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, 2018

OR

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

For the transition period from _____ to _____

Commission File Number: 001-34693

CHATHAM LODGING TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**27-1200777**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
222 Lakeview Avenue, Suite 200 West Palm Beach, Florida	**33401**
(Address of Principal Executive Offices)	**(Zip Code)**

(561) 802-4477

(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 of Beneficial Interest, par value $0.01 per share	**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. x Yes ☐ No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ☐ No

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

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

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	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

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

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

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

The aggregate market value of the 44,829,359 common shares of beneficial interest held by non-affiliates of the registrant was $951,278,998 based on the closing sale price on the New York Stock Exchange for such common shares of beneficial interest as of June 30, 2018.

The number of common shares of beneficial interest outstanding as of February 21, 2019 was 46,557,341

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for its 2019 Annual Meeting of Shareholders (to be filed with the Securities and Exchange Commission on or before May 15, 2019) are incorporated by reference into this Annual Report on Form 10-K in response to Part III hereof.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 as amended (the "Exchange Act"), and as such may involve known and unknown risks, uncertainties, assumptions and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identified by our use of words, such as "intend," "plan," "may," "should," "will," "project," "estimate," "anticipate," "believe," "expect," "continue," "potential," "opportunity," or similar expressions, whether in the negative or affirmative. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. Statements regarding the following subjects, among others, are forward-looking by their nature:

- our business and investment strategy;
- our forecasted operating results;
- completion of hotel acquisitions;
- our ability to obtain future financing arrangements;
- our expected leverage levels;
- our understanding of our competition;
- market and lodging industry trends and expectations;
- our investment in joint ventures;
- anticipated capital expenditures; and
- our ability to maintain our qualification as a real estate investment trust ("REIT") for federal income tax purposes.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information available to us at the time the forward-looking statements are made. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, prospects, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks when you make an investment decision concerning our common shares. Additionally, the following factors could cause actual results to vary from our forward-looking statements:

- the factors included in this report, including those set forth under the sections titled “Business,” Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in other reports that we file with the United States Securities and Exchange Commission ("SEC"), or in other documents that we publicly disseminate;
- general volatility of the financial markets and the market price of our securities;
- performance of the lodging industry in general;
- business interruptions due to cyber attacks;
- impacts on our business of a prolonged government shutdown;
- changes in our business or investment strategy;
- availability, terms and deployment of capital;
- availability of and our ability to attract and retain qualified personnel;
- our leverage levels;
- our capital expenditures;
- changes in our industry and the markets in which we operate, interest rates or the general U.S. or international economy;
- our ability to maintain our qualification as a REIT for federal income tax purposes; and
- the degree and nature of our competition.

All forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are qualified by the cautionary statements in this section. We undertake no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report, except as required by law.

PART I

Item 1. Business

Dollar amounts presented in this Item 1 are in thousands, except per share data.

Overview

Chatham Lodging Trust (“we,” “us” or the “Company”) was formed as a Maryland real estate investment trust on October 26, 2009. We elected to be taxed as a REIT for federal income tax purposes commencing with our 2010 taxable year. The Company is internally-managed and was organized to invest primarily in upscale extended-stay and premium-branded select-service hotels.

We had no operations prior to the consummation of our initial public offering ("IPO") in April 2010. The net proceeds from our share offerings are contributed to Chatham Lodging, L.P., our operating partnership (the “Operating Partnership”), in exchange for partnership interests. Substantially all of the Company’s assets are held by, and all of its operations are conducted through, the Operating Partnership. Chatham Lodging Trust is the sole general partner of the Operating Partnership and owns 100% of the common units of limited partnership interest in the Operating Partnership ("common units"). Certain of the employees of the Company hold vested and unvested long-term incentive plan units in the Operating Partnership ("LTIP Units"), which are presented as non-controlling interests on our consolidated balance sheets.

In January 2014, the Company established a $25 million dividend reinvestment and stock purchase plan (the "Prior DRSPP"). We filed a new $50 million shelf registration statement for the dividend reinvestment and stock purchase plan (the "New DRSPP" and together with the Prior DRSPP, the "DRSPPs") on December 28, 2017 to replace the prior program. Under the DRSPPs, shareholders may purchase additional common shares by reinvesting some or all of the cash dividends received on the Company's common shares. Shareholders may also make optional cash purchases of the Company's common shares subject to certain limitations detailed in the prospectuses for the DRSPPs. During the year ended December 31, 2018, we issued 766,574 shares under the New DRSPP at a weighted average price of $22.08, which generated $16.9 million of proceeds. As of December 31, 2018 and December 31, 2017, respectively, we had issued 1,508,046 and 741,730 shares under the DRSPPs at a weighted average price of $21.55 and $21.00 per share, respectively. As of December 31, 2018, there were common shares having a maximum aggregate sales price of approximately $32.5 million available for issuance under the New DRSPP.

In January 2014, the Company established an At the Market Equity Offering ("Prior ATM Plan") whereby, from time to time, we may publicly offer and sell our common shares having an aggregate maximum offering price of up to $50 million by means of ordinary brokers' transactions on the New York Stock Exchange (the "NYSE"), in negotiated transactions or in transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933. We filed a $100 million registration statement for a new ATM program (the "ATM Plan" and together with the Prior ATM Plan, the "ATM Plans") on December 28, 2017 to replace the prior program. At the same time, the Company entered into sales agreements with Cantor Fitzgerald & Co. ("Cantor"), Barclays Capital Inc. ("Barclays"), Robert W. Baird & Co. Incorporated ("Baird"), BTIG, LLC ("BTIG"), Citigroup Global Markets Inc. ("Citigroup"), Stifel, Nicolaus & Company, Incorporated ("Stifel") and Wells Fargo Securities, LLC ("Wells Fargo") as sales agents. During the year ended December 31, 2018, we issued 350,975 shares under the ATM Plan at a weighted average price of $21.55, which generated $7.6 million of proceeds. As of December 31, 2018 and December 31, 2017, respectively, we had issued 2,498,670 and 2,147,695 shares under the ATM Plans at a weighted average price of $21.83 and $21.87 per share, respectively, in addition to the offerings discussed above. As of December 31, 2018, there were common shares having a maximum aggregate sales price of approximately $92.4 million available for issuance under the ATM Plan.

As of December 31, 2018, the Company owned 42 hotels with an aggregate of 6,283 rooms located in 15 states and the District of Columbia. As of December 31, 2018, the Company also (i) held a 10.3% noncontrolling interest in a joint venture (the “NewINK JV”) with affiliates of Colony Capital, Inc. ("CLNY"), which owns 47 hotels acquired from a joint venture (the "Innkeepers JV") between the Company and Cerberus Capital Management (“Cerberus”), comprising an aggregate of 6,098 rooms and (ii) held a 10.0% noncontrolling interest in a separate joint venture (the "Inland JV") with CLNY, which owns 48 hotels acquired from Inland American Real Estate Trust, Inc. ("Inland"), comprising an aggregate of 6,402 rooms. We sometimes use the term "JVs", which refers collectively to the NewINK JV and the Inland JV.

To qualify as a REIT, the Company cannot operate its hotels. Therefore, the Operating Partnership and its subsidiaries lease our wholly owned hotels to taxable REIT subsidiary lessees (“TRS Lessees”), which are wholly owned by the Company’s taxable REIT subsidiary (“TRS”) holding company. The Company indirectly (i) owns its 10.3% interest in the 47 NewINK JV hotels and (ii) owns its 10.0% interest in the 48 Inland JV hotels through the Operating Partnership. All of the NewINK JV hotels and Inland JV hotels are leased to TRS Lessees, in which the Company indirectly owns noncontrolling interests through its TRS holding company. Each hotel is leased to a TRS Lessee under a percentage lease that provides for rental payments equal to the greater of (i) a fixed base rent amount or (ii) a percentage rent based on hotel room revenue. The initial term of each of the TRS leases is 5 years. Lease revenue from each TRS Lessee is eliminated in consolidation.

The TRS Lessees have entered into management agreements with third-party management companies that provide day-to-day management for the hotels. As of December 31, 2018, Island Hospitality Management Inc. (“IHM”), which is 51% owned by Mr. Fisher, managed all 42 of the Company’s wholly owned hotels. As of December 31, 2018, all of the NewINK JV hotels were managed by IHM. As of December 31, 2018, 34 of the Inland JV hotels were managed by IHM and 14 hotels were managed by Marriott International, Inc. ("Marriott").

As of December 31, 2018, our wholly owned hotels include upscale extended-stay hotels that operate under the Residence Inn by Marriott® brand (sixteen hotels) and Homewood Suites by Hilton® brand (nine hotels), as well as premium-branded select-service hotels that operate under the Courtyard by Marriott® brand (six hotels), the Hampton Inn or Hampton Inn and Suites by Hilton® brand (three hotels), the Hilton Garden Inn by Hilton® brand (three hotels), the SpringHill Suites by Marriott® brand (two hotels), the Hyatt Place® brand (two hotels) and all suite hotels that operate under the upper scale extended stay Embassy Suites brand® (one hotel).

We primarily invest in upscale extended-stay hotels such as Homewood Suites by Hilton® and Residence Inn by Marriott®. We also invest in upscale or upper upscale all suite hotels such as SpringHill Suites by Marriott® or Embassy Suites.® Extended-stay and all-suite hotels typically have the following characteristics:

- principal customer base includes business travelers, whether short-term transient travelers or those on extended assignments and corporate relocations;
- services and amenities include complimentary breakfast and evening hospitality hour, high-speed internet access, in-room movie channels, limited meeting space, daily linen and room cleaning service, 24-hour front desk, guest grocery services, and an on-site maintenance staff; and
- physical facilities include large suites, quality construction, full separate kitchens in each guest suite or suites that include a wet bar, refrigerator and microwave, quality room furnishings, pool, and exercise facilities.

Additionally, we invest in premium-branded select-service hotels such as Courtyard by Marriott®, Hampton Inn®, Hampton Inn and Suites by Hilton®, Hyatt Place® and Hilton Garden Inn by Hilton®. The service and amenity offerings of these hotels typically include complimentary breakfast or a smaller for pay breakfast or evening dining option, high-speed internet access, local calls, in-room movie channels, and daily linen and room cleaning service.

Financial Information About Industry Segments

We evaluate all of our hotels as a single industry segment because all of our hotels have similar economic characteristics and provide similar services to similar types of customers. Accordingly, we do not report segment information.

Business Strategy

Our primary objective is to generate attractive returns for our shareholders through investing in hotel properties (whether wholly owned or through a joint venture) at prices that provide strong returns on invested capital, paying dividends and generating long-term value appreciation. We believe we can create long-term value by pursuing the following strategies:

- *Disciplined acquisition of hotel properties:* We invest primarily in premium-branded upscale extended-stay and select-service hotels with a focus on the 25 largest metropolitan markets in the United States. We focus on acquiring hotel properties at prices below replacement cost in markets that have strong demand generators and where we expect demand growth will outpace new supply. We also seek to acquire properties that we believe are undermanaged or undercapitalized.
- *Opportunistic hotel repositioning:* We employ value-added strategies, such as re-branding, renovating, expanding or changing management, when we believe such strategies will increase the operating results and values of the hotels we acquire.
- *Aggressive asset management:* Although as a REIT we cannot operate our hotels, we proactively manage our third-party hotel managers in seeking to maximize hotel operating performance. Our asset management activities seek to ensure that our third-party hotel managers effectively utilize franchise brands' marketing programs, develop effective sales management policies and plans, operate properties efficiently, control costs, and develop operational initiatives for our hotels that increase guest satisfaction. As part of our asset management activities, we regularly review opportunities to reinvest in our hotels to maintain quality, increase long-term value and generate attractive returns on invested capital.
- Flexible selection of hotel management companies: We are flexible in our selection of hotel management companies and select managers that we believe will maximize the performance of our hotels. We utilize independent management companies, including IHM, a hotel management company 51% owned by Mr. Fisher that as of December 31, 2018, managed all 42 of our wholly owned hotels, all of the hotels owned by the NewINK JV and 34 hotels owned by the Inland JV, with 14 hotels managed by Marriott. We believe this strategy increases the universe of potential acquisition opportunities we can consider because many hotel properties are encumbered by long-term management contracts.
- *Selective investment in hotel debt:* We may consider selectively investing in debt collateralized by hotel property if we believe we can foreclose on or acquire ownership of the underlying hotel property in the relative near term. We do not intend to invest in any debt where we do not expect to gain ownership of the underlying property or to originate any debt financing.

We plan to maintain a prudent capital structure and intend to maintain our leverage over the long term at a ratio of net debt to investment in hotels (at cost) (defined as our initial acquisition price plus the gross amount of any subsequent capital investment and excluding any impairment charges) at a level that will be similar to the levels at which we have operated in the past. A subsequent decrease in hotel property values will not necessarily cause us to repay debt to comply with this target. Our debt coverage ratios currently are favorable and, as a result, we are comfortable in this leverage range and believe we have the capacity and flexibility to take advantage of acquisition opportunities as they arise. At December 31, 2018, our leverage ratio was approximately 34.7 percent, which increased from 34.0 percent percent at December 31, 2017. Over time, we intend to finance our growth with free cash flow, debt and issuances of common shares and/or preferred shares. Our debt may include mortgage debt collateralized by our hotel properties and unsecured debt.

When purchasing hotel properties, we may issue common units in our Operating Partnership as full or partial consideration to sellers who may desire to take advantage of tax deferral on the sale of a hotel or participate in the potential appreciation in value of our common shares.

Competition

We face competition for investments in hotel properties from institutional pension funds, private equity investors, REITs, hotel companies and others who are engaged in hotel investments. Some of these entities have substantially greater financial and operational resources than we have or may be willing to use higher leverage. This competition may increase the bargaining power of property owners seeking to sell, reduce the number of suitable investment opportunities available to us and increase the cost of acquiring our targeted hotel properties.

The lodging industry is highly competitive. Our hotels compete with other hotels, and alternative lodging marketplaces, for guests in each market in which they operate. Competitive advantage is based on a number of factors, including location, convenience, brand affiliation, room rates, range of services and guest amenities or accommodations offered and quality 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 and alternative lodging market places. Competition could adversely affect our occupancy rates, our average daily rates ("ADR") and revenue per available room (“RevPAR”), and may require us to provide additional amenities or make capital improvements that we otherwise would not have to make, which may reduce our profitability.

Seasonality

Demand for our hotels is affected by recurring seasonal patterns. Generally, we expect that we will have lower revenue, operating income and cash flow in the first and fourth quarters and higher revenue, operating income and cash flow in the second and third quarters. These general trends are, however, influenced by overall economic cycles and the geographic locations of our hotels. To the extent that cash flow from operations is insufficient during any quarter, due to temporary or seasonal fluctuations in revenue, we expect to utilize cash on hand or borrowings under our credit facility to pay expenses, debt service or to make distributions to our equity holders.

Regulation

Our properties are subject to various covenants, laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements. We believe each of our hotels has the necessary permits and approvals to operate its business, and each is adequately covered by insurance.

Americans with Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act of 1990 ("ADA") to the extent that such properties are "public accommodations" as defined by the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Although we believe that the properties in which we own interests (including the properties owned by the JV's) substantially comply with present requirements of the ADA, we have not conducted a comprehensive audit or investigation of all of these properties to determine compliance, and one or more properties may not be fully compliant with the ADA.

If we or any of our joint ventures are required to make substantial modifications to our wholly owned or joint venture hotel properties, whether to comply with the ADA or other changes in governmental rules and regulations, our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders could be adversely affected. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate.

Environmental Regulations

Under various federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on our return from such investment.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by release of hazardous substances and for property contamination. For instance, a person exposed to asbestos while working at or staying in a hotel may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental issues restrict the use of a property or place conditions on various activities. One example is laws that require a business using chemicals to manage them carefully and to notify local officials if regulated spills occur.

Although it is our policy to require an acceptable Phase I environmental survey for all real property in which we invest prior to our investment, such surveys are limited in scope. As a result, there can be no assurance that a Phase I environmental survey will uncover any or all hazardous or toxic substances on a property prior to our investment in that property. We cannot assure you that:

- there are not existing environmental liabilities related to our properties of which we are not aware;
- future laws, ordinances or regulations will not impose material environmental liability; or
- the current environmental condition of a hotel will not be affected by the condition of properties in the vicinity of the hotel (such as the presence of leaking underground storage tanks) or by third parties unrelated to us.

Tax Status

We elected to be taxed as a REIT for federal income tax purposes commencing with our short taxable year ended December 31, 2010 under the Internal Revenue Code of 1986, as amended (the "Code"). Our qualification as a REIT depends upon our ability to meet, on a continuing basis, through actual investment and operating results, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares of beneficial interest. We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code and that our current and intended manner of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT for federal income tax purposes.

As a REIT, we generally will not be subject to federal income tax on our REIT taxable income that we distribute to our shareholders. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute each year at least 90% of their REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. If we fail to qualify for taxation as a REIT in any taxable year and do not qualify for certain statutory relief provisions, our income for that year will be taxed at regular corporate rates, and we will be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. Even if we qualify as a REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and assets and to federal income and excise taxes on our undistributed income. Additionally, any income earned by our TRS Lessees will be fully subject to federal, state and local corporate income tax.

During the third quarter of 2018, we were notified that the tax return of the our TRS was going to be examined by the Internal Revenue Service for the tax year ended December 31, 2016. The examination remains open. We believe we do not need to record a liability related to matters contained in the tax period open to examination. However, should we experience an unfavorable outcome in the matter, such outcome could have a material impact on our results of operations, financial position and cash flows.

Hotel Management Agreements

The management agreements with IHM have an initial term of five years and will automatically renew for two successive five-year periods unless IHM provides written notice no later than 90 days prior to the then current term's expiration date of their intent not to renew. The IHM management agreements provide for early termination at the Company's option upon sale of any IHM-managed hotel for no termination fee, with six months advance notice. The IHM management agreements may be terminated for cause, including the failure of the managed hotel to meet specified performance levels. Base management fees are calculated as a percentage of the hotel's gross room revenue. If certain financial thresholds are met or exceeded, an incentive management fee is calculated as 10% of the hotel's net operating income less fixed costs, base management fees and a specified return threshold. The incentive management fee is capped at 1% of gross hotel revenues for the applicable calculation.

As of December 31, 2018, terms of our management agreements for our 42 wholly owned hotels were as follows (dollars are not in thousands):

Property	Management Company	Base Management Fee	Monthly Accounting Fee	Monthly Revenue Management Fee	Incentive Management Fee Cap
Courtyard Altoona	IHM	3.0 %	$ 1,500	$ 1,000	1.0 %
Springhill Suites Washington	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton Boston-Billerica/ Bedford/ Burlington	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton Minneapolis-Mall of America	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton Nashville-Brentwood	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton Dallas-Market Center	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton Hartford-Farmington	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton Orlando-Maitland	IHM	3.0 %	1,200	1,000	1.0 %
Hampton Inn & Suites Houston-Medical Center	IHM	3.0 %	1,000	1,000	1.0 %
Residence Inn Long Island Holtsville	IHM	3.0 %	1,000	1,000	1.0 %
Residence Inn White Plains	IHM	3.0 %	1,000	750	1.0 %
Residence Inn New Rochelle	IHM	3.0 %	1,000	750	1.0 %
Residence Inn Garden Grove	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Mission Valley	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton San Antonio River Walk	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Washington DC	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Tysons Corner	IHM	3.0 %	1,200	1,000	1.0 %
Hampton Inn Portland Downtown	IHM	3.0 %	1,000	550	1.0 %
Courtyard Houston	IHM	3.0 %	1,000	550	1.0 %
Hyatt Place Pittsburgh North Shore	IHM	3.0 %	1,500	1,000	1.0 %
Hampton Inn Exeter	IHM	3.0 %	1,200	1,000	1.0 %
Hilton Garden Inn Denver Tech	IHM	3.0 %	1,500	1,000	1.0 %
Residence Inn Bellevue	IHM	3.0 %	1,200	1,000	1.0 %
Springhill Suites Savannah	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Silicon Valley I	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Silicon Valley II	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn San Mateo	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Mountain View	IHM	3.0 %	1,200	1,000	1.0 %
Hyatt Place Cherry Creek	IHM	3.0 %	1,500	1,000	1.0 %
Courtyard Addison	IHM	3.0 %	1,500	1,000	1.0 %
Courtyard West University Houston	IHM	3.0 %	1,500	1,000	1.0 %
Residence Inn West University Houston	IHM	3.0 %	1,200	1,000	1.0 %
Hilton Garden Inn Burlington	IHM	3.0 %	1,500	1,000	1.0 %
Residence Inn San Diego Gaslamp	IHM	3.0 %	1,500	1,000	1.0 %
Hilton Garden Inn Marina del Rey	IHM	3.0 %	1,500	1,000	1.0 %
Residence Inn Dedham	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Il Lugano	IHM	3.0 %	1,500	1,000	1.0 %
Hilton Garden Inn Portsmouth	IHM	3.0 %	1,500	1,000	1.0 %
Courtyard Summerville	IHM	3.0 %	1,500	1,000	1.0 %
Embassy Suites Springfield	IHM	3.0 %	1,500	1,000	1.0 %
Residence Inn Summerville	IHM	3.0 %	1,500	1,000	1.0 %
Courtyard Dallas	IHM	3.0 %	1,500	1,000	1.0 %

Management fees totaled approximately $10.8 million, $9.9 million and $9.4 million, respectively, for the years ended December 31, 2018, 2017 and 2016. Incentive management fees, which are included in management fees, for the years ended December 31, 2018, 2017 and 2016 were $0.1 million, $0.2 million and $0.3 million, respectively.

Hotel Franchise Agreements

The fees associated with the franchise agreements are calculated as a specified percentage of the hotel's gross room revenue. Terms of the Company's franchise agreements for its 42 wholly owned hotels as of December 31, 2018 were as follows:

Property	Franchise Company	Franchise/Royalty Fee	Marketing/Program Fee	Expiration
Homewood Suites by Hilton Boston-Billerica/ Bedford/ Burlington	Promus Hotels, Inc.	4.0 %	4.0 %	2025
Homewood Suites by Hilton Minneapolis-Mall of America	Promus Hotels, Inc.	4.0 %	4.0 %	2025
Homewood Suites by Hilton Nashville-Brentwood	Promus Hotels, Inc.	4.0 %	4.0 %	2025
Homewood Suites by Hilton Dallas-Market Center	Promus Hotels, Inc.	4.0 %	4.0 %	2025
Homewood Suites by Hilton Hartford-Farmington	Promus Hotels, Inc	4.0 %	4.0 %	2025
Homewood Suites by Hilton Orlando-Maitland	Promus Hotels, Inc.	4.0 %	4.0 %	2025
Hampton Inn & Suites Houston-Medical Center	Hampton Inns Franchise LLC	5.0 %	4.0 %	2035
Courtyard Altoona	Marriott International, Inc.	5.5 %	2.0 %	2030
Springhill Suites Washington	Marriott International, Inc.	5.0 %	2.5 %	2030
Residence Inn Long Island Holtsville	Marriott International, Inc.	5.5 %	2.5 %	2025
Residence Inn White Plains	Marriott International, Inc.	5.5 %	2.5 %	2030
Residence Inn New Rochelle	Marriott International, Inc.	5.5 %	2.5 %	2030
Residence Inn Garden Grove	Marriott International, Inc.	5.0 %	2.5 %	2031
Residence Inn Mission Valley	Marriott International, Inc.	5.0 %	2.5 %	2031
Homewood Suites by Hilton San Antonio River Walk	Promus Hotels, Inc.	4.0 %	4.0 %	2026
Residence Inn Washington DC	Marriott International, Inc.	5.5 %	2.5 %	2033
Residence Inn Tysons Corner	Marriott International, Inc.	5.0 %	2.5 %	2031
Hampton Inn Portland Downtown	Hampton Inns Franchise LLC	6.0 %	4.0 %	2032
Courtyard Houston	Marriott International, Inc.	5.5 %	2.0 %	2030
Hyatt Place Pittsburgh North Shore	Hyatt Hotels, LLC	5.0 %	3.5 %	2030
Hampton Inn Exeter	Hampton Inns Franchise LLC	6.0 %	4.0 %	2031
Hilton Garden Inn Denver Tech	Hilton Garden Inns Franchise LLC	5.5 %	4.3 %	2028
Residence Inn Bellevue	Marriott International, Inc.	5.5 %	2.5 %	2033
Springhill Suites Savannah	Marriott International, Inc.	5.0 %	2.5 %	2033
Residence Inn Silicon Valley I	Marriott International, Inc.	5.5 %	2.5 %	2029
Residence Inn Silicon Valley II	Marriott International, Inc.	5.5 %	2.5 %	2029
Residence Inn San Mateo	Marriott International, Inc.	5.5 %	2.5 %	2029
Residence Inn Mountain View	Marriott International, Inc.	5.5 %	2.5 %	2029
Hyatt Place Cherry Creek	Hyatt Hotels, LLC	3% to 5%	3.5 %	2034
Courtyard Addison	Marriott International, Inc.	5.5 %	2.0 %	2029
Courtyard West University Houston	Marriott International, Inc.	5.5 %	2.0 %	2029
Residence Inn West University Houston	Marriott International, Inc.	6.0 %	2.5 %	2024
Hilton Garden Inn Burlington	Hilton Garden Inns Franchise LLC	5.5 %	4.3 %	2029
Residence Inn San Diego Gaslamp	Marriott International, Inc.	6.0 %	2.5 %	2035
Hilton Garden Inn Marina del Rey	Hilton Franchise Holding LLC	3% to 5.5%	4.3 %	2030
Residence Inn Dedham	Marriott International, Inc.	6.0 %	2.5 %	2030
Residence Inn Il Lugano	Marriott International, Inc.	3% to 6%	2.5 %	2045
Hilton Garden Inn Portsmouth	Hilton Garden Inns Franchise LLC	5.5 %	4.0 %	2037
Courtyard Summerville	Marriott International, Inc.	6.0 %	2.5 %	2037
Embassy Suites Springfield	Hilton Franchise Holding LLC	5.5 %	4.0 %	2037
Residence Inn Summerville	Marriott International, Inc.	6.0 %	2.5 %	2038
Courtyard Dallas	Marriott International, Inc.	4% to 6%	2.0 %	2038

Franchise and marketing/program fees totaled approximately $24.9 million, $23.2 million and $22.4 million, respectively, for the years ended December 31, 2018, 2017 and 2016.

Operating Leases

The Courtyard Altoona hotel is subject to a ground lease with an expiration date of April 30, 2029 and we have an extension option of up to 12 additional terms of five years each. Monthly payments are determined by the quarterly average room occupancy of the hotel. Rent currently is equal to approximately $8,400 per month when monthly occupancy is less than 85% and can increase up to approximately $20,000 per month if occupancy is 100%, with minimum rent increased by two and one-half percent (2.5%) on an annual basis.

The Residence Inn San Diego Gaslamp hotel is subject to a ground lease with an expiration of January 31, 2065 and we have an extension option of up to three additional terms of ten years each. Monthly payments are currently approximately $40,300 per month and increase 10% every five years. The hotel is subject to supplemental rent payments annually calculated as 5% of gross revenues during the applicable lease year, minus 12 times the monthly base rent scheduled for the lease year.

The Residence Inn New Rochelle hotel is subject to an air rights lease and a garage lease, each of which expires on December 1, 2104. The lease agreements with the City of New Rochelle cover the space above the parking garage that is occupied by the hotel as well as 128 parking spaces in a parking garage that is attached to the hotel. The annual base rent for the garage lease is the hotel's proportionate share of the city's adopted budget for the operations, management and maintenance of the garage and established reserves to fund for the cost of capital repairs. Aggregate rent for 2018 under these leases amounted to approximately $29,000 per quarter.

The Hilton Garden Inn Marina del Rey hotel is subject to a ground lease with an expiration of December 31, 2067. Minimum monthly payments are currently approximately $47,500 per month and a percentage rent payment equal to 5% to 25% of gross income based on the type of income less the minimum rent is due in arrears.

The Company entered into a corporate office lease in September 2015. The lease is for a term of 11 years and includes a 12-month rent abatement period and certain tenant improvement allowances. The Company has a renewal option of up to two successive terms of five years each. The Company shares the space with related parties and is reimbursed for the pro-rata share of rentable space occupied by the related parties.

Future minimum rental payments under the terms of all non-cancellable operating ground leases and the office lease under which the Company is the lessee are expensed on a straight-line basis regardless of when payments are due. The following is a schedule of the minimum future payments required under the ground, air rights, garage leases and office lease as of December 31, 2018 for each of the next five calendar years and thereafter (dollars in thousands):

	Amount	
	Other Leases(1)	**Office Lease**
2019	$ 1,273	$ 792
2020	1,320	812
2021	1,326	831
2022	1,329	853
2023	1,332	874
Thereafter	69,225	2,436
Total	**$ 75,805**	**$ 6,598**

(1) Other leases includes ground, garage and air rights leases at our hotels.

Employees

As of February 25, 2019, we had 40 employees, 33 of which are shared with or allocated to the NewINK JV, Inland JV and an entity which is 2.5% owned by Mr. Fisher. All persons employed in the day-to-day operations of our hotels are employees of the management companies engaged by our TRS Lessees to operate such hotels. None of our employees are represented by a collective bargaining agreement, however, certain hotel level employees of IHM are represented under a collective bargaining agreement.

Additional Material U.S. Federal Income Tax Considerations

The following is a summary of certain additional material federal income tax considerations with respect to the ownership of our shares of beneficial interest. This summary supplements and should be read together with "Material U.S. Federal Income Tax Considerations" in the prospectus dated January 4, 2017 and filed as part of our registration statement on Form S-3ASR (No. 333-215418).

Recent Legislation

The recently passed Tax Cuts and Jobs Act ("TCJA") made many significant changes to the U.S. federal income tax laws applicable to businesses and their owners, including REITs and their shareholders, and may lessen the relative competitive advantage of operating as a REIT rather than as a C corporation. Pursuant to the TCJA, as of January 1, 2018, (1) the federal income tax rate applicable to corporations is reduced to 21%, (2) the highest marginal individual income tax rate is reduced to 37% (through taxable years ending in 2025), (3) the corporate alternative minimum tax is repealed, and (4) the backup withholding rate for U.S. shareholders is reduced to 24%. In addition, individuals, estates and trusts may deduct up to 20% of certain pass-through income, including ordinary REIT dividends that are not "capital gain dividends" or "qualified dividend income," subject to certain limitations. For taxpayers qualifying for the full deduction, the effective maximum tax rate on ordinary REIT dividends would be 29.6% (through taxable years ending in 2025). The maximum rate of withholding with respect to our distributions to non-U.S. shareholders that are treated as attributable to gains from the sale or exchange of U.S. real property interests is also reduced from 35% to 21%. The deduction of net interest expense is limited for all businesses; provided that certain businesses, including real estate businesses, may elect not to be subject to such limitations and instead to depreciate their real property related assets over longer depreciable lives. To the extent that our TRS or any other TRS we form has interest expense that exceeds its interest income, the net interest expense limitation could potentially apply to such TRS. The reduced corporate tax rate will apply to our TRS and any other TRS we form.

We urge you to consult your tax advisors regarding the impact of the TCJA on the purchase, ownership and sale of our shares of beneficial interest.

Available Information

Our Internet website is www.chathamlodgingtrust.com. We make available free of charge through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Section 16 reports on Forms 3, 4 and 5 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 such documents are electronically filed with, or furnished to, the SEC. All reports that we have filed with the SEC, including this annual report on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K, can also be obtained free of charge from the SEC's website www.sec.gov. In addition, our website includes corporate governance information, including the charters for committees of our Board of Trustees, our Corporate Governance Guidelines, Conflict of Interest Policy and our Code of Business Conduct. This information is available in print to any shareholder who requests it by writing to Investor Relations, Chatham Lodging Trust, 222 Lakeview Avenue, Suite 200, West Palm Beach, FL 33401. The information on our website is not, and shall not be deemed to be, a part of this report or incorporated into any other filings that we make with the SEC.

Item 1A. Risk Factors

Our business faces many risks. The risks described below may not be the only risks we face. Additional risks that we do not yet know of or that we currently believe are immaterial may also impair our business operations. If any of the events or circumstances described in the following risk factors actually occurs, our business, financial condition or results of operations could suffer, our ability to make cash distributions to our shareholders could be impaired and the trading price of our common shares could decline. You should know that many of the risks described may apply to more than just the subsection in which we grouped them for the purpose of this presentation.

Risks Related to Our Business

Our investment policies are subject to revision from time to time at our Board of Trustees' discretion, which could diminish shareholder returns below expectations.

Our investment policies may be amended or revised from time to time at the discretion of our Board of Trustees, without a vote of our shareholders. Such discretion could result in investments that may not yield returns consistent with investors' expectations.

We depend on the efforts and expertise of our key executive officers whose continued service is not guaranteed.

We depend on the efforts and expertise of our chief executive officer, as well as our other senior executives, to execute our business strategy. The loss of their services, and our inability to find suitable replacements, could have an adverse effect on our business.

If we are unable to successfully manage our growth, our operating results and financial condition could be adversely affected.

Our ability to grow our business depends upon our senior executive officers' business contacts and their ability to successfully hire, train, supervise and manage additional personnel. We may not be able to hire and train sufficient personnel or develop management, information and operating systems suitable for our expected growth. If we are unable to manage any future growth effectively, our operating results and financial condition could be adversely affected.

Our future growth depends on obtaining new financing and if we cannot secure financing in the future, our growth will be limited.

The success of our growth strategy depends on access to capital through use of excess cash flow, borrowings or subsequent issuances of common shares or other securities. Acquisitions of new hotel properties will require significant additional capital and existing hotels (including those owned through joint ventures) require periodic capital improvement initiatives to remain competitive. We may not be able to fund acquisitions or capital improvements solely from cash provided from our operating activities because we must distribute at least 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and excluding any net capital gains) each year to satisfy the requirements for qualification as a REIT for federal income tax purposes. As a result, our ability to fund capital expenditures for acquisitions through retained earnings is very limited. Our ability to grow through acquisitions of hotels will be limited if we cannot obtain satisfactory debt or equity financing, which will depend on capital markets conditions. We cannot assure you that we will be able to obtain additional equity or debt financing or that we will be able to obtain such financing on favorable terms.

We may be unable to invest proceeds from offerings of our securities.

We will have broad authority to invest the net proceeds of any offering of our securities in any real estate investments that we may identify in the future, or to repay debt, or for other corporate purposes and we may use those proceeds to make investments with which you may not agree. In addition, our investment policies may be amended or revised from time to time at the discretion of our Board of Trustees, without a vote of our shareholders. These factors will increase the uncertainty, and thus the risk, of investing in our common shares. Our failure to apply the net proceeds of any offering effectively or to find suitable hotel properties to acquire in a timely manner or on acceptable terms could result in returns that are substantially below expectations or result in losses.

Until appropriate investments can be identified, we may invest the net proceeds of any offering of our securities in interest-bearing short-term securities or money-market accounts that are consistent with our qualification as a REIT. These investments are expected to provide a lower net return than we seek to achieve from our hotel properties. We may be unable to invest the net proceeds on acceptable terms, or at all, which could delay shareholders from receiving an appropriate return on their investment. We cannot assure you that we will be able to identify properties that meet our investment criteria, that we will successfully consummate any investment opportunities we identify, or that investments we may make will generate income or cash flow.

We must rely on third party management companies to operate our hotels in order to qualify as a REIT under the Code and, as a result, we have less control than if we were operating the hotels directly.

To maintain our qualification as a REIT under the Code, third parties must operate our hotels. We lease each of our hotels to our TRS Lessees. Our TRS Lessees, in turn, have entered into management agreements with third party management companies to operate our hotels. While we expect to have some input on operating decisions for those hotels leased by our TRS Lessees and operated under management agreements, we have less control than if we were managing the hotels ourselves. Even if we believe that our hotels are not being operated efficiently, we may not be able to require an operator to change the way it operates our hotels. If this is the case, we may decide to terminate the management agreement and potentially incur costs associated with the termination. Additionally, Mr. Fisher, our Chairman and Chief Executive Officer, controls IHM, a hotel management company that, as of December 31, 2018, managed 42 of our hotels, all of the 47 hotels owned by the NewINK JV, and 34 of the hotels owned by the Inland JV, and may manage additional hotels that we acquire in the future. See "There may be conflicts of interest between us and affiliates owned by our Chief Executive Officer" below.

Our management agreements could adversely affect the sale or financing of hotel properties and, as a result, our operating results and ability to make distributions to our shareholders could suffer.

While we would prefer to enter into flexible management contracts that will provide us with the ability to replace hotel managers on relatively short notice and with limited cost, we may enter into, or acquire properties subject to, management contracts that contain more restrictive covenants. For example, the terms of some management agreements may restrict our ability to sell a property unless the purchaser is not a competitor of the manager and assumes the related management agreement and meets specified other conditions. Also, the terms of a long-term management agreement encumbering our properties may reduce the value of the property. If we enter into or acquire properties subject to any such management agreements, we may be precluded from taking actions that would otherwise be in our best interest or could cause us to incur substantial expense, which could adversely affect our operating results and our ability to make distributions to shareholders. Moreover, the management agreements that we use in connection with hotels managed by IHM were not negotiated on an arm's-length basis due to Mr. Fisher's control of IHM and therefore may not contain terms as favorable to us as we could obtain in an arm's-length transaction with a third party. See "There are conflicts of interest between us and affiliates owned by our Chief Executive Officer" below.

The management of the hotels in our portfolio is currently concentrated in one hotel management company.

As of December 31, 2018, IHM managed all 42 of our wholly owned hotels, as well as all of the 47 hotels owned by the NewINK JV and 34 of the 48 hotels owned by the Inland JV. As a result, a substantial portion of our revenues is generated by hotels managed by IHM. This significant concentration of operational risk in one hotel management company makes us more vulnerable economically than if our hotel management was more diversified among several hotel management companies. Any adverse developments in IHM's business and affairs, financial strength or ability to operate our hotels efficiently and effectively could have a material adverse effect on our business, financial condition, or results of operations and our ability to make distributions to our shareholders. We cannot provide assurance that IHM will satisfy its obligations to us or effectively and efficiently operate out hotel properties.

Our franchisors could cause us to expend additional funds on upgraded operating standards, which may reduce cash available for distribution to shareholders.

Our hotels operate under franchise agreements, and we may become subject to the risks that are found in concentrating our hotel properties in one or several franchise brands. Our hotel operators must comply with operating standards and terms and conditions imposed by the franchisors of the hotel brands under which our hotels operate. Pursuant to certain of the franchise agreements, certain upgrades are required approximately every six years, and the franchisors may also impose upgraded or new brand standards, such as substantially upgrading the bedding, enhancing the complimentary breakfast or increasing the value of guest awards under its ‘frequent guest' program, which can add substantial expense for the hotel. The franchisors also may require us to make certain capital improvements to maintain the hotel in accordance with system standards, the cost of which can be substantial and may reduce cash available for distribution to our shareholders.

Our franchisors may cancel or fail to renew our existing franchise licenses, which could adversely affect our operating results and our ability to make distributions to shareholders.

Our franchisors periodically inspect our hotels to confirm adherence to the franchisors' operating standards. The failure of a hotel to maintain standards could result in the loss or cancellation of a franchise license. We rely on our hotel managers to conform to operational standards. In addition, when the term of a franchise license expires, the franchisor has no obligation to issue a new franchise license. The loss of a franchise license could have a material adverse effect on the operations or the underlying value of the affected hotel because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchisor. The loss of a franchise license or adverse developments with respect to a franchise brand under which our hotels operate could also have a material adverse effect on our financial condition, results of operations and cash available for distribution to shareholders.

Fluctuations in our financial performance, capital expenditure requirements and excess cash flow could adversely affect our ability to make and maintain distributions to our shareholders.

As a REIT, we are required to distribute at least 90% of our REIT taxable income each year to our shareholders (determined without regard to the deduction for dividends paid and excluding any net capital gains). In the event of downturns in our operating results and financial performance or unanticipated capital improvements to our hotels (including capital improvements that may be required by franchisors or joint venture partners), we may be unable to declare or pay distributions to our shareholders, or maintain our then-current dividend rate. The timing and amount of distributions are in the sole discretion of our Board of Trustees, which considers, among other factors, our financial performance, debt service obligations and applicable debt covenants (if any), and capital expenditure requirements. We cannot assure you we will generate sufficient cash in order to continue to fund distributions.

Among the factors which could adversely affect our results of operations and distributions to shareholders are reductions in hotel revenues; increases in operating expenses at the hotels leased to our TRS Lessees; increased debt service requirements, including those resulting from higher interest rates on our indebtedness; cash demands from the joint ventures and capital expenditures at our hotels, including capital expenditures required by the franchisors of our hotels, and unknown liabilities, such as environmental claims. Hotel revenue can decrease for a number of reasons, including increased competition from new hotels and decreased demand for hotel rooms. These factors can reduce both occupancy and room rates at hotels and could directly affect us negatively by:

- reducing the hotel revenue that we recognize with respect to hotels leased to our TRS Lessees; and

- correspondingly reducing the profits (or increasing the loss) of hotels leased to our TRS Lessees. We may be unable to reduce many of our expenses in tandem with revenue declines, (or we may choose not to reduce them for competitive reasons), and certain expenses may increase while our revenue declines.

Future debt service obligations could adversely affect our overall operating results or cash flow and may require us to liquidate our properties, which could adversely affect our ability to make distributions to our shareholders and our share price.

We plan to maintain a prudent capital structure and intend to maintain our leverage over the long term at a ratio of net debt to investment in hotels (at cost) (defined as our initial acquisition price plus the gross amount of any subsequent capital investment and excluding any impairment charges) at a level that will be similar to the levels at which we have operated in the past. A subsequent decrease in hotel property values will not necessarily cause us to repay debt to comply with this limitation. Our debt coverage ratios currently are favorable and, as a result, we are comfortable at this leverage ratio and believe we have the capacity and flexibility to take advantage of acquisition opportunities as they arise. As a result, we may be able to incur substantial additional debt, including secured debt, in the future. Incurring additional debt could subject us to many risks, including the risks that:

- operating cash flow will be insufficient to make required payments of expenses, principal and interest;
- our leverage may increase our vulnerability to adverse economic and industry conditions;
- we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing cash available for distribution to our shareholders, funds available for operations and capital expenditures, future business opportunities or other purposes;
- the terms of any refinancing will not be as favorable as the terms of the debt being refinanced; and
- the terms of our debt may limit our ability to make distributions to our shareholders.

If we violate covenants in our debt agreements, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all.

If we are unable to repay our debt obligations in the future, we may be forced to refinance debt or dispose of or encumber our assets, which could adversely affect distributions to shareholders.

If we do not have sufficient funds to repay our outstanding debt at maturity or before maturity in the event we breach our debt agreements and our lenders exercise their right to accelerate repayment, we may be required to refinance the debt through additional debt or additional equity financings. Covenants applicable to our existing and future debt could impair our planned investment strategy and, if violated, result in a default. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of hotel properties on disadvantageous terms, potentially resulting in losses. We have placed mortgages on certain of our hotel properties, have assumed mortgages on other hotels we acquired and may place additional mortgages on certain of our hotels to secure other debt. To the extent we cannot meet any future debt service obligations, we will risk losing some or all of our hotel properties that are pledged to secure our obligations to foreclosure.

Interest expense on our debt may limit our cash available to fund our growth strategies and shareholder distributions.

Higher interest rates could increase debt service requirements on debt under our credit facility and any floating rate debt that we incur in the future, as well as any amounts we seek to refinance, and could reduce the amounts available for distribution to our shareholders, as well as reduce funds available for our operations, future business opportunities, or other purposes. Interest expense on our credit facility is based on floating interest rates.

Failure to hedge effectively against interest rate changes may adversely affect our results of operations and our ability to make shareholder distributions.

We may obtain in the future one or more forms of interest rate protection, such as swap agreements, interest rate cap contracts or similar agreements, to hedge against the possible negative effects of interest rate fluctuations. However, such hedging implies costs and we cannot assure you that any hedging will adequately relieve the adverse effects of interest rate increases or that counterparties under these agreements will honor their obligations thereunder. Furthermore, any such hedging agreements would subject us to the risk of incurring significant non-cash losses on our hedges due to declines in interest rates if our hedges were not considered effective under applicable accounting standards.

Changes in the method pursuant to which the LIBOR rates are determined and potential phasing out of LIBOR after 2021 may affect our financial results.

The chief executive of the United Kingdom Financial Conduct Authority ("FCA"), which regulates LIBOR, has recently announced that the FCA intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom or elsewhere. Furthermore, in the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large US financial institutions, is considering replacing U.S. dollar LIBOR with the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements, backed by Treasury securities. The Federal Reserve Bank of New York began publishing SOFR rates in April 2018. The market transition away from LIBOR and towards SOFR is expected to be gradual and complicated. There are significant differences between LIBOR and SOFR, such as LIBOR being an unsecured lending rate and SOFR a secured lending rate, and SOFR is an overnight rate and LIBOR reflects term rates at different maturities. These and other differences create the potential for basis risk between the two rates. The impact of any basis risk between LIBOR and SOFR may negatively affect our operating results. Any of these alternative methods may result in interest rates that are higher than if LIBOR were available in its current form, which could have a material adverse effect on results.

Any changes announced by the FCA, including the FCA Announcement, other regulators or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates. If that were to occur, the level of interest payments we incur may change. In addition, although certain of our LIBOR based obligations provide for alternative methods of calculating the interest rate payable on certain of our obligations if LIBOR is not reported, uncertainty as to the extent and manner of future changes may result in interest rates and/or payments that are higher than, lower than or that do not otherwise correlate over time with the interest rates and/or payments that would have been made on our obligations if LIBOR rate was available in its current form.

