—	4,561
Barclays Bank				June 2015		—	107,544
Barclays Bank				June 2015		—	26,775
Capmark Financial Group				July 2015		—	6,214
Barclays Bank				September 2015		—	10,140
	14					$407,755	$532,747

(1) Interest rate at December 31, 2015 gives effect to interest rate hedges.
(2) The five hotels encumbered by the PNC Bank loan are cross-collateralized.
(3) Requires payments of interest only until the commencement of the extension period(s).
(4) Maturity date may be extended for one one-year term at the Company’s option, subject to certain lender requirements.
(5) Two of the four hotels encumbered by the Wells Fargo loans are cross-collateralized.
(6) Maturity date may be extended for four one-year terms at the Company’s option, subject to certain lender requirements.
(7)

Includes $1.2 million at December 31, 2015 related to a fair value adjustment of $1.3 million on mortgage debt assumed in conjunction with an acquisition, net of accumulated amortization of $0.1 million.

Certain mortgage agreements are subject to customary financial covenants. The Company was in compliance with these financial covenants at December 31, 2015 and 2014.

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Interest Expense

For the years ended December 31, 2015, 2014 and 2013, the components of our interest expense were as follows (in thousands):

	For the year ended December 31,		
	2015	2014	2013
Mortgage indebtedness	$16,500	$23,282	$44,290
Revolving credit facility and term loans	35,898	29,560	15,574
Loss on defeasance	—	804	—
Amortization of deferred financing costs	4,164	4,298	4,484
Capitalized interest	(1,774)	(1,134)	—
Total interest expense	$54,788	$56,810	$64,348

Future Minimum Principal Payments

As of December 31, 2015, the future minimum principal payments on debt were as follows (in thousands):

2016	$223,855
2017	150,594
2018	400,626
2019	625,660
2020	691
Thereafter	180,123
Total (1)	$1,581,549

(1) Excludes $1.2 million related to a fair value adjustment of $1.3 million on mortgage debt assumed in conjunction with an acquisition, net of accumulated amortization of $0.1 million.

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7. Derivatives and Hedging

As of December 31, 2015 and December 31, 2014, the Company had entered into the following interest rate swaps (in thousands):

Hedge type	Notional value at December 31, 2015	Notional value at December 31, 2014	Interest rate	Maturity	Fair value at December 31, 2015	Fair value at December 31, 2014
Swap-cash flow	$275,000	$275,000	1.12%	November 2017	$(1,014)	$(232)
Swap-cash flow	175,000	175,000	1.56%	March 2018	(2,190)	(2,182)
Swap-cash flow	175,000	175,000	1.64%	March 2018	(2,478)	(2,596)
Swap-cash flow	16,418	16,500	1.83%	September 2018	(312)	(315)
Swap-cash flow	16,418	16,500	1.75%	September 2018	(279)	(270)
Swap-cash flow	40,298	40,500	1.83%	September 2018	(765)	(772)
Swap-cash flow	41,292	41,500	1.75%	September 2018	(701)	(678)
Swap-cash flow	17,910	18,000	1.83%	September 2018	(340)	(343)
Swap-cash flow	16,915	17,000	1.75%	September 2018	(287)	(278)
Swap-cash flow	125,000	125,000	2.02%	March 2019	(3,186)	(3,073)
Swap-cash flow	100,000	100,000	1.94%	March 2019	(2,308)	(2,145)
Swap-cash flow	125,000	—	1.27%	March 2019	(115)	—
Swap-cash flow (1)	100,000	—	1.96%	March 2019	(321)	—
Swap-cash flow (1)	50,000	—	1.85%	March 2019	(87)	—
Swap-cash flow (1)	50,000	—	1.81%	March 2019	(62)	—
Swap-cash flow (1)	25,000	—	1.74%	March 2019	(9)	—
Swap-cash flow (2)	33,000	—	1.80%	September 2020	98	—
Swap-cash flow (2)	82,000	—	1.80%	September 2020	245	—
Swap-cash flow (2)	35,000	—	1.80%	September 2020	104	—
Swap-cash flow	143,000	143,000	1.81%	October 2020	(2,196)	(760)
Swap-cash flow	50,000	—	1.61%	June 2021	(97)	—
Swap-cash flow	50,000	—	1.56%	June 2021	59	—
Swap-cash flow	50,000	—	1.71%	June 2021	(361)	—
	$1,792,251	$1,143,000			$(16,602)	$(13,644)

(1) Effective between the maturity of the existing 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 the maturity of the debt in September 2020.

As of December 31, 2015 and 2014, the aggregate fair value of the interest rate swap liabilities of $17.1 million and $13.6 million, respectively, was included in accounts payable and other liabilities in the accompanying consolidated balance sheets. At December 31, 2015, the aggregate fair value of the interest rate swap assets of $0.5 million was included in prepaid expense and other assets in the accompanying consolidated balance sheets.

As of December 31, 2015 and 2014, there was approximately $16.6 million and $13.6 million, respectively, in 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 designated hedges during the years ended December 31, 2015 and 2014. For the years ended December 31, 2015 and 2014, approximately $18.2 million and $12.4 million, respectively, of amounts included in accumulated other comprehensive loss were reclassified into interest expense. Approximately $14.0 million of the net unrealized losses included in accumulated other

comprehensive loss at December 31, 2015 is expected to be reclassified into interest expense within the next 12 months.

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8. 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.

- Variable rate mortgage loans and borrowings under the Revolver and Term Loans - The carrying amounts reported in the consolidated balance sheets for these financial instruments approximate fair value as they bear interest at market rates. The Company determined that its variable rate mortgage loans and borrowings under the Revolver and Term Loans are classified in Level 3 of the fair value hierarchy.