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

We are co-investors with CLNY in each of the NewINK JV and Inland JV, which own 47 and 48 hotels, respectively, and we may invest in additional joint ventures in the future. We may not be in a position to exercise decision-making authority regarding the properties owned through the JVs or other joint ventures that we may invest in. Our joint venture partners may be able to make certain important decisions about our joint venture and the joint venture properties without our approval or consent. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including reliance on our joint venture partners and the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions, thus exposing us to liabilities in excess of our share of the investment. Joint venture partners may have business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner would have full control over the partnership or joint venture. Any disputes that may arise between us and our joint venture partners may result in litigation or arbitration that would increase our expenses and prevent our officers and/or trustees from focusing their time and effort on our business. Consequently, actions by, or disputes with, our joint venture partners might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners.

It may be difficult for us to exit a joint venture after an impasse with our co-venturer.

In our joint ventures, there may be a potential risk of impasse in some joint venture decisions because our approval and the approval of each co-venturer will be required for some decisions. The types of decisions that would require the approval of each co-venturer would be determined under the joint venture agreement between the parties, but those types of decisions are likely to include borrowing above a certain level or disposing of assets. In some instances, the co-venturer partner may be able to effect the sale of joint venture properties or borrow funds without our approval or consent. In any joint venture, we may have the right to buy our co-venturer's interest or to sell our own interest on specified terms and conditions in the event of an impasse regarding a sale. However, it is possible that neither party will have the funds necessary to complete such a buy-out. In addition, we may experience difficulty in locating a third-party purchaser for our joint venture interest and in obtaining a favorable sale price for the interest. As a result, it is possible that we may not be able to exit the relationship if an impasse develops. In addition, there is no limitation under our declaration of trust and bylaws as to the amount of funds that we may invest in joint ventures. Accordingly, we may invest a substantial amount of our funds in joint ventures, which ultimately may not be

profitable as a result of disagreements with or among our co-venturers.

The Company does not have sole control of the JVs and may be required to contribute additional capital in the event of a capital call.

The Company's ownership interests in the JVs are subject to change in the event that we or CLNY call for additional capital contributions to a JV that is necessary for the conduct of business, including contributions to fund costs and expenses related to capital expenditures. CLNY may also approve certain actions by the JVs in which it participates without our consent, including certain property dispositions conducted at arm's length, certain actions related to the restructuring of the JVs and the removal of us as managing member in the event we fail to fulfill our material obligations under the joint venture agreement.

Our Operating Partnership acts as guarantor under certain debt obligations of the JVs.

In connection with (i) the non-recourse mortgage loan secured by the NewINK JV properties and the related non-recourse mezzanine loan secured by the membership interests in the owners of the NewINK JV properties and (ii) the non-recourse mortgage loan secured by the Inland JV properties, the Operating Partnership provided the applicable lenders with customary environmental indemnities, as well as guarantees of certain customary non-recourse carveout provisions such as fraud, material and intentional misrepresentations and misapplication of funds. In some circumstances, such as the bankruptcy of the applicable borrowers, the guarantees are for the full amount of the outstanding debt, but in most circumstances, the guarantees are capped at 15% of the debt outstanding at the time in question (in the case of the NewINK JV loans) or 20% of the debt outstanding at the time in question (in the case of the Inland JV loans). In connection with each of the NewINK JV and Inland JV loans, the Operating Partnership has entered into a contribution agreement with its JV partner whereby the JV partner is, in most cases, responsible to cover such JV partner's pro rata share of any amounts due by the Operating Partnership under the applicable guarantees and environmental indemnities.

We may from time to time make distributions to our shareholders in the form of our common shares, which could result in shareholders incurring tax liability without receiving sufficient cash to pay such tax.

Although we have no current intention to do so, we may in the future distribute taxable dividends that are payable in cash or common shares at the election of each shareholder. Taxable shareholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, shareholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. shareholder sells the common shares that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our shares at the time of the sale. Furthermore, with respect to certain non-U.S. shareholders, we may be required to withhold federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common shares. In addition, if a significant number of our shareholders sell common shares in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common shares.

Our conflict of interest policy may not be successful in eliminating the influence of future conflicts of interest that may arise between us and our trustees, officers and employees.

We have adopted a policy that any transaction, agreement or relationship in which any of our trustees, officers or employees has a direct or indirect pecuniary interest must be approved by a majority of our disinterested trustees. Other than this policy, however, we have not adopted and may not adopt additional formal procedures for the review and approval of conflict of interest transactions generally. As such, our policies and procedures may not be successful in eliminating the influence of conflicts of interest.

There may be conflicts of interest between us and affiliates owned by our Chief Executive Officer.

Our Chief Executive Officer, Mr. Fisher, owned 51% of IHM, a hotel management company that, as of December 31, 2018, managed 42 of our wholly owned hotels, all of the 47 hotels owned by the NewINK JV and 34 of the hotels owned by the Inland JV, and may manage additional hotels that we acquire or own (wholly or through a joint venture) in the future. Because Mr. Fisher is our Chairman and Chief Executive Officer and controls IHM, conflicts of interest may arise between us and Mr. Fisher as to whether and on what terms new management contracts will be awarded to IHM, whether and on what terms management agreements will be renewed upon expiration of their terms, enforcement of the terms of the management agreements and whether hotels managed by IHM will be sold.

Risks Related to the Lodging Industry

The lodging industry has experienced significant declines in the past and failure of the lodging industry to exhibit improvement may adversely affect our ability to execute our business strategy.

The performance of the lodging industry has historically been closely linked to the performance of the general economy and, specifically, growth in U.S. gross domestic product, or GDP. It is also sensitive to business and personal discretionary spending levels. Declines in corporate budgets and consumer demand due to adverse general economic conditions, risks affecting or reducing travel patterns, lower consumer confidence or adverse political conditions can lower the revenues and profitability of our future hotel properties and therefore the net operating profits of our TRS.

A substantial part of our business strategy is based on the belief that the lodging markets in which we invest will experience improving economic fundamentals in the future. We cannot predict the extent to which lodging industry fundamentals will improve. In the event conditions in the industry do not improve, or deteriorate, our ability to execute our business strategy would be adversely affected, which could adversely affect our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

Our ability to make distributions to our shareholders may be affected by various operating risks common in the lodging industry.

Hotel properties are subject to various operating risks common to the hotel industry, many of which are beyond our control, including:

- competition from other hotel properties and alternative lodging market places in the markets in which we and our joint ventures operate, some of which may have greater marketing and financial resources;
- an over-supply or over-building of hotel properties in the markets in which we and our joint ventures operate, which could adversely affect occupancy rates and revenues;
- dependence on business and commercial travelers and tourism;
- increases in energy costs and other expenses and factors affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists;
- increases in operating costs due to inflation and other factors that may not be offset by increased room rates;
- necessity for periodic capital reinvestment to repair and upgrade hotel properties;
- changes in interest rates and in the availability, cost and terms of debt 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;
- unforeseen events beyond our control, such as terrorist attacks, travel related health concerns including pandemics and epidemics such as H1N1 influenza (swine flu), avian bird flu, SARS and Zika virus, political instability, regional hostilities, imposition of taxes or surcharges by regulatory authorities, travel related accidents and unusual weather patterns, including natural disasters such as hurricanes, tsunamis, earthquakes, wildfires and flooding;
- disruptions to the operations of our hotels caused by organized labor activities, including strikes, work stoppages or slow downs;
- adverse effects of a downturn in the economy or in the hotel industry; and
- risk generally associated with the ownership of hotel properties and real estate, as we discuss in detail below.

These factors could reduce the net operating profits of our TRS and the rental income we receive from our TRS Lessees, which in turn could adversely affect our ability to make distributions to our shareholders.

Competition for acquisitions may reduce the number of properties we can acquire.

We compete for hotel investment opportunities with competitors that may have a different tolerance for risk or have substantially greater financial resources than are available to us. This competition may generally limit the number of hotel properties that we are able to acquire and may also increase the bargaining power of hotel owners seeking to sell, making it more difficult for us to acquire hotel properties on attractive terms, or at all.

Competition for guests may lower our hotels' revenues and profitability.

The upscale extended-stay and mid-price segments of the hotel business are highly competitive. Our hotels and those of our JVs compete on the basis of location, room rates and quality, service levels, reputation, and reservation systems, among many other factors. Competitors may have substantially greater marketing and financial resources than our operators or us. New hotels create new competitors, in some cases without corresponding increases in demand for hotel rooms. The result in some cases may be lower revenue, which would result in lower cash available for distribution to our shareholders.

The seasonality of the hotel industry may cause fluctuations in our quarterly revenues that cause us to borrow money to fund distributions to our shareholders.

Certain hotel properties we own or acquire in the future (wholly or through joint ventures) have business that is seasonal in nature. This seasonality can be expected to cause quarterly fluctuations in revenues. Quarterly earnings may be adversely affected by factors outside our control, including weather conditions and poor economic factors. As a result, we may have to enter into short-term borrowings in order to offset these fluctuations in revenue and to make distributions to our shareholders.

The cyclical nature of the lodging industry may cause the return on our investments to be substantially less than we expect.

The lodging industry is cyclical in nature. Fluctuations in lodging demand and, therefore, operating performance, are caused largely by general economic and local market conditions, which subsequently affects 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. Decline in lodging demand, or a continued growth in lodging supply, could result in returns that are substantially below expectations or result in losses, which could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our shareholders.

Due to our concentration in hotel investments, a downturn in the lodging industry would adversely affect our operations and financial condition.

Our entire business is related to the hotel industry. Therefore, a downturn in the hotel industry, in general, will have a material adverse effect on our revenues, net operating profits and cash available for distribution to our shareholders.

The ongoing need for capital expenditures at our hotel properties may adversely affect our business, financial condition and results of operations and limit our ability to make distributions to our shareholders.

Hotel properties have an ongoing need for renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures and equipment. The franchisors of our hotels and those of our JVs also require periodic capital improvements as a condition of keeping the franchise licenses. In addition, our lenders require us to set aside amounts for capital improvements to our hotel properties. These capital improvements may give rise to the following risks:

- possible environmental problems;
- construction cost overruns and delays;
- possibility that revenues will be reduced temporarily while rooms or restaurants offered are out of service due to capital improvement projects;
- a possible shortage of available cash to fund capital improvements and the related possibility that financing for these capital improvements may not be available on affordable terms;
- uncertainties as to market demand or a loss of market demand after capital improvements have begun; and
- disputes with franchisors/managers regarding compliance with relevant management/franchise agreements.

The costs of all these capital improvements could adversely affect our business, financial condition, results of operations and cash available for distribution to our shareholders.

The increasing use by consumers of Internet travel intermediaries and alternative lodging market places may adversely affect our profitability.

Some of our hotel rooms are booked through Internet travel intermediaries. As Internet bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from us and our management companies. 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. These agencies hope that consumers will eventually develop brand loyalties to their reservations system rather than to the brands under which our properties are franchised. Additional sources of competition, including alternative lodging marketplaces, such as HomeAway and Airbnb, which operate websites that market available furnished, privately-owned residential properties, including homes and condominiums, that can be rented on a nightly, weekly or monthly basis, may, as they become more accepted, lead to a reduced demand for conventional hotel guest rooms and to an increased supply of lodging alternatives. Although most of the business for our hotels is expected to be derived from traditional channels, if the amount of bookings made through Internet intermediaries or the use of alternative lodging marketplaces increases significantly, room revenues may flatten or decrease and our profitability may be adversely affected.

The need for business-related travel and, thus, demand for rooms in our hotels may be materially and adversely affected by the increased use of business-related technology.

The increased use of teleconference and video-conference technology by businesses could result in decreased business travel as companies increase the use of technologies that allow multiple parties from different locations to participate at meetings without traveling to a centralized meeting location, such as our hotels. To the extent that such technologies play an increased role in day-to-day business and the necessity for business-related travel decreases, demand for our hotel rooms may decrease and we could be materially and adversely affected.

We and our hotel managers rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We and our hotel managers 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. We purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as individually identifiable information, including information relating to financial accounts. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not be able to prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our 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 and our ability to make distributions to our shareholders.

Future terrorist attacks or changes in terror alert levels could adversely affect travel and hotel demand.

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 impact that 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 our business, financial condition and results of operations and our ability to finance our business, to insure our properties and to make distributions to our shareholders.

We may assume liabilities in connection with the acquisition of hotel properties, including unknown liabilities, which, if significant, could adversely affect our business.

We may assume existing liabilities in connection with the acquisition of hotel properties, some of which may be unknown or unquantifiable. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims of hotel guests, vendors or other persons dealing with the seller of a particular hotel property, tax liabilities, employment-related issues and accrued but unpaid liabilities whether incurred in the ordinary course of business or otherwise. If the magnitude of such unknown liabilities is high, they could adversely affect our business, financial condition, results of operations and our ability to make distributions to our shareholders.

Uninsured and underinsured losses could adversely affect our operating results and our ability to make distributions to our shareholders.

We maintain comprehensive insurance on each of our hotel properties, including liability, terrorism, fire and extended coverage, of the type and amount customarily obtained for or by hotel property owners. There can be no assurance that such coverage will continue to be available at reasonable rates. Various types of catastrophic losses, like earthquakes and floods and losses from foreign terrorist activities such as those on September 11, 2001 or losses from domestic terrorist activities such as the Oklahoma City bombing, may not be insurable or may not be insurable on reasonable economic terms. Lenders may require such insurance and failure to obtain such insurance could constitute a default under loan agreements. Depending on our access to capital, liquidity and the value of the properties securing the affected loan in relation to the balance of the loan, a default could have a material adverse effect on our results of operations and ability to obtain future financing.

In the event of a substantial loss, insurance coverage may not be sufficient to cover the full current market value or replacement cost of the 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 invested in a hotel property, as well as the anticipated future revenue from that particular hotel. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate a hotel 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 property.

Noncompliance with environmental laws and governmental regulations could adversely affect our operating results and our ability to make distributions to shareholders.

Under various federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect our or our joint ventures' ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on our return from such investment. Moreover, the presence of such substance or the failure to properly mediate such substances could adversely affect our operating results and our ability to make distributions to our shareholders.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by release of hazardous substances and for property contamination. For instance, a person exposed to asbestos while working at or staying in a hotel may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental issues restrict the use of a property or place conditions on various activities. One example is laws that require a business using chemicals to manage them carefully and to notify local officials if regulated spills occur.

Although it is our policy to require an acceptable Phase I environmental survey for all real property in which we invest prior to our investment, such surveys are limited in scope. As a result, there can be no assurance that a Phase I environmental survey will uncover any or all hazardous or toxic substances on a property prior to our investment in that property. We cannot assure you:

- that there are no existing liabilities related to our properties of which we are not aware;
- that future laws, ordinances or regulations will not impose material environmental liability; or
- that the current environmental condition of a hotel will not be affected by the condition of properties in the vicinity of the hotel (such as the presence of leaking underground storage tanks) or by third parties unrelated to us.

Compliance with the ADA and other changes in governmental rules and regulations could substantially increase our cost of doing business and adversely affect our operating results and our ability to make distributions to our shareholders.

Our hotel properties are subject to the ADA. Under the ADA, all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. Although we intend to continue to acquire assets that are substantially in compliance with the ADA, we may incur additional costs of complying with the ADA at the time of acquisition and from time-to-time in the future to stay in compliance with any changes in the ADA. A number of additional federal, state and local laws exist that also may require modifications to our investments, or restrict certain further renovations thereof, with respect to access thereto by disabled persons. Additional legislation may impose further burdens or restrictions on owners with respect to access by disabled persons. If we were required to make substantial modifications at our properties to comply with the ADA or other changes in governmental rules and regulations, our ability to make expected distributions to our shareholders could be adversely affected.

In March 2012, a substantial number of changes to the Accessibility Guidelines under the ADA took effect. The new guidelines caused some of our hotel properties to incur costs to become fully compliant.

If we are required to make substantial modifications to our hotel properties, whether to comply with the ADA or other changes in governmental rules and regulations, our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders could be adversely affected. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate.

General Risks Related to Real Estate Industry

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our hotel properties and adversely affect our financial condition.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more hotel properties in our portfolio in response to changing economic, financial and investment conditions may be limited. The real estate market is affected by many factors that are beyond our control, including:

- adverse changes in international, national, regional and local economic and market conditions;
- changes in interest rates and in the availability, cost and terms of debt 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;
- the ongoing need for capital improvements, particularly in older structures;
- changes in operating expenses; and
- civil unrest, acts of God, including earthquakes, wildfires, tornadoes, hurricanes, floods and other natural disasters, which may result in uninsured losses, and acts of war or terrorism.

We may seek to sell hotel properties owned by us or any of the JVs in the future. There can be no assurance that we will be able to sell any hotel property on acceptable terms.

If financing for hotel properties is not available or is not available on attractive terms, it will adversely impact the ability of third parties to buy our hotels. As a result, we or our JVs may hold hotel properties for a longer period than we would otherwise desire and may sell hotels at a loss.

We may be required to expend funds to correct defects or to make improvements before a hotel property can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements. In acquiring a hotel property, we may agree to lock-out provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could have a material adverse effect on our operating results and financial condition, as well as our ability to make distributions to our shareholders.

Increases in our property taxes would adversely affect our ability to make distributions to our shareholders.

Hotel properties are subject to real and personal property taxes. These taxes may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. In particular, our property taxes could increase following our hotel purchases as the acquired hotels are reassessed. If property taxes increase, our financial condition, results of operations and our ability to make distributions to our shareholders could be materially and adversely affected.

Our hotel properties may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem.

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. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of mold to which hotel guests or employees could be exposed at any of the properties in which we own an interest could require us to undertake a costly remediation program to contain or remove the mold from the affected property, which could be costly. In addition, exposure to mold by guests or employees, management company employees or others could expose us to liability if property damage or health concerns arise.

Risks Related to Our Organization and Structure

Our rights and the rights of our shareholders to take action against our trustees and officers are limited, which could limit your recourse in the event of actions not in your 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 interests 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 bylaws obligate us to indemnify our trustees and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each trustee or officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. 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.

Provisions of Maryland law may limit the ability of a third party to acquire control of our Company and may result in entrenchment of management and diminish the value of our common shares.

Certain provisions of the Maryland General Corporation Law ("MGCL") applicable to Maryland real estate investment trusts may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide our common shareholders with the opportunity to realize a premium over the then-prevailing market price of such 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 10% or more of the voting power of our shares) or an affiliate of any interested shareholder for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter imposes special appraisal rights and special shareholder voting requirements on these combinations; and
- *"Control share"* provisions that provide that our "control shares" (defined as shares which, 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 "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.

Additionally, Title 3, Subtitle 8 of the MGCL permits our Board of Trustees, without shareholder approval and regardless of what is currently provided in our declaration of trust or bylaws, to implement certain takeover defenses, including, but not limited to, the adoption of a classified board. In November 2013, our Board of Trustees opted in to Subtitle 8 and adopted a classified board structure in order to protect shareholder value in the wake of what our Board considered to be an unsolicited and inadequate proposal to acquire us. Although our Board subsequently took action in April 2015 to opt back out of the provisions of Subtitle 8 and declassified our Board of Trustees, our Board may elect to opt back in to Subtitle 8 again in the future. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change in control of our company under the circumstances that otherwise could provide our common shareholders with the opportunity to realize a premium over the then current market price.

Provisions of our declaration of trust may limit the ability of a third party to acquire control of our Company and may result in entrenchment of management and diminish the value of our common shares.

Our declaration of trust authorizes our Board of Trustees to issue up to 500,000,000 common shares and up to 100,000,000 preferred shares. In addition, our Board of Trustees may, without shareholder approval, amend our declaration of trust to increase the aggregate number of our shares or the number of shares of any class or series that we have the authority to issue and to classify or reclassify any unissued common shares or preferred shares and to set the preferences, rights and other terms of the classified or reclassified shares. As a result, our Board of Trustees may authorize the issuance of additional shares or establish a series of common or preferred shares that may have the effect of delaying or preventing a change in control of our company, including transactions at a premium over the market price of our shares, even if shareholders believe that a change of control is in their interest.

Failure to make required distributions would subject us to tax.

In order for federal corporate income tax not to apply to earnings that we distribute, each year we must distribute to our shareholders at least 90% of our REIT taxable income, determined without regard to the deductions for dividends paid and excluding any net capital gain. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed REIT taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our shareholders in a calendar year is less than a minimum amount specified under the Code. Our only source of funds to make these distributions comes from distributions that we will receive from our Operating Partnership. Accordingly, we may be required to borrow or raise capital on terms, or sell assets at prices or at times we regard unfavorable or make taxable distributions of our capital shares or debt securities, to enable us to pay out enough of our REIT taxable income to satisfy the distribution requirement and to avoid federal corporate income tax and the 4% nondeductible excise tax in a particular year.

Failure to maintain our qualification as a REIT would subject us to federal income tax and potentially to state and local taxes.

We elected to be taxed as a REIT for federal income tax purposes. However, qualification as a REIT involves the application of highly technical and complex provisions of the Code, for which only a limited number of judicial and administrative interpretations exist. Even an inadvertent or technical mistake could jeopardize our REIT qualification. Our qualification as a REIT depends on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis.

Moreover, new tax legislation, administrative guidance or court decisions, in each instance potentially applicable with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT. If we were to fail to qualify as a REIT in any taxable year, we would be subject to federal income tax, including any applicable alternative minimum tax for years prior to 2018, on our taxable income at regular corporate rates and distributions to shareholders would not be deductible by us in computing our taxable income. We may also be subject to state and local taxes if we fail to qualify as a REIT. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our shareholders, which in turn could have an adverse impact on the value of our shares of beneficial interest. If, for any reason, we failed to qualify as a REIT and we were not entitled to relief under certain Code provisions, we would be unable to elect REIT status for the four taxable years following the year during which we ceased to so qualify, which would negatively impact the value of our common shares.

Our TRS Lessee structure subjects us to the risk of increased hotel operating expenses that could adversely affect our operating results and our ability to make distributions to our shareholders.

Our leases with our TRS Lessees require our TRS Lessees to pay rent based in part on revenues from our hotels. Our operating risks include decreases in hotel revenues and increases in hotel operating expenses, which would adversely affect our TRS Lessees' ability to pay rent due under the leases, including but not limited to the increases in wage and benefit costs, repair and maintenance expenses, energy costs, property taxes, insurance costs and other operating expenses.

Increases in these operating expenses can have a significant adverse impact on our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

Our TRS structure increases our overall tax liability.

Our TRS holding company is subject to applicable federal, state and local income tax on its taxable income, which consists of the revenues from the hotel properties leased by our TRS Lessees, net of the operating expenses for such hotel properties and rent payments to us. In certain circumstances, the ability of our TRS Lessees to deduct net interest expense could be limited. Accordingly, although our ownership of our TRS Lessees allows us to participate in the operating income from our hotel properties in addition to receiving rent, that operating income is fully subject to income tax. The after-tax net income of our TRS holding company is available for distribution to us.

Our ownership of TRSs is limited and our transactions with our TRS 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 TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT, including gross operating income from hotels that are operated by eligible independent contractors pursuant to hotel management agreements. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT's gross assets may consist of stock or securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Our TRS holding company is subject to federal, foreign, state and local income tax on its taxable income, and its after-tax net income is available for distribution to us but is not required to be distributed to us. We believe that the aggregate value of the stock and securities of our TRS is and will continue to be less 20% of the value of our total gross assets (including our TRS stock and securities). Furthermore, we will monitor the value of our respective investments in our TRS holding company for the purpose of ensuring compliance with TRS ownership limitations. In addition, we will scrutinize all of our transactions with our TRS holding company and our TRS Lessees 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 20% limitation discussed above or to avoid application of the 100% excise tax discussed above.

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

To qualify as a REIT, we are required to 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 TRS Lessees, which should 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 have structured our leases, and intend to structure any future leases, so that the leases will be respected as true leases for federal income tax purposes, but there can be no assurance that the Internal Revenue Service ("IRS") will agree with this characterization, not challenge this treatment or that a court would not sustain such a challenge. 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 likely would fail to qualify for REIT status.

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

The maximum U.S. federal income tax rate applicable to qualified dividend income payable to certain non-corporate U.S. shareholders is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced qualified dividend rates. For taxable years beginning before January 1, 2026, non-corporate taxpayers may deduct up to 20% of certain pass-through business income, including “qualified REIT dividends” (generally, dividends received by a REIT shareholder that are not designated as capital gain dividends or qualified dividend income), subject to certain limitations, resulting in an effective maximum U.S. federal income tax rate of 29.6% on such income. Although the reduced U.S. federal income tax rate applicable to qualified dividend income does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends and the reduced corporate tax rate could cause certain non-corporate investors to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our shares.

If our hotel managers do not qualify as "eligible independent contractors," we would fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. We lease all of our hotels to our TRS Lessees. A TRS Lessee will not be treated as a "related party tenant," and will not be treated as directly operating a lodging facility to the extent the TRS Lessee leases properties from us that are managed by an "eligible independent contractor." In addition, our TRS holding company will fail to qualify as a “taxable REIT subsidiary” if it or any of our TRS Lessees lease or own a lodging facility that is not managed by an “eligible independent contractor.”

If our hotel managers do not qualify as "eligible independent contractors," we would fail to qualify as a REIT. Each of the hotel management companies that enters into a management contract with a TRS Lessee must qualify as an "eligible independent contractor" under the REIT rules in order for the rent paid to us by the TRS Lessee to be qualifying income for our REIT income test requirements and for our TRS holding company to qualify as a “taxable REIT subsidiary”. Among other requirements, in order to qualify as an eligible independent contractor, a manager must not own more than 35% of our outstanding shares (by value) and no person or group of persons can own more than 35% of our outstanding shares and the ownership interests of the manager, taking into account only owners of more than 5% of our shares and, with respect to ownership interests in such managers that are publicly traded, only holders of more than 5% of such ownership interests. Complex ownership attribution rules apply for purposes of these 35% thresholds. Although we intend to monitor ownership of our shares by our property managers and their owners, there can be no assurance that these ownership levels will not be exceeded.

Our ownership limitations may restrict or prevent you from engaging in certain transfers of our common shares.

In order to satisfy the requirements for REIT qualification, no 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. To assist us in satisfying the requirements for our REIT qualification, our declaration of trust contains an ownership limit on each class and series of our shares. Under applicable constructive ownership rules, any common shares owned by certain affiliated owners generally will be added together for purposes of the common share ownership limit, and any shares of a given class or series of preferred shares owned by certain affiliated owners generally will be added together for purposes of the ownership limit on such class or series.

If anyone transfers shares in a way that would violate the ownership limit, or prevent us from qualifying as a REIT under the federal income tax laws, those shares instead will be transferred to a trust for the benefit of a charitable beneficiary and will be either redeemed by us or sold to a person whose ownership of the shares will not violate the ownership limit. If this transfer to a trust fails to prevent such a violation or our continued qualification as a REIT, then the initial intended transfer shall be null and void from the outset. The intended transferee of those shares will be deemed never to have owned the shares. Anyone who acquires shares in violation of the ownership limit or the other restrictions on transfer in our declaration of trust bears the risk of suffering a financial loss when the shares are redeemed or sold if the market price of our shares falls between the date of purchase and the date of redemption or sale.

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 substantially limit our ability to hedge our business. Under these provisions, any income that we generate from transactions intended to hedge our interest rate or currency risks will be excluded from gross income for purposes of the 75% and 95% gross income tests applicable to REITs if the instrument hedges (i) interest rate risk on liabilities incurred to carry or acquire real estate or (ii) risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% gross income tests applicable to REITs, and such instrument is properly identified under applicable Treasury Regulations. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we intend to limit our use of advantageous hedging techniques 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 forward against future taxable income in the TRS.

The ability of our Board of Trustees to revoke our REIT qualification without shareholder approval may cause adverse consequences to our shareholders.

Our declaration of trust provides that our Board of Trustees may revoke or otherwise terminate our REIT election, without the approval of our shareholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our shareholders, which may have adverse consequences on our total return to our shareholders.

The ability of our Board of Trustees to change our major policies may not be in our shareholders' interest.

Our Board of Trustees determines our major policies, including policies and guidelines relating to our acquisitions, leverage, financing, growth, operations and distributions to shareholders and our continued qualification as a REIT. Our board may amend or revise these and other policies and guidelines from time to time without the vote or consent of our shareholders. Accordingly, our shareholders will have limited control over changes in our policies and those changes could adversely affect our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

If we fail to maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud. As a result, our investors could lose confidence in our reported financial information, which could harm our business and the market value of our common shares.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We may in the future discover areas of our internal controls that need improvement. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal controls over financial reporting and have our independent auditors annually issue their opinion on our internal control over financial reporting. As we grow our business and acquire new hotel properties, directly or through joint ventures, with existing internal controls that may not be consistent with our own, our internal controls will become more complex, and we will require significantly more resources to ensure our internal controls remain effective. If we or our independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market value of our common shares. In particular, we will need to establish, or cause our third party hotel managers to establish, controls and procedures to ensure that hotel revenues and expenses are properly recorded at our hotels. The existence of any material weakness or significant deficiency would require management to devote significant time and incur significant expense to remediate any such material weaknesses or significant deficiencies and management may not be able to remediate any such material weaknesses or significant deficiencies in a timely manner. Any such failure could cause investors to lose confidence in our reported financial information and adversely affect the market value of our common shares or limit our access to the capital markets and other sources of liquidity.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our shareholders and the ownership of our shares of beneficial interest. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our gross assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities that constitute qualified real estate assets and securities of our TRS) 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 gross assets (other than government securities, securities that constitute qualified real estate assets and securities of our TRS) can consist of the securities of any one issuer, no more than 25% of the value of our assets can consist of debt of "publicly offered REITs" that is not secured by real property, and no more than 20% of the value of our total gross assets can be represented by the securities of one or more TRSs. 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 otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our shares.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new federal income tax law, regulation, or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. The Tax Cuts and Jobs Act, or TCJA, significantly changed the U.S. federal income tax laws applicable to businesses and their owners, including REITs and their shareholders. Additional technical corrections or other amendments to the TCJA or administrative guidance interpreting the TCJA may be forthcoming at any time. We cannot predict the long-term effect of the TCJA or any future law changes on REITs and their shareholders. We and our shareholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

We have not established a minimum distribution payment level and we may be unable to generate sufficient cash flows from our operations to make distributions to our shareholders at any time in the future.

We are generally required to distribute to our shareholders at least 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and excluding any net capital gains) each year for us to qualify as a REIT under the Code, which requirement we currently intend to satisfy. To the extent we satisfy the 90% distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. We have not established a minimum distribution payment level, and our ability to make distributions to our shareholders may be adversely affected by the risk factors described in this Form 10-K. Subject to satisfying the requirements for REIT qualification, we intend over time to make regular distributions to our shareholders. Our Board of Trustees has the sole discretion to determine the timing, form and amount of any distributions to our shareholders. Our Board of Trustees makes determinations regarding distributions based upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, satisfaction of the requirements for REIT qualification and other tax considerations, capital expenditure and other expense obligations, debt covenants, contractual prohibitions or other limitations and applicable law and such other matters as our Board of Trustees may deem relevant from time to time. Among the factors that could impair our ability to make distributions to our shareholders are:

- our inability to realize attractive returns on our investments;
- unanticipated expenses that reduce our cash flow or non-cash earnings;
- decreases in the value of the underlying assets; and
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

As a result, no assurance can be given that we will be able to continue to make distributions to our shareholders or that the level of any distributions we do make to our shareholders will achieve a market yield or increase or even be maintained over time, any of which could materially and adversely affect the market price of our common shares. Distributions could be dilutive to our financial results and may constitute a return of capital to our investors, which would have the effect of reducing each shareholder's basis in its common shares. We also could use borrowed funds or proceeds from the sale of assets to fund distributions.

In addition, distributions that we make to our shareholders are generally taxable to our shareholders as ordinary income. However, a portion of our distributions may be designated by us as long-term capital gains to the extent that they are attributable to capital gain income recognized by us or may constitute a return of capital to the extent that they exceed our earnings and profits as determined for tax purposes. A return of capital is not taxable, but has the effect of reducing the basis of a shareholder's investment in our common shares.

Our senior unsecured revolving credit facility may limit our ability to pay dividends on common shares.

Under our senior unsecured revolving credit facility, our distributions may not exceed the greater of (i) 95% of adjusted funds from operations (as defined in our senior unsecured revolving credit facility) for the preceding four-quarter period or (ii) the amount required for us to qualify and maintain our status as a REIT. As a result, if we do not generate sufficient adjusted funds from operations during the four quarters preceding any common share dividend payment date, we would not be able to pay dividends to our common shareholders consistent with our past practice without causing a default under our senior unsecured revolving credit facility. In the event of a default under our senior unsecured revolving credit facility, we would be unable to borrow under our senior unsecured revolving credit facility and any amounts we have borrowed thereunder could become due and payable.

The market price of our equity securities may vary substantially, which may limit your ability to liquidate your investment.

The trading prices of equity securities issued by REITs have historically been affected by changes in market interest rates and other factors. One of the factors that may influence the price of our shares in public trading markets is the annual yield from distributions on our common or preferred shares as compared to yields on other financial instruments. An increase in market interest rates, or a decrease in our distributions to shareholders, may lead prospective purchasers of our shares to demand a higher annual yield, which could reduce the market price of our equity securities.

Other factors that could affect the market price of our equity securities include the following:

- actual or anticipated variations in our quarterly results of operations;
- changes in market valuations of companies in the hotel or real estate industries;
- changes in expectations of future financial performance or changes in estimates of securities analysts;
- fluctuations in stock market prices and volumes;
- issuances of common shares or other securities in the future;
- the addition or departure of key personnel; and
- announcements by us or our competitors of acquisitions, investments or strategic alliances or changes thereto.

Because we have a smaller equity market capitalization compared to some other hotel REITs and our common shares may trade in low volumes, the stock market price of our common shares may be susceptible to fluctuation to a greater extent than companies with larger market capitalizations. As a result, your ability to liquidate your investment in our company may be limited.

The number of shares available for future sale could adversely affect the market price of our common shares.

We cannot predict the effect, if any, of future sales of common shares, or the availability of common shares for future sale, on the market price of our common shares. Sales of substantial amounts of common shares (including shares issued to our trustees and officers), or the perception that these sales could occur, may adversely affect prevailing market prices for our common shares.

We also may issue from time to time additional common shares or common units in our Operating Partnership in connection with the acquisition of properties and we may grant demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of our common shares or the perception that these sales could occur may adversely affect the prevailing market price for our common shares or may impair our ability to raise capital through a sale of additional equity securities. Our Equity Incentive Plan provides for grants of equity based awards up to an aggregate of 3,000,000 common shares and we may seek to increase shares available under our Equity Incentive Plan in the future. Our New DRSPP permits the purchase of up to $50 million of our common shares through purchases and reinvestment of dividends on our common shares.

Future offerings of debt or equity securities ranking senior to our common shares or incurrence of debt (including under our credit facility) may adversely affect the market price of our common shares.

If we decide to issue debt or equity securities in the future ranking senior to our common shares or otherwise incur indebtedness (including under our credit facility), it is possible that these securities or indebtedness will be governed by an indenture or other instrument containing covenants restricting our operating flexibility and limiting our ability to make distributions to our shareholders. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges, including with respect to distributions, more favorable than those of our common shares and may result in dilution to owners of our common shares. Because our decision to issue debt or equity securities in any future offering or otherwise incur indebtedness will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or financings, any of which could reduce the market price of our common shares and dilute the value of our common shares.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table sets forth certain operating information for our 42 wholly owned hotels as of December 31, 2018:

Property	Location	Management Company	Date of Acquisition	Year Opened	Number of Rooms	Purchase Price	Purchase Price per Room	Mortgage Debt Balance
Homewood Suites by Hilton Boston-Billerica/ Bedford/ Burlington	Billerica, Massachusetts	IHM	4/23/2010	1999	147	$ 12.5 million	$ 85,714	$ 16.0 million
Homewood Suites by Hilton Minneapolis-Mall of America	Bloomington, Minnesota	IHM	4/23/2010	1998	144	$ 18.0 million	$ 125,000	—
Homewood Suites by Hilton Nashville-Brentwood	Brentwood, Tennessee	IHM	4/23/2010	1998	121	$ 11.3 million	$ 93,388	—
Homewood Suites by Hilton Dallas-Market Center	Dallas, Texas	IHM	4/23/2010	1998	137	$ 10.7 million	$ 78,102	—
Homewood Suites by Hilton Hartford-Farmington	Farmington, Connecticut	IHM	4/23/2010	1999	121	$ 11.5 million	$ 95,041	—
Homewood Suites by Hilton Orlando-Maitland	Maitland, Florida	IHM	4/23/2010	2000	143	$ 9.5 million	$ 66,433	—
Hampton Inn & Suites Houston-Medical Center	Houston, Texas	IHM	7/2/2010	1997	120	$ 16.5 million	$ 137,500	$ 18.0 million
Courtyard Altoona	Altoona, Pennsylvania	IHM	8/24/2010	2001	105	$ 11.3 million	$ 107,619	—
Springhill Suites Washington	Washington, Pennsylvania	IHM	8/24/2010	2000	86	$ 12.0 million	$ 139,535	—
Residence Inn Long Island Holtsville	Holtsville, New York	IHM	8/3/2010	2004	124	$ 21.3 million	$ 171,774	—
Residence Inn White Plains	White Plains, New York	IHM	9/23/2010	1982	135	$ 21.2 million	$ 159,398	—
Residence Inn New Rochelle	New Rochelle, New York	IHM	10/5/2010	2000	127	$ 21.0 million	$ 169,355	$ 13.4 million
Residence Inn Garden Grove	Garden Grove, California	IHM	7/14/2011	2003	200	$ 43.6 million	$ 218,000	$ 32.6 million
Residence Inn Mission Valley	San Diego, California	IHM	7/14/2011	2003	192	$ 52.5 million	$ 273,438	$ 27.9 million
Homewood Suites by Hilton San Antonio River Walk	San Antonio, Texas	IHM	7/14/2011	1996	146	$ 32.5 million	$ 222,603	$ 15.9 million
Residence Inn Washington DC	Washington, DC	IHM	7/14/2011	1974	103	$ 29.4 million	$ 280,000	—
Residence Inn Tysons Corner	Vienna, Virginia	IHM	7/14/2011	2001	121	$ 37.0 million	$ 305,785	$ 21.8 million
Hampton Inn Portland Downtown	Portland, Maine	IHM	12/27/2012	2011	125	$ 28.0 million	$ 229,508	—
Courtyard Houston	Houston, Texas	IHM	2/5/2013	2010	197	$ 34.8 million	$ 176,395	$ 18.0 million
Hyatt Place Pittsburgh North Shore	Pittsburgh, Pennsylvania	IHM	6/17/2013	2010	178	$ 40.0 million	$ 224,719	$ 22.0 million
Hampton Inn Exeter	Exeter, New Hampshire	IHM	8/9/2013	2010	111	$ 15.2 million	$ 136,937	—
Hilton Garden Inn Denver Tech	Denver, Colorado	IHM	9/26/2013	1999	180	$ 27.9 million	$ 155,000	—
Residence Inn Bellevue	Bellevue, Washington	IHM	10/31/2013	2008	231	$ 71.8 million	$ 316,883	$ 44.7 million
Springhill Suites Savannah	Savannah, Georgia	IHM	12/5/2013	2009	160	$ 39.8 million	$ 248,438	$ 30.0 million
Residence Inn Silicon Valley I	Sunnyvale, CA	IHM	6/9/2014	1983	231	$ 92.8 million	$ 401,776	$ 64.8 million
Residence Inn Silicon Valley II	Sunnyvale, CA	IHM	6/9/2014	1985	248	$ 102.0 million	$ 411,103	$ 70.7 million
Residence Inn San Mateo	San Mateo, CA	IHM	6/9/2014	1985	160	$ 72.7 million	$ 454,097	$ 48.6 million
Residence Inn Mountain View	Mountain View, CA	IHM	6/9/2014	1985	144	$ 56.4 million	$ 503,869	$ 37.9 million
Hyatt Place Cherry Creek	Glendale, CO	IHM	8/29/2014	1987	199	$ 32.0 million	$ 164,948	—
Courtyard Addison	Addison, TX	IHM	11/17/2014	2000	176	$ 24.1 million	$ 137,178	—
Courtyard West University Houston	Houston, TX	IHM	11/17/2014	2004	100	$ 20.1 million	$ 201,481	—
Residence Inn West University Houston	Houston, TX	IHM	11/17/2014	2004	120	$ 29.4 million	$ 245,363	—
Hilton Garden Inn Burlington	Burlington, MA	IHM	11/17/2014	1975	180	$ 33.0 million	$ 184,392	—
Residence Inn San Diego Gaslamp	San Diego, CA	IHM	2/25/2015	2009	240	$ 90.0 million	$ 375,000	—
Residence Inn Dedham	Dedham, MA	IHM	7/17/2015	2008	81	$ 22.0 million	$ 271,605	—
Residence Inn Il Lugano	Fort Lauderdale, FL	IHM	8/17/2015	2013	105	$ 33.5 million	$ 319,048	—
Hilton Garden Inn Marina del Rey	Marina del Rey, CA	IHM	9/17/2015	1998	136	$ 45.1 million	$ 336,194	$ 21.4 million
Hilton Garden Inn Portsmouth	Portsmouth, NH	IHM	9/20/2017	2006	131	$ 43.5 million	$ 332,061	—
Summerville Courtyard	Summerville, SC	IHM	11/15/2017	2014	96	$ 20.2 million	$ 210,417	—
Embassy Suites Springfield	Springfield, VA	IHM	12/6/2017	2013	219	$ 68.0 million	$ 310,502	—
Summerville Residence Inn	Summerville, SC	IHM	8/27/2018	2018	96	$ 20.8 million	$ 216,667	—
Dallas DT Courtyard	Dallas, TX	IHM	12/5/2018	2018	167	$ 49.0 million	$ 293,413	—
Total					**6,283**	**$1,483.9 million**	**$ 236,169**	**$503.6 million**

We lease our headquarters at 222 Lakeview Avenue, Suite 200, West Palm Beach, FL 33401. The lease for our headquarters has an initial term that expires in 2026 and the Company has an option to renew the lease for up to two successive terms of five years each. The Courtyard Altoona hotel is subject to a ground lease with an expiration of April 30, 2029 with an extension option by us of up to 12 additional terms of five years each. The Residence Inn New Rochelle hotel is subject to an air rights lease and garage lease that each expire on December 1, 2104. The Residence Inn San Diego Gaslamp hotel is subject to a ground lease with an expiration of January 31, 2065. The Hilton Garden Inn Marina del Rey hotel is subject to a ground lease with an expiration of December 31, 2067. For more information on the leases to which we or our hotels are subject, see "Item 1. Business - Operating Leases".

Item 3. Legal Proceedings

The nature of the operations of the Company's hotels exposes those hotels, the Company and the Operating Partnership to the risk of claims and litigation in the normal course of their business. IHM is currently a defendant in two class action lawsuits pending in the Santa Clara County Superior Court. The first class action lawsuit was filed on October 21, 2016 under the title Ruffy, et al, v. Island Hospitality Management, LLC, et al. Case No. 16-CV-301473 and the second class action lawsuit was filed on March 21, 2018 under the title Doonan, et al, v. Island Hospitality Management, LLC, et al. Case No 18-CV-325187. The class actions relate to hotels operated by IHM in the state of California and owned by affiliates of the Company and the NewINK JV, and/or certain third parties. The complaint alleges various wage and hour law violations based on alleged misclassification of certain hotel managerial staff and violation of certain California statutes regarding incorrect information contained on employee paystubs. The plaintiffs seek injunctive relief, money damages, penalties, and interest. None of the potential classes has been certified and we are defending our case vigorously. As of December 31, 2018, included in accounts payable and accrued expenses is $0.1 million which represents an estimate of the Company’s total exposure to the litigations based on standard indemnification obligations under hotel management agreements with IHM.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

Market Information

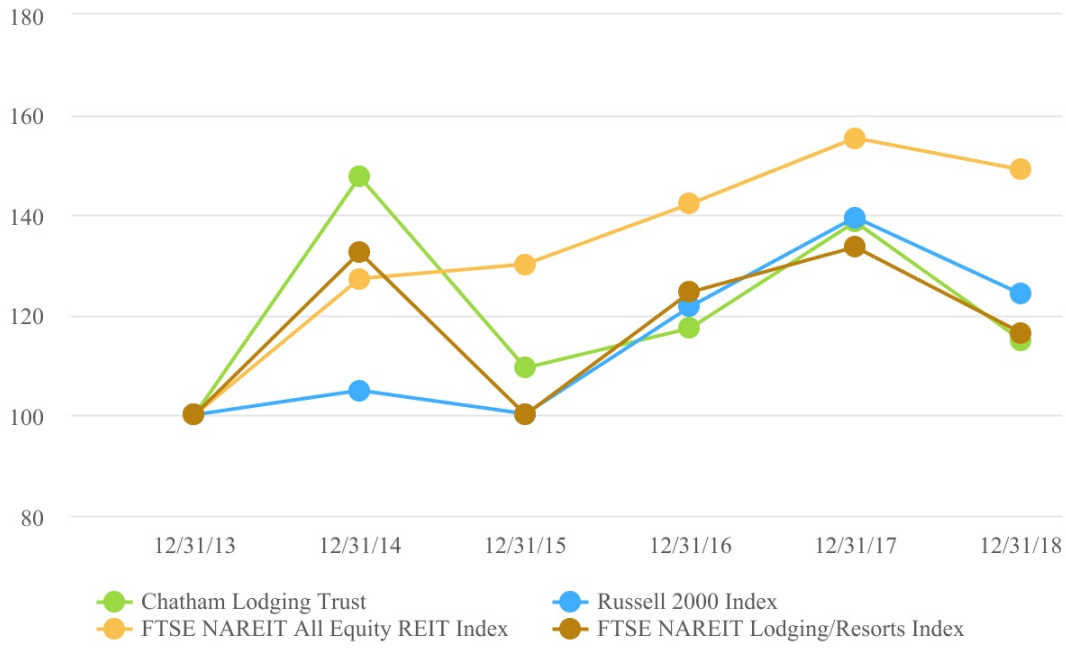
Our common shares began trading on the NYSE, on April 16, 2010 under the symbol "CLDT".

Shareholder Information

On January 31, 2019, there were 359 registered holders of record of our common shares. This figure does not include beneficial owners who hold shares in nominee name. However, because many of our common shares are held by brokers and other institutions, we believe that there are many more beneficial holders of our common shares than record holders. In order to comply with certain requirements related to our qualification as a REIT, our charter, subject to certain exceptions, limits the number of common shares that may be owned by any single person or affiliated group to 9.8% of our outstanding common shares.

The below graph provides a comparison of the five-year cumulative total return on our common shares from December 31, 2013 to the NYSE closing price per share on December 31, 2018 with the cumulative total return on the Russell 2000 Index (the “Russell 2000”), the FTSE NAREIT All Equity REIT Index (the “NAREIT All Equity”) and the NAREIT Lodging/Resorts Index (the “NAREIT Lodging”). The total return values were calculated assuming a $100 investment on December 31, 2013 with reinvestment of all dividends in (i) our common shares, (ii) the Russell 2000 Index, (iii) the NAREIT All Equity REIT Index and (iv) the NAREIT Lodging/Resorts Index. The total return values include any dividends paid during the period.

	Value of initial investment at December 31, 2013	Value of initial investment at December 31, 2014	Value of initial investment at December 31, 2015	Value of initial investment at December 31, 2016	Value of initial investment at December 31, 2017	Value of initial investment at December 31, 2018
Chatham Lodging Trust	$ 100.00	$ 147.55	$ 109.32	$ 117.38	$ 138.55	$ 114.93
Russell 2000 Index	$ 100.00	$ 104.89	$ 100.26	$ 121.63	$ 139.44	$ 124.09
FTSE NAREIT All Equity REIT Index	$ 100.00	$ 127.15	$ 130.06	$ 142.13	$ 155.30	$ 148.94
FTSE NAREIT Lodging/Resorts Index	$ 100.00	$ 132.50	$ 100.14	$ 124.52	$ 133.45	$ 116.34



Distribution Information

In order to maintain our qualification as a REIT, we must make distributions to our shareholders each year in an amount equal to at least:

- 90% of our REIT taxable income determined without regard to the dividends paid deduction and excluding net capital gains; plus
- 90% of the excess of our net income from foreclosure property over the tax imposed on such income by the Code; minus
- Any excess non-cash income (as defined in the Code).

Future distributions will be at the discretion of our board of trustees and will depend on our financial performance, debt service obligations, applicable debt covenants (if any), capital expenditure requirements, maintenance of our REIT qualification and other factors as our board of trustees deems relevant.

The following table sets forth information regarding the income tax characterization of regular distributions by the Company on its common shares for the years ended December 31, 2018 and 2017, respectively:

	2018		2017	
Common shares:				
Ordinary income	$ 1.1448	86.7 %	$ 1.128	85.5 %
Return of capital	0.1752	13.3 %	0.120	9.1 %
Unrecap. Sec. 1250 Gain	—	— %	0.072	5.5 %
Total	**$ 1.32**	**100 %**	**$ 1.32**	**100 %**

Equity Compensation Plan Information

The following table provides information, as of December 31, 2018, relating to our Equity Incentive Plan pursuant to which grants of common share options, share awards, share appreciation rights, performance units, LTIP units and other equity-based awards options may be granted from time to time. See Note 12 to our consolidated financial statements for additional information regarding our Equity Incentive Plan.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by security holders[1]	—	—	1,400,529
Equity compensation plans not approved by security holders	—	—	—
Total	—	—	1,400,529

[1] Our Equity Incentive Plan was approved by our company's sole trustee and our company's sole shareholder prior to completion of our IPO. The plan was amended and restated as of May 17, 2013 by our Board of Trustees to increase the maximum number of shares available under the plan to 3,000,000 shares. The amended and restated plan was approved by our shareholders at our 2013 annual meeting of shareholders.

Sale of Unregistered Securities

None.

Issuer Purchases of Equity Securities

We do not currently have a repurchase plan or program in place. However, we do provide employees, who have been issued restricted common shares, the option of forfeiting shares to us to satisfy the minimum statutory tax withholding requirements on the date their shares vest. Once shares are forfeited, they are not eligible to be reissued. There were no common shares forfeited in the years ended December 31, 2018 and 2017, respectively, related to such repurchases.

Item 6. Selected Financial Data

The consolidated financial data included in the following table has been derived from the financial statements for the last five years and includes the information required by Item 301 of Regulation S-K. The selected historical financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the financial statements and notes thereto, both included in this Annual Report on Form 10-K.

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
	(In thousands, except share and per-share data)				
Statement of Operations Data:					
Total revenue	$ 324,230	$ 301,844	$ 295,871	$ 276,950	$ 197,216
Hotel operating expenses	170,562	155,679	148,777	136,994	100,961
Depreciation and amortization	48,169	46,292	48,775	48,981	34,710
Impairment loss	—	6,663	—	—	—
Property taxes, ground rent and insurance	23,678	20,916	21,564	18,581	12,624
General and administrative	14,120	12,825	11,119	11,677	9,852
Other charges	3,806	523	510	1,451	10,381
Reimbursed costs from unconsolidated real estate entities	5,743	5,908	6,190	3,743	1,992
Total operating expenses	266,078	248,806	236,935	221,427	170,520
Operating income before gain (loss) on sale of hotel property	58,152	53,038	58,936	55,523	26,696
Interest and other income	462	30	51	264	108
Interest expense, including amortization of deferred fees	(26,878)	(27,901)	(28,297)	(27,924)	(21,354)
Loss on early extinguishment of debt	—	—	(4)	(412)	(184)
Gain (loss) on sale of hotel property	(18)	3,327	—	—	—
Income (loss) from unconsolidated real estate entities	(876)	1,582	718	2,411	(3,830)
Net gain (loss) from remeasurement and sales of investment in unconsolidated real estate entities	—	—	(10)	3,576	65,750
Income before income tax benefit (expense)	30,842	30,076	31,394	33,438	67,186
Income tax benefit (expense)	28	(396)	301	(260)	(105)
Net income	$ 30,870	$ 29,680	$ 31,695	$ 33,178	$ 67,081
Net income attributable to non-controlling interest	(229)	(202)	(212)	(212) —	(208)
Net income attributable to common shareholders	$ 30,641	$ 29,478	$ 31,483	$ 32,966	$ 66,873
Income per Common Share - Basic:					
Net income attributable to common shareholders	$ .66	$ .73	$ .82	$ .87	$ 2.32
Income per Common Share - Diluted:					
Net income attributable to common shareholders	$ .66	$ .73	$ .81	$ .86	$ 2.30
Weighted average number of common shares outstanding:					
Basic	46,073,515	39,859,143	38,299,067	37,917,871	28,531,094
Diluted	46,243,660	40,112,266	38,482,875	38,322,285	28,846,724
Other Data:					
Net cash provided by operating activities	86,215	86,689	87,669	81,842	49,306
Net cash used in investing activities	(96,401)	(158,411)	(15,268)	(182,363)	(452,988)
Net cash provided by (used in) financing activities	6,024	71,171	(75,509)	106,480	414,538
Cash dividends declared per common share	1.32	1.32	1.30	1.28	.93

	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
			(In thousands)		
Balance Sheet Data:					
Investment in hotel properties, net	$ 1,373,773	$ 1,320,082	$ 1,233,094	$ 1,258,452	$ 1,096,425
Cash and cash equivalents	7,192	9,333	12,118	21,036	15,077
Restricted cash	25,145	27,166	25,083	19,273	12,030
Investment in unconsolidated real estate entities	21,545	24,389	20,424	23,618	28,152
Hotel receivables (net of allowance for doubtful accounts)	4,495	4,047	4,389	4,433	3,601
Deferred costs, net	5,070	4,646	4,642	5,365	7,514
Prepaid expenses and other assets	2,431	2,523	2,778	5,052	2,300
Deferred tax asset, net	58	30	426	—	—
Total assets	$ 1,439,709	$ 1,392,216	$ 1,302,954	$ 1,337,229	$ 1,165,099
Mortgage debt, net	$ 501,782	$ 506,316	$ 530,323	$ 539,623	$ 527,721
Revolving credit facility	81,500	32,000	52,500	65,580	22,500
Accounts payable and accrued expenses	33,692	31,692	27,782	25,100	20,042
Distributions in excess of investments of unconsolidated real estate entities	9,650	6,582	6,017	2,703	—
Distributions payable	5,667	5,846	4,742	7,221	2,884
Total liabilities	632,291	582,436	621,364	640,227	573,147
Total shareholders' equity	797,466	803,162	676,742	692,871	588,537
Noncontrolling Interest in Operating Partnership	9,952	6,618	4,848	4,131	3,415
Total liabilities and equity	$ 1,439,709	$ 1,392,216	$ 1,302,954	$ 1,337,229	$ 1,165,099

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

Overview

Chatham Lodging Trust (“we,” “us” or the “Company”) was formed as a Maryland real estate investment trust on October 26, 2009. The Company is internally-managed and was organized to invest primarily in upscale extended-stay and premium-branded select-service hotels. The Company has elected to be taxed as a real estate investment trust for federal income tax purposes ("REIT").

The Company had no operations prior to the consummation of its IPO. The net proceeds from our share offerings are contributed to Chatham Lodging, L.P., our operating partnership (the “Operating Partnership”), in exchange for partnership interests. Substantially all of the Company’s assets are held by, and all operations are conducted through, the Operating Partnership. The Company is the sole general partner of the Operating Partnership and owns 100% of the common units of limited partnership interest in the Operating Partnership ("common units"). Certain of the Company’s employees hold vested and unvested long-term incentive plan units in the Operating Partnership ("LTIP units"), which are presented as non-controlling interests on our consolidated balance sheets.

As of December 31, 2018, the Company owned 42 hotels with an aggregate of 6,283 rooms located in 15 states and the District of Columbia. The Company also (i) held a 10.3% noncontrolling interest in a joint venture (the “NewINK JV”) with affiliates of Colony Capital, Inc. ("CLNY"), which was formed in the second quarter of 2014 to acquire 47 hotels from a joint venture (the "Innkeepers JV") between the Company and Cerberus Capital Management (“Cerberus”), comprising an aggregate of 6,098 rooms and (ii) held a 10.0% noncontrolling interest in a separate joint venture (the "Inland JV") with CLNY, which was formed in the fourth quarter of 2014 to acquire 48 hotels from Inland American Real Estate Trust, Inc. ("Inland"), comprising an aggregate of 6,402 rooms. We sometimes use the term "JVs" which refers collectively to the NewINK JV and the Inland JV.

To qualify as a REIT, the Company cannot operate its hotels. Therefore, the Operating Partnership and its subsidiaries lease each of the Company's wholly owned hotels to a taxable REIT subsidiary lessee (“TRS Lessee”), which is wholly owned by the Company’s taxable REIT subsidiary (“TRS”) holding company. The Company indirectly (i) owns its 10.3% interest in the 47 NewINK JV hotels and (ii) 10.0% interest in the 48 Inland JV hotels through the Operating Partnership. All of the NewINK JV hotels and Inland JV hotels are leased to TRS Lessees, in which the Company indirectly owns or owned as applicable, noncontrolling interests through its TRS holding company. Each hotel is leased to a TRS Lessee under a percentage lease that provides for rental payments equal to the greater of (i) a fixed base rent amount or (ii) a percentage rent based on hotel room revenue. The initial term of each of the TRS leases is 5 years. Lease revenue from each TRS Lessee is eliminated in consolidation.

The TRS Lessees have entered into management agreements with third-party management companies that provide day-to-day management for the hotels. As of December 31, 2018, Island Hospitality Management Inc. (“IHM”), which is 51% owned by Mr. Fisher, managed all 42 of the Company’s wholly owned hotels. As of December 31, 2018, all of the NewINK JV hotels were managed by IHM. As of December 31, 2018, 34 of the Inland JV hotels were managed by IHM and 14 hotels were managed by Marriott International, Inc. ("Marriott").

Financial Condition and Operating Performance Metrics

We measure financial condition and hotel operating performance by evaluating financial metrics and measures such as:

- Revenue Per Available Room (“RevPAR”),
- Average Daily Rate (“ADR”),
- Occupancy,
- Funds From Operations (“FFO”),
- Adjusted FFO,
- Earnings before interest, taxes, depreciation and amortization (“EBITDA”),
- EBITDA*re*,
- Adjusted EBITDA, and
- Adjusted Hotel EBITDA.

We evaluate the hotels in our portfolio and potential acquisitions using these metrics to determine each hotel's contribution toward providing income to our shareholders through increases in distributable cash flow and increasing long-term total returns through appreciation in the value of our common shares. RevPAR, ADR and Occupancy are hotel industry measures commonly used to evaluate operating performance. RevPAR, which is calculated as total room revenue divided by total number of available rooms, is an important metric for monitoring hotel operating performance, and more specifically hotel revenue.

"Non-GAAP Financial Measures" herein provides a detailed discussion of our use of FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA and a reconciliation of FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA to net income or loss, measurements recognized by generally accepted accounting principles in the United States ("GAAP").

Results of Operations

Industry outlook

We believe that the lodging industry's performance is correlated to the performance of the economy overall, and specifically key economic indicators such as GDP growth, employment trends, corporate travel and corporate profits. Trends for many of these indicators appear to be healthy. Lodging industry performance is also impacted by room supply growth, which is currently elevated in the Upscale segment in which most of our hotels operate. Overall U.S. room supply increased 2.0% in 2018, but supply in the Upscale segment increased by 5.2% in 2018. Smith Travel Research is projecting U.S. hotel supply growth to increase to 1.9% in 2019. Continued supply growth could negatively impact RevPAR growth. We are currently projecting 2019 RevPAR change of -1.5% to +0.5% as compared to 2018.

Comparison of the year ended December 31, 2018 ("2018") to the year ended December 31, 2017 ("2017")

Results of operations for the year ended December 31, 2018 include the operating activities of our 42 wholly owned hotels and our investments in the NewINK JV and Inland JV. We acquired two hotels in the year ended December 31, 2018. We acquired the Residence Inn by Marriott Summerville, SC on August 27, 2018 and the Courtyard by Marriott Dallas Downtown, TX on December 5, 2018. We acquired three hotels and sold one hotel in the year ended December 31, 2017. We acquired the Hilton Garden Inn Portsmouth, NH on September 20, 2017, the Courtyard by Marriott Summerville, SC on November 15, 2017, and the Embassy Suites Springfield, VA on December 6, 2017. The Homewood Suites Carlsbad, CA was sold on December 20, 2017. Accordingly, the comparisons below are influenced by the fact that two wholly owned hotels were owned by us for only a portion of the year ended December 31, 2018 and three wholly owned hotels were owned by us for only a portion of the year ended December 31, 2017.

Revenue

Revenue, which consists primarily of room, food and beverage and other operating revenues from our wholly owned hotels, was as follows for the periods indicated (dollars in thousands):

	Year ended		
	December 31, 2018	December 31, 2017	% Change
Room	$ 295,897	$ 278,466	6.3 %
Food and beverage	8,880	6,255	42.0 %
Other	13,710	11,215	22.2 %
Cost reimbursements from unconsolidated real estate entities	5,743	5,908	(2.8)%
Total revenue	$ 324,230	$ 301,844	7.4 %

Total revenue increased $22.4 million to $324.2 million for the year ended December 31, 2018 compared to total revenue of $301.8 million for the 2017 period. Total revenue related to the three hotels acquired during 2017 contributed $23.5 million of the increase, the two hotels acquired in 2018 contributed $1.1 million of the increase, the 37 comparable hotels owned by the Company throughout the 2017 and 2018 periods contributed $4.7 million, while the sale of one hotel in 2017 reduced revenue by $6.9 million. Since our hotels are primarily select service or limited service hotels, room revenue is the primary revenue source as these hotels do not have significant food and beverage revenue or large group conference facilities. Room revenue comprised 91.3% and 92.3%, respectively, of total revenue for the years ended December 31, 2018 and December 31, 2017. Room revenue was $295.9 million and $278.5 million for the years ended December 31, 2018 and 2017, respectively, the three hotels acquired during 2017 contributed $20.4 million of the increase, the two hotels acquired in 2018 contributed $1.1 million of the increase, the 37 comparable hotels owned by the Company throughout the 2017 and 2018

periods contributed $2.7 million or 1.0%, driven primarily by RevPAR increase of 0.9%, while the sale of one hotel in 2017 reduced room revenue by $6.8 million.

Food and beverage revenue was $8.9 million and $6.3 million for the years ended December 31, 2018 and 2017. Food and beverage revenue related to the hotels acquired in 2017 contributed $2.2 million of the increase.

Other revenue comprised of parking, meeting room, gift shop, in-room movie and other ancillary amenities revenue, was up $2.5 million for the year ended December 31, 2018. The increase was primarily due to increases in parking and miscellaneous income. Hotels acquired in 2017 contributed $0.8 million to the increase in other revenue.

Cost reimbursements from unconsolidated real estate entities, comprised of payroll costs at the JVs and an entity, Castleblack Owner Holding, LLC ("Castleblack"), which is 97.5% owned by affiliates of CLNY and 2.5% by Mr. Fisher, where the Company is the employer, were $5.7 million and $5.9 million respectively, for the years ended December 31, 2018 and 2017. The cost reimbursements were offset by the reimbursed costs from unconsolidated real estate entities included in operating expenses.

As reported by Smith Travel Research, industry RevPAR for the years ended December 31, 2018 and 2017 increased 2.9% and 3.0%, respectively, as compared to the years ended December 31, 2017 and 2016. RevPAR at our wholly owned hotels increased 0.9% in 2018 and increased 0.7% in 2017 as compared to the respective prior year periods regardless of ownership. Our RevPAR was lower than the overall industry growth due to lower growth in our specific markets primarily due to new supply.

In the table below, we present both actual and same property room revenue metrics. Actual Occupancy, ADR and RevPAR metrics reflect the performance of the hotels for the actual days such hotels were owned by the Company during the periods presented. Same property Occupancy, ADR, and RevPAR results for the 40 hotels wholly owned by the Company as of December 31, 2018 and that have been in operation for a full year reflect the performance of the hotels during the entire period regardless of our ownership during the periods presented, which is a non-GAAP financial measure. Results for the hotels for the periods prior to our ownership were provided to us by prior owners and have not been adjusted by us.

	For the years ended December 31,					
	2018		2017		Percentage Change	
	Same Property (40 hotels)	Actual (42 hotels)	Same Property (40 hotels)	Actual (41 hotels)	Same Property (40 hotels)	Actual (42/41 hotels)
Occupancy	80.5 %	79.7 %	79.7 %	79.9 %	1.0 %	(.3)%
ADR	$ 166.74	$ 166.48	$ 166.83	$ 166.41	(.1)%	— %
RevPAR	$ 134.19	$ 132.76	$ 133.04	$ 132.92	0.9 %	(.1)%

RevPAR increased 0.9% due to an increase in occupancy of 1.0% and a decrease in ADR of 0.1%.

Hotel Operating Expenses

Hotel operating expenses consisted of the following for the periods indicated (dollars in thousands):

	Year ended		
	December 31, 2018	December 31, 2017	% Change
Hotel operating expenses:			
Room	$ 63,877	$ 59,151	8.0 %
Food and beverage expense	7,312	5,342	36.9 %
Telephone expense	1,766	1,647	7.2 %
Other expense	3,296	2,886	14.2 %
General and administrative	25,567	23,639	8.2 %
Franchise and marketing fees	24,864	23,247	7.0 %
Advertising and promotions	6,227	5,380	15.7 %
Utilities	10,835	9,944	9.0 %
Repairs and maintenance	14,710	13,317	10.5 %
Management fees	10,754	9,898	8.6 %
Insurance	1,354	1,228	10.3 %
Total hotel operating expenses	$ 170,562	$ 155,679	9.6 %

Hotel operating expenses increased $14.9 million, or 9.6% to $170.6 million for the year ended December 31, 2018 from $155.7 million for the year ended December 31, 2017. The increase in total hotel operating expenses attributable to the three hotels acquired in 2017 was $13.8 million and the two new hotels acquired in 2018 was $0.9 million, while the remaining hotels contributed $4.3 million to the increase offset by a reduction of $4.1 million from the one hotel that was sold in 2017.

Room expenses, which are the most significant component of hotel operating expenses, increased $4.7 million from$59.2 million in 2017 to $63.9 million in 2018. Total room expenses related to the hotels acquired in 2017 and 2018 contributed $4.5 million and $0.3 million, respectively, to the increase, while the remaining hotels contributed $1.8 million to the increase offset by a reduction of $1.9 million from the one hotel sold in 2017. The increase in rooms expense at the 37 comparable hotels was due primarily to increased labor and benefit costs.

The remaining hotel operating expenses increased $10.2 million, or 10.5%, from $96.5 million in 2017 to $106.7 million in 2018. The increase attributable to the three hotels acquired in 2017 was $9.3 million, the two hotels acquired in 2018 was $0.6 million, while the remaining hotels had an increase of $2.5 million offset by the hotel sold in 2017 of $2.2 million. Food and beverage expense increased due to the Hilton Garden Inn Portsmouth and Embassy Suites Springfield hotels acquired in 2017 that have food and beverage operations. Most of our other hotels have limited for sale food and beverage activities. Increases attributed to the remaining hotels acquired before 2017 related to increased franchise and management fees related to increased revenues, as well as increases in utilities costs and repair and maintenance costs.

Depreciation and Amortization

Depreciation and amortization expense increased $1.9 million from $46.3 million for the year ended December 31, 2017 to $48.2 million for the year ended December 31, 2018. The increase attributable to the three hotels acquired in 2017 was $3.4 million and the increase attributable to the two hotels acquired in 2018 was $0.3 million, while the decrease attributable to the remaining hotels of $0.8 million was due to some assets being fully depreciated. The sale of a hotel in 2017 contributed $1.0 million to the decrease in depreciation expense. Depreciation is recorded on our assets generally 40 years for buildings, 20 years for land improvements, 5 to 20 years for building improvements and one to ten years for hotel furniture, fixtures and equipment from the date of acquisition on a straight-line basis. Amortization of franchise fees is recorded on a straight-line basis over the term of the respective franchise agreement.

Impairment loss

Impairment loss was zero for the year ended December 31, 2018, compared to $6.7 million for the year ended December 31, 2017. The Company recorded an impairment at our Washington SHS, PA hotel during the year ended December 31, 2017.

Property Taxes and Insurance

Total property taxes and insurance expenses increased $2.8 million from $20.9 million for the year ended December 31, 2017 to $23.7 million for the year ended December 31, 2018. The increase related to the hotels acquired in 2017 and 2018 was $1.3 million and $0.2 million, respectively, while the remaining hotels increased $1.3 million primarily attributable to successful real estate tax appeals at some of our properties that were recorded in 2017.

General and Administrative

General and administrative expenses principally consist of employee-related costs, including base payroll, bonuses and amortization of restricted stock and awards of LTIP units. These expenses also include corporate operating costs, professional fees and trustees' fees. Total general and administrative expenses (excluding amortization of stock based compensation of $4.2 million and $3.8 million for the years ended December 31, 2018 and 2017, respectively) increased $0.9 million, or 10%, to $9.9 million in 2018 from $9.0 million in 2017, with the increase primarily due to salaries, professional fees and franchise taxes.

Other Charges

Other charges increased from $0.5 million for the year ended December 31, 2017 to $3.8 million for the year ended December 31, 2018. The 2018 costs primarily consisted of the write off of previous expenditures related to previously planned expansions at several of our Silicon Valley hotels. The Company has decided not to continue with these expansions at this time and has expensed the costs associated with the planning of these expansions.

Reimbursed Costs from Unconsolidated Real Estate Entities

Reimbursed costs from unconsolidated real estate entities, comprised of corporate payroll and office rent costs of the NewINK JV and Inland JV and an entity which is 2.5% owned by Mr. Fisher, where the Company is the employer, were $5.7 million and $5.9 million for the years ended December 31, 2018 and 2017, respectively. The decrease is primarily attributable to decreases in shared office expenses. These reimbursed costs were offset by the cost reimbursements from unconsolidated real estate entities included in revenues.

Interest and Other Income

Interest on cash and cash equivalents and other income increased from $30.0 thousand for the year ended December 31, 2017 to $462.0 thousand for the year ended December 31, 2018. The increase is primarily related to fees received for providing services to an entity which is 97.5% owned by CLNY.

Interest Expense, Including Amortization of Deferred Fees

Interest expense decreased $0.9 million, or 3.7%, from $27.9 million for the year ended December 31, 2017 to $26.9 million for the year ended December 31, 2018. Interest expense is comprised of the following (dollars in thousands):

	Year ended		
	December 31, 2018	December 31, 2017	% Change
Mortgage debt interest	$ 23,911	$ 24,977	(4.3) %
Credit facility interest	1,321	1,577	(16.2) %
Other fees	735	692	6.2 %
Amortization of deferred financing costs	911	655	39.1 %
Total	**$ 26,878**	**$ 27,901**	**(3.7) %**

The decrease in interest expense for the year ended December 31, 2018 as compared to year ended December 31, 2017 is primarily due to lower principal balances on our mortgage debt and the sale of the Carlsbad hotel which was encumbered by mortgage debt. Interest expense on the Company's senior unsecured revolving credit facility decreased due to a decrease in utilization of the credit facility for the year ended December 31, 2018 as compared to year ended December 31, 2017.

Gain on Sale of Hotel Property

Gain on sale of hotel property decreased $3.3 million for the year ended December 31, 2018 compared to the year ended December 31, 2017 due to the sale of the Homewood Suites Carlsbad hotel on December 20, 2017 and no comparable sale in 2018.

Income (loss) from Unconsolidated Real Estate Entities

Income (loss) from unconsolidated real estate entities decreased $2.5 millions from income of $1.6 million for the year ended December 31, 2017 to a loss of $0.9 million for the year ended December 31, 2018. The decrease is due primarily to an increase in interest expense and amortization expense related to the floating rate debt at each JV and an impairment loss at one NewINK JV hotel.

Income Tax Benefit (Expense)

Income tax changed from an expense of $0.4 million for the year ended December 31, 2017 to a benefit of $28.0 thousand for the year ended December 31, 2018.

Net Income

Net income was $30.9 million for the year ended December 31, 2018, compared to net income of $29.7 million for the year ended December 31, 2017. The decrease in our net income was due to the factors discussed above.

Comparison of the year ended December 31, 2017 (“2017”) to the year ended December 31, 2016 (“2016”)

Results of operations for the year ended December 31, 2017 include the operating activities of our 40 wholly owned hotels and our investments in the NewINK JV and Inland JV. We acquired three hotels in the year ended December 31, 2017. Accordingly, the comparisons below are influenced by the fact that three wholly owned hotels were owned by us for only a portion of the year ended December 31, 2017. We acquired the Hilton Garden Inn Portsmouth, NH on September 20, 2017, the Courtyard by Marriott Summerville, SC on November 15, 2017 and the Embassy Suites Springfield, VA on December 6, 2017. The Homewood Suites Carlsbad, CA was sold on December 20, 2017.

Revenues

Revenue, which consists primarily of the room, food and beverage and other operating revenues from our hotels, was as follows for the periods indicated (dollars in thousands):

	Years Ended		
	December 31, 2017	December 31, 2016	% Change
Room	$ 278,466	$ 273,345	1.9 %
Food and beverage	6,255	6,221	.5 %
Other	11,215	10,115	10.9 %
Cost reimbursements from unconsolidated real estate entities	5,908	6,190	(4.6)%
Total revenue	$ 301,844	$ 295,871	2.0 %

Total revenue increased $5.9 million to $301.8 million for the year ended December 31, 2017 compared to total revenue of $295.9 million for the 2016 period. Total revenue related to the three hotels acquired during 2017 contributed $3.5 million of the increase. Since all of our hotels are primarily select service or limited service hotels, room revenue is the primary revenue source as these hotels do not have significant food and beverage revenue or large group conference facilities. Room revenue was $278.5 million and $273.3 million for the years ended December 31, 2017 and 2016, respectively, with $2.9 million of this increase attributable to the three hotels acquired in 2017. The room revenue from the remaining properties owned for all of 2017 including the Carlsbad hotel increased $2.3 million.

As reported by Smith Travel Research, industry RevPAR for the years ended December 31, 2017 and 2016 increased 3.0% and 3.2%, respectively, as compared to the years ended December 31, 2016 and 2015. RevPAR at our wholly owned hotels increased 1.0% in the 2017 and 2016 periods as compared to the respective prior periods regardless of ownership. Our RevPAR was lower than the overall industry growth due to lower growth in our specific markets primarily due to new supply.

In the table below, we present both actual and same property room revenue metrics. Actual Occupancy, ADR and RevPAR metrics reflect the performance of the hotels for the actual days such hotels were owned by the Company during the periods presented. Same property Occupancy, ADR, and RevPAR results for the 40 wholly owned by the Company as of December 31, 2017, reflect the performance of the hotels during the entire period regardless of our ownership during the periods presented, which is a non-GAAP financial measure. The Homewood Suites Carlsbad hotel is included in actual Occupancy, ADR and RevPAR through the date of sale. Results for the hotels for the periods prior to our ownership were provided to us by prior owners and have not been adjusted by us.

	For the years ended December 31,					
	2017		2016		Percentage Change	
	Same Property (40 hotels)	Actual (41 hotels)	Same Property (40 hotels)	Actual (38 hotels)	Same Property (40 hotels)	Actual (41/38 hotels)
Occupancy	79.8 %	79.9 %	80.7 %	80.6 %	(1.1)%	(0.9)%
ADR	$ 166.82	$ 166.40	$ 163.74	$ 162.89	1.9 %	2.2 %
RevPAR	$ 133.05	$ 132.93	$ 132.13	$ 131.32	0.7 %	1.2 %

Food and beverage revenue was $6.3 million and $6.2 million for the years ended December 31, 2017 and 2016, respectively. For 2017, $0.4 million of the increase relates to the hotels acquired in 2017 and a decrease of $0.3 million relates to the remaining properties. Food and beverage revenue increased due to the Hilton Garden Inn Portsmouth and Embassy Suites Springfield hotels acquired in 2017 that have food and beverage operations. Most of our other hotels have limited for sale food and beverage activities.

Other operating revenue, comprised of meeting room, parking, guaranteed no show bookings, restaurant lease income, gift shop, in-room movie and other ancillary amenities revenue, was $11.2 million and $10.1 million for the years ended December 31, 2017 and 2016, respectively. Total other operating revenue related to the three hotels acquired in 2017 contributed $0.2 million of the increase with the remainder coming from the hotel properties owned for all of 2017 primarily due to no show bookings, restaurant lease income, meeting rooms, miscellaneous room revenue and parking.

Cost reimbursements from unconsolidated real estate entities, comprised of corporate payroll, office rent and insurance costs at the NewINK JV, Inland JV and an entity which is 2.5% owned by Mr. Fisher, where the Company is the employer, were $5.9 million and $6.2 million for the years ended December 31, 2017 and 2016, respectively. The decrease is primarily attributable to decreases in salaries. These cost reimbursements were offset by the reimbursed costs from unconsolidated real estate entities included in operating expenses.

Hotel Operating Expenses

Hotel operating expenses consisted of the following for the periods indicated (dollars in thousands):

	Years Ended		
	December 31, 2017	December 31, 2016	% Change
Hotel operating expenses:			
Room	$ 59,151	$ 57,209	3.4 %
Food and beverage expense	5,342	4,928	8.4 %
Telephone expense	1,647	1,712	(3.8)%
Other expense	2,886	2,358	22.4 %
General and administrative	23,639	22,274	6.1 %
Franchise and marketing fees	23,247	22,412	3.7 %
Advertising and promotions	5,380	5,147	4.5 %
Utilities	9,944	9,545	4.2 %
Repairs and maintenance	13,317	12,444	7.0 %
Management fees	9,898	9,389	5.4 %
Insurance	1,228	1,359	(9.6)%
Total hotel operating expenses	$ 155,679	$ 148,777	4.6 %

Hotel operating expenses increased $6.9 million, or 4.6% to $155.7 million for the year ended December 31, 2017 from $148.8 million for the year ended December 31, 2016. The increase in total hotel operating expenses attributable to the three hotels acquired in 2017 contributed $2.1 million while the remaining hotels contributed $4.8 million to the increase.

Room expenses, which are the most significant component of hotel operating expenses, increased $2.0 million from $57.2 million in 2016 to $59.2 million in 2017. Total room expenses related to the three hotels acquired in 2017 contributed $0.6 million to the increase, while the remaining hotels contributed $1.4 million to the increase. The increase in rooms expense was due primarily to increased wages.

The remaining hotel operating expenses increased $5.0 million, or 5.3%, from $91.6 million in 2016 to $96.5 million in 2017. The increase attributable to the three hotels acquired in 2017 was $1.5 million while the remaining hotels had an increase of $3.4 million. Food and beverage expense increased due to the Hilton Garden Inn Portsmouth and Embassy Suites Springfield hotels acquired in 2017 that have food and beverage operations. Most of our other hotels have limited for sale food and beverage activities. Increases attributed to the remaining hotels acquired before 2017 related to franchise and management fees related to increased revenues, utilities costs and repair costs.

Depreciation and Amortization

Depreciation and amortization expense decreased $2.5 million from $48.8 million for the year ended December 31, 2016 to $46.3 million for the year ended December 31, 2017. The increase attributable to the three hotels acquired in 2017 is $0.5 million, while the decrease attributable to the remaining hotels of $3.0 million was due to some assets being fully depreciated. Depreciation is recorded on our assets generally over 40 years for buildings, 20 years for land improvements, 5 to 20 years for building improvements and one to ten years for hotel furniture, fixtures and equipment from the date of acquisition on a straight-line basis. Amortization of franchise fees is recorded on a straight-line basis over the term of the respective franchise agreement.

Impairment loss

Impairment loss was $6.7 million for the year ended December 31, 2017, compared to zero for the year ended December 31, 2016. The Company recorded an impairment at our Washington SHS, PA hotel during the year ended December 31, 2017.

Property Taxes and Insurance

Total property taxes and insurance expenses decreased $0.7 million from $21.6 million for the year ended December 31, 2016 to $20.9 million for the year ended December 31, 2017. The increase related primarily to the three hotels acquired in 2017 was $0.1 million and the remaining hotels decreased $0.8 million primarily attributable to successful real estate tax appeals at some of our properties.

General and Administrative

General and administrative expenses principally consist of employee-related costs, including base payroll, bonuses and amortization of restricted stock and awards of LTIP units. These expenses also include corporate operating costs, professional fees and trustees' fees. Total general and administrative expenses (excluding amortization of stock based compensation of $3.8 million and $3.0 million for the years ended December 31, 2017 and 2016, respectively) increased $0.9 million, or 11.1%, to $9.0 million in 2017 from $8.1 million in 2016, with the increase primarily due to salaries, professional fees, entity taxes, travel and office expenses.

Other Charges

In 2017 we adopted Financial Accounting Standards Board ("FASB") ASU 2017-01 and began capitalizing acquisition related costs. Prior to 2017 acquisition related costs were expensed as incurred. Other charges remained level from $0.5 million for the year ended December 31, 2016 to $0.5 million for the year ended December 31, 2017. The 2017 costs primarily consisted of the Company's share of expense related to a class action lawsuit in California (See Legal Proceedings in Part I). The property acquisition costs in the 2016 period related to a prior acquisition for which final amounts were more than previously accrued.

Reimbursed Costs from Unconsolidated Real Estate Entities

Reimbursed costs from unconsolidated real estate entities, comprised of corporate payroll and office rent costs at the NewINK JV and Inland JV and an entity which is 2.5% owned by Mr. Fisher, where the Company is the employer, were $5.9 million and $6.2 million for the year ended December 31, 2017 and 2016, respectively. The decrease is primarily attributable to decreases in salaries. These reimbursed costs were offset by the cost reimbursements from unconsolidated real estate entities included in revenues.

Interest and Other Income

Interest on cash and cash equivalents and other income decreased $21.0 thousand from $51.0 thousand for the year ended December 31, 2016 to $30.0 thousand for the year ended December 31, 2017.

Interest Expense, Including Amortization of Deferred Fees

Interest expense decreased $0.4 million, or 1.4%, from $28.3 million for the year ended December 31, 2016 to $27.9 million for the year ended December 31, 2017. Interest expense is comprised of the following (dollars in thousands):

	Years Ended		
	December 31, 2017	December 31, 2016	% Change
Mortgage debt interest	$ 24,977	$ 25,250	(1.1) %
Credit facility interest	1,577	1,307	20.7 %
Other fees	692	657	5.3 %
Amortization of deferred financing costs	655	1,083	(39.5) %
Total	**$ 27,901**	**$ 28,297**	**(1.4) %**

The decrease in interest expense for the year ended December 31, 2017 as compared to the year ended December 31, 2016 is primarily due to a change in amortization for deferred financing fees. Interest expense on the Company's senior unsecured revolving credit facility increased due to an increase in LIBOR for the year ended December 31, 2017 as compared to the year ended December 31, 2016. Mortgage debt decreased primarily due to lower principal balances on our mortgage debt.

Loss on Early Extinguishment of Debt

Loss on early extinguishment of debt decreased to zero for the year ended December 31, 2017 from $4 thousand for the year ended December 31, 2016 due to paying off the loan associated with the Altoona hotel in January 2016 instead of at the maturity date of April 2016.

Gain on Sale of Hotel Property

Gain on sale of hotel property increased $3.3 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 due to the sale of the Homewood Suite Carlsbad hotel on December 20, 2017 and no comparable sale in 2016.

Income from Unconsolidated Real Estate Entities

Income from unconsolidated real estate entities increased $0.9 million from $0.7 million for the year ended December 31, 2016 to $1.6 million for the year ended December 31, 2017. The increase is due primarily to an increase in the basis adjustment amortization from $0.6 million in 2016 to $1.6 million in 2017.

Income (loss) on Sale from Unconsolidated Real Estate Entities

Income (loss) on sale from unconsolidated real estate entities decreased to zero from a loss of $10 thousand for the year ended December 31, 2016 due to finalizing the prorations of the sale of the Torrance JV in December 2015. There were no sales of unconsolidated real estate entities in 2017.

Income Tax Benefit (Expense)

Income tax benefit (expense) changed from a benefit of $0.3 million for the year ended December 31, 2016 to an expense of $0.4 million for the year ended December 31, 2017. The change was due to the valuation allowance that was established in 2017. On December 22, 2017, the TCJA was enacted. The TCJA includes a number of changes to the existing U.S. tax code, most notably a reduction of the U.S. corporate income tax rate from 35% to 21% effective for tax years beginning after December 31, 2017. Changes in tax rates and tax laws are accounted for in the period of enactment. Therefore, as a result of the TCJA being signed into law, the net deferred tax assets before valuation allowance were reduced by $0.6 million with a corresponding net adjustment to current year tax expense for the remeasurement of the Company’s U.S. net deferred tax assets. Our federal income tax expense for periods beginning in 2018 will be based on the new rate.

Net Income

Net income was $29.7 million for the year ended December 31, 2017, compared to a net income of $31.7 million for the year ended December 31, 2016. The increase in our net income was due to the factors discussed above.

Material Trends or Uncertainties

We are not aware of any material trends or uncertainties, favorable or unfavorable, that may be reasonably anticipated to have a material impact on either the capital resources or the revenues or income to be derived from the acquisition and operation of properties, loans and other permitted investments, other than those referred to in this section and the risk factors identified in the “Risk Factors” section of this Annual Report on this Form 10-K.

Non-GAAP Financial Measures

We consider the following non-GAAP financial measures useful to investors as key supplemental measures of our operating performance: (1) FFO, (2) Adjusted FFO, (3) EBITDA, (4) EBITDA*re*, (5) Adjusted EBITDA and (6) Adjusted Hotel EBITDA. These non-GAAP financial measures should be considered along with, but not as alternatives to, net income or loss as prescribed by GAAP as a measure of our operating performance.

FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA do not represent cash generated from operating activities under GAAP and should not be considered as alternatives to net income or loss, cash flows from operations or any other operating performance measure prescribed by GAAP. FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA are not measures of our liquidity, nor are FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA or Adjusted Hotel EBITDA indicative of funds available to fund our cash needs, including our ability to make cash distributions. These measurements do not reflect cash expenditures for long-term assets and other items that have been and will be incurred. FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA may include funds that may not be available for management's discretionary use due to functional requirements to conserve funds for capital expenditures, property acquisitions, and other commitments and uncertainties.

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 write-downs, the cumulative effect of changes in accounting principles, plus depreciation and amortization (excluding amortization of deferred financing costs), and after adjustments for unconsolidated partnerships and joint ventures following the same approach. We believe that the presentation of FFO provides useful information to investors regarding our operating performance because it measures our performance without regard to specified non-cash items such as real estate depreciation and amortization, gain or loss on sale of real estate assets and certain other items that we believe are not indicative of the property level performance of our hotel properties. We believe that these items reflect historical cost of our asset base and our acquisition and disposition activities and are less reflective of our ongoing operations, and that by adjusting to exclude the effects of the items, FFO is useful to investors in comparing our operating performance between periods and between REITs that report FFO using the NAREIT definition.

We calculate Adjusted FFO by further adjusting FFO for certain additional items that are not addressed in NAREIT's definition of FFO, including other charges, losses on the early extinguishment of debt and similar items related to our unconsolidated real estate entities that we believe do not represent costs related to hotel operations. We believe that Adjusted FFO provides investors with another financial measure that may facilitate comparisons of operating performance between periods and between REITs that make similar adjustments to FFO.

The following is a reconciliation of net income to FFO and Adjusted FFO for the years ended December 31, 2018, 2017 and 2016 (in thousands, except share data):

	For the year ended December 31,		
	2018	**2017**	**2016**
Funds From Operations ("FFO"):			
Net income	$ 30,870	$ 29,680	$ 31,695
Loss (gain) on sale of hotel property	18	(3,327)	—
Loss on sale from unconsolidated real estate entities	—	—	10
Depreciation	47,932	46,060	48,562
Impairment loss	—	6,663	—
Adjustments for unconsolidated real estate entity items	6,992	6,600	8,186
FFO attributed to common share and unit holders	85,812	85,676	88,453
Other charges	3,806	523	510
Loss on early extinguishment of debt	—	—	4
Adjustments for unconsolidated real estate entity items	1,078	96	25
Adjusted FFO attributed to common share and unit holders	$ 90,696	$ 86,295	88,992
Weighted average number of common shares and units			
Basic	46,428,387	40,138,856	38,556,842
Diluted	46,598,532	40,391,978	38,740,650

Diluted weighted average common share count used for calculation of adjusted FFO per share may differ from diluted weighted average common share count used for calculation of GAAP Net Income per share by LTIP units, which may be converted to common shares of beneficial interest and if Net Income per share is negative and Adjusted FFO is positive. Unvested restricted shares and unvested LTIP units that could potentially dilute basic earnings per share in the future would not be included in the computation of diluted loss per share for the periods where a loss has been recorded because they would have been anti-dilutive for the periods presented.

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 sale of assets; (3) depreciation and amortization; and (4) unconsolidated real estate entity items including interest, depreciation and amortization excluding gains and losses from sales of real estate. 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.

In addition to EBITDA, we present EBITDA*re* in accordance with NAREIT guidelines, which defines EBITDA*re* as net income or loss excluding interest expense, income tax expense, depreciation and amortization expense, gains or losses from sales of real estate, impairment, and adjustments for unconsolidated joint ventures. We believe that the presentation of EBITDA*re* provides useful information to investors regarding the Company's operating performance and can facilitate comparison of operating performance between periods and between REITs.

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

The following is a reconciliation of net income to EBITDA, EBITDA*re* and Adjusted EBITDA for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	For the year ended December 31,		
	2018	**2017**	**2016**
Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”):			
Net income	$ 30,870	$ 29,680	$ 31,695
Interest expense	26,878	27,901	28,297
Income tax (benefit) expense	(28)	396	(301)
Depreciation and amortization	48,169	46,292	48,775
Adjustments for unconsolidated real estate entity items	16,495	14,650	15,908
EBITDA	122,384	118,919	124,374
Impairment loss	—	6,663	—
Loss on sale from unconsolidated real estate entities	—	—	10
Loss (gain) on sale of hotel property	18	(3,327)	—
EBITDA*re*	122,402	122,255	124,384
Other charges	3,806	523	510
Loss on early extinguishment of debt	—	—	4
Adjustments for unconsolidated real estate entity items	1,081	136	62
Share based compensation	4,210	3,784	3,013
Adjusted EBITDA	$ 131,499	$ 126,698	$ 127,973

Adjusted Hotel EBITDA is defined as net income before interest, income taxes, depreciation and amortization, corporate general and administrative, impairment loss, loss on early extinguishment of debt, other charges, interest and other income, loses on sales of hotel properties and income or loss from unconsolidated real estate entities. We present Adjusted Hotel EBITDA because we believe it is useful to investors in comparing our hotel operating performance between periods and comparing our Adjusted Hotel EBITDA margins to those of our peer companies. Adjusted Hotel EBITDA represents the results of operations for our wholly owned hotels only.

The following is a presentation of Adjusted Hotel EBITDA for the years ended December 31, 2018, 2017 and 2016 (in thousands):

		For the year ended December 31,		
		2018	2017	2016
Net income		30,870	29,680	31,695
Add:	Interest expense	26,878	27,901	28,297
	Income tax expense	—	396	—
	Depreciation and amortization	48,169	46,292	48,775
	Corporate general and administrative	14,120	12,825	11,119
	Other charges	3,806	523	510
	Impairment loss	—	6,663	—
	Loss from unconsolidated real estate entities	876	—	—
	Loss on sale of hotel property	18	—	4
	Loss on sale from unconsolidated real estate entities	—	—	10
Less:	Interest and other income	(462)	(30)	(51)
	Gain on sale of hotel property	—	(3,327)	—
	Income from unconsolidated real estate entities	—	(1,582)	(718)
	Income tax benefit	(28)	—	(301)
Adjusted Hotel EBITDA		$ 124,247	$ 119,341	$ 119,340

- Although we present FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA because we believe they are useful to investors in comparing our operating performance between periods and between REITs that report similar measures, these measures have limitations as analytical tools. Some of these limitations are:
- FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect funds available to make cash distributions;
- EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may need to be replaced in the future, and FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect any cash requirements for such replacements;
- Non-cash compensation is and will remain a key element of our overall long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period using Adjusted EBITDA;
- Adjusted FFO, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect the impact of certain cash charges (including acquisition transaction costs) that result from matters we consider not to be indicative of the underlying performance of our hotel properties; and
- Other companies in our industry may calculate FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA differently than we do, limiting their usefulness as a comparative measure.