- Fixed rate mortgage loans - The fair value estimated at December 31, 2015 and 2014 of $34.7 million and $171.1 million, respectively, is calculated based on the net present value of the payments over the term of the loans using estimated market rates for similar mortgage loans with similar terms and loan-to-value ratios. As a result, the Company determined that its fixed rate mortgage loans in their entirety are classified in Level 3 of the fair value hierarchy. The carrying value of the fixed rate mortgage loans at December 31, 2015 and 2014 was $34.5 million and $165.7 million, respectively.

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, 2015 (in thousands):

	Fair Value at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Interest rate swap asset	$—	$506	$—	$506
Interest rate swap liability	$—	$(17,108)	$—	$(17,108)
Total	$—	$(16,602)	$—	$(16,602)

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, 2014 (in thousands):

	Fair Value at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Interest rate swap liability	$—	$(13,644)	$—	$(13,644)
Total	$—	$(13,644)	$—	$(13,644)

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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 of 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, 2015, 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.

9. Commitments and Contingencies

Ground Leases

As of December 31, 2015, nine of our hotels were subject to ground lease agreements that cover the land underlying the respective hotels. The total ground rent expense was $5.5 million, $5.3 million and $3.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The Residence Inn Chicago Oak Brook is subject to a ground lease with an initial term that expires on March 6, 2100. After the initial term, we may extend the ground lease for an additional renewal term of 99 years. The ground rent expense was de minimis for each of the years ended December 31, 2015, 2014 and 2013, respectively.

The Marriott Louisville Downtown is subject to a ground lease with an initial term extending out to 2053. 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, 2015, 2014 and 2013, respectively.

The Courtyard Austin Downtown Convention Center and Residence Inn Austin Downtown Convention Center are subject to a ground lease with a term extending to 2100. The ground rent expense was $1.0 million, $0.8 million and $0.8 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The Hilton Garden Inn Bloomington is subject to a ground lease with an initial term expiring in 2053. 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, 2015, 2014 and 2013, respectively.

The Hilton Garden Inn Bloomington is also 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, 2015, 2014 and 2013, respectively.

The Hampton Inn Garden City is subject to a ground lease with an initial term extending to 2016. The lease will revert to a fee simple ownership at the end of the ground lease. The ground rent expense was de minimis for each of the years ended December 31, 2015, 2014 and 2013, respectively.

A portion of the site of the Courtyard Charleston Historic District is subject to a ground lease with a term extending to 2096. The ground rent expense was $1.0 million for each of the years ended December 31, 2015, 2014 and 2013, respectively.

The Courtyard Waikiki Beach is subject to a ground lease with a term extending to 2112. The ground rent expense was $3.4 million, $3.4 million and $1.8 million for the years ended December 31, 2015, 2014 and 2013, respectively.

A portion of the site of the Residence Inn Palo Alto Los Altos is subject to a ground lease with a term extending to 2033. The ground rent expense was de minimis for the year ended December 31, 2015. There was no ground rent expense in 2014 and 2013 as this property was acquired in September of 2015.

As of December 31, 2015, the future minimum ground lease payments were as follows (in thousands):

	2016	2017	2018	2019	2020	Thereafter	Total
Future minimum ground lease payments	$4,708	$4,711	$4,713	$4,716	$4,718	$420,588	$444,154

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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 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, 2015 and December 31, 2014, approximately $55.5 million and $63.1 million, respectively, was available in the restricted cash reserves for future capital expenditures, real estate taxes and insurance.

Litigation

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

Data Breach

During the first quarter of 2014, one of the Company's third-party hotel managers notified the Company of a data breach that occurred over a nine-month period ending in December 2013 affecting a number of hotels it manages, including seven hotels that are owned by the Company. During the first quarter of 2015, the same third-party hotel manager notified the Company of a second data breach that occurred over a seven-month period ending in February 2015 affecting a number of hotels it manages, including six hotels owned by the Company. The third-party hotel manager is cooperating with the relevant authorities in their investigations of these criminal cyber-attacks. The Company and its third-party hotel manager are continuing to take steps to assess and further strengthen information security systems.

The Company believes that each of the credit card companies impacted may seek to impose fines, fees or assessments in connection with the breach against various parties, including the Company. The Company may also incur other costs, including legal fees and other professional services fees, related to investigating the breach. Because the investigation into each of these matters is ongoing and certain factual and legal questions remain unanswered, the Company is unable to estimate with certainty the total costs, fines, fees or assessments that may be associated with any potential claims. However, the Company currently believes that any amounts that the Company may ultimately be required to pay as a result of this incident will not be material to its financial position, results of operations or cash flows.

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Management Agreements

As of December 31, 2015, 126 of the Company's hotel properties were operated pursuant to long-term management agreements with initial terms ranging from 3 to 25 years, with 15 different management companies as noted in the table below. This number includes five and ten hotels that receive the benefits of a franchise agreement pursuant to management agreements with Marriott and Hyatt, respectively.

Management Company	Number of Hotels
Aimbridge Hospitality	3
Concord Hospitality Enterprises Company	1
Crestline Hotels and Resorts	1
Davidson Hotels and Resorts	1
Embassy Suites Management	3
HEI Hotels and Resorts	1
Highgate Hotels	6
Hyatt Corporation and affiliates	10
Interstate Hotels and Resorts	11
InnVentures	3
K Partners Hospitality Group	1
Marriott Hotel Services	5
Sage Hospitality	4
Urgo Hotels	4
WLS	72
	126

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 equal to 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 their investment in the hotel. Management fees are included in management and franchise fee expense in the accompanying consolidated statements of operations.