- In addition, FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA do not represent cash generated from operating activities as determined by GAAP and should not be considered as alternatives to net income or loss, cash flows from operations or any other operating performance measure prescribed by GAAP. FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA are not measures of our liquidity. Because of these limitations, FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using FFO, Adjusted FFO, EBITDA, EBITDA*re*, Adjusted EBITDA and Adjusted Hotel EBITDA only supplementally. Our consolidated financial statements and the notes to those statements included elsewhere are prepared in accordance with GAAP.

Sources and Uses of Cash

Our principal sources of cash include net cash from operations and proceeds from debt and equity issuances. Our principal uses of cash include acquisitions, capital expenditures, operating costs, corporate expenditures, interest costs, debt repayments and distributions to equity holders.

As of December 31, 2018 and December 31, 2017, we had cash and cash equivalents of approximately $7.2 million and $$9.3 million, respectively. Additionally, we had $168.5 million available under our $250.0 million senior unsecured revolving credit facility as of December 31, 2018.

For the year ended December 31, 2018, net cash flows provided by operations were $86.2 million, driven by net income of $30.9 million and by $54.1 million of non-cash items, including $49.1 million of depreciation and amortization and $4.2 million of share-based compensation expense and losses of $0.8 million from unconsolidated real estate entities. In addition, changes in operating assets and liabilities due to the timing of cash receipts, payment for real estate taxes, payments of corporate compensation and payments from our hotels resulted in net cash inflow of $1.2 million. Net cash flows used in investing activities were $96.4 million, primarily related the purchase of the Residence Inn Summerville for $21.0 million and the Dallas Downtown Courtyard for $49.0 million, capital improvements on our 42 wholly owned hotels of $31.4 million, reduced by distributions of $5.0 million received from unconsolidated real estate entities. Net cash flows provided by financing activities were $6.0 million, comprised of $24.5 million of common equity proceeds raised through sales under our ATM Plans and New DRSPP, net borrowings on our unsecured credit facility of $49.5 million, principal payments or payoffs on mortgage debt of $4.9 million, payments of deferred financing and offering costs of $1.5 million, and distributions to shareholders and LTIP unit holders of $61.6 million.

For the year ended December 31, 2017, net cash flows provided by operations were $86.7 million, driven by net income of $29.7 million and by $56.9 million of non-cash items, including $46.9 million of depreciation and amortization, $6.7 million of impairment loss, $3.8 million of share-based compensation expense, distributions of $0.7 million received from unconsolidated real estate entities and $0.4 million related to a deferred tax expense, offset by $1.6 million related to the income from unconsolidated entities, offset by a gain on sale of hotel of $3.3 million. In addition, changes in operating assets and liabilities due to the timing of cash receipts, payment for real estate taxes, payments of corporate compensation and payments from our hotels resulted in net cash inflow of $3.4 million. Net cash flows used in investing activities were $158.4 million, primarily related the purchase of the Hilton Garden Inn Portsmouth for $43.4 million, the purchase of the Summerville Courtyard for $20.2 million, the Springfield Embassy Suites for $68.2 million and the purchase of a parcel of land in Los Angeles for $6.5 million, capital improvements on our 40 wholly owned hotels of $30.2 million, $5.0 million related to our Inland JV investment, reduced by proceeds from the sale of the Homewood Suites Carlsbad hotel of $12.5 million and distributions of $2.6 million received from unconsolidated real estate entities. Net cash flows provided by financing activities were $71.2 million, comprised of $150.7 million of common equity proceeds raised from our issuance of common shares in our November 2017 underwritten public offering and through sales under our ATM Plans and DRSPPs, net repayments on our unsecured credit facility of $20.5 million, principal payments or payoffs on mortgage debt of $4.2 million, payments of deferred financing and offering costs of $2.1 million, and distributions to shareholders and LTIP unit holders of $52.7 million.

For the year ended December 31, 2016, net cash flows provided by operations were $87.7 million, driven by net income of $31.7 million and by $51.8 million of non-cash items, including $49.9 million of depreciation and amortization, $3.0 million of share-based compensation expense, offset by $0.7 million related to the income from unconsolidated entities and $0.4 million related to a deferred tax benefit. In addition, changes in operating assets and liabilities due to the timing of cash receipts, payment for real estate taxes, payments of corporate compensation and payments from our hotels resulted in net cash inflow of $4.2 million. Net cash flows used in investing activities were $15.3 million, primarily related to capital improvements on our 38 wholly owned hotels of $22.5 million, reduced by distributions of $7.2 million received from unconsolidated real estate entities. Net cash flows used in financing activities were $75.5 million, comprised of net proceeds of $0.5 million raised through our Prior DRSPP, net repayments on our unsecured credit facility of $13.1 million, principal payments or payoffs on mortgage debt of $9.7 million, payments of deferred financing and offering costs of $0.1 million, and distributions to shareholders and LTIP unit holders of $53.1 million.

We declared total dividends of $0.10 per common share and LTIP unit for each month in 2015. In December 2015, we declared a special dividend of $0.08 per common share and LTIP unit payable in January 2016. In March 2016, we changed the monthly dividend and distribution from $0.10 to $0.11 per common share and LTIP unit, which we maintained for the remainder of 2016, 2017 and 2018. On January 25, 2019, we paid an aggregate of $5.2 million in dividends on our common shares and distributions on our LTIP units attributable to the December 2018 monthly dividend.

Liquidity and Capital Resources

We plan to maintain a prudent capital structure and intend to maintain our leverage over the long term at a ratio of net debt to investment in hotels (at cost) (defined as our initial acquisition price plus the gross amount of any subsequent capital investment and excluding any impairment charges) at a level that will be similar to the levels at which we have operated in the past. A subsequent decrease in hotel property values will not necessarily cause us to repay debt to comply with this limitation. At December 31, 2018, our leverage ratio was approximately 34.7 percent, which increased from 34.0 percent at December 31, 2017 based on the ratio of our net debt (total debt outstanding before deferred financing costs less unrestricted cash and cash equivalents) to hotel investments at cost, including our JV investments. At December 31, 2018, we had total debt of $585.1 million at an average rate of approximately 4.6%. Our debt coverage ratios currently are favorable and we are comfortable in this leverage range and believe we have the capacity and flexibility to take advantage of acquisition opportunities as they arise. We intend to continue to fund our investments with a prudent balance of debt and equity. We will pay down borrowings on our senior unsecured revolving credit facility with excess cash flow until we find other uses of cash such as investments in our existing hotels, hotel acquisitions or further joint venture investments. Our debt may include mortgage debt collateralized by our hotel properties and unsecured debt.

At December 31, 2018 and 2017, we had $81.5 million and $32.0 million, respectively, in outstanding borrowings under our senior unsecured revolving credit facility. At December 31, 2018, the maximum borrowing availability under our senior unsecured revolving credit facility was $250.0 million. We also had mortgage debt on individual hotels aggregating $503.6 million and $508.5 million at December 31, 2018 and 2017, respectively.

Our senior unsecured credit facility contains representations, warranties, covenants, terms and conditions customary for credit facilities of this type, including a maximum leverage ratio, a minimum fixed charge coverage ratio and minimum net worth financial covenants, limitations on (i) liens, (ii) incurrence of debt, (iii) investments, (iv) distributions, and (v) mergers and asset dispositions, covenants to preserve corporate existence and comply with laws, covenants on the use of proceeds of the senior unsecured revolving credit facility and default provisions, including defaults for non-payment, breach of representations and warranties, insolvency, non-performance of covenants, cross-defaults and guarantor defaults. We were in compliance with all financial covenants at December 31, 2018.

On March 8, 2018, we refinanced our senior unsecured credit facility with a new facility having a maturity date in March 2023, which includes the option to extend the maturity by an additional year, and replaces our previous $250 million senior unsecured credit facility that was scheduled to mature in 2020. Borrowing costs have been reduced by 0 to 15basis points from comparable leverage-based pricing levels in our previous credit facility. At December 31, 2018 current leverage level, the borrowing cost under the new facility is LIBOR plus 1.65 percent. We were in compliance with all financial covenants at December 31, 2018.

In January 2014, we established a $25 million dividend reinvestment and stock purchase plan (the "Prior DRSPP"). We filed a new $50 million shelf registration statement for the dividend reinvestment and stock purchase plan (the "New DRSPP" and together with the Prior DRSPP, the "DRSPPs") on December 28, 2017 to replace the prior expiring program. Under the DRSPPs, shareholders may purchase additional common shares by reinvesting some or all of the cash dividends received on the Company's common shares. Shareholders may also make optional cash purchases of the Company's common shares subject to certain limitations detailed in the prospectuses for the DRSPPs. During the year ended December 31, 2018, we issued 766,574 shares under the New DRSPP at a weighted average price of $22.08, which generated $16.9 million of proceeds. As of December 31, 2018 and December 31, 2017, respectively, we had issued 1,508,046 and 741,730 shares under the DRSPPs at a weighted average price of $21.55 and $21.00 per share, respectively. As of December 31, 2018, there were common shares having a maximum aggregate sales price of approximately $32.5 million available for issuance under the New DRSPP.

In January 2014, the Company established an At the Market Equity Offering ("Prior ATM Plan") whereby, from time to time, we may publicly offer and sell our common shares having an aggregate maximum offering price of up to $50 million by means of ordinary brokers' transactions on the New York Stock Exchange (the "NYSE"), in negotiated transactions or in transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933. We filed a $100 million registration statement for a new ATM program (the "ATM Plan" and together with the Prior ATM Plan, the "ATM Plans") on December 28, 2017 to replace the prior program. At the same time, the Company entered into sales agreements with Cantor Fitzgerald & Co. ("Cantor"), Barclays Capital Inc. ("Barclays"), Robert W. Baird & Co. Incorporated ("Baird"), BTIG, LLC ("BTIG"), Citigroup Global Markets Inc. ("Citigroup"), Stifel, Nicolaus & Company, Incorporated ("Stifel") and Wells Fargo Securities, LLC ("Wells Fargo") as sales agents. During the year ended December 31, 2018, we issued 350,975 shares under the ATM Plan at a weighted average price of $21.55, which generated $7.6 million of proceeds. As of December 31, 2018 and December 31, 2017, respectively, we had issued 2,498,670 and 2,147,695 shares under the ATM Plans at a weighted average price of $21.83 and $21.87 per share, respectively, in addition to the offerings discussed above. As of December 31, 2018, there were common shares having a maximum aggregate sales price of approximately $92.4 million available for issuance under the ATM Plan.

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 senior unsecured revolving credit facility or through the encumbrance of any unencumbered hotels. We believe that our net cash provided by operations will be adequate to fund operating obligations, pay interest on any borrowings and fund dividends in accordance with the requirements for qualification as a REIT under the Code. We expect to meet our long-term liquidity requirements, such as hotel property acquisitions and debt maturities or repayments through additional long-term secured and unsecured borrowings, the issuance of additional equity or debt securities or the possible sale of existing assets.

We intend to continue to invest in hotel properties as suitable opportunities arise. We intend to finance our future investments with free cash flow, the net proceeds from additional issuances of common and preferred shares, issuances of common units in our Operating Partnership or other securities, borrowings or asset sales. The success of our acquisition strategy depends, in part, on our ability to access additional capital through other sources. There can be no assurance that we will continue to make investments in properties that meet our investment criteria. Additionally, we may choose to dispose of certain hotels as a means to provide liquidity.

Capital Expenditures

We intend to maintain each hotel property in good repair and condition and in conformity with applicable laws and regulations and in accordance with the franchisor’s standards and any agreed-upon requirements in our management and loan agreements. After we acquire a hotel property, we may be required to complete a property improvement plan (“PIP”) in order to be granted a new franchise license for that particular hotel property. PIPs are intended to bring the hotel property up to the franchisor’s standards. Certain of our loans require that we escrow for property improvement purposes, at the hotels collateralizing these loans, amounts up to 5% of gross revenue from such hotels. We intend to spend amounts necessary to comply with any reasonable loan or franchisor requirement and otherwise to the extent that such expenditures are in the best interest of the hotel. To the extent that we spend more on capital expenditures than is available from our operations, we intend to fund those capital expenditures with available cash and borrowings under our senior unsecured revolving credit facility.

For the years ended December 31, 2018 and 2017, we invested approximately $31.4 million and $30.2 million, respectively, on capital projects in our hotels. We expect to invest approximately $31.9 million on capital improvements to our existing hotels in 2019, including improvements required under any brand required PIP.

Related Party Transactions

We have entered into transactions and arrangements with related parties that could result in potential conflicts of interest. See “Risks Related to Our Business” and Note 14, “Related Party Transactions”, to our consolidated financial statements included in this Annual Report on Form 10-K. See also Item 13 of this Form 10-K.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at December 31, 2018 other than non-recourse debt associated with the NewINK JV and Inland JV as discussed below.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2018, and the effect these obligations are expected to have on our liquidity and cash flow in future periods (in thousands).

	Payments Due by Period				
Contractual Obligations	Total	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
Corporate office lease (1)	$ 6,598	$ 792	$ 1,643	$ 1,727	$ 2,436
Revolving credit facility, including interest (2)	36,065	1,905	3,810	30,350	—
Ground leases	75,805	1,273	2,646	2,661	69,225
Property loans, including interest (2)	603,532	30,627	78,109	174,647	320,149
Total	$ 722,000	$ 34,597	$ 86,208	$ 209,385	$ 391,810

1. The Company entered into a corporate office lease in 2015. The lease is for eleven years and includes a 12-month rent abatement period and certain tenant improvement allowances. The Company will share the space with related parties and will be reimbursed for the pro-rata share of rentable space occupied by related parties.

2. Does not reflect paydowns or additional borrowings under the senior unsecured revolving credit facility after December 31, 2018. Interest payments are based on the interest rate in effect as of December 31, 2018. See Note 7, “Debt” to our consolidated financial statements for additional information relating to our property loans.

In addition to the above listed obligations, we pay management and franchise fees to our hotel management companies and franchisors based on the revenues of our hotels.

The Company’s ownership interests in the NewINK JV and Inland JV are subject to change in the event that either we or CLNY calls for additional capital contributions to the respective JVs necessary for the conduct of that JV's business, including contributions to fund costs and expenses related to capital expenditures. We manage the NewINK JV and Inland JV and will receive a promote interest in the applicable JV if it meets certain return thresholds. CLNY may also approve certain actions related to the JVs without the Company’s consent, including certain property dispositions conducted at arm’s length, certain actions related to the restructuring of the JVs and removal of the Company as managing member in the event the Company fails to fulfill its material obligations under the respective joint venture agreements.

In connection with certain non-recourse mortgage loans in either the NewINK JV or Inland JV, our Operating Partnership could require us to repay our pro rata share of portions of each respective JV's indebtedness in connection with certain customary non-recourse carve-out provisions such as environmental conditions, misuse of funds and material misrepresentations.

Inflation

Operators of hotels, in general, possess the ability to adjust room rates daily to reflect the effects of inflation. However, competitive pressures may limit the ability of our management companies to raise room rates.

Critical Accounting Policies

We consider the following policies critical because they require estimates about matters that are inherently uncertain, involve various assumptions and require management judgment. The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

Investment in Hotel Properties

We allocate the purchase prices of hotel properties acquired based on the fair value of the acquired real estate, furniture, fixtures and equipment, identifiable intangible assets and assumed liabilities. In making estimates of fair value for purposes of allocating the purchase price, we utilize a number of sources of information that are obtained in connection with the acquisition of a hotel property, including valuations performed by independent third parties and information obtained about each hotel property resulting from pre-acquisition due diligence. Hotel property acquisition costs, such as transfer taxes, title insurance, environmental and property condition reviews, and legal and accounting fees were expensed in 2016. The Company early adopted ASU 2017-01 "Definition of a Business" which requires these costs to be capitalized for asset acquisitions. The Company generally expects its hotel acquisitions will qualify as asset acquisitions.

Our hotel properties are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for land improvements, 5 to 20 years for building improvements and one to ten years for furniture, fixtures and equipment. Renovations and/or replacements at the hotel properties that improve or extend the life of the assets are capitalized and depreciated over their useful lives, while repairs and maintenance are expensed as incurred. Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are removed from the Company’s accounts and any resulting gain or loss is recognized in the consolidated statements of operations.

Our hotel properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. Events or circumstances that may cause a review include, but are not limited to, adverse changes in the demand for lodging at the properties due to declining national or local economic conditions and/or new hotel construction in markets where the hotels are located. When these conditions exist, management will perform an analysis to determine if the estimated undiscounted future cash flows, without interest charges, from operations and the proceeds from the ultimate disposition of a hotel property exceed its carrying value. If the estimated undiscounted future cash flows are less than the carrying amount, an adjustment to reduce the carrying amount to the related hotel property's estimated fair market value is recorded and an impairment loss recognized. For the year ended December 31, 2017, the Company incurred an impairment loss on its Washington SHS, PA hotel. For the years ended December 31, 2018 and 2016 there were no impairment losses.

For properties the Company considers held for sale, depreciation and amortization are no longer recorded and the value the properties is recorded at the lower of depreciated cost or fair value, less costs to sell. If circumstances arise that were previously considered unlikely, and, as a result, the Company decides not to sell a property previously classified as held for sale, the Company will reclassify such property as held and used. Such property is measured at the lower of its carrying amount (adjusted for any depreciation and amortization expense that would have been recognized had the property been continuously classified as held and used) or fair value at the date of the subsequent decision not to sell. The Company classifies properties as held for sale when all criteria within the Financial Accounting Standards Board's ("FASB") guidance on the impairment or disposal of long-lived assets are met. As of December 31, 2018, we had no hotel properties held for sale.

Investment in Unconsolidated Real Estate Entities

If it is determined that the Company does not have a controlling interest in a joint venture, either through its financial interest in a variable investment entity ("VIE") or in a voting interest entity, the equity method of accounting is used if the company has the ability to exercise significant influence. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company’s share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, advances to and commitments for the investee.

Investment in unconsolidated real estate entities are accounted for under the equity method of accounting and the Company records its equity in earnings or losses under the hypothetical liquidation of book value (“HLBV”) method of accounting due to the structures and the preferences we receive on the distributions from the joint ventures pursuant to the joint venture agreements. Under this method, the Company recognizes income and loss in each period based on the change in liquidation proceeds we would receive from a hypothetical liquidation of our investment based on depreciated book value. Therefore, income or loss may be allocated disproportionately as compared to the ownership percentages due to specified preferred return rate thresholds and may be more or less than actual cash distributions received and more or less than what the Company may receive in the event of an actual liquidation. In the event a basis difference is created between the carrying amount of the Company's share of partner's capital, the resulting amount is allocated based on the assets of the investee and, if assigned to depreciable or amortizable assets, then amortized as a component of income (loss) from unconsolidated real estate entities.

On January 1, 2016, the Company adopted accounting guidance under Accounting Standards Codification (ASC) Topic 810, "Consolidation,” modifying the analysis it must perform to determine whether it should consolidate certain types of legal entities. The guidance does not amend the existing disclosure requirements for variable interest entities ("VIEs") or voting interest model entities. The guidance, however, modified the requirements to qualify under the voting interest model. Under the revised guidance, the Operating Partnership is a VIE of the Company. As the Operating Partnership is already consolidated in the financial statements of the Company, the identification of this entity as a VIE has no impact on the consolidated financial statements of the Company. There were no other legal entities qualifying under the scope of the revised guidance that were consolidated as a result of the adoption. In addition, there were no other voting interest entities under prior existing guidance determined to be variable interest entities under the revised guidance.

The Company periodically reviews the carrying value of its investment in unconsolidated joint ventures to determine if circumstances indicate impairment to the carrying value of the investment that is other than temporary. When an impairment indicator is present, the Company will estimate the fair value of the investment. The Company’s estimate of fair value takes into consideration factors such as expected future operating income, trends and prospects, as well as other factors. This determination requires significant estimates by management, including the expected cash flows to be generated by the assets owned and operated by the joint venture. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount over the fair value of the Company’s investment in the unconsolidated joint venture. As of December 31, 2018 and 2017, we had no JVs that were impaired.

Revenue Recognition

Revenue from hotel operations is recognized when rooms are occupied and when services are provided. Revenue consists of amounts derived from hotel operations, including sales from room, meeting room, gift shop, in-room movie and other ancillary amenities. Sales, use, occupancy, and similar taxes are collected and presented on a net basis (excluded from revenues) in the accompanying consolidated statements of operations.

On January 1, 2018, the Company adopted accounting guidance under Accounting Standards Codification (ASU) Topic 2014-09, "Revenue from Contracts with Customers" on a modified retrospective basis. Our current revenue streams are not affected under the new model and we did not recognize a cumulative effect adjustment as part of the modified retrospective method of adoption. Furthermore, the new accounting guidance will not materially impact the recognition of or the accounting for disposition of hotels, since we primarily dispose of hotels to third parties in exchange for cash with few contingencies. As it relates to capitalization of costs to acquire customer contracts, the Company has elected to use the Financial Accounting Standards Board's ("FASB") practical expedient which allows us to expense costs to acquire customer contracts as they are incurred due to their short-term nature for a specified number of nights that never exceed one year. This guidance applies to all contracts as of the adoption date. The Company has applied all relevant disclosures of this standard.

Share-Based Compensation

We measure compensation expense for the restricted share awards based upon the fair market value of our common shares at the date of grant. The Company measures compensation expense for the LTIP and Class A Performance units based upon the Monte Carlo approach using volatility, dividend yield and a risk free interest rate in the valuation. Compensation expense is recognized on a straight-line basis over the vesting period and is included in general and administrative expense in the accompanying consolidated statements of operations. We pay dividends on vested and non-vested restricted shares, except for performance-based shares for which dividends on unvested shares are not paid until these shares are vested. The Company has also issued Class A Performance LTIP units from time to time as part of its compensation plan. Prior to vesting, holders of Class A Performance LTIP Units will not be entitled to vote their Class A Performance LTIP units. In addition, under the terms of the Class A Performance LTIP units, a holder of a Class A Performance LTIP unit will generally (i) be entitled to receive 10% of the distributions made on a common unit of the Operating Partnership during the period prior to vesting of such Class A Performance LTIP unit (the “Pre-Vesting Distributions”), (ii) be entitled, upon the vesting of such Class A Performance LTIP unit, to receive a special one-time “catch-up” distribution equal to the aggregate amount of distributions that were paid on a common unit during the period prior to vesting of such Class A Performance LTIP unit minus the aggregate amount of Pre-Vesting Distributions paid on such Class A Performance LTIP unit, and (iii) be entitled, following the vesting of such Class A Performance LTIP unit, to receive the same amount of distributions paid on a common unit of the Operating Partnership.

Income Taxes

We elected to be taxed as a REIT for federal income tax purposes commencing with our 2010 taxable year. In order to qualify as a REIT under the Code, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our annual REIT taxable income to our shareholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, we generally will not be subject to federal income tax to the extent we currently distribute our taxable income to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate income tax rates (at a 35% rate for taxable years prior to 2018 and a 21% rate for 2018 and thereafter) and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the IRS grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to shareholders. However, we believe we have been organized and that we operate in such a manner as to qualify for treatment as a REIT.

Recently Issued Accounting Standards

On February 25, 2016, the FASB issued updated accounting guidance which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new accounting guidance requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on whether or not the lease is effectively a financed purchase by the lessee. The classification of the lease will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases. We will adopt the new accounting guidance on January 1, 2019 and apply it based on the optional transition method provided for, which allows entities to recognize a cumulative-effect adjustment to the balance sheet on the adoption date. Upon adoption, we expect to apply the package of practical expedients made available under the new accounting guidance and also make an accounting policy election to not recognize right-of-use assets or lease liabilities for leases with terms of 12 months or less. For our ground lease agreements and corporate office lease agreement, all of which are currently accounted for as operating leases, we will recognize lease liabilities with corresponding right-of use assets of a similar amount which will have a material impact on our consolidated balance sheet. We are still evaluating the impact that this guidance will have on our consolidated financial statements.

On January 1, 2018, the Company adopted accounting guidance under 2016-15 ("ASU 2016-15"), *Classification of Certain Cash Receipts and Cash Payments*, which clarifies and provides specific guidance on eight cash flow classification issues with an objective to reduce the current diversity in practice. The Company has certain cash payments and receipts related to debt extinguishment that will be affected by the new standard. The Company has historically classified distributions received from equity method investments under the cumulative earnings approach. As such, there was no impact due to application of the new guidance. The Company applied the new guidance on a retrospective basis.

On January 1, 2018, the Company adopted accounting guidance under ASU 2016-18 ("ASU 2016-18"), *Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. This standard addresses presentation of restricted cash in the consolidated statements of cash flows only. Restricted cash represents purchase price deposits held in escrow for potential hotel acquisitions under contract and escrow reserves such as reserves for capital expenditures, property taxes or insurance that are required pursuant to the Company's loans. The Company applied the new guidance on a retrospective basis.

On January 5, 2017, the FASB issued ASU 2017-01 ("ASU 2017-01"), *Definition of a Business,* which will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical and oil and gas. Application of the changes would also affect the accounting for disposal transactions. The changes to the definition of a business will likely result in more of the Company's property acquisitions qualifying as asset acquisitions, which will permit capitalization of acquisition costs. This standard will be effective for public business entities with a calendar year end in 2018 and all other entities have an additional year to adopt. The Company has adopted this guidance as of 2017. The adoption did not have a material impact on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We may be exposed to interest rate changes primarily as a result of our assumption of long-term debt in connection with our acquisitions and upon refinancing of existing debt. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we seek to borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to fixed rates. With respect to variable rate financing, we will assess interest rate risk by identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities.

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates. Rates take into consideration general market conditions, maturity and fair value of the underlying collateral. The estimated fair value of the Company's fixed rate debt at December 31, 2018 and December 31, 2017 was $489.0 million and $506.6 million, respectively.

At December 31, 2018, our consolidated debt was comprised of floating and fixed interest rate debt. The fair value of our fixed rate debt indicates the estimated principal amount of debt having the same debt service requirements that could have been borrowed at the date presented, at then current market interest rates. The following table provides information about the maturities of our financial instruments as of December 31, 2018 that are sensitive to changes in interest rates (dollars in thousands):

	2019	2020	2021	2022	2023	Thereafter	Total	Fair Value
Floating rate:								
Debt	—	—	—	81,500	—	—	$ 81,500	$ 81,500
Average interest rate (1)	—	—	—	4.45 %	—	—	4.45 %	
Fixed rate:								
Debt	$6,992	$9,536	$21,962	$ 9,954	$ 142,546	$312,565	$ 503,555	$ 488,958
Average interest rate	4.70 %	4.68 %	5.26 %	4.63 %	4.66 %	4.62 %	4.66 %	

3. Weighted average interest rate based on borrowings at LIBOR of 2.53% plus a margin of 1.65% and a prime rate of 4.95% plus a margin of 0.95% at December 31, 2018.

We estimate that a hypothetical 100 basis point increase in the variable interest rate would result in additional interest expense of approximately $0.8 million annually. This assumes that the amount outstanding under our floating rate debt remains$81.5 million, the balance as of December 31, 2018.

Item 8. Consolidated Financial Statements and Supplementary Data

See our Consolidated Financial Statements and the Notes thereto beginning at page F-1 included in Item 15, which are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective at the reasonable assurance level that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter of 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f) and 15d- 15(f). 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.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. 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 framework). Based on this assessment, management has concluded that, as of December 31, 2018, our internal control over financial reporting is effective, based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2018, 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.

Item 9B. Other Information

None.

Part III

Item 10. Trustees, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2019 Annual Meeting of Shareholders to be held on May 15, 2019.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2019 Annual Meeting of Shareholders to be held on May 15, 2019.

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

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2019 Annual Meeting of Shareholders to be held on May 15, 2019.

Item 13. Certain Relationships and Related Transactions, and Trustee Independence

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2019 Annual Meeting of Shareholders to be held on May 15, 2019.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2019 Annual Meeting of Shareholders to be held on May 15, 2019.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

Included herein at pages F-1 through F-7

2. Financial Statement Schedules

The following financial statement schedule is included herein at page F-37:

Schedule III - Real Estate and Accumulated Depreciation as of December 31, 2018

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

3. Exhibits

A list of exhibits required to be filed as part of this report on Form 10-K is set forth in the Exhibit Index, which immediately follows this item and is incorporated by reference herein.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Articles of Amendment and Restatement of Chatham Lodging Trust[12]
3.2	Second Amended and Restated Bylaws of Chatham Lodging Trust[1]
10.1*	Chatham Lodging Trust Equity Incentive Plan, Amended and Restated as of May 17, 2013 [2]
10.2*	Employment Agreement between Chatham Lodging Trust and Jeffrey H. Fisher[12]
10.3*	Employment Agreement between Chatham Lodging Trust and Peter Willis[12]
10.4*	Employment Agreement between Chatham Lodging Trust and Dennis M. Craven[12]
10.5*	Employment Agreement between Chatham Lodging Trust and Jeremy Wegner[3]
10.6*	First Amendment to Employment Agreement of Peter Willis dated January 30, 2015[4]
10.7*	First Amendment to Employment Agreement of Dennis Craven dated January 30, 2015[4]
10.8*	Form of Indemnification Agreement between Chatham Lodging Trust and its officers and trustees[5]
10.9*	Form of LTIP Unit Vesting Agreement[5]
10.10*	Form of Share Award Agreement for Trustees[5]
10.11*	Form of Share Award Agreement for Officers[6]
10.12*	Share Award Agreement, dated as of June 1, 2015, between Chatham Lodging Trust and Jeremy Wegner[7]
10.13*	LTIP Unit Award Agreement, dated as of June 1, 2015, between Chatham Lodging Trust, Chatham Lodging, L.P. and Jeffrey Fisher (Outperformance Plan) [8]
10.14*	LTIP Unit Award Agreement, dated as of June 1, 2015, between Chatham Lodging Trust, Chatham Lodging, L.P. and Dennis Craven (Outperformance Plan) [8]
10.15*	LTIP Unit Award Agreement, dated as of June 1, 2015, between Chatham Lodging Trust, Chatham Lodging, L.P. and Peter Willis (Outperformance Plan) [8]
10.16	Agreement of Limited Partnership of Chatham Lodging, L.P.[5]
10.17	First Amendment to the Agreement of Limited Partnership of Chatham Lodging, L.P.[7]
10.18	Form of IHM Hotel Management Agreement[5]
10.19	Third Amended and Restated Limited Liability Company Agreement of INK Acquisition LLC, dated as of June 9, 2014, by and between Platform Member-T, LLC and Chatham Lodging, L.P.[9]
10.20	Second Amended and Restated Limited Liability Company Agreement of INK Acquisition III, LLC, dated as of June 9, 2014, by and between Platform Member Holdings-T Cam2, LLC and Chatham TRS Holding, Inc.[9]
10.21	Loan Agreement, dated as of June 9, 2014, between Grand Prix Sili II, LLC, as borrower, and JP Morgan Chase Bank, National Association, as lender.[9]
10.22	Limited Liability Company Agreement of IHP I Owner JV, LLC, dated as of November 17, 2014, by and between Platform Member II-T, LLC and Chatham IHP, LLC.[10]
10.23	Limited Liability Company Agreement of IHP I OPs JV, LLC, dated as of November 17, 2014, by and between Platform Member Holdings II-T Cam2, LLC and Chatham TRS Holding, Inc.[10]
10.24	Amended and Restated Credit Agreement, dated as of March 8, 2018, among Chatham Lodging Trust, Chatham Lodging, L.P., the lenders party thereto and Barclays Bank PLC, as administrative agent.
10.25*	Form of 2016 Time-Based LTIP Unit Award Agreement[12]
10.26*	Form of 2016 Performance-Based LTIP Unit Award Agreement[12]
10.27*	Form of 2017 Time-Based LTIP Unit Award Agreement[13]

10.28*	Form of 2017 Performance-Based LTIP Unit Award Agreement[13]
10.29	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and Cantor Fitzgerald & Co.[14]
10.30	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and Barclays Capital Inc.[14]
10.31	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and BTIG, LLC[14]
10.32	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and Citigroup Global Markets Inc[14]
10.33	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and Robert W. Baird & Co. Incorporated[14]
10.34	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and Stifel, Nicolaus & Company, Incorporated[14]
10.35	Sales Agreement, dated December 28, 2017, by and among Chatham Lodging Trust, Chatham Lodging, L.P. and Wells Fargo Securities[14]
21.1	List of Subsidiaries of Chatham Lodging Trust
23.1	PricewaterhouseCoopers LLP Consent to include Report on Financial Statements of Chatham Lodging Trust
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**	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Denotes management contract or compensation plan or arrangement in which trustees or officers are eligible to participate.

** Submitted electronically herewith. Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2018 and 2017; (ii) Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016; (iii) Consolidated Statements of Equity for the years ended December 31, 2018, 2017 and 2016; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016; and (v) Notes to the Consolidated Financial Statements.

(1) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on April 21, 2015 (File No. 001-34693).

(2) Incorporated by reference to the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 15, 2013 (File No. 001-34693).

(3) Incorporated by reference to the Registrant’s Current Report on Form 8-K filed with the SEC on May 5, 2015 (File No. 001-34693).

(4) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on February 5, 2015 (File No. 001-34693).

(5) Incorporated by reference to Amendment No. 4 to the Registrant’s Registration Statement on Form S-11 filed with the SEC on February 12, 2010 (File No. 333-162889).

(6) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 13, 2010 (File No. 001-34693).

(7) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 6, 2015 (File No. 001-34693).

(8) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 6, 2015 (File No. 001-34693).

(9) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 11, 2014 (File No. 001-34693).

(10) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on November 30, 2014 (File No. 001-34693).

(11) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on November 30, 2015 (File No. 001-34693).

(12) Incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the SEC on February 29, 2016 (File No. 001-34693).

(13) Incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q filed with the SEC on May 9, 2017 (File No. 001-34693).

(14) Incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on December 28, 2017 (File No. 001-34693).

SIGNATURE

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.

CHATHAM LODGING TRUST

Dated: February 25, 2019

/s/ JEFFREY H. FISHER

Jeffrey H. Fisher

Chairman of the Board, President and Chief Executive Officer

(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, 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/ JEFFREY H. FISHER Jeffrey H. Fisher	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	February 25, 2019
/s/ JEREMY B. WEGNER Jeremy B. Wegner	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 25, 2019
/s/ MILES BERGER Miles Berger	Trustee	February 25, 2019
/s/ EDWIN B. BREWER, JR. Edwin B. Brewer, Jr.	Trustee	February 25, 2019
/s/ THOMAS J. CROCKER Thomas J. Crocker	Trustee	February 25, 2019
/s/ JACK P. DEBOER Jack P. DeBoer	Trustee	February 25, 2019
/s/ C. GERALD GOLDSMITH C. Gerald Goldsmith	Trustee	February 25, 2019
/s/ MARY ELIZABETH HIGGINS Mary Elizabeth Higgins	Trustee	February 25, 2019
/s/ ROBERT PERLMUTTER Robert Perlmutter	Trustee	February 25, 2019
/s/ ROLF E. RUHFUS Rolf E. Ruhfus	Trustee	February 25, 2019

CHATHAM LODGING TRUST

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Chatham Lodging Trust

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Chatham Lodging Trust and its subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of operations, of equity and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedule listed in the index appearing under Item 15(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Annual Report on Internal Control over Financial Reporting appearing under Item9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP (signed)
Fort Lauderdale, Florida
February 25, 2019

We have served as the Company's auditor since 2009.

CHATHAM LODGING TRUST
Consolidated Balance Sheets
(In thousands, except share and per share data)

	December 31, 2018	December 31, 2017
Assets:		
Investment in hotel properties, net	$ 1,373,773	$ 1,320,082
Cash and cash equivalents	7,192	9,333
Restricted cash	25,145	27,166
Investment in unconsolidated real estate entities	21,545	24,389
Hotel receivables (net of allowance for doubtful accounts of $264 and $200, respectively)	4,495	4,047
Deferred costs, net	5,070	4,646
Prepaid expenses and other assets	2,431	2,523
Deferred tax asset, net	58	30
Total assets	$ 1,439,709	$ 1,392,216
Liabilities and Equity:		
Mortgage debt, net	$ 501,782	$ 506,316
Revolving credit facility	81,500	32,000
Accounts payable and accrued expenses	33,692	31,692
Distributions and losses in excess of investments of unconsolidated real estate entities	9,650	6,582
Distributions payable	5,667	5,846
Total liabilities	632,291	582,436
Commitments and contingencies (see note 13)		
Equity:		
Shareholders' Equity:		
Preferred shares, $0.01 par value, 100,000,000 shares authorized and unissued at December 31, 2018 and 2017	—	—
Common shares, $0.01 par value, 500,000,000 shares authorized; 46,525,652 and 45,375,266 shares issued and outstanding at December 31, 2018 and 2017, respectively	465	450
Additional paid-in capital	896,286	871,730
Retained earnings (distributions in excess of retained earnings)	(99,285)	(69,018)
Total shareholders' equity	797,466	803,162
Noncontrolling Interests:		
Noncontrolling interest in operating partnership	9,952	6,618
Total equity	807,418	809,780
Total liabilities and equity	$ 1,439,709	$ 1,392,216

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

CHATHAM LODGING TRUST
Consolidated Statements of Operations
(In thousands, except share and per share data)

	For the year ended December 31,		
	2018	**2017**	**2016**
Revenue:			
Room	$ 295,897	$ 278,466	$ 273,345
Food and beverage	8,880	6,255	6,221
Other	13,710	11,215	10,115
Cost reimbursements from unconsolidated real estate entities	5,743	5,908	6,190
Total revenue	324,230	301,844	295,871
Expenses:			
Hotel operating expenses:			
Room	63,877	59,151	57,209
Food and beverage	7,312	5,342	4,928
Telephone	1,766	1,647	1,712
Other hotel operating	3,296	2,886	2,358
General and administrative	25,567	23,639	22,274
Franchise and marketing fees	24,864	23,247	22,412
Advertising and promotions	6,227	5,380	5,147
Utilities	10,835	9,944	9,545
Repairs and maintenance	14,710	13,317	12,444
Management fees	10,754	9,898	9,389
Insurance	1,354	1,228	1,359
Total hotel operating expenses	170,562	155,679	148,777
Depreciation and amortization	48,169	46,292	48,775
Impairment loss	—	6,663	—
Property taxes, ground rent and insurance	23,678	20,916	21,564
General and administrative	14,120	12,825	11,119
Other charges	3,806	523	510
Reimbursable costs from unconsolidated real estate entities	5,743	5,908	6,190
Total operating expenses	266,078	248,806	236,935
Operating income before gain (loss) on sale of hotel property	58,152	53,038	58,936
Gain (loss) on sale of hotel property	(18)	3,327	—
Operating Income	58,134	56,365	58,936
Interest and other income	462	30	51
Interest expense, including amortization of deferred fees	(26,878)	(27,901)	(28,297)
Loss on early extinguishment of debt	—	—	(4)
Income (loss) from unconsolidated real estate entities	(876)	1,582	718
Loss on sale from unconsolidated real estate entities	—	—	(10)
Income before income tax benefit (expense)	30,842	30,076	31,394
Income tax benefit (expense)	28	(396)	301
Net income	30,870	29,680	31,695
Net income attributable to non-controlling interest	(229)	(202)	(212)
Net income attributable to common shareholders	$ 30,641	$ 29,478	$ 31,483
Income per Common Share - Basic:			
Net income attributable to common shareholders (Note 10)	$ 0.66	$ 0.73	$ 0.82
Income per Common Share - Diluted:			
Net income attributable to common shareholders (Note 10)	$ 0.66	$ 0.73	$ 0.81
Weighted average number of common shares outstanding:			
Basic	46,073,515	39,859,143	38,299,067
Diluted	46,243,660	40,112,266	38,482,875
Distributions per common share:	$ 1.32	$ 1.32	$ 1.38

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

CHATHAM LODGING TRUST
Consolidated Statements of Equity
(In thousands, except share and per share data)

	Common Shares		Additional Paid - In Capital	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interest in Operating Partnership	Total Equity
	Shares	Amount					
Balance January 1, 2016	38,308,937	379	719,773	(27,281)	692,871	4,131	697,002
Issuance of shares pursuant to Equity Incentive Plan	26,488	—	550	—	550	—	550
Issuance of shares, net of offering costs of $75	23,738	1	407	—	408	—	408
Issuance of restricted time-based shares	7,851	—	—	—	—	—	—
Amortization of share based compensation	—	—	1,278	—	1,278	1,235	2,513
Dividends declared on common shares ($1.30 per share)	—	—	—	(49,859)	(49,859)	—	(49,859)
Distributions declared on LTIP units ($1.30 per unit)	—	—	—	—	—	(719)	(719)
Reallocation of noncontrolling interest	—	—	11	—	11	(11)	—
Net income	—	—	—	31,483	31,483	212	31,695
Balance, December 31, 2016	38,367,014	380	722,019	(45,657)	676,742	4,848	681,590
Issuance of shares pursuant to Equity Incentive Plan	23,980	—	500	—	500	—	500
Issuance of shares, net of offering costs of $2,149	6,979,272	70	148,472	—	148,542	—	148,542
Issuance of restricted time-based shares	5,000	—	—	—	—	—	—
Amortization of share based compensation	—	—	815	—	815	2,469	3,284
Dividends declared on common shares ($1.32 per share)	—	—	—	(52,839)	(52,839)	—	(52,839)
Distributions declared on LTIP units ($1.32 per unit)	—	—	—	—	—	(977)	(977)
Reallocation of noncontrolling interest	—	—	(76)	—	(76)	76	—
Net income	—	—	—	29,478	29,478	202	29,680
Balance, December 31, 2017	45,375,266	$ 450	$ 871,730	$ (69,018)	$ 803,162	$ 6,618	$ 809,780
Issuance of shares pursuant to Equity Incentive Plan	21,670	—	500	—	500	—	500
Issuance of shares, net of offering costs of $518	1,123,716	15	23,953	—	23,968	—	23,968
Issuance of restricted time-based shares	5,000	—	—	—	—	—	—
Amortization of share based compensation	—	—	103	—	103	3,607	3,710
Dividends declared on common shares ($1.32 per share)	—	—	—	(60,908)	(60,908)	—	(60,908)
Distributions declared on LTIP units ($1.32 per unit)	—	—	—	—	—	(1,154)	(1,154)
Forfeited distributions on LTIP units	—	—	—	—	—	652	652
Net income	—	—	—	30,641	30,641	229	30,870
Balance, December 31, 2018	46,525,652	$ 465	$ 896,286	$ (99,285)	$ 797,466	$ 9,952	$ 807,418

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

CHATHAM LODGING TRUST
Consolidated Statements of Cash Flows
(In thousands)

	For the year ended December 31,		
	2018	**2017**	**2016**
Cash flows from operating activities:			
Net income	$ 30,870	$ 29,680	$ 31,695
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	47,932	46,060	48,562
Amortization of deferred franchise fees	237	217	214
Amortization of deferred financing fees included in interest expense	902	648	1,076
Gain on sale of hotel property	18	(3,327)	—
Income on sale from unconsolidated real estate entities	—	—	10
Impairment loss	—	6,663	—
Loss on early extinguishment of debt	—	—	4
Loss on write-off of deferred franchise fee	—	16	—
Deferred tax expense (benefit)	(28)	396	(426)
Share based compensation	4,210	3,784	3,013
Income (loss) from unconsolidated real estate entities	876	(1,582)	(718)
Distributions from unconsolidated entities	—	667	—
Changes in assets and liabilities:			
Hotel receivables	(437)	353	47
Deferred costs	(243)	(935)	(94)
Prepaid expenses and other assets	64	356	2,288
Accounts payable and accrued expenses	1,814	3,693	1,998
Net cash provided by operating activities	86,215	86,689	87,669
Cash flows from investing activities:			
Improvements and additions to hotel properties	(31,417)	(30,233)	(22,496)
Acquisition of hotel properties, net of cash acquired	(70,020)	(138,248)	—
Proceeds from sale of hotel properties	—	12,555	—
Distributions from unconsolidated entities	5,036	2,551	7,228
Investment in unconsolidated real estate entities	—	(5,036)	—
Net cash used in investing activities	(96,401)	(158,411)	(15,268)
Cash flows from financing activities:			
Borrowings on revolving credit facility	149,000	129,000	43,450
Repayments on revolving credit facility	(99,500)	(149,500)	(56,530)
Payments on debt	(4,899)	(4,160)	(3,775)
Principal prepayment of mortgage debt	—	—	(5,954)
Payments of financing costs	(955)	—	(50)
Payment of offering costs	(518)	(2,149)	(75)
Proceeds from issuance of common shares	24,486	150,691	482
Forfeited distributions - non vested shares	—	(94)	(91)
Distributions-common shares/units	(61,590)	(52,617)	(52,966)
Net cash provided by (used in) financing activities	6,024	71,171	(75,509)
Net change in cash, cash equivalents and restricted cash	(4,162)	(551)	(3,108)
Cash, cash equivalents and restricted cash, beginning of period	36,499	37,050	40,158
Cash, cash equivalents and restricted cash, end of period	$ 32,337	$ 36,499	$ 37,050
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 25,328	$ 26,541	$ 26,836
Cash paid for income taxes	$ 887	$ 710	$ 742

Supplemental disclosure of non-cash investing and financing information:

On January 16, 2019, the Company issued 27,870 shares to its independent trustees pursuant to the Company’s Equity Incentive Plan as compensation for services performed in 2018. On January 16, 2018, the Company issued 21,670 shares to its independent trustees pursuant to the Company’s Equity Incentive Plan as compensation for services performed in 2017. On January 16, 2017, the Company issued 23,980 shares to its independent trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2016.