For the years ended December 31, 2015, 2014 and 2013, the Company incurred management fee expense, including amortization of deferred management fees, of approximately $44.1 million, $43.2 million and $35.0 million, respectively, (excluding discontinued operations).

Franchise Agreements

As of December 31, 2015, 111 of the Company's hotel properties are operated under franchise agreements with initial terms ranging from 10 to 30 years. This number excludes five and ten hotels that receive the benefits of a franchise agreement pursuant to management agreements with Marriott and Hyatt, respectively. Franchise agreements allow the 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 generally between 1.0% and 3.0% of food and beverage revenues. Franchise fees are included in management and franchise fee expense in the accompanying consolidated statements of operations.

For the years ended December 31, 2015, 2014 and 2013, the Company incurred franchise fee expense of approximately $72.3 million, $71.6 million and $64.2 million, respectively (excluding discontinued operations).

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10. Equity

Common Shares of Beneficial Interest

Under the original declaration of trust of the Company, the total number of shares initially authorized for issuance was 100,000 common shares. At formation, the Company issued to each of its two initial shareholders 500 common shares at $1 per share, which shares were subsequently redeemed. On May 5, 2011, the declaration of trust was amended to authorize the issuance of up to 450,000,000 common shares.

On March 25, 2013, the Company issued and sold 15,870,000 common shares of beneficial interest at a price per share of $21.60, for total gross proceeds of $342.8 million. The Company received aggregate net proceeds of approximately $327.5 million. The Company used the net proceeds from the offering to repay amounts outstanding on its unsecured revolving credit facility, to repay mortgage indebtedness and for general corporate purposes.

On May 22, 2014, the Company issued and sold 9,200,000 common shares of beneficial interest at a price per share of $26.45, for total gross proceeds of $243.3 million. The Company received aggregate net proceeds of approximately $232.7 million.

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 of its common shares for approximately $225.2 million.

Preferred Shares of Beneficial Interest

Under the original declaration of trust of the Company, the total number of shares initially authorized for issuance was 10,000 preferred shares. On May 5, 2011, the declaration of trust was amended to authorize the issuance of up to 50,000,000 preferred shares. As of both December 31, 2015 and 2014, respectively, there were no preferred shares of beneficial interest outstanding.

Noncontrolling Interest in Joint Venture

As of December 31, 2015, the Company consolidated DBT Met Hotel Venture, LP, a majority-owned limited partnership that has a third-party partner that owns a noncontrolling 1.7% ownership interest. The third-party partnership interest is included in noncontrolling interest in joint venture on the consolidated balance sheets.

Noncontrolling Interest in Operating Partnership

The Company consolidates its Operating Partnership, a majority-owned limited partnership that has a noncontrolling ownership interest and is included in noncontrolling interest in Operating Partnership on the consolidated balance sheets. As of December 31, 2015, the Operating Partnership had 125,529,675 OP units outstanding, of which 99.3% were owned by the Company and its subsidiaries and 0.7% were owned by other limited partners.

The outstanding OP units held by limited partners are redeemable for cash, or at the option of the Company, for a like number of common shares of beneficial interest of the Company.

11. 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 equity-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 of beneficial interest 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.

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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 shares issued to officers and employees vest over a period of time as determined by the board of trustees at the date of grant. The Company recognizes compensation expense for the 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.

The Company may also award unrestricted shares under the 2015 Plan as compensation to non-employee trustees that would otherwise be paid in cash for their services. The shares issued to non-employee trustees 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 shares as of December 31, 2015, 2014 and 2013 is as follows:

	2015		2014		2013	
	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,	731,459	$ 21.21	932,800	$ 18.99	1,013,673	$ 17.80
Granted (1)	292,505	32.10	348,234	24.46	383,187	21.25
Vested (1)	(470,703)	21.52	(537,988)	19.44	(458,808)	18.24
Forfeited	(12,376)	25.65	(11,587)	22.89	(5,252)	20.07
Unvested at December 31,	540,885	$ 26.73	731,459	$ 21.21	932,800	$ 18.99

(1) For the years ended December 31, 2015, 2014 and 2013, respectively, 5,008, 4,347 and 5,357 unrestricted shares were issued in lieu of cash compensation to non-employee trustees at a weighted average grant date fair value of $26.43, $29.31 and $23.20, respectively.

For the years ended December 31, 2015, 2014 and 2013, the Company recognized approximately $9.6 million, $10.6 million and $8.6 million, respectively, of share-based compensation expense related to the restricted share awards. As of December 31, 2015, there was $13.5 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 number of shares multiplied by the vesting date share price) during the years ended December 31, 2015, 2014 and 2013 was approximately $14.0 million, $15.5 million and $10.5 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 "measurement period") plus an additional one year of time-based vesting. In July 2015, following the end of the measurement period, the Company issued 838,934 restricted shares upon conversion of the performance units. Half of the restricted shares vested immediately with the remaining half vesting in July 2016. As of December 31, 2015, there were 419,467 unvested restricted shares related to the conversion of the performance units.

For the years ended December 31, 2015, 2014 and 2013, the Company recognized $3.4 million, $4.5 million and $4.5 million, respectively, of share-based compensation expense related to the performance unit awards. As of

December 31, 2015, there was $1.1 million of total unrecognized compensation cost related to the performance unit awards. 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, 2015 was approximately $12.6 million.

As of December 31, 2015, there were 4,122,417 common shares available for future grant under the 2015 Plan.

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12. 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 participating shares, they would be deducted from net income attributable to common shareholders used in the basic and diluted earnings per share calculations.

For the years ended December 31, 2015 and 2013, approximately $0.4 million and $0.1 million, respectively, represented the undistributed earnings that were allocable to participating shares. For the year ended December 31, 2014, no earnings represented the undistributed earnings that were allocated to participating shares because the Company paid dividends in excess of net income.

The limited partners' outstanding limited partnership units in the Operating Partnership (which may be redeemed for common shares of beneficial interest 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, 2015, 2014 and 2013, since the limited partners' share of income would also be added back to net income attributable to common shareholders.

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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,		
	2015	2014	2013
Numerator:			
Income from continuing operations attributable to common shareholders, including gain on disposal of hotel properties	$218,221	$135,441	$105,539
Add: Income from discontinued operations	—	—	7,382
Net income attributable to common shareholders	218,221	135,441	112,921
Less: Dividends paid on unvested restricted shares	(1,180)	(951)	(936)
Less: Undistributed earnings attributable to unvested restricted shares	(378)	—	(61)
Net income attributable to common shareholders excluding amounts attributable to unvested restricted shares	$216,663	$134,490	$111,924
Denominator:			
Weighted-average number of common shares - basic	128,444,469	127,360,669	117,950,066
Unvested restricted shares	523,285	316,020	251,217
Unvested performance units	—	617,154	537,343
Weighted-average number of common shares - diluted	128,967,754	128,293,843	118,738,626
Basic per common share data:			
Net income per share attributable to common shareholders before discontinued operations - basic	$1.69	$1.06	$0.89
Discontinued operations	—	—	0.06
Net income per share attributable to common shareholders - basic	$1.69	$1.06	$0.95
Diluted per common share data:			
Net income per share attributable to common shareholders before discontinued operations - diluted	$1.68	$1.05	$0.88
Discontinued operations	—	—	0.06
Net income per share attributable to common shareholders - diluted	$1.68	$1.05	$0.94

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13. Income Taxes

For federal income tax purposes, the cash distributions paid for the years ended December 31, 2015 and 2014 are characterized as follows:

	For the Years Ended December 31,			
	2015		2014	
Common distributions:				
Ordinary income	100.0	%	100.0	%
Return of capital	—		—	
Capital gains	—		—	
	100.0	%	100.0	%

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

	For the Years Ended December 31,		
	2015	2014	2013
Current:			
Federal	$(287)	$(244)	$(323)
State	(1,145)	(1,543)	(1,439)
Deferred:			
Federal	36,359	572	830
State	4,199	70	53
Total net tax benefit (expense)	$39,126	$(1,145)	$(879)

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 for the years ended December 31, 2015, 2014 and 2013 as a result of the following differences (in thousands):

	For the Years Ended December 31,		
	2015	2014	2013
Expected federal tax expense at statutory rate	$(63,240)	$(47,906)	$(40,271)
Tax impact of REIT election	62,391	45,842	37,230
Expected tax expense at TRS	(849)	(2,064)	(3,041)
Change in valuation allowance	41,147	2,203	3,612
State income tax expense, net of federal	(1,111)	(1,273)	(1,345)
Impact of rate change	46	42	(94)
Other permanent items	(416)	(418)	(443)
Impact of acquired tax attributes	—	(5)	361
Impact of provision to return	309	370	71
Income tax benefit (expense)	$39,126	$(1,145)	$(879)

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

	December 31,	
	2015	2014
Deferred tax liabilities:		
Property and equipment	$(7,660)	$(5,354)
Prepaid expenses	(1,780)	(2,362)
Other - deferred tax liabilities	(361)	(163)
Deferred tax liabilities	$(9,801)	$(7,879)
Deferred tax assets:		
Property and equipment	$793	$—
Deferred revenue - key money	2,668	1,429
Incentive and vacation accrual	1,769	2,627
Allowance for doubtful accounts	46	65
Other - deferred tax assets	689	191
Other carryforwards	204	158
Net operating loss carryforwards	53,985	54,355
Valuation allowance	(10,176)	(51,323)
Deferred tax assets	$49,978	$7,502

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, 2014, the Company had a valuation allowance of approximately $51.3 million related to net operating loss (“NOL”) carryforwards and other deferred tax assets of its TRSs. Based upon the available evidence at December 31, 2015, the Company determined it was most likely that the deferred tax assets related to the NOL carryforwards of its primary TRS would be utilized in future periods. As a result, the Company released the valuation allowance against these deferred tax assets and recorded a deferred tax benefit of $39.9 million for the year ended December 31, 2015. 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 reestablish the valuation allowance. As of December 31, 2015, the Company had a remaining valuation allowance of approximately $10.2 million related to the NOL carryforwards of another TRS entity which the Company believed was not likely to be utilized in future periods.

The Company’s NOLs will begin to expire in 2028 for federal tax purposes and during the period from 2018 to 2028 for state tax purposes. Additionally, the annual utilization of these NOLs is limited pursuant to Section 382 of the Code.

The net current and non-current components of deferred income taxes included in the consolidated balance sheets are as follows (in thousands):

	December 31,	
	2015	2014
Current net deferred tax assets	$2,461	$616
Current net deferred tax liabilities	(2,141)	(2,524)
Non-current net deferred tax assets	47,517	6,886
Non-current net deferred tax liabilities	(7,660)	(5,355)
Net deferred tax asset (liability)	$40,177	$(377)

The Company had no accruals for tax uncertainties as of December 31, 2015 and 2014.