As of December 31, 2018, the Company had accrued distributions payable of $5.7 million. These distributions were paid on January 25, 2019 except for $0.5 million related to accrued but unpaid distributions on unvested performance based shares (See Note 12). As of December 31, 2017, the Company had accrued distributions payable of $5.8 million. These distributions were paid on January 26, 2018 except for $0.8 million related to accrued but unpaid distributions on unvested performance based shares. As of December 31, 2016, the Company had accrued distributions payable of $4.7 million. These distributions were paid on January 27, 2017 except for $0.5 million related to accrued but unpaid distributions on unvested performance based shares.

Accrued share based compensation of $0.5 million, $0.5 million and $0.6 million is included in accounts payable and accrued expenses as of December 31, 2018, 2017 and 2016.

Accrued capital improvements of $2.4 million, $2.4 million and $2.0 million are included in accounts payable and accrued expenses as of December 31, 2018, 2017, and 2016 respectively.

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

1. Organization

Chatham Lodging Trust (“we,” “us” or the “Company”) was formed as a Maryland real estate investment trust on October 26, 2009. The Company is internally-managed and was organized to invest primarily in upscale extended-stay and premium-branded select-service hotels. The Company has elected to be treated as a real estate investment trust for federal income tax purposes ("REIT").

The Company had no operations prior to the consummation of its initial public offering ("IPO") in April 2010. The net proceeds from our share offerings are contributed to Chatham Lodging, L.P., our operating partnership (the “Operating Partnership”), in exchange for partnership interests. Substantially all of the Company’s assets are held by, and all operations are conducted through, the Operating Partnership. The Company is the sole general partner of the Operating Partnership and owns 100% of the common units of limited partnership interest in the Operating Partnership ("common units"). Certain of the Company’s executive officers hold vested and unvested long-term incentive plan units in the Operating Partnership ("LTIP units"), which are presented as non-controlling interests on our consolidated balance sheets.

As of December 31, 2018, the Company owned 42 hotels with an aggregate of 6,283 (unaudited) rooms located in 15 states and the District of Columbia (unaudited). As of December 31, 2018, the Company also (i) held a 10.3% noncontrolling interest in a joint venture (the “NewINK JV”) with affiliates of Colony Capital, Inc. ("CLNY"), which was formed in the second quarter of 2014 to acquire 47 hotels from a joint venture (the "Innkeepers JV") between the Company and Cerberus Capital Management (“Cerberus”), comprising an aggregate of 6,098 (unaudited) rooms, (ii) held a 10.0% noncontrolling interest in a separate joint venture (the "Inland JV") with CLNY, which was formed in the fourth quarter of 2014 to acquire 48 hotels from Inland American Real Estate Trust, Inc. ("Inland"), comprising an aggregate of 6,402 (unaudited) rooms. We sometimes use the term, "JVs", which refers collectively to the NewINK JV and Inland JV.

To qualify as a REIT, the Company cannot operate its hotels. Therefore, the Operating Partnership and its subsidiaries lease the Company's wholly owned hotels to taxable REIT subsidiary lessees (“TRS Lessees”), which are wholly owned by the Company’s taxable REIT subsidiary (“TRS”) holding company. The Company indirectly (i) owns its 10.3% interest in 47 of the NewINK JV hotels and (ii) 10.0% interest in 48 of the Inland JV hotels. All of the NewINK JV hotels and Inland JV hotels are leased to TRS Lessees, in which the Company indirectly owns a noncontrolling interests through its TRS holding company. Each hotel is leased to a TRS Lessee under a percentage lease that provides for rental payments equal to the greater of (i) a fixed base rent amount or (ii) a percentage rent based on hotel room revenue. The initial term of each of the TRS leases is 5 years. Lease revenue from each TRS Lessee is eliminated in consolidation.

The TRS Lessees have entered into management agreements with third-party management companies that provide day-to-day management for the hotels. As of December 31, 2018, Island Hospitality Management Inc. (“IHM”), which is 51% owned by Mr. Fisher, managed all 42 of the Company’s wholly owned hotels. As of December 31, 2018, all of the NewINK JV hotels were managed by IHM. As of December 31, 2018, 34 of the Inland JV hotels were managed by IHM and 14 hotels were managed by Marriott International, Inc. ("Marriott").

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements and related notes have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and in conformity with the rules and regulations of the Securities and Exchange Commission (“SEC”). These consolidated financial statements, in the opinion of management, include all adjustments consisting of normal, recurring adjustments which are considered necessary for a fair statement of the consolidated balance sheets, consolidated statements of operations, consolidated statements of equity, and consolidated statements of cash flows for the periods presented.

The consolidated financial statements include all of the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions are eliminated in consolidation.

Reclassifications

Certain prior period revenue and expense amounts in the consolidated financial statements have been reclassified to be comparable to the current period presentations. The reclassification did not have any impact on the net income. In addition, in accordance with the SEC's Disclosure Update and Simplification release, dated August 18, 2018, the Company moved the Gain (loss) on sale of hotel property line on the Company's Consolidated Statements of Operations within Operating income for all periods presented.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, hotel receivables, accounts payable and accrued expenses, distributions payable and mortgage debt. Due to their relatively short maturities, the carrying values reported in the consolidated balance sheets for these financial instruments approximate fair value except for debt, the fair value of which is separately disclosed in Note 7.

Investment in Hotel Properties

The Company allocates the purchase prices of hotel properties acquired based on the fair value of the acquired real estate, furniture, fixtures and equipment, identifiable intangible assets and assumed liabilities. In making estimates of fair value for purposes of allocating the purchase price, the Company utilizes a number of sources of information that are obtained in connection with the acquisition of a hotel property, including valuations performed by independent third parties and information obtained about each hotel property resulting from pre-acquisition due diligence. Hotel property acquisition costs, such as transfer taxes, title insurance, environmental and property condition reviews, and legal and accounting fees were expensed in 2016 and 2015. On January 1, 2017, the Company early adopted ASU 2017-01 "Definition of a Business" and now capitalizes these costs for asset acquisitions.

The Company's investments in hotel properties are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for land improvements, 5 to 20 years for building improvements and one to ten years for furniture, fixtures and equipment. Renovations and/or replacements at the hotel properties that improve or extend the life of the assets are capitalized and depreciated over their useful lives, while repairs and maintenance are expensed as incurred. Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are removed from the Company's accounts and any resulting gain or loss is recognized in the consolidated statements of operations.

The Company will periodically review its hotel properties for impairment whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. Events or circumstances that may cause a review include, but are not limited to, adverse changes in the demand for lodging at the properties due to declining national or local economic conditions and/or new hotel construction in markets where the hotels are located. When such conditions exist, management will perform an analysis to determine if the estimated undiscounted future cash flows, without interest charges, from operations and the proceeds from the ultimate disposition of a hotel property exceed its carrying value. If the estimated undiscounted future cash flows are less than the carrying amount, an adjustment to reduce the carrying amount to the related hotel property's estimated fair market value is recorded and an impairment loss recognized. For the year ended December 31, 2017, the Company incurred an impairment loss on its Washington SHS, PA hotel (See footnote 5). For the years ended December 31, 2018 and 2016, there were no impairment losses.

For properties the Company considers held for sale, depreciation and amortization are no longer recorded and the value the properties is recorded at the lower of depreciated cost or fair value, less costs to sell. If circumstances arise that were previously considered unlikely, and, as a result, the Company decides not to sell a property previously classified as held for sale, the Company will reclassify such property as held and used. Such property is measured at the lower of its carrying amount (adjusted for any depreciation and amortization expense that would have been recognized had the property been continuously classified as held and used) or fair value at the date of the subsequent decision not to sell. The Company classifies properties as held for sale when all criteria within the Financial Accounting Standards Board's ("FASB") guidance on the impairment or disposal of long-lived assets are met. As of December 31, 2018, the Company had no hotel properties held for sale.

Investment in Unconsolidated Real Estate Entities

If it is determined that the Company does not have a controlling interest in a joint venture, either through its financial interest in a variable interest entity ("VIE") or in a voting interest entity, but does have the ability to exercise significant influence, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, advances to and commitments for the investee.

Investments in unconsolidated real estate entities are accounted for under the equity method of accounting and the Company records its equity in earnings or losses under the hypothetical liquidation of book value ("HLBV") method of accounting due to the structures and the preferences we receive on the distributions from our joint ventures pursuant to the respective joint venture agreements for those joint ventures. Under this method, the Company recognizes income and loss in each period based on the change in liquidation proceeds it would receive from a hypothetical liquidation of its investment based on depreciated book value. Therefore, income or loss may be allocated disproportionately as compared to the ownership percentages due to specified preferred return rate thresholds and may be more or less than actual cash distributions received and more or less than what the Company may receive in the event of an actual liquidation. In the event a basis difference is created between the carrying amount of the Company's share of partner's capital, the resulting amount is allocated based on the assets of the investee and, if assigned to depreciable or amortizable assets, then amortized as a component of income (loss) from unconsolidated real estate entities.

On January 1, 2016, the Company adopted accounting guidance under Accounting Standards Codification (ASC) Topic 810, "Consolidation," modifying the analysis it must perform to determine whether it should consolidate certain types of legal entities. The guidance does not amend the existing disclosure requirements for variable interest entities ("VIEs") or voting interest model entities. The guidance, however, modified the requirements to qualify under the voting interest model. Under the revised guidance, the Operating Partnership will be a VIE of the Company. As the Operating Partnership is already consolidated in the financial statements of the Company, the identification of this entity as a VIE has no impact on the consolidated financial statements of the Company. There were no other legal entities qualifying under the scope of the revised guidance that were consolidated as a result of the adoption. In addition, there were no other voting interest entities under prior existing guidance determined to be variable interest entities under the revised guidance.

The Company periodically reviews the carrying value of its investment in unconsolidated joint ventures to determine if circumstances indicate impairment to the carrying value of the investment that is other than temporary. When an impairment indicator is present, the Company will estimate the fair value of the investment. The Company's estimate of fair value takes into consideration factors such as expected future operating income, trends and prospects, as well as other factors. This determination requires significant estimates by management, including the expected cash flows to be generated by the assets owned and operated by the joint venture. To the extent impairment has occurred and is other than temporary, the loss will be measured as the excess of the carrying amount over the fair value of the Company's investment in the unconsolidated joint venture. As of December 31, 2018 and 2017, no JV investments were impaired.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions and short term liquid investments with an original maturity of three months or less. Cash balances in individual banks may exceed federally insurable limits.

Restricted Cash

Restricted cash represents purchase price deposits held in escrow for potential hotel acquisitions under contract and escrows for reserves such as reserves for capital expenditures, property taxes or insurance that are required pursuant to the Company's loans or hotel management agreements. Restricted cash on the accompanying consolidated balance sheets at December 31, 2018 and 2017 is $25.1 million and $27.2 million, respectively.

Hotel Receivables

Hotel receivables consist of amounts owed by guests staying in the hotels and amounts due from business and group customers. An allowance for doubtful accounts is provided and maintained at a level believed to be adequate to absorb estimated probable losses. At December 31, 2018 and 2017, the allowance for doubtful accounts was $0.3 million and $0.2 million, respectively.

Deferred Costs

Deferred costs consist of franchise agreement fees for the Company's hotels, costs associated with potential future acquisitions and loan costs related to the Company's senior unsecured revolving credit facility. Deferred costs consisted of the following at December 31, 2018 and 2017 (in thousands):

	December 31, 2018	December 31, 2017
Loan costs	$ 2,057	$ 4,561
Franchise fees	4,471	4,407
Other	133	21
	6,661	8,989
Less accumulated amortization	(1,591)	(4,343)
Deferred costs, net	$ 5,070	$ 4,646

Loan costs are recorded at cost and amortized over the term of the loan applying the effective interest rate method. Franchise fees are recorded at cost and amortized over a straight-line basis over the term of the franchise agreements. For the years ended December 31, 2018, 2017 and 2016, amortization expense related to franchise fees of $0.2 million, $0.2 million and $0.2 million, respectively, is included in depreciation and amortization in the consolidated statements of operations. Amortization expense related to loan costs of $0.9 million, $0.6 million and $0.7 million for the years ended December 31, 2018, 2017 and 2016, respectively, is included in interest expense in the consolidated statements of operations. The change in loan costs and amortization is due to refinancing our senior unsecured credit facility in March 2018.

Mortgage Debt, net

Mortgage debt, net consists of mortgage loans on certain hotel properties less the costs associated with acquiring those loans. Mortgage debt consisted of the following at December 31, 2018 and 2017 (in thousands):

	December 31, 2018	December 31, 2017
Mortgage debt	$ 503,555	$ 508,454
Deferred financing costs	(1,773)	(2,138)
Mortgage debt, net	$ 501,782	$ 506,316

Deferred financing loan costs are recorded at cost and amortized over the term of the loan applying the effective interest rate method. For the years ended December 31, 2018, 2017 and 2016, amortization expense related to loan costs of $0.4 million, $0.1 million, $0.4 million, respectively, is included in interest expense in the consolidated statement of operations.

Prepaid Expenses and Other Assets

The Company's prepaid expenses and other assets consist of prepaid insurance, prepaid property taxes, deposits and hotel supplies inventory.

Distributions and Losses in Excess of Investments in Unconsolidated Real Estate Entities

At times, certain of the Company's investments in unconsolidated entities' share of cumulative allocated losses and cash distributions received exceeds its cumulative allocated share of income and equity contributions. Although the Company typically does not make any guarantees of its investments in unconsolidated real estate entities other than certain customary non-recourse carve-out provisions, due to potential penalties along with potential upside from future financial returns, the Company generally intends to make any required capital contributions to maintain its ownership percentage and as such will record its share of cumulative allocated losses and cash distributions below zero. As a result, the carrying value of certain investments in unconsolidated entities is negative. Unconsolidated entities with negative carrying values are included in cash distributions and losses in excess of investments in unconsolidated entities in the Company's consolidated balance sheets.

Revenue Recognition

Revenue from hotel operations is recognized when rooms are occupied and when services are provided. Revenue consists of amounts derived from hotel operations, including sales from room, meeting room, gift shop, in-room movie and other ancillary amenities. Sales, use, occupancy, and similar taxes are collected and presented on a net basis (excluded from revenue) in the accompanying consolidated statements of operations.

Share-Based Compensation

The Company measures compensation expense for the restricted share awards based upon the fair market value of its common shares at the date of grant. The Company measures compensation expense for the LTIP and Class A Performance units based upon the Monte Carlo approach using volatility, dividend yield and a risk free interest rate in the valuation. Compensation expense is recognized on a straight-line basis over the vesting period and is included in general and administrative expense in the accompanying consolidated statements of operations. The Company pays dividends on vested and non-vested restricted shares, except for performance-based shares, for which dividends on unvested shares are not paid until those shares are vested. The Company has also issued Class A Performance LTIP units from time to time as part of its compensation practices. Prior to vesting, holders of Class A Performance LTIP Units will not be entitled to vote their Class A Performance LTIP units. In addition, under the terms of the Class A Performance LTIP units, a holder of a Class A Performance LTIP unit will generally (i) be entitled to receive 10% of the distributions made on a common unit of the Operating Partnership during the period prior to vesting of such Class A Performance LTIP unit (the “Pre-Vesting Distributions”), (ii) be entitled, upon the vesting of such Class A Performance LTIP unit, to receive a special one-time “catch-up” distribution equal to the aggregate amount of distributions that were paid on a common unit during the period prior to vesting of such Class A Performance LTIP unit minus the aggregate amount of Pre-Vesting Distributions paid on such Class A Performance LTIP unit, and (iii) be entitled, following the vesting of such Class A Performance LTIP unit, to receive the same amount of distributions paid on a common unit of the Operating Partnership.

Earnings Per Share

A two class method is used to determine earnings per share. Basic earnings per share ("EPS") is computed by dividing net income (loss) available for common shareholders, adjusted for dividends on unvested share grants, by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income (loss) available for common shareholders, adjusted for dividends or distributions, on unvested share grants and LTIP units, by the weighted average number of common shares outstanding plus potentially dilutive securities such as share grants or shares issuable in the event of conversion of common units. No adjustment is made for shares that are anti-dilutive during the period. The Company’s restricted share awards and LTIP units that are subject solely to time-based vesting conditions are entitled to receive dividends or distributions on the Company's common shares or the Operating Partnership's common units, respectively, if declared. In addition, dividends on the Class A Performance LTIP units are paid the equivalent of 10% of the declared dividends on the Company's common shares. The rights to these dividends or distributions declared are non-forfeitable. As a result, the unvested restricted shares and LTIP units that are subject solely to time-based vesting conditions, as well as 10% of the unvested Class A Performance LTIP units, qualify as participating securities requiring the allocation of earnings under the two-class method to calculate EPS. The percentage of earnings allocated to these participating securities is based on the proportion of the weighted average of these outstanding participating securities to the sum of the basic weighted average common shares outstanding and the weighted average of these outstanding participating securities. Basic EPS is then computed by dividing income less earnings allocable to these participating securities by the basic weighted average number of shares outstanding. Diluted EPS is computed similar to basic EPS, except the weighted average number of shares outstanding is increased to include the effect of potentially dilutive securities.

Income Taxes

The Company elected to be taxed as a REIT for federal income tax purposes. In order to qualify as a REIT under the Internal Revenue Code of 1986, as amended, the Company must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its annual REIT taxable income to its shareholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, the Company generally will not be subject to federal income tax to the extent the Company distributes its REIT taxable income to its shareholders. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its REIT taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the IRS grants the Company relief under certain statutory provisions.

The Company leases its wholly owned hotels to TRS Lessees, which are wholly owned by the Company's taxable REIT subsidiary (a "TRS") which, in turn is wholly owned by the Operating Partnership. Additionally, the Company indirectly owns its interest in the hotels owned by the NewINK JV (47 hotels) and the Inland JV (48 hotels) through the Operating Partnership. All of the NewINK JV hotels and Inland JV hotels are leased to TRS Lessees in which the Company indirectly owns a noncontrolling interests through its TRS holding company. The TRS is subject to federal and state income taxes and the Company accounts for taxes, where applicable, in accordance with the provisions of FASB Accounting Standards Codification 740 using the asset and liability method which recognizes deferred tax assets and liabilities for future tax consequences arising from differences between financial statement carrying amounts and income tax bases. On December 22, 2017, the TCJA was enacted. The TCJA includes a number of changes to the existing U.S. tax code, most notably a reduction of the U.S. corporate income tax rate from 35% to 21% effective for tax years beginning after December 31, 2017. Changes in tax rates and tax laws are accounted for in the period of enactment. Therefore, as a result of the TCJA being signed into law, the net deferred tax assets before valuation allowance were reduced by $0.6 million with a corresponding net adjustment to current year tax expense for the remeasurement of the Company's U.S. net deferred tax assets. Our federal income tax expense for periods beginning in 2018 will be based on the new rate.

As of December 31, 2018, the Company is no longer subject to U.S federal income tax examinations for years before 2015 and with few exceptions to state examinations before 2015. The Company evaluates whether a tax position of the Company is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company has reviewed its tax positions for open tax years and has concluded no provision for income taxes is required in the Company's consolidated financial statements as of December 31, 2018. Interest and penalties related to uncertain tax benefits, if any, in the future will be recognized as operating expense.

During the third quarter of 2018, management was notified that the Company's TRS was going to be examined by the Internal Revenue Service for the tax year ended December 31, 2016. The examination remains open. The Company believes it does not need to record a liability related to matters contained in the tax period open to examination. However, should the Company experience an unfavorable outcome in the matter, such outcome could have a material impact on its results of operations, financial position and cash flows.

Organizational and Offering Costs

The Company expenses organizational costs as incurred. Offering costs, which include selling commissions, are recorded as a reduction in additional paid-in capital in shareholders' equity as shares are sold. For offering costs incurred prior to potential share offerings, these costs are initially recorded in deferred costs on the balance sheet and then recorded as a reduction to additional paid-in capital as shares are sold through the subsequent share offering. As of December 31, 2018 and 2017, the Company had $0 and $0 recorded in deferred costs related to deferred offering costs, respectively.

Segment Information

Management evaluates the Company's hotels as a single industry segment because all of the hotels have similar economic characteristics and provide similar services to similar types of customers.

Recently Issued Accounting Standards

On February 25, 2016, the FASB issued updated accounting guidance which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new accounting guidance requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on whether or not the lease is effectively a financed purchase by the lessee. The classification of the lease will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases. We will adopt the new accounting guidance on January 1, 2019 and apply it based on the optional transition method provided for, which allows entities to recognize a cumulative-effect adjustment to the balance sheet on the adoption date. Upon adoption, we expect to apply the package of practical expedients made available under the new accounting guidance and also make an accounting policy election to not recognize right-of-use assets or lease liabilities for leases with terms of 12 months or less. For our ground lease agreements and corporate office lease agreement, all of which are currently accounted for as operating leases, we will recognize lease liabilities with corresponding right-of use assets of a similar amount which will have a material impact on our consolidated balance sheet. We are still evaluating the impact that this guidance will have on our consolidated financial statements.

On January 1, 2018, the Company adopted accounting guidance under Accounting Standards Codification (ASU) Topic 2014-09, "Revenue from Contracts with Customers" on a modified retrospective basis. Our current revenue streams are not affected under the new model and we did not recognized a cumulative effect adjustment as part of the modified retrospective method of adoption. Furthermore, the new accounting guidance will not materially impact the recognition of or the accounting for disposition of hotels, since we primarily dispose of hotels to third parties in exchange for cash with few contingencies. As it relates to capitalization of costs to acquire customer contracts, the Company has elected to use the Financial Accounting Standards Board's ("FASB") practical expedient which allows us to expense costs to acquire customer contracts as they are incurred due to their short-term nature for a specified number of nights that never exceed one year. This guidance applies to all contracts as of the adoption date. The Company has applied all relevant disclosures of this standard.

On January 1, 2018, the Company adopted accounting guidance under 2016-15 ("ASU 2016-15"), *Classification of Certain Cash Receipts and Cash Payments*, which clarifies and provides specific guidance on eight cash flow classification issues with an objective to reduce the current diversity in practice. The Company has certain cash payments and receipts related to debt extinguishment that is affected by the new standard. The Company has historically classified distributions received from equity method investments under the cumulative earnings approach. As such, there was no impact due to application of the new guidance. The Company applied the new guidance on a retrospective basis.

On January 1, 2018, the Company adopted accounting guidance under ASU 2016-18 ("ASU 2016-18"), *Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. This standard addresses presentation of restricted cash in the consolidated statements of cash flows only. Restricted cash represents purchase price deposits held in escrow for potential hotel acquisitions under contract and escrow reserves such as reserves for capital expenditures, property taxes or insurance that are required pursuant to the Company's loans. The Company applied the new guidance on a retrospective basis.

On January 5, 2017, the FASB issued ASU 2017-01 ("ASU 2017-01"), *Definition of a Business*, which results in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical and oil and gas. Application of the changes would also affect the accounting for disposal transactions. The changes to the definition of a business will likely result in more of the Company's property acquisitions qualifying as asset acquisitions, which will permit capitalization of acquisition costs. This standard is effective for public business entities with a calendar year end in 2018 and all other entities have an additional year to adopt. The Company has adopted this guidance as of 2017. The adoption did not have a material impact on our consolidated financial statements.

3. Acquisition of Hotel Properties

Hotel Purchase Price Allocation

We acquired the Residence Inn Summerville ("RI Summerville") hotel in Summerville, SC for $20.8 million on August 27, 2018, the Dallas Downtown Courtyard ("Dallas DT") hotel in Dallas, TX for $49.0 million on December 5, 2018, the Hilton Garden Inn Portsmouth ("Portsmouth") hotel in Portsmouth, NH for $43.4 million on September 20, 2017, the Courtyard Summerville ("Summerville") hotel in Summerville, SC for $20.2 million on November 15, 2017 and the Embassy Suites Springfield Embassy ("Springfield") hotel in Springfield, VA for $68.1 million on December 6, 2017. No acquisitions were completed in 2016. The allocation of the purchase price of each of the hotels acquired by the Company in 2018, based on the fair value on the date of its acquisition, dollars (in thousands):

	RI Summerville	Dallas DT	HGI Portsmouth	CY Summerville	ES Springfield	Total
Acquisition date	8/27/2018	12/5/2018	9/20/2017	11/15/2017	12/6/2017	
Number of rooms (unaudited)	96	167	131	96	219	709
Land	$ 2,300	$ 2,900	$ 3,600	$ 2,500	$ 7,700	$ 19,000
Building and improvements	17,060	42,760	37,630	16,923	58,807	173,180
Furniture, fixtures and equipment	1,234	3,340	2,120	730	1,490	8,914
Cash	—	5	8	1	3	17
Accounts receivable	—	8	32	1	—	41
Prepaid expenses and other assets	—	68	12	28	129	237
Accounts payable and accrued expenses	(9)	(33)	(27)	(1)	(51)	(121)
Net assets acquired, net of cash	$ 20,585	$ 49,043	$ 43,367	$ 20,181	$ 68,075	$ 201,251

The value of the assets acquired was primarily based on a sales comparison approach (for land) and a depreciated replacement cost approach (for building and improvements and furniture, fixtures and equipment). The sales comparison approach uses inputs of recent land sales in the respective hotel markets. The depreciated replacement cost approach uses inputs of both direct and indirect replacement costs using a nationally recognized authority on replacement cost information as well as the age, square footage and number of rooms of the respective assets. Property acquisition costs of $0.1 million and $0.7 million, respectively, were capitalized in 2018 and 2017.

The amount of revenue and operating income from the hotels acquired in 2018 and 2017 from their respective date of acquisition through December 31, 2018 is as follows (in thousands):

		For the Year Ended December 31, 2018		For the Year Ended December 31, 2017	
	Acquisition Date	**Revenue**	**Operating Income**	**Revenue**	**Operating Income**
Hilton Garden Inn Portsmouth, NH	9/20/17	$ 9,160	$ 3,977	$ 2,453	$ 1,116
Courtyard Summerville, SC	11/15/17	3,969	1,643	384	152
Embassy Suites Springfield, VA	12/6/17	13,886	5,573	674	161
Residence Inn Summerville, SC	8/27/18	875	176	—	—
Courtyard Dallas Downtown, TX	12/5/18	258	38	—	—
Total		$ 28,148	$ 11,407	**$ 3,511**	**$ 1,429**

On August 29, 2017, the Company purchased a parcel of land in Los Angeles county, California for $6.5 million.

4. Disposition of Hotel Properties

On December 20, 2017, the Company sold the Homewood Suites by Hilton Carlsbad (North San Diego County) for $33.0 million and recognized a gain on sale of a hotel property of $3.3 million. The buyer assumed the mortgage loan secured by the hotel of $20.0 million. Proceeds from the sale were used to repay amounts outstanding on the Company's senior unsecured revolving credit facility. This sale did not represent a strategic shift that had or will have a major effect on the Company's operations and financial results, and therefore, did not qualify to be reported as discontinued operations.

For the years ended December 31, 2018, 2017 and 2016, the Company's consolidated statements of operations included operating income of $0.0 million, $2.8 million and $2.5 million, respectively related to the Homewood Suites by Hilton Carlsbad (North San Diego County).

5. Investment in Hotel Properties

Investment in hotel properties as of December 31, 2018 and 2017 consisted of the following (in thousands):

	December 31, 2018	December 31, 2017
Land and improvements	$ 296,253	$ 291,054
Building and improvements	1,214,780	1,140,477
Furniture, fixtures and equipment	73,411	63,443
Renovations in progress	25,370	13,262
	1,609,814	1,508,236
Less: accumulated depreciation	(236,041)	(188,154)
Investment in hotel properties, net	$ 1,373,773	$ 1,320,082

During the year ended December 31, 2017, the Company identified indicators of impairment at its Washington SHS, PA hotel, primarily due to decreased operating performance and continued economic weakness. As such, the Company was required to perform a test of recoverability. This test compared the sum of the estimated future undiscounted cash flows attributable to the hotel over our remaining anticipated holding period and its expected value upon disposition to our carrying value for the hotel. The Company determined that the estimated undiscounted future cash flow attributable to the hotel did not exceed its carrying value and an impairment existed. As a result, the Company recorded a $6.7 million impairment charge in the consolidated statements of operations during the year ended December 31, 2017. Fair value was determined based on a discounted cash flow model using our estimates of future cash flows and third-party market data, considered Level 3 inputs. We may record additional impairment charges if operating results of this hotel are materially different from our forecasts, the economy and lodging industry weakens, or we shorten our contemplated holding period.

6. Investment in Unconsolidated Entities

On June 9, 2014, the Company acquired a 10.3% interest in the NewINK JV, a joint venture between affiliates of NorthStar Realty Finance Corp. ("NorthStar") and the operating partnership. The Company accounts for this investment under the equity method. NorthStar merged with Colony Capital, Inc. ("Colony") on January 10, 2017 to form a new company, CLNY, which owns an 89.7% interest and the Company owns a 10.3% interest in the NewINK JV. The value of NewINK JV assets and liabilities were adjusted to reflect estimated fair market value at the time Colony merged with NorthStar. As of December 31, 2018 and December 31, 2017, the Company's share of partners' capital in the NewINK JV is approximately $47.5 million and $51.8 million, respectively, and the total difference between the carrying amount of the investment and the Company's share of partners' capital is approximately $57.1 million and $58.4 million (for which the basis difference related to amortizing assets is being recognized over the life of the related assets as a basis difference adjustment). The Company serves as managing member of the NewINK JV. During the years ended December 31, 2018 and 2017, the Company received cash distributions from the NewINK JV as follows (in thousands):

	For the year ended December 31,	
	2018	2017
Cash generated from other activities and excess cash	$ 3,186	$ 2,518
Total	**$ 3,186**	**$ 2,518**

On November 17, 2014, the Company acquired a 10.0% interest in Inland JV, a joint venture between affiliates of NorthStar and the Operating Partnership. The Company accounts for this investment under the equity method. NorthStar merged with Colony Capital, Inc. ("Colony") on January 10, 2017 to form a new company, CLNY, which owns a 90.0% interest in the Inland JV. The value of Inland JV assets and liabilities were adjusted to reflect estimated fair market value at the time Colony merged with NorthStar. As of December 31, 2018 and 2017, the Company's share of partners capital in the Inland JV was approximately $32.3 million and $35.5 million, respectively, and the total difference between the carrying amount of the investment and the Company's share of partners' capital is approximately $10.7 million and $11.1 million, respectively (for which the basis difference related to amortizing assets is being recognized over the life of the related assets as a basis difference adjustment). The Company serves as managing member of the Inland JV. During the years ended December 31, 2018 and 2017, the Company received cash distributions from the Inland JV as follows (in thousands):

	For the year ended December 31,	
	2018	2017
Cash generated from other activities and excess cash	$ 1,850	$ 700
Total	**$ 1,850**	**$ 700**

On May 9, 2017, the NewINK JV refinanced the $840.0 million loan collateralized by the 47 hotels with a new $850.0 million loan. The new non-recourse loan is with Morgan Stanley Bank, N.A. The new loan bears interest at a rate of LIBOR plus a spread of 2.79%, has an initial maturity of June 7, 2019 and three one-year extension options.

On June 9, 2017, the Inland JV refinanced the $817.0 million loan collateralized by the 48 hotels with a new $780.0 million non-recourse loan with Column Financial, Inc. On June 9, 2017, the Company contributed an additional $5.0 million of capital related to its share in the Inland JV to reduce the debt collateralized by the 48 hotels. The new loan bears interest at a rate of LIBOR plus a spread of 3.3%, has an initial maturity of July 9, 2019 and three one-year extension options.

The Company’s ownership interests in the JVs are subject to change in the event that either the Company or CLNY calls for additional capital contributions to the respective JVs necessary for the conduct of business, including contributions to fund costs and expenses related to capital expenditures. In connection with (i) the non-recourse mortgage loan secured by the NewINK JV properties and the related non-recourse mezzanine loan secured by the membership interests in the owners of the NewINK JV properties and (ii) the non-recourse mortgage loan secured by the Inland JV properties, the Operating Partnership provided the applicable lenders with customary environmental indemnities, as well as guarantees of certain customary non-recourse carveout provisions such as fraud, material and intentional misrepresentations and misapplication of funds. In some circumstances, such as the bankruptcy of the applicable borrowers, the guarantees are for the full amount of the outstanding debt, but in most circumstances, the guarantees are capped at 15% of the debt outstanding at the time in question (in the case of the NewINK JV loans) or 20% of the debt outstanding at the time in question (in the case of the Inland JV loans). In connection with each of the NewINK JV and Inland JV loans, the Operating Partnership has entered into a contribution agreement with its JV partner whereby the JV partner is, in most cases, responsible to cover such JV partner’s pro rata share of any amounts due by the Operating Partnership under the applicable guarantees and environmental indemnities. The Company manages the JVs and will receive a promote interest in each applicable JV if it meets certain return thresholds for such JV. CLNY may also approve certain actions by the JVs without the Company’s consent, including certain property dispositions conducted at arm’s length, certain actions related to the restructuring of the applicable JV and removal of the Company as managing member in the event the Company fails to fulfill its material obligations under the applicable joint venture agreement.

The Company's investments in the NewInk JV and the Inland JV are $(9.7) million and $21.5 million, respectively, at December 31, 2018. The following tables sets forth the total assets, liabilities, equity and components of net income (loss), including the Company's share, related to all JVs for the years ended December 31, 2018, 2017 and 2016 (in thousands):

Balance Sheet			
	December 31, 2018	**December 31, 2017**	**December 31, 2016**
Assets			
Investment in hotel properties, net	$ 2,309,396	$ 2,363,726	$ 1,849,295
Other assets	118,600	130,910	143,769
Total Assets	$ 2,427,996	$ 2,494,636	$ 1,993,064
Liabilities			
Mortgages and notes payable, net	$ 1,606,334	$ 1,597,351	$ 1,656,949
Other Liabilities	37,051	38,773	34,567
Total Liabilities	1,643,385	1,636,124	1,691,516
Equity			
Chatham Lodging Trust	79,744	87,326	30,428
Joint Venture Partner	704,867	771,186	271,120
Total Equity	784,611	858,512	301,548
Total Liabilities and Equity	$ 2,427,996	$ 2,494,636	$ 1,993,064

	For the year ended December 31,		
	2018	**2017**	**2016**
Revenue	$ 498,507	$ 487,174	$ 484,708
Total hotel operating expenses	329,756	294,280	289,569
Hotel operating income	$ 168,751	$ 192,894	$ 195,139
Net income (loss) from continuing operations	$ (24,400)	$ (107)	$ 964
Loss on sale of hotels	$ —	$ —	$ —
Net income (loss)	**$ (24,400)**	**$ (107)**	**$ 964**
Income (loss) allocable to the Company	$ (2,472)	$ 7	$ 118
Basis difference adjustment	$ 1,596	$ 1,575	$ 600
Total income (loss) from unconsolidated real estate entities attributable to Chatham	**$ (876)**	**$ 1,582**	**$ 718**

7. Debt

The Company's mortgage loans and its senior unsecured revolving credit facility are collateralized by first-mortgage liens on certain of the Company's properties. The mortgages are non-recourse except for instances of fraud or misapplication of funds. Debt consisted of the following (in thousands):

Loan/Collateral	Interest Rate	Maturity Date	12/31/18 Property Carrying Value	Balance Outstanding as of December 31, 2018	Balance Outstanding as of December 31, 2017
Senior Unsecured Revolving Credit Facility (1)	4.45 %	March 8, 2022	$ —	$ 81,500	$ 32,000
Residence Inn by Marriott New Rochelle, NY	5.75 %	September 1, 2021	18,400	13,361	13,762
Residence Inn by Marriott San Diego, CA	4.66 %	February 6, 2023	45,971	27,885	28,469
Homewood Suites by Hilton San Antonio, TX	4.59 %	February 6, 2023	31,091	15,916	16,253
Residence Inn by Marriott Vienna, VA	4.49 %	February 6, 2023	30,906	21,782	22,251
Courtyard by Marriott Houston, TX	4.19 %	May 6, 2023	31,667	17,976	18,375
Hyatt Place Pittsburgh, PA	4.65 %	July 6, 2023	35,736	21,989	22,437
Residence Inn by Marriott Bellevue, WA	4.97 %	December 6, 2023	65,840	44,680	45,462
Residence Inn by Marriott Garden Grove, CA	4.79 %	April 6, 2024	37,398	32,620	33,160
Residence Inn by Marriott Silicon Valley I, CA	4.64 %	July 1, 2024	80,231	64,800	64,800
Residence Inn by Marriott Silicon Valley II, CA	4.64 %	July 1, 2024	82,460	70,700	70,700
Residence Inn by Marriott San Mateo, CA	4.64 %	July 1, 2024	62,090	48,600	48,600
Residence Inn by Marriott Mountain View, CA	4.64 %	July 1, 2024	55,597	37,900	37,900
SpringHill Suites by Marriott Savannah, GA	4.62 %	July 6, 2024	35,657	30,000	30,000
Hilton Garden Inn Marina del Rey, CA (2)	4.68 %	July 6, 2024	40,560	21,355	21,760
Homewood Suites by Hilton Billerica, MA	4.32 %	December 6, 2024	14,870	15,965	16,225
Hampton Inn & Suites Houston Medical Cntr., TX	4.25 %	January 6, 2025	14,642	18,026	18,300
Total debt before unamortized debt issue costs			**$ 683,116**	**$ 585,055**	**$ 540,454**
Unamortized mortgage debt issue costs				(1,773)	(2,138)
Total debt outstanding				**583,282**	**538,316**

1. The interest rate for the senior unsecured revolving credit facility is variable and based on LIBOR plus an applicable margin ranging from 1.55% to 2.3%, or prime plus an applicable margin of 0.55% to 1.3%.

On March 8, 2018, we refinanced our senior unsecured credit facility with a new facility having a maturity date in March 2023, which includes the option to extend the maturity by an additional year, and replaces our previous $250.0 million senior unsecured credit facility that was scheduled to mature in 2020. Borrowing costs have been reduced by 0 to 15 basis points from comparable leverage-based pricing levels in our previous credit facility. At December 31, 2018 current leverage level, the borrowing cost under the new facility is LIBOR plus 1.65 percent. We were in compliance with all financial covenants at December 31, 2018.

At December 31, 2018 and 2017, the Company had $81.5 million and $32.0 million, respectively, of outstanding borrowings under its senior unsecured revolving credit facility. At December 31, 2018, the maximum borrowing availability under the senior unsecured revolving credit facility was $250.0 million.

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates. All of the Company's mortgage loans are fixed-rate. Rates take into consideration general market conditions, quality and estimated value of collateral and maturity of debt with similar credit terms and are classified within level 3 of the fair value hierarchy. The estimated fair value of the Company’s fixed rate debt as of December 31, 2018 and 2017 was $489.0 million and $506.6 million, respectively.

The Company estimates the fair value of its variable rate debt by taking into account general market conditions and the estimated credit terms it could obtain for debt with a similar maturity and that is classified within level 3 of the fair value hierarchy. As of December 31, 2018, the Company’s only variable rate debt is under its senior unsecured revolving credit facility. The estimated fair value of the Company’s variable rate debt as of December 31, 2018 and 2017 was $81.5 million and $32.0 million, respectively.

As of December 31, 2018, the Company was in compliance with all of its financial covenants. At December 31, 2018, the Company’s consolidated fixed charge coverage ratio was 3.3 and the bank covenant is 1.5. Future scheduled principal

payments of debt obligations as of December 31, 2018, for each of the next five calendar years and thereafter are as follows (in thousands):

	Amount
2019	$ 6,992
2020	9,536
2021	21,962
2022	91,454
2023	142,546
Thereafter	312,565
Total	**$ 585,055**

8. Income Taxes

The components of income tax expense for the following periods are as follows (in thousands):

	For the year ended December 31,		
	2018	**2017**	**2016**
Current:			
Federal	$ —	$ —	$ 56
State	—	—	69
Current tax expense	$ —	$ —	$ 125
Deferred:			
Federal	28	(350)	380
State	—	(46)	46
Deferred tax benefit (expense)	28	(396)	426
Total tax benefit (expense)	$ 28	$ (396)	$ 301

The difference between income tax expense and the amount computed by applying the statutory federal income tax rate to the combined income of the Company's TRS before taxes were as follows (in thousands):

	For the year ended December 31,		
	2018	**2017**	**2016**
Book income (loss) before income taxes of the TRS	$ (6,040)	$ (4,261)	$ 974
Statutory rate of 21% for 2018 and 34% for prior years applied to pre-tax income	$ (1,268)	$ (1,449)	$ 331
Effect of state and local income taxes, net of federal tax benefit	(200)	(108)	38
Tax reform impact	—	644	—
Provision to return adjustment	—	5	(406)
Permanent adjustments	12	13	16
Change in valuation allowance	1,456	1,289	(299)
Valuation allowance release	(28)	—	—
Other	—	2	19
Total income tax (benefit) expense	$ (28)	$ 396	$ (301)
Effective tax rate	.46 %	(9.29)%	(30.90)%

On December 22, 2017, the TCJA was enacted. The TCJA includes a number of changes to the existing U.S. tax code, most notably a reduction of the U.S. corporate income tax rate from 35% to 21% effective for tax years beginning after December 31, 2017. Changes in tax rates and tax laws are accounted for in the period of enactment. Therefore, as a result of the TCJA being signed into law, the net deferred tax assets before valuation allowance were reduced by $0.6 million with a corresponding net adjustment to current year tax expense for the remeasurement of the Company's U.S. net deferred tax assets. Our federal income tax expense for periods beginning in 2018 will be based on the new rate.

At December 31, 2018, our TRS had a gross deferred tax asset associated with future tax deductions of $0.1 million. At December 31, 2018 and 2017, the Company had valuation allowances against certain deferred tax assets totaling $3.3 million and $1.3 million, respectively. The increase in valuation allowance was primarily from the increase in the net operating losses incurred during the year. The tax effect of each type of temporary difference and carry forward that gives rise to the deferred tax asset as of December 31, 2018 and 2017 are as follows (in thousands):

	For the year ended December 31,	
	2018	**2017**
Total deferreds:		
Allowance for doubtful accounts	$ 68	$ 51
Accrued compensation	731	505
AMT credit	58	30
Total book to tax difference in partnership	(193)	(579)
Net operating loss	2,654	1,312
Valuation allowance	(3,260)	(1,289)
Net deferred tax asset	**$ 58**	**$ 30**

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. The Company's TRS is expecting increased taxable losses in 2019. As of December 31, 2018, the TRS continues to recognize a full valuation allowance equal to 100% of the gross deferred tax assets, with the exception of the AMT tax credit, due to the uncertainty of the TRS's ability to utilize these deferred tax assets. Management will continue to monitor the need for a valuation allowance.

During the third quarter of 2018, the Company was notified that the tax return of the Company's TRS was going to be examined by the Internal Revenue Service for the tax year ended December 31, 2016. The examination remains open. The Company believes it does not need to record a liability related to matters contained in the tax period open to examination. However, should the Company experience an unfavorable outcome in the matter, such outcome could have a material impact on its results of operations, financial position and cash flows.

9. Dividends Declared and Paid

The Company declared regular common share dividends of $1.32 per share and distributions on LTIP units of $1.32 per unit for the year ended December 31, 2018. The dividends and distributions and their tax characterization were as follows:

	Record Date	Payment Date	Common share distribution amount	LTIP unit distribution amount	Taxable Ordinary Income	Return of Capital
January	1/31/2018	2/23/2018	$ 0.11	$ 0.11	$ 0.0954	$ 0.0146
February	2/28/2018	3/30/2018	0.11	0.11	0.0954	0.0146
March	3/29/2018	4/27/2018	0.11	0.11	0.0954	0.0146
1st Quarter 2018			**$ 0.33**	**$ 0.33**	**$ 0.2862**	**$ 0.0438**
April	4/30/2018	5/25/2018	$ 0.11	$ 0.11	$ 0.0954	$ 0.0146
May	5/31/2018	6/29/2018	0.11	0.11	0.0954	0.0146
June	6/29/2018	7/27/2018	0.11	0.11	0.0954	0.0146
2nd Quarter 2018			**$ 0.33**	**$ 0.33**	**$ 0.2862**	**$ 0.0438**
July	7/31/2018	8/31/2018	$ 0.11	$ 0.11	$ 0.0954	$ 0.0146
August	8/31/2018	9/28/2018	0.11	0.11	0.0954	0.0146
September	9/28/2018	10/26/2018	0.11	0.11	0.0954	0.0146
3rd Quarter 2018			**$ 0.33**	**$ 0.33**	**$ 0.2862**	**$ 0.0438**
October	10/31/2018	11/30/2018	$ 0.11	$ 0.11	$ 0.0954	$ 0.0146
November	11/30/2018	12/28/2018	0.11	0.11	0.0954	0.0146
December	12/31/2018	1/25/2019	0.11	0.11	0.0954	0.0146
4th Quarter 2018			**$ 0.33**	**$ 0.33**	**$ 0.2862**	**$ 0.0438**
Total 2018			**$ 1.32**	**$ 1.32**	**$ 1.1448**	**$ 0.1752**

	Record Date	Payment Date	Common share distribution amount	LTIP unit distribution amount	Taxable Ordinary Income	Unrecap. Sec 1250 Gain
January	1/31/2017	2/24/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
February	2/28/2017	3/31/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
March	3/31/2017	4/28/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
1st Quarter 2017			**$ 0.33**	**$ 0.33**	**$ 0.3126**	**$ 0.0174**
April	4/28/2017	5/26/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
May	5/26/2017	6/30/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
June	6/30/2017	7/28/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
2nd Quarter 2017			**$ 0.33**	**$ 0.33**	**$ 0.3126**	**$ 0.0174**
July	7/31/2017	8/25/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
August	8/31/2017	9/29/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
September	9/29/2017	10/27/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
3rd Quarter 2017			**$ 0.33**	**$ 0.33**	**$ 0.3126**	**$ 0.0174**
October	10/31/2017	11/24/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
November	11/30/2017	12/29/2017	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
December	12/29/2017	1/26/2018	$ 0.11	$ 0.11	$ 0.1042	$ 0.0058
4th Quarter 2017			**$ 0.33**	**$ 0.33**	**$ 0.3126**	**$ 0.0174**
Total 2017			**$ 1.32**	**$ 1.32**	**$ 1.2504**	**$ 0.0696**

For the year ended December 31, 2018, approximately 86.7% of the distributions paid to stockholders were considered ordinary income and approximately 13.3% were considered return of capital. For the year ended December 31, 2017, approximately 94.7% of the distributions paid to stockholders were considered ordinary income and approximately 5.3% were considered section 1250 unrecaptured gain.