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14. Segment Information

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

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

	For the year ended December 31,		
	2015	2014	2013
Interest paid, net of capitalized interest	$48,524	$52,424	$59,826
Income taxes paid	$1,012	$2,111	$1,420
Supplemental investing and financing transactions:			
In conjunction with the acquisitions, the Company recorded the following:			
Purchase of real estate	$177,169	$631,950	$228,573
Restricted cash reserves	1,548	—	—
Accounts receivable	179	807	740
Other assets	120	1,671	957
Mortgage debt assumed	(33,389)	—	—
Fair value adjustment on mortgage debt assumed	(1,269)	—	—
Advance deposits	(46)	(659)	(313)
Accounts payable and other liabilities	(543)	(2,129)	(12,168)
Receipt of assets in full satisfaction	—	—	(4,731)
Gain on foreclosure	—	—	(4,863)
Acquisition of hotel properties	$143,769	$631,640	$208,195
In conjunction with the dispositions, the Company recorded the following:			
Disposal of hotel properties	$252,500	$137,829	$2,500
Disposition costs	(9,055)	(3,634)	(140)
Operating prorations	2,960	(1,526)	9
Proceeds from the disposal of hotel properties, net	$246,405	$132,669	$2,369
Supplemental non-cash transactions:			
Change in fair market value of designated interest rate swaps	$(2,958)	$(7,703)	$(5,941)
Accrued capital expenditures	$11,383	$9,641	$10,610
Distributions payable	$41,409	$42,114	$30,870

16. Subsequent Events

On February 22, 2016, the Company sold the 62-room Holiday Inn Express Merrillville in Merrillville, IN for $2.9 million.

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17. Quarterly Operating Results (unaudited)

The Company's unaudited condensed consolidated quarterly operating data for the years ended December 31, 2015 and 2014 follows (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 operating data for the hotel properties are not indicative of results to be achieved in succeeding years or quarters. In order to obtain a more accurate indication of performance, there should be a review of operating results, changes in shareholders' equity and cash flows for a period of several years.

	Year ended December 31, 2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue	$270,405	$301,252	$289,420	$275,263
Net income	$48,102	$56,410	$40,933	$74,367
Net income attributable to common shareholders	$47,850	$55,991	$40,594	$73,786
Comprehensive income	$38,447	$61,910	$25,428	$89,478
Basic per share data:				
Net income attributable to common shareholders	$0.36	$0.43	$0.32	$0.58
Diluted per share data:				
Net income attributable to common shareholders	$0.36	$0.42	$0.31	$0.59
Basic weighted average common shares outstanding	131,272,611	130,670,629	127,663,480	124,256,834
Diluted weighted average common shares outstanding	132,286,542	131,618,693	128,143,154	124,679,650

	Year ended December 31, 2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue	$236,373	$295,047	$297,666	$280,111
Net income	$11,985	$53,361	$37,064	$34,070
Net income attributable to common shareholders	$11,932	$52,904	$36,760	$33,845
Comprehensive income	$10,571	$45,991	$42,327	$28,849
Basic per share data:				
Net income attributable to common shareholders	$0.10	$0.42	$0.28	$0.26
Diluted per share data:				
Net income attributable to common shareholders	$0.10	$0.42	$0.28	$0.25
Basic weighted average common shares outstanding	121,740,962	125,260,607	131,106,440	131,189,673
Diluted weighted average common shares outstanding	122,867,755	126,475,051	132,386,843	132,186,832

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RLJ Lodging Trust
Schedule III - Real Estate and Accumulated Depreciation
December 31, 2015
(amounts in thousands)

		Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2015					
Description	Debt	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	$ 1,454	$2,253	$ 17,976	$20,229	$ 4,209	2006	15 - 40 years
Marriott Denver South @ Park Meadows	—	5,385	39,488	3,047	5,385	42,535	47,920	9,849	2006	15 - 40 years
Marriott Louisville Downtown	80,000	—	89,541	3,656	—	93,197	93,197	21,761	2006	15 - 40 years
Marriott Chicago Midway	—	4,464	32,736	1,914	4,474	34,640	39,114	8,225	2006	15 - 40 years
Renaissance Boulder Flatiron Hotel	—	4,440	32,557	2,052	4,586	34,463	39,049	8,007	2006	15 - 40 years
Renaissance Fort Lauderdale Plantation Hotel	—	4,842	35,517	1,863	4,842	37,380	42,222	8,719	2006	15 - 40 years
Courtyard Austin Northwest Arboretum	—	1,443	10,585	2,900	1,446	13,482	14,928	2,837	2006	15 - 40 years
Courtyard Austin South	—	1,530	11,222	1,348	1,533	12,567	14,100	2,957	2006	15 - 40 years
Courtyard Chicago Downtown Magnificent Mile	—	8,140	59,696	2,628	8,140	62,324	70,464	14,552	2006	15 - 40 years
Courtyard Denver West Golden	—	1,325	9,716	1,294	1,325	11,010	12,335	2,537	2006	15 - 40 years
	—	1,038	7,616	1,269	1,042	8,881	9,923	2,084	2006	15 - 40 years

Courtyard Chicago Southeast Hammond										
Courtyard Indianapolis @ The Capitol	—	2,482	18,207	1,240	2,482	19,447	21,929	4,506	2006	15 - 40 years
Courtyard Boulder Longmont	—	1,192	8,745	909	1,192	9,654	10,846	2,265	2006	15 - 40 years
Courtyard Boulder Louisville	—	1,640	12,025	1,443	1,642	13,466	15,108	3,146	2006	15 - 40 years
Courtyard Louisville Northeast	—	1,374	10,079	767	1,376	10,844	12,220	2,584	2006	15 - 40 years
Courtyard Midway Airport	—	2,172	15,927	2,333	2,175	18,257	20,432	4,804	2006	15 - 40 years
Courtyard South Bend Mishawaka	—	640	4,699	1,239	642	5,936	6,578	1,534	2006	15 - 40 years
Courtyard Salt Lake City Airport	—	2,333	17,110	1,397	2,333	18,507	20,840	4,219	2006	15 - 40 years
Courtyard Houston Sugarland	—	1,217	8,931	1,108	1,217	10,039	11,256	2,262	2006	15 - 40 years
Courtyard Fort Lauderdale SW Miramar	—	1,619	11,872	1,143	1,619	13,015	14,634	2,631	2007	15 - 40 years
Courtyard Austin Downtown Convention Center	48,954	6,049	44,361	1,491	6,049	45,852	51,901	9,293	2007	15 - 40 years
Courtyard Austin Airport	—	1,691	12,404	3,421	1,753	15,763	17,516	2,816	2007	15 - 40 years
Residence Inn Austin Northwest Arboretum	—	1,403	10,290	1,951	1,403	12,241	13,644	2,660	2006	15 - 40 years
Residence Inn Austin South	—	802	5,883	910	802	6,793	7,595	1,492	2006	15 - 40 years
Residence Inn Austin North Parmer Lane	—	1,483	10,872	588	1,483	11,460	12,943	2,652	2006	15 - 40 years
Residence Inn Indianapolis Fishers	—	998	7,322	1,005	1,048	8,277	9,325	1,862	2006	15 - 40 years
	—	1,222	8,963	1,188	1,222	10,151	11,373	2,212	2006	15 - 40 years

Residence Inn Denver West Golden										
Residence Inn Chicago Southeast Hammond	—	980	7,190	918	980	8,108	9,088	1,821	2006	15 - 40 years

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Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2015					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total (1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Residence Inn Houston By The Galleria	—	2,665	19,549	2,631	2,665	22,180	24,845	5,008	2006	15 - 40 years
Residence Inn Indianapolis Downtown On The Canal	—	2,670	19,588	2,095	2,670	21,683	24,353	4,953	2006	15 - 40 years
Residence Inn Longmont Boulder	—	1,407	10,321	796	1,407	11,117	12,524	2,530	2006	15 - 40 years
Residence Inn Boulder Louisville	—	1,298	9,519	923	1,298	10,442	11,740	2,399	2006	15 - 40 years
Residence Inn Louisville Northeast	—	1,319	9,675	1,080	1,319	10,755	12,074	2,379	2006	15 - 40 years
Residence Inn Merrillville	—	595	4,372	1,243	595	5,615	6,210	1,456	2006	15 - 40 years
Residence Inn Detroit Novi	—	1,427	10,445	1,754	1,427	12,199	13,626	2,559	2006	15 - 40 years
Residence Inn Chicago Oak Brook	—	—	20,436	881	—	21,317	21,317	4,941	2006	15 - 40 years
Residence Inn Fort Lauderdale Plantation	—	2,183	16,021	4,249	2,295	20,158	22,453	4,452	2006	15 - 40 years
Residence Inn Salt Lake City Airport	—	875	6,416	1,279	875	7,695	8,570	1,693	2006	15 - 40 years
Residence Inn San Antonio Downtown Market Sq	—	1,822	13,360	2,278	1,822	15,638	17,460	3,477	2006	15 - 40 years
Residence Inn Houston Sugarland	—	1,100	8,073	1,323	1,100	9,396	10,496	2,216	2006	15 - 40 years
Residence Inn Chicago Naperville	—	1,923	14,101	837	1,923	14,938	16,861	3,540	2006	15 - 40 years

Residence Inn Louisville Downtown	—	1,815	13,308	744	1,815	14,052	15,867	3,066	2007	15 - 40 years
Residence Inn Fort Lauderdale SW Miramar	—	1,692	12,409	1,534	1,692	13,943	15,635	2,765	2007	15 - 40 years
Residence Inn Austin Downtown Convention Center	32,636	3,767	27,626	620	3,767	28,246	32,013	5,760	2007	15 - 40 years
SpringHill Suites Austin North Parmer Lane	—	1,957	14,351	577	1,957	14,928	16,885	3,469	2006	15 - 40 years
SpringHill Suites Austin South	—	1,605	11,768	1,915	1,605	13,683	15,288	2,947	2006	15 - 40 years
SpringHill Suites Louisville Hurstbourne North	—	1,890	13,869	1,016	1,890	14,885	16,775	3,450	2006	15 - 40 years
SpringHill Suites South Bend Mishawaka	—	983	7,217	289	983	7,506	8,489	1,879	2006	15 - 40 years
SpringHill Suites Denver North Westminster	—	2,409	17,670	1,120	2,409	18,790	21,199	4,447	2006	15 - 40 years
SpringHill Suites Boulder Longmont	—	1,144	8,388	708	1,144	9,096	10,240	1,996	2007	15 - 40 years
Fairfield Inn & Suites Austin South Airport	—	505	3,702	1,102	505	4,804	5,309	936	2006	15 - 40 years
Fairfield Inn & Suites Denver Cherry Creek	—	1,203	8,823	1,277	1,203	10,100	11,303	2,336	2006	15 - 40 years
Fairfield Inn & Suites Chicago SE Hammond	—	722	5,301	1,304	722	6,605	7,327	1,435	2006	15 - 40 years
Fairfield Inn & Suites Key West	—	1,803	19,325	3,248	1,853	22,523	24,376	4,727	2006	15 - 40 years
Fairfield Inn & Suites Chicago Midway Airport	—	1,425	10,449	1,676	1,425	12,125	13,550	2,591	2006	15 - 40 years