10. Shareholders' Equity

Common Shares

The Company is authorized to issue up to 500,000,000 common shares of beneficial interest, $.01 par value per share ("common shares"). Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Holders of the Company’s common shares are entitled to receive dividends when authorized by the Company's Board of Trustees. As of December 31, 2018, 46,525,652 common shares were outstanding.

In January 2014, we established a $25 million dividend and reinvestment and stock purchase plan (the "Prior DRSPP"). We filed a new $50 million shelf registration statement for the dividend reinvestment and stock purchase plan (the "New DRSPP" and together with the Prior DRSPP, the "DRSPPs") on December 28, 2017 to replace the prior expiring program. Under the DRSPPs, shareholders may purchase additional common shares by reinvesting some or all of the cash dividends received on the Company's common shares. Shareholders may also make optional cash purchases of the Company's common shares subject to certain limitations detailed in the prospectuses for the DRSPPs. During the year ended December 31, 2018, we issued 766,574 shares under the New DRSPP at a weighted average price of $22.08, which generated $16.9 million of proceeds. As of December 31, 2018 and December 31, 2017, respectively, we had issued 1,508,046 and 741,730 shares under the DRSPPs at a weighted average price of $21.55 and $21.00 per share, respectively. As of December 31, 2018, there were common shares having a maximum aggregate sales price of approximately $32.5 million available for issuance under the New DRSPP.

In January 2014, the Company established the Prior ATM Plan whereby, from time to time, the Company may publicly offer and sell up to $50 million of its common shares by means of ordinary brokers' transactions on the New York Stock Exchange (the "NYSE"), in negotiated transactions or in transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933. We filed a $100 million registration statement for a new ATM program (the "ATM Plan" and together with the Prior ATM Plan, the "ATM Plans") on December 28, 2017 to replace the prior program. At the same time, the Company entered into sales agreements with Cantor Fitzgerald & Co. ("Cantor"), Barclays Capital Inc. ("Barclays"), Robert W. Baird & Co. Incorporated ("Baird"), BTIG, LLC ("BTIG"), Citigroup Global Markets Inc. ("Citigroup"), Stifel, Nicolaus & Company, Incorporated ("Stifel") and Wells Fargo Securities, LLC ("Wells Fargo") as sales agents. During the year ended December 31, 2018, we issued 350,975 shares under the ATM Plan at a weighted average price of $21.55, which generated $7.6 million of proceeds. As of December 31, 2018 and December 31, 2017, respectively, we had issued 2,498,670 and 2,147,695 shares under the ATM Plans at a weighted average price of $21.83 and $21.87 per share, respectively, in addition to the offerings above. As of December 31, 2018, there were common shares having a maximum aggregate sales price of approximately $92.4 million available for issuance under the ATM Plan.

Preferred Shares

The Company is authorized to issue up to 100,000,000 preferred shares, $.01 par value per share. No preferred shares were outstanding at December 31, 2018 and 2017.

Operating Partnership Units

Holders of common units in the Operating Partnership, if and when issued, will have certain redemption rights, which will enable the unit holders to cause the Operating Partnership to redeem their units in exchange for, at the Company’s option, cash per unit equal to the market price of the Company’s common shares at the time of redemption or for the Company’s common shares on a one-for-one basis. The number of shares issuable upon exercise of the redemption rights will be adjusted upon the occurrence of share splits, mergers, consolidations or similar pro-rata share transactions, which otherwise would have the effect of diluting the ownership interests of limited partners or shareholders. As of December 31, 2018 and 2017, there were no Operating Partnership common units held by unaffiliated third parties.

11. Earnings Per Share

The two class method is used to determine earnings per share because unvested restricted shares and unvested LTIP units are considered to be participating shares. The LTIP units held by the non-controlling interest holders, which may be converted to common shares of beneficial interest, have been excluded from the denominator of the diluted earnings per share calculation as there would be no effect on the amounts since limited partners' share of income or loss would also be added back to net income or loss. Unvested restricted shares, unvested long-term incentive plan units and unvested Class A Performance LTIP units that could potentially dilute basic earnings per share in the future would not be included in the computation of diluted loss per share for the periods where a loss has been recorded, because they would have been anti-dilutive for the periods presented. The following is a reconciliation of the amounts used in calculating basic and diluted net income per share (in thousands, except share and per share data):

	For the year ended December 31,		
	2018	2017	2016
Numerator:			
Net income	$ 30,641	$ 29,478	$ 31,483
Dividends paid on unvested shares and LTIP units	(310)	(235)	(189)
Net income attributable to common shareholders	$ 30,331	$ 29,243	$ 31,294
Denominator:			
Weighted average number of common shares - basic	46,073,515	39,859,143	38,299,067
Effect of dilutive securities:			
Unvested shares	170,145	253,123	183,808
Weighted average number of common shares - diluted	46,243,660	40,112,266	38,482,875
Basic income per Common Share:			
Net income attributable to common shareholders per weighted average common share	$ 0.66	$ 0.73	$ 0.82
Diluted income per Common Share:			
Net income attributable to common shareholders per weighted average common share	$ 0.66	$ 0.73	$ 0.81

12. Equity Incentive Plan

The Company maintains its Equity Incentive Plan to attract and retain independent trustees, executive officers and other key employees and service providers. The plan provides for the grant of options to purchase common shares, share awards, share appreciation rights, performance units, and other equity-based awards. The plan was amended and restated as of May 17, 2013 to increase the maximum number of shares available under the plan to 3,000,000 shares. Share awards under this plan generally vest over three to five years, though compensation for the Company's independent trustees includes shares granted that vest immediately. The Company pays dividends on unvested shares and units, except for performance-based shares and outperformance based units, for which dividends on unvested performance-based shares and units are accrued and not paid until those shares or units vest. Certain awards may provide for accelerated vesting if there is a change in control. As of December 31, 2018, there were 1,400,529 common shares available for issuance under the Equity Incentive Plan.

Restricted Share Awards

From time to time, the Company may award restricted shares under the Equity Incentive Plan as compensation to officers, employees and non-employee trustees. The Company recognizes compensation expense for the restricted shares on a straight-line basis over the vesting period based on the fair market value of the shares on the date of issuance.

A summary of the Company's restricted share awards for the years ended December 31, 2018, 2017 and 2016 is as follows:

	December 31, 2018		December 31, 2017		December 31, 2016	
	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
Non-vested at beginning of the period	57,514	$ 23.78	110,825	$ 22.05	170,480	$ 21.38
Granted	5,000	17.40	5,000	20.20	—	—
Vested	(30,084)	26.24	(32,441)	25.77	(59,655)	20.14
Forfeited	(24,096)	21.21	(25,870)	13.17	—	—
Unvested at end of the period	8,334	$ 18.52	57,514	$ 23.78	110,825	$ 22.05

As of December 31, 2018 and 2017, there were $0.1 million and $0.1 million, respectively, of unrecognized compensation costs related to restricted share awards. As of December 31, 2018, these costs were expected to be recognized over a weighted–average period of approximately 2.4 years. For the years ended December 31, 2018, 2017 and 2016, the Company recognized approximately $0.1 million, $0.8 million and $1.3 million, respectively, of expense related to the restricted share awards. This expense is included in general and administrative expenses in the accompanying consolidated statements of operations.

Long-Term Incentive Plan Awards

LTIP units are a special class of partnership interests in the Operating Partnership which may be issued to eligible participants for the performance of services to or for the benefit of the Company. Under the Equity Incentive Plan, each LTIP unit issued is deemed equivalent to an award of one common share thereby reducing the number of shares available for other equity awards on a one-for-one basis.

A summary of the Company's LTIP unit awards for the years ended years ended December 31, 2018, 2017 and 2016 is as follows:

	December 31, 2018		December 31, 2017		December 31, 2016	
	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
Non-vested at beginning of the period	482,056	$ 16.58	295,551	$ 14.36	183,300	$ 14.13
Granted	244,917	16.94	223,922	$ 19.20	112,251	$ 14.73
Vested	(67,275)	16.42	(37,417)	$ 14.73	—	$ —
Forfeited	(183,300)	14.13	—	$ —	—	$ —
Non-vested at end of period	476,398	$ 17.73	482,056	$ 16.58	295,551	$ 14.36

Outperformance Plan LTIP Awards

On June 1, 2015, the Company's Operating Partnership, granted 183,300 Class A Performance LTIP units, as recommended by the Compensation Committee of the Board (the "Compensation Committee"), pursuant to long-term, multi-year performance plan (the "Outperformance Plan"). As of June 1, 2018, the Class A Performance LTIP units did not meet the required market based Total Shareholder Return ("TSR") measurements and therefore, the accrued dividends and units have been forfeited. The Company will continue to amortize the remaining expense related to these awards over the next two years due to the awards being market based.

Time-Based LTIP Awards

On March 1, 2018, the Company’s Operating Partnership, upon the recommendation of the Compensation Committee, granted 97,968 time-based awards (the “2018 Time-Based LTIP Unit Award”). The grants were made pursuant to award agreements that provide for time-based vesting (the "LTIP Unit Time-Based Vesting Agreement").

Time-Based LTIP Unit Awards will vest ratably provided that the recipient remains employed by the Company through the applicable vesting date, subject to acceleration of vesting in the event of the recipient’s death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company). Prior to vesting, a holder is entitled to receive distributions on the LTIP Units that comprise the 2018 Time-Based LTIP Unit Awards and the prior year LTIP unit Awards set forth in the table above.

Performance-Based LTIP Awards

On March 1, 2018, the Company’s Operating Partnership, upon the recommendation of the Compensation Committee, also granted 146,949 performance-based awards (the "2018 Performance-Based LTIP Unit Awards"). The grants were made pursuant to award agreements that have market based vesting conditions. The Performance-Based LTIP Unit Awards are comprised of Class A Performance LTIP units that will vest only if and to the extent that (i) the Company achieves certain long-term market based TSR criteria established by the Compensation Committee and (ii) the recipient remains employed by the Company through the applicable vesting date, subject to acceleration of vesting in the event of the recipient’s death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company. Compensation expense is based on an estimated value of $17.02 per 2018 Performance-Based LTIP Unit Award, which takes into account that some or all of the awards may not vest if long-term market based TSR criteria are not met during the vesting period.

The 2018 Performance-Based LTIP Unit Awards may be earned based on the Company's relative TSR performance for the three-year period beginning on March 1, 2018 and ending on February 28, 2021. The 2018 Performance-Based LTIP Unit Awards, if earned, will be paid out between 50% and 150% of target value as follows:

	Relative TSR Hurdles (Percentile)	Payout Percentage
Threshold	25th	50%
Target	50th	100%
Maximum	75th	150%

Payouts at performance levels in between the hurdles will be calculated by straight-line interpolation.

The Company estimated the aggregate compensation cost to be recognized over the service period determined as of the grant date under ASC 718, excluding the effect of estimated forfeitures, using the Monte Carlo Approach. In determining the discounted value of the LTIP units, the Company considered the inherent uncertainty that the LTIP units would never reach parity with the other common units of the Operating Partnership and thus have an economic value of zero to the grantee. Additional factors considered in estimating the value of the LTIP units included discounts for illiquidity; expectations for future dividends; risk free interest rates; stock volatility; and economic environment and market conditions.

The grant date fair value of the LTIPs and the assumptions used to estimate the values are as follows:

	Grant Date	Number of Units Granted	Estimated Value per Unit	Volatility	Dividend Yield	Risk Free Interest Rate
Outperformance Plan	6/1/2015	183,300	$14.13	26%	4.5%	0.95%
2016 Time-Based LTIP Unit Awards	1/28/2016	72,966	$16.69	28%	—%	0.79%
2016 Performance-Based LTIP Unit Awards	1/28/2016	39,285	$11.09	30%	5.8%	1.13%
2017 Time-Based LTIP Unit Awards	3/1/2017	89,574	$18.53	24%	—%	0.92%
2017 Performance-Based LTIP Unit Awards	3/1/2017	134,348	$19.65	25%	5.8%	1.47%
2018 Time-Based LTIP Unit Awards	3/1/2018	97,968	$16.83	26%	—%	2.07%
2018 Performance-Based LTIP Unit Awards	3/1/2018	146,949	$17.02	26%	6.20%	2.37%

The Company recorded $3.6 million, $2.5 million and $1.2 million in compensation expense related to the LTIP units for years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, there was $5.0 million and $4.4 million, respectively, of total unrecognized compensation cost related to LTIP units. This cost is expected to be recognized over approximately 1.8 years, which represents the weighted average remaining vesting period of the LTIP units.

Board of Trustee Share Compensation

For 2018, 2017 and 2016, each independent trustee was compensated $0.1 million for their services. Each trustee may elect to receive up to 100% of their compensation in the form of shares, but must receive at least 50% in the form of shares. In January 2018, 2017 and 2016, the Company issued 21,670, 23,980 and 26,488 common shares, respectively, to its independent trustees as compensation for services performed in 2017, 2016 and 2015, respectively. The quantity of shares was calculated based on the average of the closing price for the Company’s common shares on the NYSE for the last ten trading days preceding the reporting date. On January 16, 2019, the Company distributed 27,870 common shares to its independent trustees for services performed in 2018.

13. Commitments and Contingencies

Litigation

The nature of the operations of the Company's hotels exposes those hotels, the Company and the Operating Partnership to the risk of claims and litigation in the normal course of their business. IHM is currently a defendant in two class action lawsuits pending in the Santa Clara County Superior Court. The first class action lawsuit was filed on October 21, 2016 under the title Ruffy, et al, v. Island Hospitality Management, LLC, et al. Case No. 16-CV-301473 and the second class action lawsuit was filed on March 21, 2018 under the title Doonan, et al, v. Island Hospitality Management, LLC, et al. Case No 18-CV-325187. The class actions relate to hotels operated by IHM in the state of California and owned by affiliates of the Company and the NewINK JV, and/or certain third parties. The complaint alleges various wage and hour law violations based on alleged misclassification of certain hotel managerial staff and violation of certain California statutes regarding incorrect information contained on employee paystubs. The plaintiffs seek injunctive relief, money damages, penalties, and interest. None of the potential classes has been certified and we are defending our case vigorously. As of December 31, 2018, included in accounts payable and accrued expenses is $0.1 million which represents an estimate of the Company’s total exposure to the litigations based on standard indemnification obligations under hotel management agreements with IHM.

Hotel Ground Rent

The Courtyard Altoona hotel is subject to a ground lease with an expiration date of April 30, 2029 with an extension option by the Company of up to 12 additional terms of five years each. Monthly payments are determined by the quarterly average room occupancy of the hotel. Rent currently is equal to approximately $8,400 per month when monthly occupancy is less than 85% and can increase up to approximately $20,000 per month if occupancy is 100%, with minimum rent increased by two and one-half percent (2.5%) on an annual basis.

The Residence Inn San Diego Gaslamp hotel is subject to a ground lease with an expiration of January 31, 2065 with an extension option by the Company of up to three additional terms of ten years each. Monthly payments are currently approximately $40,300 per month and increase 10% every 5 years. The hotel is subject to supplemental rent payments annually calculated as 5% of gross revenues during the applicable lease year, minus 12 times the monthly base rent scheduled for the lease year.

At the Residence Inn New Rochelle hotel is subject to an air rights lease and garage lease that each expires on December 1, 2104. The lease agreements with the City of New Rochelle cover the space above the parking garage that is occupied by the hotel as well as 128 parking spaces in a parking garage that is attached to the hotel. The annual base rent for the garage lease is the hotel’s proportionate share of the city’s adopted budget for the operations, management and maintenance of the garage and established reserves to fund the cost of capital repairs. Aggregate rent for 2018 under these leases amounted to approximately $29,000 per quarter.

The Hilton Garden Inn Marina del Rey hotel is subject to a ground lease with an expiration of December 31, 2067. Minimum monthly payments are currently approximately $47,500 per month and a percentage rent payment less the minimum rent is due in arrears equal to 5% to 25% of gross income based on the type of income.

Office Lease

The Company entered into a corporate office lease in September 2015. The lease is for a term of 11 years and includes a 12-month rent abatement period and certain tenant improvement allowances. The Company has a renewal option of up to 2 successive terms of five years each. The Company shares the space with related parties and is reimbursed for the pro-rata share of rentable space occupied by the related parties.

Future minimum rental payments under the terms of all non-cancellable operating ground leases and the office lease under which the Company is the lessee are expensed on a straight-line basis regardless of when payments are due. The following is a schedule of the minimum future payments required under the ground, air rights, garage leases and office lease as of December 31, 2018, for each of the next five calendar years and thereafter (in thousands):

	Amount	
	Other[1]	Office Lease
2019	$ 1,273	$ 792
2020	1,320	812
2021	1,326	831
2022	1,329	853
2023	1,332	874
Thereafter	69,225	2,436
Total	**$ 75,805**	**$ 6,598**

(1) Other leases included ground, garage and air rights leases at our hotels.

Management Agreements

The management agreements with Concord had an initial ten-year term that would have expired on February 28, 2017. The management agreements with Concord were terminated as of December 31, 2016. The Company entered into management agreements with IHM for the hotels previously managed by Concord beginning January 1, 2017.

The management agreements with IHM have an initial term of five years and automatically renew for two five-year periods unless IHM provides written notice to us no later than 90 days prior to the then current term's expiration date of their intent not to renew. The IHM management agreements provide for early termination at the Company’s option upon sale of any IHM-managed hotel for no termination fee, with six months advance notice. The IHM management agreements may be terminated for cause, including the failure of the managed hotel to meet specified performance levels. Base management fees are calculated as a percentage of the hotel's gross room revenue. If certain financial thresholds are met or exceeded, an incentive management fee is calculated as 10% of the hotel's net operating income less fixed costs, base management fees and a specified return threshold. The incentive management fee is capped at 1% of gross hotel revenues for the applicable calculation.

As of December 31, 2018, terms of the Company's management agreements are (dollars are not in thousands):

Property	Management Company	Base Management Fee	Monthly Accounting Fee	Monthly Revenue Management Fee	Incentive Management Fee Cap
Courtyard Altoona	IHM	3.0 %	$ 1,500	$ 1,000	1.0 %
Springhill Suites Washington	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton Boston-Billerica/ Bedford/ Burlington	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton Minneapolis-Mall of America	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton Nashville-Brentwood	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton Dallas-Market Center	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton Hartford-Farmington	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton Orlando-Maitland	IHM	3.0 %	1,200	1,000	1.0 %
Hampton Inn & Suites Houston-Medical Center	IHM	3.0 %	1,000	1,000	1.0 %
Residence Inn Long Island Holtsville	IHM	3.0 %	1,000	1,000	1.0 %
Residence Inn White Plains	IHM	3.0 %	1,000	750	1.0 %
Residence Inn New Rochelle	IHM	3.0 %	1,000	750	1.0 %
Residence Inn Garden Grove	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Mission Valley	IHM	3.0 %	1,200	1,000	1.0 %
Homewood Suites by Hilton San Antonio River Walk	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Washington DC	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Tysons Corner	IHM	3.0 %	1,200	1,000	1.0 %
Hampton Inn Portland Downtown	IHM	3.0 %	1,000	550	1.0 %
Courtyard Houston	IHM	3.0 %	1,000	550	1.0 %
Hyatt Place Pittsburgh North Shore	IHM	3.0 %	1,500	1,000	1.0 %
Hampton Inn Exeter	IHM	3.0 %	1,200	1,000	1.0 %
Hilton Garden Inn Denver Tech	IHM	3.0 %	1,500	1,000	1.0 %
Residence Inn Bellevue	IHM	3.0 %	1,200	1,000	1.0 %
Springhill Suites Savannah	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Silicon Valley I	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Silicon Valley II	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn San Mateo	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Mountain View	IHM	3.0 %	1,200	1,000	1.0 %
Hyatt Place Cherry Creek	IHM	3.0 %	1,500	1,000	1.0 %
Courtyard Addison	IHM	3.0 %	1,500	1,000	1.0 %
Courtyard West University Houston	IHM	3.0 %	1,500	1,000	1.0 %
Residence Inn West University Houston	IHM	3.0 %	1,200	1,000	1.0 %
Hilton Garden Inn Burlington	IHM	3.0 %	1,500	1,000	1.0 %
Residence Inn San Diego Gaslamp	IHM	3.0 %	1,500	1,000	1.0 %
Hilton Garden Inn Marina del Rey	IHM	3.0 %	1,500	1,000	1.0 %
Residence Inn Dedham	IHM	3.0 %	1,200	1,000	1.0 %
Residence Inn Il Lugano	IHM	3.0 %	1,500	1,000	1.0 %
Hilton Garden Inn Portsmouth	IHM	3.0 %	1,500	1,000	1.0 %
Courtyard Summerville	IHM	3.0 %	1,500	1,000	1.0 %
Embassy Suites Springfield	IHM	3.0 %	1,500	1,000	1.0 %
Residence Inn Summerville	IHM	3.0 %	1,500	1,000	1.0 %
Courtyard Dallas	IHM	3.0 %	1,500	1,000	1.0 %

Management fees totaled approximately $10.8 million, $9.9 million and $9.4 million, respectively, for the years ended December 31, 2018, 2017 and 2016. Incentive management fees paid to IHM for the years ended years ended December 31, 2018, 2017 and 2016 were $0.1 million, $0.2 million and $0.3 million, respectively. There have been no incentive management fees accrued or paid to Concord.

Franchise Agreements

The fees associated with the franchise agreements are calculated as a specified percentage of the hotel's gross room revenue. Terms of the Company's franchise agreements are as of December 31, 2018:

Property	Franchise/Royalty Fee	Marketing/Program Fee	Expiration
Homewood Suites by Hilton Boston-Billerica/ Bedford/ Burlington	4.0 %	4.0 %	2025
Homewood Suites by Hilton Minneapolis-Mall of America	4.0 %	4.0 %	2025
Homewood Suites by Hilton Nashville-Brentwood	4.0 %	4.0 %	2025
Homewood Suites by Hilton Dallas-Market Center	4.0 %	4.0 %	2025
Homewood Suites by Hilton Hartford-Farmington	4.0 %	4.0 %	2025
Homewood Suites by Hilton Orlando-Maitland	4.0 %	4.0 %	2025
Hampton Inn & Suites Houston-Medical Center	5.0 %	4.0 %	2035
Courtyard Altoona	5.5 %	2.0 %	2030
Springhill Suites Washington	5.0 %	2.5 %	2030
Residence Inn Long Island Holtsville	5.5 %	2.5 %	2025
Residence Inn White Plains	5.5 %	2.5 %	2030
Residence Inn New Rochelle	5.5 %	2.5 %	2030
Residence Inn Garden Grove	5.0 %	2.5 %	2031
Residence Inn Mission Valley	5.0 %	2.5 %	2031
Homewood Suites by Hilton San Antonio River Walk	4.0 %	4.0 %	2026
Residence Inn Washington DC	5.5 %	2.5 %	2033
Residence Inn Tysons Corner	5.0 %	2.5 %	2031
Hampton Inn Portland Downtown	6.0 %	4.0 %	2032
Courtyard Houston	5.5 %	2.0 %	2030
Hyatt Place Pittsburgh North Shore	5.0 %	3.5 %	2030
Hampton Inn Exeter	6.0 %	4.0 %	2031
Hilton Garden Inn Denver Tech	5.5 %	4.3 %	2028
Residence Inn Bellevue	5.5 %	2.5 %	2033
Springhill Suites Savannah	5.0 %	2.5 %	2033
Residence Inn Silicon Valley I	5.5 %	2.5 %	2029
Residence Inn Silicon Valley II	5.5 %	2.5 %	2029
Residence Inn San Mateo	5.5 %	2.5 %	2029
Residence Inn Mountain View	5.5 %	2.5 %	2029
Hyatt Place Cherry Creek	3% to 5%	3.5 %	2034
Courtyard Addison	5.5 %	2.0 %	2029
Courtyard West University Houston	5.5 %	2.0 %	2029
Residence Inn West University Houston	6.0 %	2.5 %	2024
Hilton Garden Inn Burlington	5.5 %	4.3 %	2029
Residence Inn San Diego Gaslamp	6.0 %	2.5 %	2035
Hilton Garden Inn Marina del Rey	3% to 5.5%	4.3 %	2030
Residence Inn Dedham	6.0 %	2.5 %	2030
Residence Inn Il Lugano	3% to 6%	2.5 %	2045
Hilton Garden Inn Portsmouth	5.5 %	4.0 %	2037
Courtyard Summerville	6.0 %	2.5 %	2037
Embassy Suites Springfield	5.5 %	4.0 %	2037
Residence Inn Summerville	6.0 %	2.5 %	2038
Courtyard Dallas	4% to 6%	2.0 %	2038

Franchise and marketing/program fees totaled approximately $24.9 million, $23.2 million and $22.4 million, respectively, for the years ended December 31, 2018, 2017 and 2016.

14. Related Party Transactions

Mr. Fisher owns 51% of IHM. As of December 31, 2018, the Company had hotel management agreements with IHM to manage 42 of its wholly owned hotels. As of December 31, 2018, all 47 hotels owned by the NewINK JV and 34 of the 48 hotels owned by the Inland JV were managed by IHM. Hotel management, revenue management and accounting fees accrued or paid to IHM for the hotels owned by the Company for the years ended December 31, 2018, 2017 and 2016 were $10.8 million, $9.9 million and $9.2 million, respectively. At December 31, 2018 and 2017, the amounts due to IHM were $1.1 million and $1.2 million, respectively. Incentive management fees paid to IHM by the Company for the years ended December 31, 2018, 2017 and 2016 were $0.1 million, $0.2 million and $0.3 million, respectively. The Company provides services to an entity Castleblack Owner Holding, LLC. ("Castleblack") which is 97.5% owned by affiliates of CLNY and 2.5% owned by Mr. Fisher. For the years ended December 31, 2018 and 2017 the company provided services of $0.4 million and zero, respectively.

Cost reimbursements from unconsolidated real estate entities revenue represents reimbursements of costs incurred on behalf of the NewINK and Inland JVs and Castleblack. These costs relate primarily to corporate payroll costs at the NewINK and Inland JVs and Castleblack where the Company is the employer and shared office expenses. As the Company records cost reimbursements based upon costs incurred with no added markup, the revenue and related expense has no impact on the Company’s operating income or net income. Cost reimbursements from the JVs are recorded based upon the occurrence of a reimbursed activity.

Various shared office expenses and rent are paid by the Company and allocated to the NewINK JV, the Inland JV, Castleblack and IHM based on the amount of square footage occupied by each entity. Insurance expenses for medical, workers compensation and general liability are paid by the NewINK JV and allocated back to the hotel properties or applicable entity for the years ended December 31, 2018, 2017 and 2016 were $7.5 million, $6.8 million and $6.9 million, respectively.

15. Quarterly Operating Results (unaudited)

	Quarter Ended - 2018			
	March 31	June 30	September 30	December 31
	(in thousands, except share and per share data)			
Total revenue	$ 72,915	$ 85,374	$ 88,897	$ 77,044
Total operating expenses	62,630	66,237	68,522	68,707
Operating income	10,285	19,137	20,375	8,337
Net income attributable to common shareholders	2,848	13,387	14,580	(174)
Income (loss) per common share, basic (1)	0.06	0.29	0.31	0.00
Income (loss) per common share, diluted (1)	0.06	0.29	0.31	0.00
Weighted average number of common shares outstanding:				
Basic	45,753,792	45,867,625	46,149,765	46,513,688
Diluted	46,022,690	46,084,688	46,384,969	46,765,797

	Quarter Ended - 2017			
	March 31	June 30	September 30	December 31
	(in thousands, except share and per share data)			
Total revenue	$ 69,887	$ 78,647	$ 82,145	$ 71,165
Total operating expenses	57,861	67,738	61,785	58,095
Operating income	12,026	10,909	20,360	13,070
Net income attributable to common shareholders	4,613	5,034	14,393	5,438
Income per common share, basic (1)	0.12	0.13	0.36	0.12
Income per common share, diluted (1)	0.12	0.13	0.36	0.12
Weighted average number of common shares outstanding:				
Basic	38,361,113	38,525,306	39,298,974	43,205,683
Diluted	38,573,928	38,749,661	39,550,494	43,522,022

(1) The sum of per share amounts for the four quarters may differ from the annual per share amounts due to the required method of computing weighted-average number of common shares outstanding in the respective periods and share offerings that occurred during the year. Unvested restricted shares and unvested LTIP units could potentially dilute basic earnings per share in the future were not included in the computation of diluted loss per share, for the periods where a loss has been recorded, because they would have been anti-dilutive for the periods presented.

CHATHAM LODGING TRUST
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2018
(in thousands)

Description	Year of Acquisition	Encumbrances	Initial Cost		Cost Cap. Sub. To Acq.	Cost Cap. Sub. To Acq.	Gross Amount at End of Year			Bldg &	Accumulated	Year of Original	Depreciation
			Land	Buildings & Improvements	Land	Bldg & Improvements	Land	Buildings & Improvements	Total	Improvements	Depreciation	Construction	Life
Homewood Suites Orlando - Maitland, FL	2010	—	$ 1,800	$ 7,200	$ 34	$ 5,139	$ 1,834	$ 12,339	$ 14,173	$ 12,339	$ 2,932	2000	(1)
Homewood Suites Boston - Billerica, MA	2010	15,965	1,470	10,555	48	3,597	1,518	14,152	15,670	14,152	2,890	1999	(1)
Homewood Suites Minneapolis - Mall of America, Bloomington, MN	2010	—	3,500	13,960	19	3,992	3,519	17,952	21,471	17,952	4,007	1998	(1)
Homewood Suites Nashville - Brentwood, TN	2010	—	1,525	9,300	12	3,563	1,537	12,863	14,400	12,863	2,856	1998	(1)
Homewood Suites Dallas - Market Center, Dallas, TX	2010	—	2,500	7,583	30	3,276	2,530	10,859	13,389	10,859	2,344	1998	(1)
Homewood Suites Hartford - Farmington, CT	2010	—	1,325	9,375	92	1,281	1,417	10,656	12,073	10,656	2,588	1999	(1)
Hampton Inn & Suites Houston - Houston, TX	2010	18,026	3,200	12,709	56	1,595	3,256	14,304	17,560	14,304	3,170	1997	(1)
Residence Inn Holtsville - Holtsville, NY	2010	—	2,200	18,765	—	1,159	2,200	19,924	22,124	19,924	4,443	2004	(1)
Courtyard Altoona - Altoona, PA	2010	—	—	10,730	—	1,068	—	11,798	11,798	11,798	2,728	2001	(1)
SpringHill Suites Washington - Washington, PA	2010	—	1,000	10,692	—	(5,604)	1,000	5,088	6,088	5,088	2,453	2000	(1)
Residence Inn White Plains - White Plains, NY	2010	—	2,200	17,677	—	7,463	2,200	25,140	27,340	25,140	5,642	1982	(1)
Residence Inn New Rochelle - New Rochelle, NY	2010	13,361	—	20,281	9	3,117	9	23,398	23,407	23,398	5,288	2000	(1)
Residence Inn Garden Grove - Garden Grove, CA	2011	32,620	7,109	35,484	—	1,926	7,109	37,410	44,519	37,410	7,405	2003	(1)
Residence Inn Mission Valley - San Diego, CA	2011	27,885	9,856	39,535	—	2068	9,856	41,603	51,459	41,603	7,666	2003	(1)
Homewood Suites San Antonio - San Antonio, TX	2011	15,916	5,999	24,764	7	5,181	6,006	29,945	35,951	29,945	5,900	1996	(1)
Residence Inn Washington DC - Washington, DC	2011	—	6,083	22,063	28	5,597	6,111	27,660	33,771	27,660	5,968	1974	(1)
Residence Inn Tyson's Corner - Vienna, VA	2011	21,782	5,752	28,917	—	568	5,752	29,485	35,237	29,485	5,491	2001	(1)
Hampton Inn Portland Downtown - Portland, ME	2012	—	4,315	22,664	—	248	4,315	22,912	27,227	22,912	3,460	2011	(1)
Courtyard Houston - Houston, TX	2013	17,976	5,600	27,350	—	2,143	5,600	29,493	35,093	29,493	4,285	2010	(1)
Hyatt Place Pittsburgh - Pittsburgh, PA	2013	21,989	3,000	35,576	—	1208	3,000	36,784	39,784	36,784	5,049	2011	(1)
Hampton Inn & Suites Exeter - Exeter, NH	2013	—	1,900	12,350	4	118	1,904	12,468	14,372	12,468	1,692	2010	(1)
Hilton Garden Inn Denver Tech - Denver, CO	2013	—	4,100	23,100	5	595	4,105	23,695	27,800	23,695	3,274	1999	(1)
Residence Inn Bellevue - Bellevue, WA	2013	44,680	13,800	56,957	—	2,151	13,800	59,108	72,908	59,108	7,846	2008	(1)
SpringHill Suites Savannah - Savannah, GA	2013	30,000	2,400	36,050	—	1,324	2,400	37,374	39,774	37,374	4,942	2009	(1)
Residence Inn Silicon Valley I - Sunnyvale, CA	2014	64,800	42,652	45,846	—	448	42,652	46,294	88,946	46,294	14,049	1983	(1)
Residence Inn Silicon Valley II - Sunnyvale, CA	2014	70,700	46,474	50,380	—	1047	46,474	51,427	97,901	51,427	15,564	1985	(1)
Residence Inn San Mateo - San Mateo, CA	2014	48,600	38,420	31,352	—	507	38,420	31,859	70,279	31,859	9,656	1985	(1)
Residence Inn Mt. View - Mountain View, CA	2014	37,900	22,019	31,813	—	9,807	22,019	41,620	63,639	41,620	10,888	1985	(1)
Hyatt Place Cherry Creek - Cherry Creek, CO	2014	—	3,700	26,300	—	1,651	3,700	27,951	31,651	27,951	3,065	1987	(1)
Courtyard Addison - Dallas, TX	2014	—	2,413	21,554	—	2,236	2,413	23,790	26,203	23,790	2,579	2000	(1)
Courtyard West University - Houston, TX	2014	—	2,012	17,916	—	478	2,012	18,394	20,406	18,394	1,938	2004	(1)
Residence Inn West University - Houston, TX	2014	—	3,640	25,631	—	1,476	3,640	27,107	30,747	27,107	2,958	2004	(1)
Hilton Garden Inn Burlington - Burlington, MA	2014	—	4,918	27,193	—	1,471	4,918	28,664	33,582	28,664	3,192	1975	(1)
Residence Inn Gaslamp - San Diego, CA	2015	—	—	89,040	—	1,688	—	90,728	90,728	90,728	8,799	2009	(1)
Hilton Garden Inn Marina del Rey, CA	2015	21,355	—	43,210	—	627	—	43,837	43,837	43,837	3,652	2013	(1)
Residence Inn Dedham, MA	2015	—	4,230	17,304	—	37	4,230	17,341	21,571	17,341	1,504	1998	(1)
Residence Inn Ft. Lauderdale, FL	2015	—	9,200	24,048	—	1041	9,200	25,089	34,289	25,089	2,110	2008	(1)

- continued -

Description	Year of Acquisition	Encumbrances	Initial Cost		Cost Cap. Sub. To Acq. Land	Cost Cap. Sub. To Acq. Bldg & Improvements	Gross Amount at End of Year						
			Land	Buildings & Improvements			Land	Buildings & Improvements	Total	Bldg & Improvements	Accumulated Depreciation	Year of Original Construction	Depreciation Life
Warner Center	2017	—	6,500	—	99	—	6,599	—	6,599	—	—		(1)
Hilton Garden Inn Portsmouth, NH	2017	—	3,600	37,630	—	254	3,600	37,884	41,484	37,884	1215	2006	(1)
Courtyard Summerville, SC	2017	—	2,500	16,923	—	129	2,500	17,052	19,552	17,052	480	2014	(1)
Embassy Suites Springfield, VA	2017	—	7,700	58,807	—	264	7,700	59,071	66,771	59,071	1583	2013	(1)
Residence Inn Summerville, SC	2018	—	2,300	17,060	—	198	2,300	17,258	19,558	17,258	150	2018	(1)
Courtyard Dallas Downtown, TX	2018	—	2,900	42,760	—	73	2,900	42,833	45,733	42,833	79	2018	(1)
Grand Total(s)			$ 295,812	$ 1,138,404	$ 443	$ 76,205	$ 296,255	$ 1,214,609	$ 1,510,864	$ 1,214,609	$ 187,780		

(1) Depreciation is computed based upon the following estimated useful lives:

	Years
Building	40
Land improvements	20
Building improvements	5-20

Notes:

(a) The change in total cost of real estate assets for the year ended is as follows:

	2018	2017	2016	2015	2014	2013
Balance at the beginning of the year	$ 1,431,374	$ 1,320,273	$ 1,306,192	$ 1,105,504	$ 654,560	423,729
Acquisitions	65,020	133,660	—	187,032	444,233	222,273
Dispositions during the year	—	(33,053)	—	—	—	—
Capital expenditures and transfers from construction-in-progress	14,470	10,494	14,081	13,656	6,711	8,558
Investment in Real Estate	$ 1,510,864	$ 1,431,374	$ 1,320,273	$ 1,306,192	$ 1,105,504	$ 654,560

-continued-

(b) The change in accumulated depreciation and amortization of real estate assets for the year ended is as follows:

Balance at the beginning of the year	$ 148,071	$ 116,866	$ 83,245	$ 50,910	$ 28,980	17,398
Depreciation and amortization	39,709	36,401	33,621	32,335	21,930	11,582
Dispositions during the year	$ —	$ (5196)	$ —	$ —	$ —	$ —
Balance at the end of the year	$ 187,780	$ 148,071	$ 116,866	$ 83,245	$ 50,910	$ 28,980

(c) The aggregate cost of properties for federal income tax purposes (in thousands) is approximately $1,511,033 as of December 31, 2018.

AMENDMENT AND RESTATEMENT AGREEMENT

AMENDMENT AND RESTATEMENT AGREEMENT, dated as of March 8, 2018 (this "Agreement"), among CHATHAM LODGING TRUST, a Maryland real estate investment trust (the "REIT"), CHATHAM LODGING, L.P., a Delaware limited partnership (the "Borrower"), BARCLAYS BANK PLC, as administrative agent (the "Administrative Agent"), and each lender party hereto.

W I T N E S S E T H:

WHEREAS, the Borrower, the REIT, the Administrative Agent and the lenders party thereto (the "Existing Lenders") are parties to the Credit Agreement, dated as of November 25, 2015 (as amended by the First Amendment to Credit Agreement, dated as of April 20, 2016, and as further amended, restated, supplemented or otherwise modified in writing from time to time, the "Existing Credit Agreement");

WHEREAS, the Borrower and the REIT have requested that the Existing Credit Agreement be amended and restated in the form of the Amended and Restated Credit Agreement attached hereto as Exhibit A (the "Amended and Restated Credit Agreement"), including (i) the extension of the term of the Credit Agreement until 2022, (ii) provide a senior unsecured revolving credit facility of $250 million with an ability to increase the Total Revolving Credit Commitments by an additional $200 million (including through one or more incremental term loan facilities), to a facility size of not more than $450 million in the aggregate; and (iii) modify certain other provisions thereof, in each case, on the terms and subject to the conditions set forth in this Agreement and the Amended and Restated Credit Agreement;

WHEREAS, on the terms and conditions set forth herein, (a) each Existing Lender has agreed (x) to extend the maturity date of its Revolving Credit Commitments and (y) that its Revolving Credit Commitments under the Amended and Restated Credit Agreement will be as shown in the amounts set forth on Annex II hereto opposite such Existing Lender's name under the heading "Existing Revolving Credit Commitment" and (b) a New Revolving Credit Lender has agreed to provide Revolving Credit Commitments under the Amended and Restated Credit Agreement in the amount set forth on Annex II hereto opposite such New Revolving Credit Lender's name under the heading "Additional Revolving Credit Commitment".

WHEREAS, pursuant to Section 10.1 of the Existing Credit Agreement, the Borrower, the REIT, the Administrative Agent and the Existing Lenders have agreed to amend certain provisions of the Existing Credit Agreement and give effect to the foregoing;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Defined Terms. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Amended and Restated Credit Agreement.

Amendments. On and after the Effective Date (defined below):

the Existing Credit Agreement is hereby amended and restated to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example double-underlined text) as set forth in the Amended and Restated Credit Agreement; and

except as set forth above, all schedules and exhibits to the Existing Credit Agreement, in the forms thereof immediately prior to the Effective Date, will continue to be schedules and exhibits to the Amended and Restated Credit Agreement.

Concerning the Revolving Credit Commitments.

On the Effective Date:

the maturity date of the Revolving Credit Commitments of each Existing Lender will be extended to the date set forth in the Amended and Restated Credit Agreement and the Revolving Credit Commitment under the Amended and Restated Credit Agreement of each Existing Lender will be as shown in the amounts set forth on Annex II hereto opposite such Existing Lender's name under the heading "Existing Revolving Credit Commitment"; and

the Revolving Credit Commitments under the Amended and Restated Credit Agreement of the New Revolving Credit Lender will be as set forth on Annex II hereto opposite such New Revolving Credit Lender's name under the heading "Additional Revolving Credit Commitment".

The "Existing Revolving Credit Commitments" and the "Additional Revolving Credit Commitment" set forth on Annex II hereto collectively shall constitute, from and after the Amendment Effective Date, the "Revolving Credit Commitments" under the Amended and Restated Credit Agreement and the other Loan Documents.

On the 2018 Amendment Agreement Effective Date, the Borrower shall be deemed to have repaid in full the outstanding Revolving Credit Loans of the Existing Lenders, and requested a borrowing of Revolving Credit Loans from the Lenders (including the New Revolving Credit Lender) under the Revolving Credit Commitments (including the Additional Revolving Credit Commitment) set forth on Annex II to this Agreement, each in accordance with its pro rata share.

Conditions to Effectiveness. This Agreement and the Amended and Restated Credit Agreement is effective as of the date of this Agreement (the "Effective Date") on which each of the following conditions precedent shall have been satisfied:

The Administrative Agent shall have received each of the following (unless otherwise agreed to or waived by the Administrative Agent), in form and substance satisfactory to the Administrative Agent and dated as of the Effective Date:

this Agreement, duly executed by the Borrower, the REIT, the Existing Lenders and the New Revolving Credit Lender;

an Acknowledgment and Consent (the "Acknowledgment and Consent") substantially in the form of Exhibit B attached hereto, duly executed and delivered by the Guarantors;

a reasonably satisfactory solvency analysis certified by the chief financial officer of the REIT which shall document the solvency of the REIT and its Subsidiaries considered as a whole immediately after giving effect to the transactions contemplated hereby;

the results of a recent lien search in each of the jurisdictions in which Uniform Commercial Code financing statements or other filings or recordations should be made to evidence or perfect security interests in all assets of the Loan Parties, and such search shall reveal no liens on any of the assets of the Loan Party, except for Liens permitted by Section 7.3 of the Amended and Restated Credit Agreement;

a certificate of each Loan Party, dated the Effective Date, substantially in the form of Exhibit C to the Amended and Restated Credit Agreement, with appropriate insertions and attachments, or as otherwise reasonably approved by the Administrative Agent; and

an executed legal opinion of Hunton & Williams LLP, counsel to the Group Members;

All governmental and third party approvals (including landlords' and other consents) necessary in connection with the continuing operations of the Group Members and the transactions contemplated hereby shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose adverse conditions on the financing contemplated hereby.

The Borrower shall have paid to each of the Existing Lenders all accrued and unpaid interest, fees and other amounts in respect of the Revolving Credit Commitments and Revolving Credit Loans of the Existing Lenders immediately prior to giving effect to this Agreement.

The Existing Lenders, the Arrangers and the Administrative Agent shall have received all fees required to be paid pursuant to that certain Fee Letter dated as of February 8, 2018 by and among Barclays Bank PLC, the REIT and Borrower, and all reasonable out-of-pocket expenses for which invoices have been presented (including reasonable out-of-pocket fees, disbursements and other charges of counsel to the Agents), on or before the Effective Date

The Existing Lenders shall have received, sufficiently in advance of the Effective Date, all documentation and other information required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including without limitation the USA PATRIOT Act.

There shall exist no action, suit, investigation or proceeding, pending or threatened in writing, in any court or before any arbitrator or governmental authority that purports to affect the Loan Parties in a materially adverse manner or any transaction contemplated hereby, or that could reasonably be expected to have a Material Adverse Effect.

No event or condition shall have occurred since the date of the Group Members' most recent audited financial statements delivered to the Administrative Agent which has or could reasonably be expected to have a Material Adverse Effect. No material adverse change in or material disruption of conditions in the market for syndicated bank credit facilities or the financial, banking or capital markets generally shall have occurred that, in the reasonable judgment of the Arrangers, would impair the syndication of the Loans.

Representations and Warranties. The REIT and the Borrower hereby jointly and severally represent and warrant to the Administrative Agent and each Existing Lender that as of the Effective Date:

each of the representations and warranties made by any Group Member herein or in or pursuant to the Loan Documents is true and correct in all material respects on and as of the Effective Date as if made on and as of such date, provided that, (x) to the extent that any such representation or warranty relates to a specific earlier date, it shall be true and correct as of such earlier date, and (y) to the extent that any such representation and warranty is qualified as to "materiality", "Material Adverse Effect" or similar language, it shall be true and correct as so qualified on such respective dates; and

no Default or Event of Default has occurred and is continuing as of the Effective Date.