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Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2015					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total (1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Fairfield Inn & Suites San Antonio Dwntn Mkt	—	1,378	10,105	1,273	1,378	11,378	12,756	2,516	2006	15 - 40 years
Holiday Inn Express Merrillville	—	545	4,005	(916)	445	3,189	3,634	976	2006	15 - 40 years
Hampton Inn Chicago Midway Airport	—	2,747	20,143	2,376	2,747	22,519	25,266	5,168	2006	15 - 40 years
Hilton Garden Inn Chicago Midway Airport	—	2,978	21,842	1,154	2,978	22,996	25,974	5,361	2006	15 - 40 years
Sleep Inn Midway Airport	—	1,189	8,718	1,623	1,189	10,341	11,530	2,529	2006	15 - 40 years
Holiday Inn Express & Suites Midway Airport	—	1,874	13,742	256	1,874	13,998	15,872	3,337	2006	15 - 40 years
Hilton Garden Inn Bloomington	17,500	—	18,945	908	—	19,853	19,853	3,437	2009	15 - 40 years
TGI Friday's Chicago Midway	—	829	6,139	603	829	6,742	7,571	1,501	2006	15 - 40 years
SpringHill Suites Bakersfield	—	1,560	8,838	593	1,575	9,416	10,991	2,109	2007	15 - 40 years
Hampton Inn Suites Clearwater St Petersburg Ulmerton Road	—	1,106	12,721	1,090	1,133	13,784	14,917	2,836	2007	15 - 40 years
Hampton Inn Garden City	—	5,691	22,764	671	5,717	23,409	29,126	4,955	2007	15 - 40 years
Courtyard Houston By The Galleria	26,000	3,069	22,508	1,273	3,069	23,781	26,850	4,765	2007	15 - 40 years
Hampton Inn Fort Walton Beach	—	8,774	6,109	1,096	8,860	7,119	15,979	1,451	2007	15 - 40 years
Embassy Suites Los Angeles Downey	21,707	4,857	29,943	5,562	4,947	35,415	40,362	6,509	2008	15 - 40 years
	10,163	2,813	15,940	1,773	2,813	17,713	20,526	3,107	2008	15 - 40 years

Hyatt House Austin Arboretum										
Hyatt House Dallas Lincoln Park	17,168	3,169	17,958	627	3,272	18,482	21,754	3,467	2008	15 - 40 years
Hyatt House Dallas Uptown	12,136	2,241	12,698	694	2,306	13,327	15,633	2,442	2008	15 - 40 years
Hyatt House Houston Galleria	12,826	2,976	16,866	1,932	2,976	18,798	21,774	3,377	2008	15 - 40 years
Hilton Garden Inn New York West 35th Street	—	24,244	96,978	1,204	24,258	98,168	122,426	16,949	2009	15 - 40 years
Embassy Suites Tampa Downtown Convention Ctr	—	2,161	71,017	1,726	2,319	72,585	74,904	10,542	2010	15 - 40 years
Fairfield Inn & Suites Washington DC Downtown	—	16,214	22,265	5,099	16,307	27,271	43,578	4,394	2010	15 - 40 years
Embassy Suites Fort Myers Estero	—	2,816	7,862	961	2,861	8,778	11,639	1,387	2010	15 - 40 years
Homewood Suites Washington DC Downtown	32,835	23,139	34,188	2,117	23,139	36,305	59,444	4,865	2010	15 - 40 years
Hilton New York Fashion District	—	35,592	82,392	661	35,606	83,039	118,645	11,076	2010	15 - 40 years
Hampton Inn Suites Denver Tech Center	—	2,373	9,180	1,603	2,428	10,728	13,156	1,804	2010	15 - 40 years
Hotel Indigo New Orleans Garden District	—	1,901	3,865	11,764	2,080	15,450	17,530	2,706	2010	15 - 40 years
Residence Inn Columbia	—	1,993	11,487	1,611	2,036	13,055	15,091	2,014	2010	15 - 40 years
Residence Inn National Harbor Washington DC	—	7,457	37,046	1,843	7,480	38,866	46,346	4,898	2010	15 - 40 years
Residence Inn Silver Spring	—	3,945	18,896	1,012	3,989	19,864	23,853	2,961	2010	15 - 40 years

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Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2015					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total (1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Hilton Garden Inn New Orleans Convention Center	—	3,405	20,750	3,925	3,456	24,624	28,080	3,627	2010	15 - 40 years
Hampton Inn West Palm Beach Arprt Central	—	2,280	9,769	468	2,280	10,237	12,517	1,498	2010	15 - 40 years
Hilton Garden Inn West Palm Beach Airport	—	1,206	10,811	1,146	1,215	11,948	13,163	1,551	2010	15 - 40 years
Hilton Garden Inn Los Angeles Hollywood	—	5,303	19,136	5,570	5,493	24,516	30,009	3,859	2010	15 - 40 years
DoubleTree Metropolitan Hotel New York City	—	140,332	188,014	16,108	140,435	204,019	344,454	27,433	2010	15 - 40 years
Renaissance Pittsburgh Hotel	—	3,274	39,934	2,841	3,316	42,733	46,049	5,452	2011	15 - 40 years
Courtyard Atlanta Buckhead	—	2,860	21,668	1,952	2,875	23,605	26,480	3,052	2011	15 - 40 years
DoubleTree Hotel Columbia	—	1,933	6,486	5,154	2,026	11,547	13,573	1,742	2011	15 - 40 years
Marriott Denver Airport @ Gateway Park	26,500	3,083	38,356	3,280	3,158	41,561	44,719	5,445	2011	15 - 40 years
Embassy Suites West Palm Beach Central	—	3,656	9,614	5,346	3,770	14,846	18,616	2,600	2011	15 - 40 years
Hilton Garden Inn Durham Raleigh Research Triangle Park	—	1,751	4,763	5,328	1,870	9,972	11,842	2,076	2011	15 - 40 years
Hilton Garden Inn Pittsburgh University Place	—	1,975	18,490	7,005	2,033	25,437	27,470	3,998	2011	15 - 40 years
Hampton Inn Houston Near The Galleria	—	9,326	9,220	1,630	9,395	10,781	20,176	1,480	2011	15 - 40 years

Courtyard Charleston Historic District	—	2,714	35,828	774	2,736	36,580	39,316	3,926	2011	15 - 40 years
Residence Inn Bethesda Downtown	34,825	8,154	52,750	3,010	8,273	55,641	63,914	5,104	2012	15 - 40 years
Courtyard New York Manhattan Upper East Side	—	20,654	60,223	3,516	20,709	63,684	84,393	5,998	2012	15 - 40 years
Hilton Garden Inn San Francisco Oakland Bay Brg	—	11,902	22,758	1,787	11,947	24,500	36,447	2,351	2012	15 - 40 years
Embassy Suites Boston Waltham	—	6,268	56,025	2,906	6,315	58,884	65,199	4,991	2012	15 - 40 years
Courtyard Houston Downtown Convention Center	—	5,799	28,954	2,865	5,799	31,819	37,618	2,267	2013	15 - 40 years
Residence Inn Houston Downtown Convention Center	—	4,674	24,913	2,752	4,674	27,665	32,339	1,944	2013	15 - 40 years
SpringHill Suites Houston Downtown Convention Center	—	2,382	12,756	15,173	2,458	27,853	30,311	764	2013	15 - 40 years
Courtyard Waikiki Beach	—	557	79,033	8,893	665	87,818	88,483	5,384	2013	15 - 40 years
Courtyard San Francisco	—	11,277	18,198	26,855	11,290	45,040	56,330	631	2013	15 - 40 years
Residence Inn Atlanta Midtown Historic	—	2,812	6,044	6,683	2,939	12,600	15,539	563	2013	15 - 40 years
SpringHill Suites Portland Hillsboro	—	3,488	18,283	46	3,489	18,328	21,817	1,116	2013	15 - 40 years
Hilton Cabana Miami Beach	—	25,083	40,707	1,439	25,119	42,110	67,229	1,724	2014	15 - 40 years
Hyatt House Charlotte Center City	—	3,029	26,193	18	3,029	26,211	29,240	1,212	2014	15 - 40 years

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Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2015					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total (1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Hyatt House Cypress Anaheim	—	3,995	9,164	3,805	4,350	12,614	16,964	682	2014	15 - 40 years
Hyatt House Emeryville San Francisco Bay Area	—	7,425	29,137	5,095	7,488	34,169	41,657	1,705	2014	15 - 40 years
Hyatt House San Diego Sorrento Mesa	—	10,419	21,289	1,174	10,530	22,352	32,882	1,123	2014	15 - 40 years
Hyatt House San Jose Silicon Valley	—	6,819	31,682	1	6,820	31,682	38,502	1,471	2014	15 - 40 years
Hyatt House San Ramon	—	5,713	11,852	911	5,717	12,759	18,476	656	2014	15 - 40 years
Hyatt House Santa Clara	—	8,044	27,703	1,410	8,044	29,113	37,157	1,347	2014	15 - 40 years
Hyatt Market Street The Woodlands	—	5,950	16,882	2	5,951	16,883	22,834	795	2014	15 - 40 years
Hyatt Place Fremont Silicon Valley	—	6,208	13,730	976	6,209	14,705	20,914	746	2014	15 - 40 years
Hyatt Place Madison Downtown	—	6,701	25,478	—	6,701	25,478	32,179	1,171	2014	15 - 40 years
Embassy Suites Irvine Orange County	—	15,062	33,048	2,546	15,073	35,583	50,656	1,478	2014	15 - 40 years
Courtyard Portland City Center	—	8,019	53,024	431	8,019	53,455	61,474	2,214	2014	15 - 40 years
	—	3,737	41,731	9	3,737	41,740	45,477	1,588	2014	15 - 40 years

Hyatt Atlanta Midtown										
DoubleTree Grand Key Resort	—	48,192	27,770	3,830	48,193	31,599	79,792	1,086	2014	15 - 40 year
Hyatt Place Washington DC Downtown K Street	—	10,763	55,225	—	10,763	55,225	65,988	690	2015	15 - 40 year
Homewood Suites Seattle Lynnwood Residence	—	3,933	30,949	—	3,933	30,949	34,882	401	2015	15 - 40 year
Inn Palo Alto Los Altos	34,505	16,996	45,786	—	16,996	45,786	62,782	408	2015	15 - 40 year
	$407,755	$733,145	$2,915,444	$293,824	$736,709	$3,205,704	$3,942,413	$464,691		

(1) The aggregate cost of real estate for federal income tax purposes is approximately $3.6 billion at December 31, 2015.

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The change in the total cost of the properties for the years ended December 31, 2015, 2014, and 2013 is as follows:

	2015	2014	2013
Reconciliation of Land and Buildings and Improvements			
Balance at beginning of period	$3,711,887	$3,461,251	$3,218,610
Add: Acquisitions	163,652	573,936	219,169
Add: Improvements	84,615	59,485	30,309
Less: Disposition of properties (1)	(16,738)	(142,581)	(6,837)
Less: Impairment loss	(1,003)	(9,200)	—
Less: Land, building and improvements of hotels held for sale	—	(231,004)	—
Balance at end of period	$3,942,413	$3,711,887	$3,461,251

(1) The disposition of 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 for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Reconciliation of Accumulated Depreciation			
Balance at beginning of period	$(382,266)	$(367,306)	$(295,397)
Add: Depreciation for the period	(85,062)	(81,892)	(73,556)
Less: Disposition of properties (1)	2,637	24,383	1,647
Less: Accumulated depreciation of hotels held for sale	—	42,549	—
Balance at end of period	$(464,691)	$(382,266)	$(367,306)

(1) The disposition of 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.