Limited Effect. Except as expressly provided hereby, all of the terms and provisions of the Amended and Restated Credit Agreement and the other Loan Documents are and shall remain in full force and effect. The amendments contained herein shall not be construed as a waiver or amendment of any other provision of the Amended and Restated or the other Loan Documents or for any purpose except as expressly set forth herein or a consent to any

further or future action on the part of the Borrower that would require the waiver or consent of the Administrative Agent or the Existing Lenders.

GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Miscellaneous. (%3) This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent. This Agreement may be delivered by facsimile transmission or electronic mail of the relevant signature pages hereof.

(a) On and after the Effective Date, each reference in the Amended and Restated Credit Agreement to “this Agreement”, “hereunder”, “hereof’, “herein”, or words of like import referring to the Amended and Restated Credit Agreement, and each reference in the other Loan Documents to the “Credit Agreement”, “thereunder”, “thereof’, or words of like import referring to the Amended and Restated Credit Agreement shall mean and be a reference to the Amended and Restated Credit Agreement as amended hereby. This Agreement shall constitute a Loan Document for all purposes of the Amended and Restated Credit Agreement and the other Loan Documents.

(b) For purposes of determining withholding taxes imposed under FATCA, from and after the Effective Date, the Borrower and the Administrative Agent shall treat (and the Existing Lenders hereby authorize the Administrative Agent to treat) the Amended and Restated Credit Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

(c) This Agreement shall bind and benefit the parties hereto and their respective heirs, beneficiaries, administrators, executors, receivers, trustees, successors and assigns.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, this Agreement has been duly executed on the date set forth above.

CHATHAM LODGING TRUST, as the REIT

By: /s/ Eric Kentoff

Name: Eric Kentoff
Title: Senior Vice President and Secretary

CHATHAM LODGING, L.P., as Borrower

By: Chatham Lodging Trust, its general partner

By: /s/ Eric Kentoff

Name: Eric Kentoff
Title: Senior Vice President and Secretary

BARCLAYS BANK PLC, as
Administrative Agent

By: /s/ Craig Malloy

Name: Craig Malloy

Title: Director, Global Lending Group

[Signature Page to Amendment and Restatement Agreement]

BARCLAYS BANK PLC, as an
Existing Lender

By: /s/ Craig Malloy

Name: Craig Malloy
Title: Director, Global Lending Group

WELLS FARGO BANK, NATIONAL, as an Existing Lender

By: /s/ Cortney C. Nelson

Name: Cortney C. Nelson
Title: Senior Vice President

CITIBANK, N.A., as an Existing Lender

By: /s/ John Rowland

Name: John Rowland
Title: Vice President

CITIZENS BANK, N.A., as an Existing Lender

By: /s/ Kerri Colwell

Name: Kerri Colwell
Title: Senior Vice President

REGIONS BANK, N.A., as an Existing Lender

By: /s/ Ghi S. Gavin

Name: Ghi S. Gaven
Title: Senior Vice President

U.S. Bank National Association, as an Existing Lender

By: /s/ Lori Y. Jensen

Name: Lori Y. Jensen
Title: Senior Vice President

BANK OF AMERICA, N.A., as an Existing Lender

By: /s/ Kyle Pearson

Name: Kyle Person
Title: Vice President

BMO HARRIS BANK, N.A.., as a New Revolving Credit Lender

By: /s/ Gwendolyn Gatz

Name: Gwendolyn Gatz
Title: Director

Annex I

High Quality Assets

Property	Address
Residence Inn Silicon Valley I	750 Lakeway Dr., Sunnyvale, CA 94085
Residence Inn Silicon Valley II	1080 Stewart Dr., Sunnyvale, CA 94086
Residence Inn Mountain View	1854 W. El Camino Real, Mountain View, CA 94040
Residence Inn San Mateo	2000 Winward Way, San Mateo, CA 94404
Residence Inn Bellevue	605 114th Ave. SE, Bellevue, WA 98004
Residence Inn Gaslamp	356 Sixth Ave., San Diego, CA 92101
Hilton Garden Inn Marina Del Ray	4200 Admiralty Way, Marina Del Ray, CA 90292
Residence Inn Foggy Bottom	801 New Hampshire Ave. NW, Washington, DC 20037
Embassy Suites Springfield	8100 Loisdale Rd., Springfield, VA 22150

Annex II

Existing Lender	Existing Revolving Credit Commitment	Additional Revolving Credit Commitment	Total Commitments
BARCLAYS BANK PLC	$40,000,000	$0	$40,000,000
CITIBANK, N.A.	$37,500,000	$0	$37,500,000
REGIONS BANK	$37,500,000	$0	$37,500,000
U.S. BANK NATIONAL ASSOCIATION	$37,500,000	$0	$37,500,000
WELLS FARGO BANK, NATIONAL ASSOCIATION	$30,000,000	$0	$30,000,000
BANK OF AMERICA, N.A.	$22,500,000	$0	$22,500,000
CITIZENS BANK, N.A.	$22,500,000	$0	$22,500,000
New Revolving Credit Lender			
BMO HARRIS BANK N.A.	$0	$22,500,000	$22,500,000
Total Commitments	$227,500,000	$22,500,000	$250,000,000

EXHIBIT A

AMENDED AND RESTATED CREDIT AGREEMENT

$250,000,000 AMENDED AND RESTATED CREDIT AGREEMENT

among

CHATHAM LODGING TRUST,

as the REIT,

CHATHAM LODGING, L.P.,

as Borrower,

The Several Lenders

from Time to Time Parties Hereto,

BARCLAYS BANK PLC,

CITIGROUP GLOBAL MARKETS INC.,
REGIONS CAPITAL MARKETS,

and

U.S. BANK NATIONAL ASSOCIATION,
as Joint Lead Arrangers,

REGIONS BANK,

as Syndication Agent,

CITIBANK, N.A.
and

U.S. BANK NATIONAL ASSOCIATION,
as Co-Documentation Agents,

and

BARCLAYS BANK PLC,

as Administrative Agent

Dated as of March 8, 2018

TABLE OF CONTENTS

Page

Page

Page

Page

AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 8, 2018, among CHATHAM LODGING TRUST, a Maryland real estate investment trust (the "REIT"), CHATHAM LODGING, L.P., a Delaware limited partnership (the "Borrower"), the several banks and other financial institutions or entities from time to time parties to this Agreement (the "Lenders"), BARCLAYS BANK PLC, CITIGROUP GLOBAL MARKETS INC., REGIONS CAPITAL MARKETS and U.S. BANK NATIONAL ASSOCIATION, as joint lead arrangers and bookrunners (in such capacity, the "Arrangers"), REGIONS BANK, as syndication agent (in such capacity, the "Syndication Agent"), CITIBANK, N.A. and U.S. BANK NATIONAL ASSOCIATION, as co-documentation agents (in such capacity, the "Co-Documentation Agents"), and BARCLAYS BANK PLC, as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the REIT and the Borrower are parties to the Credit Agreement, dated as of November 25, 2015 (as amended by the First Amendment to Credit Agreement, dated as of April 20, 2016, and as further amended, supplemented or otherwise modified prior to the date hereof, the "Existing Credit Agreement"), among the REIT, the Borrower, the several banks and other financial institutions or entities parties thereto, Barclays Bank PLC, as administrative agent, and others;

WHEREAS, the Borrower has requested that the Lenders agree to amend and restate the Existing Credit Agreement as more particularly set forth herein;

WHEREAS, the Lenders have agreed to amend and restate the Existing Credit Agreement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree that on the 2018 Amendment Agreement Effective Date, as provided in Section 10.19, the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

1. DEFINITIONS

2.1 Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"2018 Amendment Agreement": the Amendment and Restatement Agreement, dated as of March 8, 2018 by and among REIT, Borrower, Administrative Agent and Lenders.

"2018 Amendment Agreement Effective Date": March 8, 2018.

"Acceptable Environmental Report": with respect to any Real Property, an ASTM compliant Environmental Site Assessment that is either (a) a Phase I Environmental Site Assessment with respect to such Real Property stating, among other things, that such Real Property is free from Hazardous Substances in violation of applicable Requirements of Law (other than commercially reasonable amounts) or (b) a Phase II Environmental Site Assessment with respect to such Real Property for which it has been suggested remediation work be performed on such Real Property and, in each case, in form and substance acceptable to the Administrative Agent and including information regarding whether (i) such Real Property contains or is within or near any area designated as a hazardous waste site by any Governmental Authority, (ii) such Real Property contains or has contained any Hazardous Substance under any Requirements of Law pertaining to health or the environment, (iii) such Real Property or any use or activity thereon violates or would reasonably be likely to be subject to any response, remediation, clean-up, or other obligation under any Requirements of Law pertaining to health or the environment including a written report of an environmental assessment of such Real Property or an update of such report, made within six months prior to the date of the request for inclusion in the Borrowing Base (or such earlier date as may be acceptable to the Administrative Agent), by an engineering firm, and of a scope and in form and content satisfactory to the Administrative Agent, complying with the Administrative Agent's established guidelines, regarding evidence of any Hazardous Substance which has been generated, treated, stored, released, or disposed of on such Real Property in violation of Environmental Laws, and such additional information as may be required by the Administrative Agent, and (iv) any circumstances described in clauses (i), (ii), or (iii) are being remediated or cleaned up or will be remediated or cleaned up and information relating to any financial arrangements relating thereto including insurance policies, escrows, or bond arrangements.

"Acceptable Lease": a ground lease or air rights lease with respect to a Borrowing Base Property executed by a Loan Party, as lessee, that satisfies each of the conditions set forth below, other than any such condition waived by the Supermajority Lenders in their discretion:

(a) such lease is in full force and effect;

(b) such lease has a remaining lease term of at least 30 years (excluding extension or renewal rights), calculated as of the date such Borrowing Base Property is admitted into the Borrowing Base;

(c) (i) no default has occurred and is continuing and no terminating event has occurred under such lease by any Loan Party thereunder, (ii) no event has occurred which but for the passage of time, or notice, or both would constitute a default or terminating event under such lease and (iii) to the Borrower's and each other Loan Party's knowledge, there is no default or terminating event under such lease by any lessor thereunder, in each case, which event, default or terminating event has caused or otherwise resulted in or could reasonably be expected to cause or otherwise result in any material interference with the applicable Loan Party's occupancy under such lease;

(d) such lease requires (or the lessor thereunder agrees in writing for the benefit of the Administrative Agent) that the lessor thereunder shall give the Administrative Agent (i) a copy of each notice of default or event of default under such lease at the same time as it gives notice of default to the applicable Loan Party, and no such notice of default or event of default shall be deemed effective unless and until a copy thereof shall have been so given to the Administrative Agent and (ii) notice if such lease is terminated by reason of an event of default under such lease;

(e) [intentionally omitted];

(f) all rents, additional rents, and other sums due and payable under such lease have been paid in full;

(g) no Loan Party nor the lessor under such lease has commenced any action or given or received any notice for the purpose of terminating such lease;

(h) such lease or a memorandum thereof has been duly recorded and there have not been any amendments or modifications to the terms of such lease since recordation of the lease (or a memoranda thereof), that would cause such lease to fail to satisfy any other clause of this definition;

(i) such lease permits a leasehold mortgage on terms satisfactory to the Administrative Agent and provides that such lease may not be terminated by the lessor without prior notice to the leasehold mortgagee and an opportunity for such leasehold mortgagee to cure any default by the lessee (including adequate time for the leasehold mortgagee to obtain possession to effect such cure); and

(j) no Loan Party's interest in such lease is subject to any Liens or encumbrances other than the applicable lessor's related fee interest and the Liens set forth in Sections 7.3(a), 7.3(b) and 7.3(f).

"Acquisition": as to any Person, the acquisition by such Person of (a) Capital Stock (other than the Capital Stock of the Unconsolidated Joint Ventures) of any other Person if, after giving effect to the acquisition of such Capital Stock, such other Person would be a Subsidiary, and (b) any other Property (other than Construction in Process) of any other Person.

"Additional Borrowing Base Properties": any property added to the Borrowing Base after the Effective Date and approved (or deemed approved) by the Supermajority Lenders in accordance with Section 5.3.

"Adjusted Funds From Operations": for the REIT for any period, as reported for such period in the "Adjusted Funds From Operations" reconciliation section of the REIT's quarterly financial statements, the sum of (a) net income or loss (calculated in accordance with GAAP), excluding gains or losses from sales of real estate, impairment write-downs, items classified by GAAP as extraordinary, the cumulative effect of changes in accounting principles, plus (b) depreciation and amortization (excluding amortization of deferred financing costs), plus (c) other non-recurring expenses and acquisition closing costs that reduce such consolidated net income which do not represent a recurring cash item in such period or any future period, in each case, after adjustments for unconsolidated partnerships and joint ventures provided that there shall not be included in such calculation (i) any proceeds of any insurance policy other than rental or business interruption insurance received by such person, (ii) any gain or loss which is classified as "extraordinary" in accordance with GAAP, (iii) any capital gains and losses and taxes related to capital gains and losses, (iv) income (or loss) associated with third-party ownership of non-controlling equity interests, and (v) gains or losses on the sale of discontinued operations as detailed in the most-recent financial statements delivered, as applicable.

"Administrative Agent": as defined in the preamble hereto.

"Affiliate": as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise; provided that, the right to designate a member of a board or manager of a Person will not, by itself, be deemed to constitute "control".

"Agents": the collective reference to the Syndication Agent, the Co-Documentation Agents and the Administrative Agent.

"Agreement": this Amended and Restated Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Applicable Margin": for each Type of Loan, the rate per annum determined pursuant to the pricing grid below:

Consolidated Leverage Ratio	Applicable Margin for Eurodollar Loans	Applicable Margin for Base Rate Loans
≤ 0.35 to 1.00	1.50%	0.50%
> 0.35 to 1.00 and ≤ 0.40 to 1.00	1.55%	0.55%
> 0.40 to 1.00 and ≤ 0.45 to 1.00	1.65%	0.65%
> 0.45 to 1.00 and ≤ 0.50 to 1.00	1.80%	0.80%
> 0.50 to 1.00 and ≤ 0.55 to 1.00	2.00%	1.00%
> 0.55 to 1.00	2.25%	1.25%

Changes in the Applicable Margin resulting from changes in the Consolidated Leverage Ratio shall become effective on the date on which financial statements are delivered to the Lenders pursuant to Section 6.1 (but in any event not later than the 45th day after the end of each of the first three quarterly periods of each fiscal year or the 90th day after the end of each fiscal year, as the case may be) and shall remain in effect until the next change to be effected pursuant to this paragraph. If any financial statements referred to above are not delivered within the time periods specified above, then, until such financial statements are delivered, the Consolidated Leverage Ratio as at the end of the fiscal period that would have been covered thereby shall for the purposes of this definition be deemed to be greater than 0.55 to 1.00. In addition, at all times while an Event of Default shall have occurred and be continuing, the Consolidated Leverage Ratio shall for the purposes of this pricing grid be deemed to be greater than 0.55 to 1.00. Each determination of the Consolidated Leverage Ratio pursuant to this pricing grid shall be made for the periods and in the manner contemplated by Section 7.1(a).

"Application": an application, in such form as the relevant Issuing Lender may specify from time to time, requesting such Issuing Lender to issue a Letter of Credit.

"Arrangers": as defined in the preamble hereto.

"Assignee": as defined in Section 10.6(c).

"Assignor": as defined in Section 10.6(c).

"ASTM": the American Society for Testing & Materials.

"Available Revolving Credit Commitment": with respect to any Revolving Credit Lender at any time, an amount equal to the excess, if any, of (a) such Lender's Revolving Credit Commitment then in effect over (b) such Lender's Revolving Extensions of Credit then outstanding; provided that, in calculating any Lender's Revolving Extensions of Credit for the

purpose of determining such Lender's Available Revolving Credit Commitment pursuant to Section 2.7(a), the aggregate principal amount of Swing Line Loans then outstanding shall be deemed to be zero.

"Average Daily Rate": for any Real Property on any date of determination, total rooms revenue for the twelve full calendar months most recently ended prior to such date, as determined in accordance with the Uniform System of Accounts, divided by the total number of rooms occupied during such period.

"Award": any compensation paid by any Governmental Authority in connection with a Condemnation in respect of all or any part of any Hotel Property.

"Bail-In Action": the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation": with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time that is described in the EU Bail-In Legislation Schedule.

"Bankruptcy Code": Title 11 of the United States Code, 11 U.S.C. § 101, et seq., as the same may be amended from time to time, and any successor statute or statutes and all rules and regulations from time to time promulgated thereunder, and any comparable foreign laws relating to bankruptcy, insolvency or creditors' rights or any other Federal or state bankruptcy or insolvency law.

"Bank Secrecy Act": the Bank Secrecy Act, 31 CFR 103, as amended from time to time.

"Base Rate": for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (c) 1.0% per annum plus the Eurodollar Rate (for avoidance of doubt after giving effect to the proviso of the definition thereof) applicable to an Interest Period of one month. For purposes hereof: "Prime Rate" shall mean the rate of interest last quoted by The Wall Street Journal as the "Prime Rate" in the United States or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by the Administrative Agent) or any similar release by the Board (as determined by the Administrative Agent). The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually available. Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the one-month Eurodollar Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate, the Federal Funds Effective Rate or the one-month Eurodollar Rate, respectively.

"Base Rate Loans": Loans for which the applicable rate of interest is based upon the Base Rate.

"Benefit Plan": any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"Benefited Lender": as defined in Section 10.7.

"Board": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrower": as defined in the preamble hereto.

"Borrower Common Units": the Borrower's "Common Units" as defined in the Borrower LP Agreement.

"Borrower LP Agreement": the Agreement of Limited Partnership of Chatham Lodging, L.P., a Delaware limited partnership, dated as of April 21, 2010, as amended by the First Amendment, dated as of August 5, 2015, but effective as of June 1, 2015, and as amended, restated, supplemented or otherwise modified from time to time in accordance with this Agreement.

"Borrower LTIP Units": the Borrower's "LTIP Units" as defined in the Borrower LP Agreement.

"Borrowing Base": at any time, the aggregate Borrowing Base Values for the Borrowing Base Properties, which shall be determined based on the most recent Borrowing Base Certificate delivered pursuant to Section 5.2(c), 5.3 or 5.4 or Section 6.12; provided that, the Borrowing Base shall be reduced by the following amounts, without duplication:

(a) an amount equal to the aggregate Borrowing Base Value for the Restricted Borrowing Base Properties in excess of 10% of the aggregate Borrowing Base Value for all the Borrowing Base Properties;

(b) with respect to any non-Restricted Borrowing Base Property, an amount equal to the Borrowing Base Value for such Borrowing Base Property in excess of 25% of the aggregate Borrowing Base Value for all the Borrowing Base Properties;

(c) an amount equal to the aggregate Borrowing Base Value for Borrowing Base Properties that are not Seasoned Properties in excess of 20% of the aggregate Borrowing Base Value for all the Borrowing Base Properties;

(d) an amount equal to the aggregate Borrowing Base Value for the Borrowing Base Properties subject to Acceptable Leases in excess of 20% of the aggregate Borrowing Base Value for all the Borrowing Base Properties; and

(e) the Borrowing Base Value of any Borrowing Base Property that ceases to be an Eligible Borrowing Base Property until the Borrower has satisfied the conditions set forth in Section 5.3 with respect to such Real Property.

"Borrowing Base Certificate": a certificate, appropriately completed and substantially in the form of Exhibit K (with such modifications as to format and presentation as may be reasonably requested by the Administrative Agent upon five Business Days' notice) together with all supporting documentation reasonably requested by the Administrative Agent.

"Borrowing Base Group Member": any Subsidiary of the REIT that is (a) the fee owner or ground or air rights lessee of a Borrowing Base Property, (b) the lessee of a Borrowing Base Property pursuant to an Operating Lease or (c) any direct or indirect parent of any Person described in clause (a) or (b).

"Borrowing Base Properties": subject to a release of a Borrowing Base Property pursuant to Section 5.4, (a) on the Effective Date, the Borrowing Base Properties listed on Schedule 1.1A, and (b) after the Effective Date, the Borrowing Base Properties listed on Schedule 1.1A, together with any Additional Borrowing Base Properties added to the Borrowing Base in accordance with Section 5.3.

"Borrowing Base Value": for each Borrowing Base Property at any time:

(a) for any Real Property that is not a Seasoned Property, 60% of an amount equal to the purchase price for such Borrowing Base Property; and

(b) for any Seasoned Property, the lesser of (i) 60% of (x) an amount equal to the Net Operating Income for such Borrowing Base Property for the four fiscal quarters ended on or immediately prior to such date of determination for which financial statements are available divided by (y) the Capitalization Rate and (ii) the Debt Service Coverage Amount for such Borrowing Base Property at such time.

"Borrowing Date": any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

"Borrowing Notice": with respect to any request for borrowing of Loans hereunder, a notice from the Borrower, substantially in the form of, and containing the information prescribed by, Exhibit H, delivered to the Administrative Agent.

"Business Day": (a) for all purposes other than as covered by clause (b) below, a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a

Business Day described in clause (a) and which is also a day for trading by and between banks in Dollar deposits in the interbank eurodollar market.

"Capital Expenditures": for any period, with respect to any Person, the aggregate of all expenditures by such Person for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) which are required to be capitalized under the Uniform System of Accounts and reconciled in accordance with GAAP on a balance sheet of such Person; provided that, "Capital Expenditures" shall not include (x) expenditures made in connection with the replacement, substitution or restoration of assets (i) to the extent financed from insurance proceeds paid on account of the loss of or damage to the assets being replaced or restored or (ii) with awards of compensation arising from the taking or the threat of taking by eminent domain or Condemnation of the assets being replaced, (y) the purchase price of equipment that is purchased simultaneously with the trade-in of existing equipment but only to the extent that the gross amount of such purchase price is reduced by the credit granted by the seller of such equipment for the equipment being traded in at such time or (z) the purchase of plant, property and equipment made within 270 days of the sale of any asset to the extent purchased with the proceeds of such sale.

"Capital Lease Obligations": with respect to any Person, the obligations of such Person to pay rent or other amounts under any lease (other than obligations under any Operating Lease) of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under the Uniform System of Accounts and reconciled in accordance with GAAP; and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with the Uniform System of Accounts and reconciled in accordance with GAAP.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Capitalization Rate": (a) with respect to any High Quality Asset, 7.25% and (b) with respect to any other Real Property assets, 7.75%.

"Cash Collateralize": to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Administrative Agent, the applicable Issuing Lender or Swing Line Lenders, as applicable, as collateral for the L/C Obligations, Swing Line Loans or obligations of the Lenders to fund participations in respect thereof (as the context may require), cash or deposit account balances or, if the applicable Issuing Lender or Swing Line Lender, as applicable, benefiting from such collateral shall agree in their sole discretion, other credit support, in each case pursuant to documentation in form and substance satisfactory to (a) the Administrative Agent and (b) the applicable Issuing Lender or Swing Line Lender, as applicable. The term "Cash Collateral" shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

"Cash Equivalents": (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of one year or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof having combined capital and surplus of not less than $500,000,000; (c) commercial paper of an issuer rated at least A-2 by S&P or P-2 by Moody's, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within one year from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's; (f) securities with maturities of one year or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; and (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

"Casualty": with respect to any Hotel Property, that such Hotel Property is damaged or destroyed, in whole or in part, by fire or other casualty.

"Change in Law": the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control": the occurrence of any of the following events: (a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding the Permitted Investor, shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act),

directly or indirectly, of more than 25% of the outstanding common stock of the REIT; (b) the board of directors of the REIT shall cease to consist of a majority of Continuing Directors; (c) the Borrower shall cease to own, directly or indirectly, 100% of the equity interests of any Subsidiary Guarantor free and clear of any Liens (other than Liens in favor of Administrative Agent) unless the Borrowing Base Property owned by such Subsidiary Guarantor is removed from the Borrowing Base in accordance with Section 5.4 of this Agreement; or (d) the REIT or one of its Wholly Owned Subsidiaries shall (i) fail to be sole general partner of the Borrower or cease to own, directly or indirectly, all the general partnership interests of the Borrower, (ii) fail to control the management and policies of the Borrower or (iii) fail to own a majority of the Capital Stock of the Borrower.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Commitment Fee Rate": on any date of determination, a rate equal to (a) 0.30% per annum, if the Available Revolving Credit Commitments on such date is greater than or equal to 50% of the Total Revolving Credit Commitments, and (b) 0.20% per annum, if the Available Revolving Credit Commitments on such date is less than 50% of the Total Revolving Credit Commitments.

"Commitment Increase Supplement": as defined in Section 2.23(b)(iii).

"Commonly Controlled Entity": an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of any Plan subject to Section 412 or 430 of the Code, Section 414(b), (c), (m) or (o) of the Code.

"Compliance Certificate": a certificate duly executed by a Responsible Officer, substantially in the form of Exhibit B.

"Condemnation": a temporary or permanent taking by any Governmental Authority as the result, in lieu or in anticipation, of the exercise of the right of condemnation or eminent domain, of all or any part of any Property, or any interest therein or right accruing thereto, including any right of access thereto or any change of grade affecting such Property or any part thereof.

"Consolidated EBITDA": of the Group Members for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense of such Group Members, amortization or write-off of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness, (c) depreciation and amortization expense, (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (e) any extraordinary, unusual or non-recurring expenses or losses (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, losses on sales of assets outside of the ordinary course of business), (f) any other non-cash charges and (g) the Group

Members' pro rata share of Consolidated EBITDA from their Unconsolidated Joint Ventures, minus, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (a) interest income (except to the extent deducted in determining such Consolidated Net Income), (b) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business), (c) any other non-cash income and (d) any cash payments made during such period in respect of items described in clause (e) above subsequent to the fiscal quarter in which the relevant non-cash expenses or losses were reflected as a charge in the statement of Consolidated Net Income, all as determined on a consolidated basis.

"Consolidated Fixed Charge Coverage Ratio": for any period, the ratio of (a) Consolidated EBITDA of the Borrower and its Subsidiaries for such period to (b) Consolidated Fixed Charges for such period.

"Consolidated Fixed Charges": for any period, the sum (without duplication) of (a) Consolidated Interest Expense of the Group Members for such period, (b) provision for cash income taxes made by the Group Members on a consolidated basis in respect of such period, (c) scheduled payments (other than balloon payments) made during such period on account of principal of Indebtedness of the Group Members, (d) all preferred dividends accrued or paid during such period and (e) the Group Members' pro rata share of all expenses, taxes, payments and dividends referred to in the preceding clauses (a) to (d) from their Unconsolidated Joint Ventures.

"Consolidated Interest Expense": of the Group Members for any period, total interest expense (including that attributable to Capital Lease Obligations) of the Group Members for such period with respect to all outstanding Indebtedness of the Group Members (including, without limitation, all commissions, discounts and other fees and charges owed by the Group Members with respect to letters of credit and bankers' acceptance financing and net costs of the Group Members under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with the Uniform System of Accounts and reconciled in accordance with GAAP) excluding any interest expense attributable to Operating Leases to the extent included in total interest expense for such period in accordance with GAAP.

"Consolidated Leverage Ratio": on any date of determination, the ratio of (a) Consolidated Total Debt on such date to (b) Total Asset Value on such date; provided that for purposes of calculating Total Asset Value on any date, the Total Asset Value of any Person Disposed of by the Borrower or its Subsidiaries during such period shall be excluded for such period (assuming the consummation of such Disposition and the repayment of any Indebtedness in connection therewith occurred on the first day of such period).

"Consolidated Net Income": of the Group Members for any period, the consolidated net income (or loss) of the Group Members for such period, determined on a consolidated basis; provided that, in calculating Consolidated Net Income of the Group Members for any period, there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Group Member or is merged into or consolidated with a Group Member,

(b) the income (or deficit) of any Person in which any Group Member has an ownership interest, except to the extent that any such income is actually received by such Group Member in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary of any Group Member to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary.

"Consolidated Secured Debt": at any date, an amount equal to (i) the aggregate outstanding face amount of all Secured Indebtedness of the Group Members, determined on a consolidated basis in accordance with GAAP at such date and (ii) the Group Members' pro rata share of the Secured Indebtedness of its Unconsolidated Joint Ventures at such date.

"Consolidated Secured Debt Leverage Ratio": on any date of determination, the ratio of (a) Consolidated Secured Debt on such date to (b) Total Asset Value on such date; provided that for purposes of calculating Total Asset Value on any date, the Total Asset Value of any Person Disposed of by the Borrower or its Subsidiaries during such period shall be excluded for such period (assuming the consummation of such Disposition and the repayment of any Indebtedness in connection therewith occurred on the first day of such period).

"Consolidated Total Debt": at any date, an amount equal to (i) the aggregate outstanding face amount of all Indebtedness of the Group Members at such date, determined on a consolidated basis in accordance with GAAP at such date and (ii) the Group Members' pro rata share of Indebtedness of their Unconsolidated Joint Ventures at such date.

"Consolidated Unsecured Debt": at any date, an amount equal to (i) the aggregate outstanding face amount of all Unsecured Indebtedness of the Group Members, determined on a consolidated basis in accordance with GAAP at such date and (ii) the Group Members' pro rata share of the Unsecured Indebtedness of its Unconsolidated Joint Ventures at such date.

"Construction in Process": any Real Property owned by a Group Member consisting of renovation or expansion of such Real Property in which greater than 25% of the aggregate rooms of such Real Property is unavailable for occupancy due to renovation or expansion. A Real Property will cease being classified as "Construction in Process" upon completion of such renovation or expansion.

"Continuing Directors": the directors of the REIT on the Effective Date, after giving effect to the transactions contemplated hereby, and each other director of the REIT, if, in each case, such other director's nomination for election to the board of directors of the REIT is recommended by at least 66⅔% of the then Continuing Directors or such other director receives the vote of the Permitted Investor in his or her election by the shareholders of the REIT.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

"Control Investment Affiliate": as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Debtor Relief Laws": the Bankruptcy Code and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or otherwise available debtor relief laws of the United States, of any State or of any other applicable jurisdictions from time to time in effect.

"Debt Service Coverage Amount": with respect to any Borrowing Base Property on any date of determination, (a) the Net Operating Income of such Borrowing Base Property for the four fiscal quarters ended on or immediately prior to such date of determination for which financial statements are available divided by 2.00, divided by (b) an interest rate of 6.5% per annum.

"Default": any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Defaulted Amount": as defined in Section 2.16(g).

"Defaulting Lender": subject to Section 2.24(b), any Lender that:

(a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, any Issuing Lender, any Swing Line Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swing Line Loans) within two Business Days of the date when due,

(b) has notified the Borrower, the Administrative Agent or any Issuing Lender or any Swing Line Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied),

(c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent

and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or

(d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that, a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender.

Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.24(b)) upon delivery of written notice of such determination to the Borrower, each Issuing Lender, each Swing Line Lender and each Lender.

"Derivatives Counterparty": as defined in Section 7.6.

"Disclosable Event": as defined in Section 6.19.

"Disposition": with respect to any Property, any sale, lease (other than an Operating Lease), sale and leaseback, assignment, conveyance, transfer or other disposition thereof; and the terms "Dispose" and "Disposed of" shall have correlative meanings.

"Dollars" and "$": dollars in lawful currency of the United States of America.

"Domestic Subsidiary": any Subsidiary of the Borrower organized under the laws of the United States of America, any state thereof or the District of Columbia.

"EEA Financial Institution": (a) any credit institution or investment firm established in any EEA Member Country that is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country that is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country that is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country": any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority": any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Effective Date": November 25, 2015.

"Eligible Borrowing Base Property": any Real Property that satisfies each of the following conditions at all times:

(a) such Real Property is a hotel property located in the continental United States,

(b) such Real Property is wholly-owned by the Borrower or a Subsidiary Guarantor (or a Subsidiary that will become a Subsidiary Guarantor at the time such Real Property is added to the Borrowing Base) in fee simple or subject to a ground lease or air rights lease pursuant to an Acceptable Lease,

(c) for any Real Property that is a Seasoned Property, such Real Property has an average Occupancy Rate greater than 60%,

(d) for any Real Property that is a Seasoned Property, such Real Property has RevPAR greater than $60,

(e) neither such Real Property, nor if such Real Property is owned by a Subsidiary Guarantor (or a Subsidiary that will become a Subsidiary Guarantor at the time such Real Property is added to the Borrowing Base), any of the Borrower's direct or indirect ownership interest in such Subsidiary Guarantor, is subject to (i) any Lien other than Liens permitted by this Agreement or (ii) any negative pledges other than negative pledge permitted by this Agreement,

(f) the Borrower has the right directly, or indirectly through a Subsidiary Guarantor (or a Subsidiary that will become a Subsidiary Guarantor at the time such Real Property is added to the Borrowing Base), to take the following actions without the need to obtain the consent of any Person: (i) to create Liens on such Real Property as security for Indebtedness of the Borrower or such Subsidiary Guarantor, and (ii) to sell, transfer or otherwise dispose of such Real Property (other than to the extent restricted pursuant to Management Agreements and Franchise Agreements consistent with applicable industry practice),

(g) [intentionally omitted],

(h) the Administrative Agent has received for such Real Property, in each case, in form and substance reasonably satisfactory to the Administrative Agent:

(i) evidence as to whether the applicable Real Property is a Flood Hazard Property,

(ii) certificates of insurance or insurance policies satisfying the requirements of Section 6.5, with all premiums fully paid current,

(iii) [intentionally omitted],

(iv) a recent ALTA survey,

(v) true, correct and complete copies of the Management Agreement and Franchise Agreement for such Real Property,

(vi) for any Real Property that is not a Seasoned Property at the time such Property is added to the Borrowing Base, a true and complete copy of the purchase agreement and appraisal, if any, for such Real Property,

(vii) a true, correct and complete copy of the PIP Plan for such Real Property,

(viii) an Operating Lease and any other agreement relating to such Operating Lease, including without limitation, an owner agreement, if any, for such Real Property,

(ix) if such Real Property is held pursuant to an Acceptable Lease: (A) true, correct, complete and complete copies of such Acceptable Lease and any guarantees thereof and (B) to the extent required by the Administrative Agent in its discretion, (x) an estoppel certificate executed by any lessor under such Acceptable Lease, and (y) with respect to any air rights lease, any recorded reciprocal easement agreement which secures the access and supports easements necessary to support such lease, each in form and content satisfactory to the Administrative Agent, and

(x) copies of all Hotel Licenses for such Real Property,

(i) [intentionally omitted], and

(j) such Real Property satisfies any other criteria required by the Administrative Agent, as reasonably determined by the Administrative Agent.

"Environmental Claim": any investigative, enforcement, cleanup, removal, containment, remedial, or other private or governmental or regulatory action threatened, instituted, or completed pursuant to any applicable Environmental Law against any Group Member or against or with respect to any Real Property or facility.

"Environmental Laws": any and all laws, rules, orders, regulations, statutes, ordinances, guidelines, codes, decrees, agreements or other legally enforceable requirements (including, without limitation, common law) of any international authority, foreign government, the United States, or any state, local, municipal or other governmental authority, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or of human health, or employee health and safety, as has been, is now, or may at any time hereafter be, in effect.

"Environmental Permits": any and all permits, licenses, approvals, registrations, notifications, exemptions and other authorizations required under any Environmental Law.

"Environmental Requirement": as defined in Section 6.8(g).

"ERISA": the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"Eurocurrency Reserve Requirements": for any day, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves) under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

"Eurodollar Base Rate": for any Interest Period as to any Eurodollar Loan, (i) the rate per annum determined by the Administrative Agent to be the offered rate which appears on the page of the Reuters Screen which displays the London interbank offered rate administered by ICE Benchmark Administration Limited (such page currently being the LIBOR01 page) (the "LIBO Rate") for deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period in Dollars, determined as of approximately 11:00 a.m. (London, England time), two Business Days prior to the commencement of such Interest Period or (ii) in the event the rate referenced in the preceding clause (i) does not appear on such page or service or if such page or service shall cease to be available, the rate determined by the Administrative Agent to be the offered rate on such other page or other service which displays the LIBO Rate for deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period in Dollars, determined as of approximately 11:00 a.m. (London, England time) two Business Days prior to the commencement of such Interest Period; provided that, if LIBO Rates are quoted under either of the preceding clauses (i) or (ii), but there is no such quotation for the Interest Period elected, the LIBO Rate shall be equal to the Interpolated Rate; and provided further that, if any such rate determined pursuant to the preceding clauses (i) or (ii) is below zero, the LIBO Rate will be deemed to be zero.

"Eurodollar Loans": Loans for which the applicable rate of interest is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

"Eurodollar Tranche": the collective reference to Eurodollar Loans the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"Event of Default": any of the events specified in Section 8, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Exchange Act": as defined in the definition of "Change of Control".

"Excluded Foreign Subsidiary": any Foreign Subsidiary in respect of which the guaranteeing by such Subsidiary of the Obligations, would, in the good faith judgment of the Borrower, result in adverse tax consequences to the Borrower.

"Excluded Subsidiary": any (i) TRS Subsidiary or (ii) Subsidiary that is unable to guarantee the Obligations of the Loan Parties under the Loan Documents because it is a party to one or more agreements entered into in connection with Indebtedness listed on Schedule 7.2(d), or incurred pursuant to Section 7.2(g), (h) or (i) that prohibit such Subsidiary from providing a guarantee; provided that, the Administrative Agent shall have been provided satisfactory evidence of such prohibition. Schedule 1.1B sets forth each Excluded Subsidiary as of the Effective Date.

"FATCA": Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

"FCPA": the Foreign Corrupt Practices Act of 1977, 15 U.S.C. §§ 78dd-1, et seq., as amended from time to time.

"Federal Funds Effective Rate": for any day, the rate calculated by the Federal Reserve Bank of New York based on such day's federal funds transactions by depository institutions (as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time) and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the federal funds effective rate.

"First Extended Revolving Credit Termination Date": as defined in Section 2.6(b).

"Fitch": Fitch, Inc. and its successors.

"Flood Hazard Property": any Real Property which is located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968.

"Foreign Subsidiary": any Subsidiary of the Borrower that is not a Domestic Subsidiary.

"Franchise Agreement": with respect to the Hotel Properties, a license or franchise agreement between a Subsidiary and a Qualified Franchisor.

"Fronting Exposure": at any time there is a Defaulting Lender, (a) with respect to any Issuing Lender, such Defaulting Lender's Revolving Credit Percentage of the outstanding L/C Obligations with respect to Letters of Credit issued by such Issuing Lender other than L/C Obligations as to which such Defaulting Lender's participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof, and (b) with respect to any Swing Line Lender, such Defaulting Lender's Revolving Credit Percentage of outstanding Swing Line Loans made by such Swing Line Lender other than Swing Line Loans as to which such Defaulting Lender's participation obligation has been reallocated to other Lenders.

"Full Replacement Cost": as defined in Section 6.5(c).

"Fund": any Person (other than a natural person) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Funding Office": the office specified from time to time by the Administrative Agent as its funding office by notice to the Borrower and the Lenders.

"Funds from Operations": for any Person for any period, the sum of (a) Consolidated Net Income for such period plus (b) depreciation and amortization expense determined in accordance with the Uniform System of Accounts and reconciled in accordance with GAAP; provided that there shall not be included in such calculation (i) any proceeds of any insurance policy other than rental or business interruption insurance received by such Person, (ii) any gain or loss which is classified as "extraordinary" in accordance with the Uniform System of Accounts and reconciled in accordance with GAAP, or (iii) any capital gains and taxes on capital gains.

"GAAP": generally accepted accounting principles in the United States of America as in effect from time to time, as adopted by the Financial Accounting Standards Board and the SEC.

"Governmental Authority": any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory

organization (including the National Association of Insurance Commissioners and any supra-national bodies such as the European Union or the European Central Bank).

"Granting Lender": as defined in Section 10.6(g).

"Gross Income from Operations": with respect to any Hotel Property for any period, without duplication, all income and proceeds (whether in cash or on credit, and computed on an accrual basis) received by a Group Member or Qualified Manager for the use, occupancy or enjoyment of such Hotel Property, or any part thereof, or received by a Group Member or Qualified Manager for the sale of any goods, services or other items sold on or provided from the such Hotel Property in the ordinary course of such Hotel Property's operation, during such period including without limitation: (a) all income and proceeds received from any Lease, Operating Lease and rental of rooms, exhibit, sales, commercial, meeting, conference or banquet space within such Hotel Property, including net parking revenue, and net income from vending machines, health club fees and service charges; (b) all income and proceeds received from food and beverage operations and from catering services conducted from such Hotel Property even though rendered outside of such Hotel Property; (c) all income and proceeds from business interruption, rental interruption and use and occupancy insurance with respect to the operation of such Hotel Property (after deducting therefrom all necessary costs and expenses incurred in the adjustment or collection thereof); (d) all Awards for temporary use (after deducting therefrom all costs incurred in the adjustment or collection thereof and in Restoration of such Hotel Property); (e) all income and proceeds from judgments, settlements and other resolutions of disputes with respect to matters which would be includable in this definition of "Gross Income from Operations" if received in the ordinary course of such Hotel Property's operation (after deducting therefrom all necessary costs and expenses incurred in the adjustment or collection thereof); and (f) interest on credit accounts, rent concessions or credits, and other required pass-throughs; but excluding, (i) gross receipts received by lessees, licensees or concessionaires of such Hotel Property; (ii) consideration received at such Hotel Property for hotel accommodations, goods and services to be provided at other hotels, although arranged by, for or on behalf of the Loan Parties or Qualified Manager; (iii) income and proceeds from the sale or other disposition of goods, capital assets and other items not in the ordinary course of such Hotel Property's operation; (iv) federal, state and municipal excise, sales and use taxes collected directly from patrons or guests of such Hotel Property as a part of or based on the sales price of any goods, services or other items, such as gross receipts, room, admission, cabaret or equivalent taxes; (v) Awards (except to the extent provided in clause (d) above); (vi) refunds of amounts not included in Operating Expenses at any time and uncollectible accounts; (vii) gratuities collected by employees at such Hotel Property; (viii) the proceeds of any financing; (ix) other income or proceeds resulting other than from the use or occupancy of such Hotel Property, or any part thereof, or other than from the sale of goods, services or other items sold on or provided from such Hotel Property in the ordinary course of business; and (x) any credits or refunds made to customers, guests or patrons in the form of allowances or adjustments to previously recorded revenues.

"Group Members": the REIT and all of its Subsidiaries, including, without limitation, the Borrower.

"Guarantee Agreement": the Guarantee Agreement to be executed and delivered by the REIT, the Borrower and each Subsidiary Guarantor, substantially in the form of Exhibit A, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation, including a reimbursement, counterindemnity or similar obligation, of the guaranteeing person that guarantees or in effect guarantees, or which is given to induce the creation of a separate obligation by another Person (including any bank under any letter of credit) that guarantees or in effect guarantees any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (a) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (A) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (B) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Guarantors": the collective reference to the REIT and the Subsidiary Guarantors.

"Hazardous Substances": any and all substances (whether solid, liquid or gas) defined, listed, or otherwise classified as pollutants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous wastes, or words of similar meaning or regulatory effect under any present or future Environmental Laws or that may have a negative impact on human health or the environment, including but not limited to petroleum and petroleum products, asbestos and asbestos-containing materials, polychlorinated biphenyls, lead, radon, radioactive materials, flammables, explosives, mold, mycotoxins, microbial matter and airborne pathogens (naturally occurring or otherwise), but excluding substances of kinds and in amounts ordinarily and customarily used or stored in similar properties for the purpose of cleaning or other maintenance or operations and otherwise in compliance with all Environmental Laws.

"Hedge Agreements": all interest rate or currency swaps, caps or collar agreements, foreign exchange agreements, commodity or currency futures contracts, options to

purchase or sell a commodity or currency, or option, warrant or other right with respect to a commodity or currency futures contract or similar arrangements entered into by the Group Members providing for protection against fluctuations in interest rates, currency exchange rates, commodity prices or the exchange of nominal interest obligations, either generally or under specific contingencies.

"High Quality Asset": any (i) Property set forth on Annex I to the 2018 Amendment Agreement or (ii) Urban Acquired Property.

"Hotel Employees": as defined in Section 4.12.

"Hotel Licenses": as defined in Section 4.3(b).

"Hotel Property": Real Property owned or leased by a Subsidiary, on which there is located an operating hotel.

"Improvements": any Subsidiary's interest in and to all on site and off site improvements to the Hotel Properties, together with all fixtures, Tenant improvements, and appurtenances now or later to be located on the Hotel Properties or in such improvements.

"Incremental Amendment": as defined in Section 2.23(c)(ii).

"Incremental Facilities": as defined in Section 2.23(a).

"Incremental Term Loan Facility": as defined in Section 2.23(a).

"Incremental Term Loan Facility Notice": each notice delivered by the Borrower to the Administrative Agent pursuant to Section 2.23 requesting an Incremental Term Loan Facility.

"Incremental Term Loans": as defined in Section 2.23(a).

"Indebtedness": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of Property (excluding any obligations under a contract to purchase Property that has not been consummated) or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit, surety bond or similar facilities, (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any Capital Stock of such Person, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, (i) all obligations of others of the kind referred to in clauses (a) through (h) above secured by (or

for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, but limited to the lesser of the fair market value of such property and the aggregate amount of the obligations so secured, and (j) for the purposes of Section 8.1(e) only, all net obligations of such Person in respect of Hedge Agreements. The Indebtedness of any Person shall (x) include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor and (y) exclude liabilities or obligations associated with Operating Leases whether or not included in Indebtedness in accordance with GAAP. For purposes of clause (j) above, the principal amount of Indebtedness in respect of Hedge Agreements shall equal the net amount that would be payable (giving effect to netting) at such time if such Hedge Agreement were terminated.

"Indemnified Liabilities": as defined in Section 10.5.

"Indemnitee": as defined in Section 10.5.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Insurance Proceeds": the proceeds of any insurance to which any Group Member may be entitled to, whether or not actually received, with respect to any Borrowing Base Property.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Interest Payment Date": (a) as to any Base Rate Loan, the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan, (b) as to any Eurodollar Loan having an Interest Period of three months or shorter, the last day of such Interest Period, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period and (d) as to any Loan (other than any Revolving Credit Loan that is a Base Rate Loan and any Swing Line Loan), the date of any repayment or prepayment made in respect thereof.

"Interest Period": as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan

and ending one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not later than 11:00 A.M. (New York City time) on the date that is three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period that would otherwise extend beyond the Revolving Credit Termination Date shall end on the Revolving Credit Termination Date or such due date, as applicable; and

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period.

"Interpolated Rate": in relation to the LIBO Rate for any Loan, the rate which results from interpolating on a linear basis between:

(a) the applicable LIBO Rate for the longest period (for which that LIBO Rate is available) which is less than the Interest Period of such Loan; and

(b) the applicable LIBO Rate for the shortest period (for which that LIBO Rate is available) which exceeds the Interest Period of such Loan,

each as of approximately 11:00 a.m. (London, England time) two Business Days prior to the commencement of such Interest Period of such Loan.

"Investments": as defined in Section 7.7.

"Issuing Lenders": (a) Barclays Bank PLC, Citibank, N.A., Regions Bank and U.S. Bank National Association or (b) any other Revolving Credit Lender from time to time designated by the Borrower as an Issuing Lender with the consent of such Revolving Credit Lender and the Administrative Agent.

"Joint Venture": any joint venture entity, whether a company, unincorporated firm, association, partnership or any other entity which, in each case, in which the REIT or its

Subsidiaries has a direct or indirect equity or similar interest and which is not a Wholly Owned Subsidiary of the Borrower.

"L/C Commitment": as to any Issuing Lender, the amount set forth under the heading "L/C Commitment" opposite such Issuing Lender's name on Annex A as such amount may be increased or decreased from time to time as agreed to in writing by such Issuing Lender and the Borrower and notified to the Administrative Agent. The aggregate of all L/C Commitments for all Issuing Lenders as of the Effective Date is $25,000,000.

"L/C Exposure": for any Lender, at any time, its Revolving Credit Percentage of the total L/C Obligations at such time.

"L/C Fee Payment Date": the last day of each March, June, September and December and the last day of the Revolving Credit Commitment Period.

"L/C Obligations": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 3.5.

"L/C Participants": with respect to any Letter of Credit, the collective reference to all the Revolving Credit Lenders other than the Issuing Lender that issued such Letter of Credit.

"L/C Sublimit": $25,000,000, as such amount may be reduced pursuant to Section 3.9.

"Lease": excluding any Operating Lease, Acceptable Lease, or other ground lease or air right lease, each existing or future lease, sublease (to the extent of any Subsidiary's rights thereunder), license, or other agreement under the terms of which any Person has or acquires any right to occupy or use any Hotel Property of any Subsidiary, or any part thereof, or interest therein, and (a) every modification, amendment or other agreement relating to such lease, sublease, subsublease or other agreement and (b) each existing or future guaranty of payment or performance thereunder.

"Lender Payment Amount": as defined in Section 2.16(g).

"Lenders": as defined in the preamble hereto.

"Lessee": (i) as to Borrowing Base Properties, each of (x) Chatham Leaseco I, LLC, a Florida limited liability company; (y) each of the following entities, all of which are Delaware limited liability companies: Chatham Burlington HG Leaseco LLC, Chatham Cherry Creek HP Leaseco LLC, Chatham Exeter HAS Leaseco LLC, Chatham Holtsville RI Leaseco LLC , Chatham Portland DT Leaseco LLC , Chatham Washington DC Leaseco LLC , and Chatham White Plains RI Leaseco LLC; or (z) any other Group Member approved by the

Administrative Agent in its reasonable discretion; and (ii) as to any other Hotel Property, any Group Member.

"Letters of Credit": as defined in Section 3.1(a).

"LIBO Rate": as defined in the definition of "Eurodollar Base Rate".

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"Loan": any loan made by any Lender pursuant to this Agreement.

"Loan Documents": this Agreement, the Guarantee Agreement, the Applications and the Notes.

"Loan Parties": the REIT, the Borrower and each Subsidiary of the Borrower that is a party to a Loan Document. For the avoidance of doubt, a Group Member shall not be a Loan Party solely because it is a beneficiary to an Application.

"Management Agreement": with respect to any Hotel Property, unless such Hotel Property is managed by a Group Member which owns (or leases) such Hotel Property, the management agreement entered into by and between the Group Member that owns or leases such Hotel Property and the Qualified Manager, pursuant to which the Qualified Manager is to provide management and other services with respect to such Hotel Property, or, if the context requires, a Qualified Manager who is managing such Hotel Property in accordance with the terms and provisions of this Agreement pursuant to a Replacement Management Agreement, as each may be amended, restated, supplemented or otherwise modified from time to time.

"Material Adverse Effect": (a) a material adverse effect on the business, assets, operations or financial condition or prospects of the Loan Parties, taken as a whole, or in the facts and information regarding such entities as represented to date; (b) a Material Property Event with respect to the Borrowing Base Properties, taken as a whole; (c) a material impairment of the ability of the Loan Parties, taken as a whole, to perform their obligations under the Loan Documents; or (d) a material adverse effect on the legality, validity, binding effect or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Agents or the Lenders hereunder or thereunder.

"Material Acquisition": any Acquisition (or series of related Acquisitions) or any Investment (or series of related Investments) permitted by Section 7.7 and consummated in accordance with the terms of Section 7.7 for which the aggregate consideration paid in respect of such Acquisition or Investment (including any Indebtedness assumed in connection therewith) is $100,000,000 or more.

"Material Environmental Amount": an amount or amounts payable by any of the Group Members or in respect to any Real Property in the aggregate in excess of $5,000,000, for: costs to comply with any Environmental Law; costs of any investigation, and any remediation, of any Material of Environmental Concern; and compensatory damages (including, without limitation damages to natural resources), punitive damages, fines, and penalties pursuant to any Environmental Law.

"Material Property Event": with respect to any Borrowing Base Property, the occurrence of any event or circumstance occurring or arising after the date of this Agreement that could reasonably be expected to have a (a) material adverse effect with respect to the financial condition or the operations of such Borrowing Base Property, (b) material adverse effect on the ownership of such Borrowing Base Property, or (c) result in a Material Environmental Amount.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products (virgin or used), polychlorinated biphenyls, urea-formaldehyde insulation, asbestos, pollutants, contaminants, radioactivity, and any other materials, substances or forces of any kind, whether or not any such material, substance or force is defined as hazardous or toxic under any Environmental Law, that is regulated pursuant to or could reasonably be expected to give rise to liability under any Environmental Law.

"Maximum Facility Availability": at any date, an amount equal to the lesser of (a) the Total Revolving Credit Commitments on such date and (b) the Borrowing Base on such date.

"Money Laundering Control Act": the Money Laundering Control Act of 1986, as amended from time to time.

"Moody's": Moody's Investors Service, Inc. and its successors.

"Mortgage Financing": Indebtedness of the type permitted by Section 7.2(h).

"Mortgage Notes Receivable": any mortgage notes receivable, including interest payments thereunder, issued in favor of any Group Member or any Joint Venture in which a Group Member is a member by any Person (other than a Group Member).

"Multiemployer Plan": a multiemployer plan as defined in Section 4001(a)(3) of ERISA that is subject to Title IV of ERISA and (a) to which the Borrower or any Commonly Controlled Entity has an obligation to contribute and (b) in which Hotel Employees participate by virtue of their involvement in the operations of any of the Borrowing Base Properties.

"Net Operating Income": of any Hotel Property for any period, an amount equal to (a) the aggregate Gross Income from Operations of such Hotel Property for such period, minus (b) the sum of (i) all expenses and other proper charges incurred in connection with the operation of such Hotel Property during such period (including real estate taxes, but excluding any management fees, franchise fees, debt service charges, income taxes, depreciation, amortization

and other noncash expenses), (ii) the actual management fees paid under the applicable Management Agreement during such period, (iii) a franchise fee that is the greater of 3% of the aggregate Gross Income from Operations of such Hotel Property for such period or the actual franchise fees incurred during such period and (iv) a furniture, fixtures and equipment reserve of 4% of the aggregate Gross Income from Operations of such Hotel Property for such period.

"New Revolving Credit Lender": as defined in Section 2.23(b)(ii).

"New Term Loan Lender": as defined in Section 2.23(c)(i).

"Non-Consenting Lender": as defined in Section 2.22(b).

"Non-Excluded Taxes": as defined in Section 2.18(a).

"Non-Recourse Indebtedness": any Indebtedness other than Recourse Indebtedness.

"Non-Recourse Parent Guarantor": the Borrower and any direct or indirect parent of the Borrower providing a guarantee permitted by Section 7.2(d), 7.2(g), 7.2(h) or 7.2(i).

"Non-Recourse Subsidiary Borrower": a Subsidiary of the Borrower (other than a Borrowing Base Group Member) whose principal assets are the assets securing Indebtedness incurred in accordance with Section 7.2(d), 7.2(g), 7.2(h) or 7.2(i).

"Non-U.S. Lender": as defined in Section 2.18(f).

"Non-U.S. Participant": as defined in Section 2.18(f).

"Note": any promissory note evidencing any Loan.

"Obligations": the unpaid principal of and interest on (including, without limitation, interest accruing after the maturity of the Loans and Reimbursement Obligations and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans, the Reimbursement Obligations and all other obligations and liabilities of the Borrower to the Administrative Agent or to any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document, the Letters of Credit or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"Occupancy Rate": for any Real Property on any date of determination, the total rooms occupied for the period of four fiscal quarters most recently ended for which financial

statements are available (excluding complimentary rooms) divided by the total number of available rooms during such period.

"OFAC": Office of Foreign Assets Control of the United States Department of the Treasury.

"OFAC List": the list of specially designated nationals and blocked persons subject to financial sanctions that is maintained by the U.S. Treasury Department, Office Foreign Assets Control.

"Operating Expenses": with respect to any Hotel Property for any period, the sum of all costs and expenses of operating, maintaining, directing, managing and supervising such Hotel Property (excluding, (a) depreciation and amortization, (b) any scheduled principal and interest payments with respect to any Indebtedness incurred in connection with such Hotel Property, (c) any Capital Expenditures in connection with such Hotel Property, or (d) the costs of any other things specified to be done or provided at the Group Members' or the Qualified Manager's sole expense) incurred by the Group Members or the Qualified Manager pursuant to the applicable Management Agreement, or as otherwise specifically provided therein, which are properly attributable to the period under consideration under the REIT's system of accounting, including without limitation: (i) the cost of all food and beverages sold or consumed and of all necessary chinaware, glassware, linens, flatware, uniforms, utensils and other items of a similar nature, including such items bearing the name or identifying characteristics of the hotels as the Group Members or the Qualified Manager shall reasonably consider appropriate ("Operating Equipment") and paper supplies, cleaning materials and similar consumable items ("Operating Supplies") placed in use (other than reserve stocks thereof in storerooms), Operating Equipment and Operating Supplies shall be considered to have been placed in use when they are transferred from the storerooms of such Hotel Property to the appropriate operating departments; (ii) salaries and wages of personnel of such Hotel Property, including costs of payroll taxes and employee benefits; (iii) the cost of all other goods and services obtained by any Group Member or the Qualified Manager in connection with its operation of such Hotel Property including, without limitation, heat and utilities, office supplies and all services performed by third parties, including leasing expenses in connection with telephone and data processing equipment, and all existing and any future installations necessary for the operation of the Improvements for hotel purposes (including, without limitation, heating, lighting, sanitary equipment, air conditioning, laundry, refrigerating, built-in kitchen equipment, telephone equipment, communications systems, computer equipment and elevators), Operating Equipment and existing and any future furniture, furnishings, wall coverings, fixtures and hotel equipment necessary for the operation of the building for hotel purposes which shall include all equipment required for the operation of kitchens, bars, laundries (if any) and dry cleaning facilities (if any), office equipment, cleaning and engineering equipment and vehicles; (iv) the cost of repairs to and maintenance of such Hotel Property other than of a capital nature; (v) the allocated amount of insurance premiums for general liability insurance, workers' compensation insurance or insurance required by similar employee benefits acts and such business interruption or other insurance as may be provided for protection against claims, liabilities and losses arising from the operation of such Hotel Property (as distinguished from any property damage insurance on such Hotel Property building or its

contents) and losses incurred on any self-insured risks of the foregoing types, provided that, the Borrower and the Qualified Manager have specifically approved in advance such self-insurance or insurance is unavailable to cover such risks; (vi) all real estate and personal property taxes, assessments, water rates or sewer rents, now hereafter levied or assessed or imposed against such Hotel Property or part thereof and Other Charges (other than federal, state or local income taxes and franchise taxes or the equivalent) payable by or assessed against the Group Members or the Qualified Manager with respect to the operation of such Hotel Property; (vii) the allocated amount of legal fees and fees of any firm of independent certified public accounts designated from time to time by the REIT for services directly related to the operation of such Hotel Property; (viii) the costs and expenses of technical consultants and specialized operational experts for specialized services in connection with non-recurring work on operational, legal, functional, decorating, design or construction problems and activities; provided that, as to the Borrowing Base Properties only, if such costs and expenses have not been included in an approved budget, then if such costs exceed $5,000 in any one instance the same shall be subject to approval by the Administrative Agent; (ix) the allocated amount all expenses for advertising such Hotel Property and all expenses of sales promotion and public relations activities; (x) the cost of any reservations system, any accounting services or other group benefits, programs or services from time to time made available to properties in the REIT's system; (xi) the cost associated with any retail Leases or Operating Leases; (xii) any management fees, basic and incentive fees or other fees and reimbursables paid or payable to the Qualified Manager under the related Management Agreement; (xiii) any franchise fees or other fees and reimbursables paid or payable to the Qualified Franchisor under the related Franchise Agreement; and (xiv) all costs and expenses of owning, maintaining, conducting and supervising the operation of such Hotel Property to the extent such costs and expenses are not included above.

"Operating Lease": with respect to each Hotel Property, the lease agreement entered into by and between the Group Member which owns or leases (pursuant to an Acceptable Lease, in the case of a Borrowing Base Property) such Hotel Property and the applicable Lessee, in each case, as may be amended, restated, supplemented or otherwise modified from time to time.

"Other Charges": all ground rents, maintenance charges, impositions other than taxes, and any other charges, including, without limitation, vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Real Property, now or hereafter levied or assessed or imposed against the Real Property or any part thereof.

"Other Taxes": any and all present or future stamp, court or documentary, intangible, recording, filing or similar taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery, performance, registration of, enforcement of, receipt or perfection of a security interest under or otherwise with respect to, this Agreement or any other Loan Document.

"Ownership Percentage": with respect to any Person, the percentage of the total outstanding Capital Stock of such Person held directly and indirectly by the REIT and its Subsidiaries.

"Participant": as defined in Section 10.6(b).

"Participation Amount": as defined in Section 3.4(b).

"Payment Amount": as defined in Section 3.5.

"Payment Office": the office specified from time to time by the Administrative Agent as its payment office by notice to the Borrower and the Lenders.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"Permitted Construction Financing": Non-Recourse Indebtedness incurred to finance the construction or improvement of Real Estate Under Construction (inclusive of Non-Recourse Indebtedness incurred as part of such construction financing and applied to reimburse costs previously paid to fund the related construction) and that is secured by such Real Estate Under Construction.

"Permitted Investor": Jeffrey H. Fisher, together with his spouse, parents, grandparents, siblings, siblings' children, aunts, uncles, in-laws, children, stepchildren, grandchildren or stepgrandchildren, or one or more trusts or limited liability companies or other entities, the sole beneficiaries, members or equity owners of which are any of the foregoing, and his charitable trusts.

"Permitted Limited Recourse Guarantees": guarantees by any Non-Recourse Parent Guarantor (a) for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of special purpose entity covenants and other circumstances customarily excluded by institutional lenders from exculpation provisions and/or included in separate guarantee or indemnification agreements in non-recourse financing of real estate and customary non-monetary completion and performance guarantees by any Non-Recourse Parent Guarantor, in each case with respect to Indebtedness permitted by Sections 7.2(h) and 7.2(i), and (b) monetary completion guarantees and payment guarantees in connection with Indebtedness permitted by Section 7.2(f) hereof.

"Person": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"PIP Plan": with respect to each Borrowing Base Property, any property improvement program that may be mandated or otherwise required under the applicable Franchise Agreement for such Property or other applicable licensing agreement.

"PIP Requirements": collectively, the obligation of the Loan Parties to comply with the PIP Plans.

"Plan": at a particular time, any employee benefit plan, other than a multiemployer plan as defined in Section 4001(a)(3) of ERISA, that is covered by ERISA and

(a) in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA or (b) in which Hotel Employees participate by virtue of their involvement in the operations of any of the Borrowing Base Properties.

"Policies": as defined in Section 6.5(d).

"Preliminary Diligence Materials": with respect to any Real Property which the Borrower has submitted a written request to be included in as a Borrowing Base Property pursuant to Section 5.3, each of the following documents:

(a) a description of such Real Property, including the age, location and size of such Real Property, the Qualified Manager and the Qualified Franchisor;

(b) an operating statement with respect to such Real Property for each of the two prior fiscal years and for the current fiscal year through the fiscal quarter most recently ending and for the current fiscal quarter (to the extent available), which shall be audited (to the extent available) or certified by a representative of the Borrower to the best of such representative's knowledge as being correct and complete in all respects and presents accurately the results of operations of such Property for the periods indicated; provided that, with respect to any period such Real Property was not owned by the Borrower, such information shall only be required to be delivered to the extent reasonably available to the Borrower;

(c) a pro forma operating statement or an operating budget for such Real Property with respect to the current and immediately following fiscal years (to the extent available);

(d) a budget for capital expenditures for the immediately following twelve-month period showing funding sources acceptable to the Administrative Agent, including any PIP Requirements for such Real Property; and

(e) a recent STAR Report for such Real Property.

"Prime Rate": as defined in the definition of "Base Rate".

"Principal Financial Officer": the chief financial officer, any director (or equivalent) or officer from time to time of the REIT with actual knowledge of the financial affairs of the REIT and its Subsidiaries.

"Pro Forma Balance Sheet": as defined in Section 4.1(a).

"Prohibited Person": any Person identified on the OFAC List or any other Person with whom a U.S. Person may not conduct business or transactions by prohibition of Federal law or Executive Order of the President of the United States of America.

"Projections": as defined in Section 6.2(c).

"Property": any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Capital Stock.

"PTE": a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"Qualified Franchisor": with respect to any Hotel Property, a Person that licenses or franchises its hotel brand to hotel owners or operators.

"Qualified Manager": with respect to any Hotel Property, a management company that manages and operates a Hotel Property pursuant to a Management Agreement for such Hotel Property.

"Rating Agency": each of S&P, Moody's and Fitch, or any other nationally recognized statistical rating agency which has been approved by the Administrative Agent in its sole discretion.

"Real Estate Under Construction": Real Property on which construction of material improvements has commenced or shall concurrently commence with the incurrence of Indebtedness financing such construction and is or shall be continuing to be performed, but has not yet been completed (as such completion is evidenced by the issuance of a temporary or permanent certificate of occupancy (whichever occurs first) for such Real Property.

"Real Property": with respect to any Person, all of the right, title, and interest of such Person in and to land, improvements and fixtures, including ground leases.

"REC": as defined in Section 6.8(c).

"Recourse Indebtedness": any Indebtedness, to the extent that recourse of the applicable lender for non-payment is not limited to such lender's Liens (if any) on a particular asset or group of assets (except to the extent the Property on which such lender has a Lien and to which its recourse for non-payment is limited constitutes cash or Cash Equivalents, to which extent such Indebtedness shall be deemed to be Recourse Indebtedness); provided that, personal recourse of any Person for any such Indebtedness for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of single purpose entity covenants, failure to maintain insurance, failure to pay taxes, and other circumstances customarily excluded by institutional lenders from exculpation provisions and included in separate guaranty or indemnification agreements in non-recourse financing of real estate shall not, by itself, cause such Indebtedness to be characterized as Recourse Indebtedness. For the avoidance of doubt, Recourse Indebtedness shall not include the Obligations.

"Refunded Swing Line Loans": as defined in Section 2.4.

"Refunding Date": as defined in Section 2.4.

"Register": as defined in Section 10.6(d).

"Regulation U": Regulation U of the Board as in effect from time to time.

"Reimbursement Obligation": the obligation of the Borrower to reimburse each Issuing Lender pursuant to Section 3.5 for amounts drawn under Letters of Credit issued by such Issuing Lender.

"REIT": as defined in the preamble hereto.

"REIT Controlled Affiliate": any Person that directly or indirectly, is controlled by the REIT. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"REIT Permitted Investments": Investments by the REIT or any Subsidiary of the REIT in the following items at any one time outstanding; provided that, on any date of determination, the aggregate value of such holdings of the REIT and its Subsidiaries shall not exceed the following amounts as a percentage of Total Asset Value on such date:

(i)	Mortgage Notes Receivables	5%
(ii)	Pro rata share of Unconsolidated Joint Ventures	20%
(iii)	Construction in Process	15%
(iv)	Aggregate of (i) to (iii)	30%

The amount of Construction in Process to be included in the limit above shall be based on the Group Members' total budgeted construction costs for renovation or expansion.

"REIT Status": with respect to any Person, (a) the qualification of such Person as a real estate investment trust under Sections 856 through 860 of the Code, and (b) the applicability to such Person and its shareholders of the method of taxation provided for in Section 857 et seq. of the Code, including a deduction for dividends paid.

"Related Fund": with respect to any Lender, any fund that (x) invests in commercial loans and (y) is managed or advised by the same investment advisor as such Lender, by such Lender or an affiliate of such Lender.

"Rents": with respect to each Borrowing Base Property, all rents, rent equivalents, moneys payable as damages or in lieu of rent or rent equivalents, royalties (including, without limitation, all oil and gas or other mineral royalties and bonuses), income, receivables, receipts, revenues, deposits (including, without limitation, security, utility and other deposits), accounts, cash, issues, profits, charges for services rendered, and other consideration of whatever form or nature received by or paid to or for the account of or benefit of the Loan Parties or their agents or employees from any and all sources arising from or attributable to such Borrowing Base Property, and proceeds, if any, from business interruption or other loss of

income or insurance, including, without limitation, all hotel receipts, revenues and credit card receipts collected from guest rooms, restaurants, bars, meeting rooms, banquet rooms and recreational facilities, all receivables, customer obligations, installment payment obligations and other obligations now existing or hereafter arising or created out of the sale, lease, sublease, license, concession or other grant of the right of the use and occupancy of property or rendering of services by the Loan Parties or any operator or manager of the hotel or the commercial space located in the Improvements or acquired from others (including, without limitation, from the rental of any office space, retail space, guest rooms or other space, halls, stores, and offices, and deposits securing reservations of such space), license, lease, sublease and concession fees and rentals, health club membership fees, food and beverage wholesale and retail sales, service charges, vending machine sales and proceeds, if any, from business interruption or other loss of income insurance.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Replacement Franchise Agreement": either (i) a franchise, trademark and license agreement with a Qualified Franchisor substantially in the same form and substance as the Franchise Agreement being replaced, or (ii) a franchise, trademark and license agreement with a Qualified Franchisor, which franchise, trademark and license agreement shall be reasonably acceptable to the Administrative Agent in form and substance.

"Replacement Management Agreement": either (i) a management agreement with a Qualified Manager substantially in the same form and substance as the Management Agreement being replaced, or (ii) a management agreement with a Qualified Manager, which management agreement shall be in form and substance reasonably acceptable to the Administrative Agent.

"Reportable Event": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the 30-day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. § 4043.

"Required Lenders": at any time, the holders of more than 50% of the Total Revolving Credit Commitments then in effect or, if the Revolving Credit Commitments have been terminated, the Total Revolving Extensions of Credit then outstanding. The Total Revolving Extensions of Credit of any Defaulting Lender shall be disregarded in determining Required Lenders at any time.

"Requirements of Law": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any treaty, federal, state, county, municipal and other governmental statutes, laws, orders, rules, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities or determination of an arbitrator or a court, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject, or the construction, use, alteration or operation of any Real Property, or any part thereof, whether now or hereafter enacted and in force, and all permits, licenses and authorizations and regulations relating thereto,

and, with respect to any Real Property, all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to the Group Members, at any time in force affecting such Real Property or any part thereof.

"Residence Inn Holtsville": that certain 124-room hotel property located in Holtsville, New York.

"Residence Inn Mountain View": that certain hotel property located in Mountain View, California, containing no fewer than 112 rooms.

"Residence Inn Silicon Valley I": that certain hotel property located in Sunnyvale, California, containing no fewer than 231 rooms.

"Residence Inn Silicon Valley II": that certain hotel property located in Sunnyvale, California, containing no fewer than 248 rooms.

"Residence Inn San Mateo": that certain hotel property located in San Mateo, California, containing no fewer than 160 rooms.

"Residence Inn White Plains": that certain 133-room hotel property located in White Plains, New York.

"Responsible Officer": the chief executive officer, president or chief financial officer of the REIT, but in any event, with respect to financial matters, the chief financial officer of the REIT.

"Restoration": the repair and restoration of a Hotel Property after a Casualty or Condemnation as nearly as possible to the condition the Hotel Property was in immediately prior to such Casualty or Condemnation, with, in the case of a Borrowing Base Property, such alterations as may be reasonably approved by the Administrative Agent.

"Restricted Borrowing Base Property": any Borrowing Base Property for which the Loan Parties have not furnished to the Administrative Agent financial statements pursuant to Section 6.1, in form and substance satisfactory to the Administrative Agent, demonstrating operating results for such Borrowing Base Property for a period of twelve months or more.

"Restricted Payments": as defined in Section 7.6.

"Revolving Commitment Increase Notice": each notice delivered by the Borrower to the Administrative Agent pursuant to Section 2.23 requesting an increase to the Revolving Credit Commitments.

"Revolving Credit Commitment": as to any Lender, the obligation of such Lender, if any, to make Revolving Credit Loans and participate in Swing Line Loans and Letters of Credit, in an aggregate principal and/or face amount not to exceed the amount set forth under the heading "Revolving Credit Commitment" opposite such Lender's name on Annex A, or, as the case may be, in the Assignment and Assumption substantially in the form of Exhibit E

pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original aggregate amount of the Total Revolving Credit Commitments is $250,000,000.

"Revolving Credit Commitment Period": the period from and including the Effective Date to the Revolving Credit Termination Date.

"Revolving Credit Increase Effective Date": as defined in Section 2.23(b)(v).

"Revolving Credit Lender": each Lender that has a Revolving Credit Commitment or that is the holder of Revolving Credit Loans.

"Revolving Credit Loans": as defined in Section 2.1.

"Revolving Credit Note": as defined in Section 2.5.

"Revolving Credit Percentage": as to any Revolving Credit Lender at any time, the percentage which such Lender's Revolving Credit Commitment then constitutes of the Total Revolving Credit Commitments (or, at any time after the Revolving Credit Commitments shall have expired or terminated, the percentage which the aggregate amount of such Lender's Revolving Extensions of Credit then outstanding constitutes of the Total Revolving Extensions of Credit then outstanding).

"Revolving Credit Termination Date": March 8, 2022, as such date may be extended pursuant to Section 2.6.

"Revolving Extensions of Credit": as to any Revolving Credit Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Credit Loans made by such Lender then outstanding, (b) such Lender's Revolving Credit Percentage of the L/C Obligations then outstanding and (c) such Lender's Revolving Credit Percentage of the aggregate principal amount of Swing Line Loans then outstanding.

"Revolving Offered Increase Amount": with respect to any Revolving Commitment Increase Notice, the amount of the increase in Revolving Credit Commitments requested by the Borrower in such Revolving Commitment Increase Notice pursuant to Section 2.23(a).

"RevPAR": on any date of determination for any Real Property, an amount equal to (a) the Occupancy Rate for such Real Property for the period of four fiscal quarters most recently ended for which financial statements are available multiplied by (b) Average Daily Rate for such Real Property for such period.

"S&P": Standard & Poor's Ratings Services and its successors.

"Seasoned Property": each Borrowing Base Property that has been owned by the Group Members for more than four full fiscal quarters.

"SEC": the Securities and Exchange Commission (or successors thereto or an analogous Governmental Authority).

"Secured Indebtedness": of any Person at any date, without duplication, all Indebtedness of such Person outstanding on such date that is secured in any manner by any Lien on any Property or (to the extent hereinafter provided) any Capital Stock, provided that, notwithstanding the foregoing, Indebtedness that is secured by a pledge of Capital Stock and not by Property owned by the issuer of such Capital Stock shall constitute Secured Indebtedness only if such Property also secures Indebtedness of such issuer.

"Secured Recourse Debt": at any date, an amount equal to the Consolidated Secured Debt on such date that is Recourse Indebtedness.

"Single Employer Plan": any Plan that is covered by Title IV of ERISA or Section 412 of the Code, other than a Multiemployer Plan.

"Solvent": with respect to any Person, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"SPC": as defined in Section 10.6(g).

"Specially Designated Nationals List": the Specially Designated Nationals and Blocked Persons List maintained by OFAC and available at http://www.ustreas.gov/offices/ enforcement/ofac/sdn/, or as otherwise published from time to time.

"STAR Report": with respect to any Real Property, a Smith Travel Accommodation Report (STAR) by Smith Travel Research or any other report which reflects market penetration and relevant hotel properties competing with such Real Property, in each case in form and substance reasonably satisfactory to the Administrative Agent.

"State": any state, commonwealth or territory of the United States of America, in which the subject of such reference or any part thereof is located.

"Subsidiary": as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Subsidiary Guarantor": each Subsidiary of the Borrower that is a party to the Guarantee Agreement.

"Supermajority Lenders": at any time, the holders of more than 66⅔% of the Total Revolving Credit Commitments then in effect or, if the Revolving Credit Commitments have been terminated, the Total Revolving Extensions of Credit then outstanding. The Total Revolving Extensions of Credit of any Defaulting Lender shall be disregarded in determining Supermajority Lenders at any time

"Swing Line Commitment": as to any Swing Line Lender, the amount set forth under the heading "Swing Line Commitment" opposite such Swing Line Lender's name on Annex A as such amount may be increased or decreased from time to time in writing by such Swing Line Lender and the Borrower and notified to the Administrative Agent. The aggregate of all Swing Line Commitments for all Swing Line Lenders as of the Effective Date is $25,000,000.

"Swing Line Exposure": for any Lender, at any time, its Revolving Credit Percentage of the aggregate amount of all Swing Line Loans outstanding at such time.

"Swing Line Lenders": Barclays Bank PLC, Citibank, N.A., Regions Bank and U.S. Bank National Association, in their respective capacities as the lenders of Swing Line Loans.

"Swing Line Loans": as defined in Section 2.3.

"Swing Line Note": as defined in Section 2.5.

"Swing Line Participation Amount": as defined in Section 2.4.

"Swing Line Sublimit": $25,000,000, as such amount may be reduced pursuant to Section 2.4(f).

"Syndication Agent": as defined in the preamble hereto.

"Tangible Net Worth": on any date of determination, the stockholders' equity of the Group Members determined on a consolidated basis plus accumulated depreciation and amortization, minus, to the extent included in determining such stockholders' equity: (a) the amount of any write-up in the book value of any assets reflected in any balance sheet resulting

from revaluation thereof or any write-up in excess of the cost of such assets acquired and (b) the aggregate of all amounts appearing on the assets side of any such balance sheet for franchises, licenses, permits, patents, patent applications, copyrights, trademarks, service marks, trade names, goodwill, treasury stock, experimental or organizational expenses and other like assets which would be classified as intangible assets under GAAP, all as determined on a consolidated basis.

"Tenant": any Person leasing, subleasing or otherwise occupying any portion of a Hotel Property under a Lease or other occupancy agreement with the Subsidiary that is the direct owner or lessee of such Hotel Property.

"Third Party Reports": with respect to any Real Property which the Borrower has submitted a written request to be included in as an Additional Borrowing Base Property pursuant to Section 5.3, each of the following documents prepared for such Real Property:

(a) an Acceptable Environmental Report;

(b) a property condition and structural reports;

(c) seismic reports; and

(d) zoning reports.

"Total Asset Value": as of any date of determination, without duplication, with respect to the Group Members on a consolidated basis, the sum of (a) for Real Property assets owned for four full consecutive fiscal quarters or more as of such date, an amount equal to (x) Net Operating Income for such Real Property assets for the four consecutive fiscal quarters most recently ending on or immediately prior to such date minus the aggregate amount of Net Operating Income attributable to each such Real Property asset acquired, sold or otherwise disposed of during such period, divided by (y) the Capitalization Rate with respect to such Real Property assets, (b) the acquisition cost of each Real Property asset (other than Construction in Process) acquired during the most recent four consecutive fiscal quarters ending on or prior to such date, (c) cost of Construction in Process (including the purchase price of the related Real Property) plus the GAAP book value of any capital expenditures in connection with the renovation or expansion or such Real Property in the most recent balance sheet delivered pursuant to Section 6.1, (d) unrestricted cash and Cash Equivalents on the last day of the four consecutive fiscal quarters ending on or immediately prior to such date, (e) the Group Members' pro rata share of the foregoing items in clauses (a), (b) and (c) attributable to interests in Unconsolidated Joint Ventures, (f) an amount equal to the aggregate book value of accounts receivable, Mortgage Notes Receivable, construction loans, capital improvement loans and other loans not in default owned by the Group Members and (g) capitalized costs for expenditures related to room expansions under construction, in accordance with GAAP (construction in progress book value), for the Residence Inn Mountain View, the Residence Inn Silicon Valley I, the Residence Inn Silicon Valley II and the Residence Inn San Mateo.

"Total Revolving Credit Commitments": at any time, the aggregate amount of the Revolving Credit Commitments then in effect.

"Total Revolving Extensions of Credit": at any time, the aggregate amount of the Revolving Extensions of Credit of the Revolving Credit Lenders outstanding at such time.

"Transferee": as defined in Section 10.14.

"TRS Holding": Chatham TRS Holding, Inc., a Florida corporation.

"TRS Subsidiary": each Subsidiary listed on Schedule 1.1F and any other Subsidiary of the Borrower that is a "taxable REIT subsidiary" within the meaning of section 856(l) of the Code.

"Type": as to any Loan, its nature as a Base Rate Loan or a Eurodollar Loan.

"Unconsolidated Joint Venture": with respect to any Group Member, any Joint Venture in which such Group Member has an interest that is not consolidated with such Group Member in accordance with GAAP.

"Uniform System of Accounts": the most recent edition of the Uniform System of Accounts for the Lodging Industry as published by the American Hotel & Lodging Association Educational Institute, as amended from time to time.

"Unsecured Indebtedness": of any Person at any date, without duplication, all Indebtedness of such Person outstanding on such date that is not Secured Indebtedness.

"Urban Acquired Property": any Real Property purchased by the Loan Parties, which has a downtown or central business district location in Boston, Chicago, Los Angeles, Manhattan, San Francisco or Washington D.C.

"USA PATRIOT Act": the United and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56), as amended from time to time.

"Wholly Owned Subsidiary": as to any Person, any other Person all of the Capital Stock of which (other than directors' qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

"Wholly Owned Subsidiary Guarantor": any Subsidiary Guarantor that is a Wholly Owned Subsidiary of the Borrower.

"Write-Down and Conversion Powers": with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

2.2 Other Definitional Provisions. Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(a) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the REIT, the Borrower and its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under the Uniform System of Accounts and reconciled in accordance with GAAP, as applicable.

(b) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(d) All calculations of financial ratios set forth in Section 7.1 and the calculation of the Consolidated Leverage Ratio for purposes of determining the Applicable Margin shall be calculated to the same number of decimal places as the relevant ratios are expressed in and shall be rounded upward if the number in the decimal place immediately following the last calculated decimal place is five or greater. For example, if the relevant ratio is to be calculated to the hundredth decimal place and the calculation of the ratio is 5.126, the ratio will be rounded up to 5.13.

SECTION 3 AMOUNT AND TERMS OF REVOLVING CREDIT COMMITMENT

3.1 Revolving Credit Commitments. Subject to the terms and conditions hereof, each Revolving Credit Lender severally agrees to make revolving credit loans (the "Revolving Credit Loans") to the Borrower from time to time during the Revolving Credit Commitment Period in an aggregate principal amount at any one time outstanding (i) for such Revolving Credit Lender which, when added to such Lender's Revolving Credit Percentage of the sum of (x) the L/C Obligations then outstanding and (y) the aggregate principal amount of the Swing Line Loans then outstanding does not exceed the amount of such Lender's Revolving Credit Commitment and (ii) the Total Revolving Extensions of Credit shall at no time exceed the Maximum Facility Availability at such time. During the Revolving Credit Commitment Period the Borrower may use the Revolving Credit Commitments by borrowing, prepaying the Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Revolving Credit Loans may from time to time be Eurodollar Loans or Base Rate Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 2.11, provided that no Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Revolving Credit Termination Date.

(a) The Borrower shall repay all outstanding Revolving Credit Loans on the Revolving Credit Termination Date.

3.2 Procedure for Revolving Credit Borrowing. The Borrower may borrow under the Revolving Credit Commitments on any Business Day during the Revolving Credit Commitment Period, provided that the Borrower shall deliver to the Administrative Agent a Borrowing Notice (which Borrowing Notice must be received by the Administrative Agent prior to 12:00 Noon (New York City time) (i) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (ii) one Business Day prior to the requested Borrowing Date, in the case of Base Rate Loans). Each borrowing of Revolving Credit Loans under the Revolving Credit Commitments shall be in an amount equal to (x) in the case of Base Rate Loans, $1,000,000 or a whole multiple in excess thereof (or, if the then aggregate Available Revolving Credit Commitments are less than $1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, $5,000,000 or a whole multiple of $1,000,000 in excess thereof; provided, that each Swing Line Lender may request, on behalf of the Borrower, borrowings of Base Rate Loans under the Revolving Credit Commitments in other amounts pursuant to Section 2.4. Upon receipt of any such Borrowing Notice from the Borrower, the Administrative Agent shall promptly notify each Revolving Credit Lender thereof. Each Revolving Credit Lender will make its Revolving Credit Percentage of the amount of each borrowing of Revolving Credit Loans available to the Administrative Agent for the account of the Borrower at the Funding Office prior to 1:00 P.M. (New York City time) on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent in like funds as received by the Administrative Agent.

3.3 Swing Line Commitment. Subject to the terms and conditions hereof, each Swing Line Lender agrees that, during the Revolving Credit Commitment Period, it will make available to the Borrower in the form of swing line loans ("Swing Line Loans") in each case, a portion of the credit otherwise available to the Borrower under the Revolving Credit Commitments; provided that (i)(x) the aggregate principal amount of Swing Line Loans made by such Swing Line Lender outstanding at any time shall not exceed such Swing Line Lender's Swing Line Commitment, (y) the aggregate principal amount of Swing Line Loans outstanding at any time shall not exceed the Swing Line Sublimit (in each case, notwithstanding that each Swing Line Lender's Swing Line Loans outstanding at any time, when aggregated with such Swing Line Lender's other outstanding Revolving Credit Loans hereunder, may exceed the Swing Line Sublimit then in effect) and (z) the aggregate principal amount of Swing Line Loans made by such Swing Line Lender outstanding at any time, together with its L/C Obligations in respect of Letters of Credit and its other outstanding Revolving Credit Loans hereunder, shall not exceed such Swing Line Lender's Revolving Credit Commitment then in effect, (ii) the Borrower shall not request, and each Swing Line Lender shall not make, any Swing Line Loan if, after giving effect to the making of such Swing Line Loan, the aggregate amount of the Available Revolving Credit Commitments would be less than zero and (iii) the Total Revolving Extensions of Credit shall at no time exceed the Maximum Facility Availability at such time. During the Revolving Credit Commitment Period, the Borrower may use the Swing Line Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. Swing Line Loans shall be Base Rate Loans only.

(a) The Borrower shall repay all outstanding Swing Line Loans to the applicable Swing Line Lender on or before the day that is ten days after the Borrowing Date of

each such Swing Line Loan. The applicable Swing Line Lender shall deliver prompt written notice to the Administrative Agent following the repayment of any of such Swing Line Lender's Swing Line Loans.

3.4 Procedure for Swing Line Borrowing; Refunding of Swing Line Loans. The Borrower may borrow under the Swing Line Commitment on any Business Day during the Revolving Credit Commitment Period from any one or more Swing Line Lenders (subject to the limitations set forth herein); provided that, the Borrower shall give the applicable Swing Line Lenders and the Administrative Agent irrevocable notice in writing (which notice must be received by the applicable Swing Line Lenders not later than 1:00 P.M. (New York City time) on the proposed Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date. Each borrowing under the Swing Line Commitment shall be in an amount equal to $500,000 or a whole multiple of $100,000 in excess thereof. Promptly following receipt of any such notice from the Borrower, the Administrative Agent shall provide written confirmation to the applicable Swing Line Lender that, after giving effect to the Swing Line Loan requested to be made, (i) the aggregate outstanding amount of Swing Line Loans does not exceed the Swing Line Sublimit, (ii) the aggregate amount of Available Revolving Credit Commitments is greater than zero and (iii) the Total Revolving Extensions of Credit does not exceed the Maximum Facility Availability, provided that, (x) such confirmation by the Administrative Agent shall be based solely on, and without independent verification of, (A) the most recent Borrowing Base Certificate delivered by the Borrower, (B) notices of the borrowing and repayment of Swing Line Loans delivered by the Swing Line Lenders to the Administrative Agent pursuant to Section 2.3(b) and this Section 2.4(a), respectively, and (C) notices of the issuance and termination of Letters of Credit delivered by the Issuing Lenders to the Administrative Agent pursuant to Sections 3.2 and 3.7, respectively, and (y) each determination by the Administrative Agent pursuant to this Section 2.4(a) shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. Not later than 3:00 P.M. (New York City time) on the Borrowing Date specified in the borrowing notice in respect of any Swing Line Loan, the applicable Swing Line Lenders shall make available to the Borrower at such account specified by the Borrower in the applicable borrowing notice an amount in immediately available funds equal to the amount of such Swing Line Loan. Each Swing Line Lender shall promptly give notice to the Administrative Agent of each Swing Line Loan made by such Swing Line Lender (including the amount thereof) and provide notice to the Administrative Agent of the outstanding balance of all Swing Line Loans of such Swing Line Lender upon the request of the Administrative Agent.

(a) Each Swing Line Lender, at any time and from time to time in its sole and absolute discretion may, on behalf of the Borrower (which hereby irrevocably directs each Swing Line Lender to act on its behalf), on one Business Day's notice given by such Swing Line Lender to the Administrative Agent no later than 12:00 Noon (New York City time) request each Revolving Credit Lender to make, and each Revolving Credit Lender hereby agrees to make, a Revolving Credit Loan (which shall initially be a Base Rate Loan), in an amount equal to such Revolving Credit Lender's Revolving Credit Percentage of the aggregate amount of such Swing Line Lender's Swing Line Loans (the "Refunded Swing Line Loans") outstanding on the date of such notice, to repay such Swing Line Lender. Each Revolving Credit Lender shall make the amount of such Revolving Credit Loan available to the Administrative Agent at the Funding

Office in immediately available funds, not later than 10:00 A.M. (New York City time) one Business Day after the date of such notice. The proceeds of such Revolving Credit Loans shall be made immediately available by the Administrative Agent to the applicable Swing Line Lender for application by such Swing Line Lender to the repayment of the Refunded Swing Line Loans.

(b) If prior to the time a Revolving Credit Loan would have otherwise been made pursuant to Section 2.4(b), one of the events described in Section 8.1(f) shall have occurred and be continuing with respect to the Borrower, or if for any other reason, as determined by any Swing Line Lender in its sole discretion, Revolving Credit Loans may not be made as contemplated by Section 2.4(b), each Revolving Credit Lender shall, on the date such Revolving Credit Loan was to have been made pursuant to the notice referred to in Section 2.4(b) (the "Refunding Date"), purchase for cash an undivided participating interest in such Swing Line Lender's then outstanding Swing Line Loans by paying to such Swing Line Lender an amount (the "Swing Line Participation Amount") equal to (i) such Revolving Credit Lender's Revolving Credit Percentage times (ii) the sum of the aggregate principal amount of such Swing Line Lender's Swing Line Loans then outstanding which were to have been repaid with such Revolving Credit Loans.

(c) Whenever, at any time after a Swing Line Lender has received from any Revolving Credit Lender such Lender's Swing Line Participation Amount, such Swing Line Lender receives any payment on account of such Swing Line Lender's Swing Line Loans, such Swing Line Lender will distribute to such Lender its Swing Line Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's pro rata portion of such payment if such payment is not sufficient to pay the principal of and interest on all such Swing Lime Lender's Swing Line Loans then due); provided, however, that in the event that such payment received by such Swing Line Lender is required to be returned, such Revolving Credit Lender will return to such Swing Line Lender any portion thereof previously distributed to it by such Swing Line Lender.

(d) Each Revolving Credit Lender's obligation to make the Loans referred to in Section 2.4(b) and to purchase participating interests pursuant to Section 2.4(c) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which such Revolving Credit Lender or the Borrower may have against any Swing Line Lender, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5; (iii) any adverse change in the condition (financial or otherwise) of the Borrower; (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other Revolving Credit Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(e) Any Swing Line Lender may resign upon 30 days' notice to the Administrative Agent, the Lenders and the Borrower. In the event of any such resignation, the

Borrower shall be entitled to appoint from among the Lenders a successor Swing Line Lender hereunder by written agreement among the Borrower, the Administrative Agent, the resigning Swing Line Lender and the successor Swing Line Lender, provided that, the failure by the Borrower to appoint a successor shall not affect the resignation of such Swing Line Lender. Any Swing Line Lender resigning hereunder shall (i) retain all the rights of a Swing Line Lender set forth in this Agreement and the other Loan Documents with respect to Swing Line Loans made by it and outstanding as of the effective date of its resignation, including the right to require the Lenders to make Loans or purchase participations in outstanding Swing Line Loans pursuant to Section 2.4, but, after receipt by the Administrative Agent, the Lenders and the Borrower of notice of resignation from such Swing Line Lender, such Swing Line Lender shall not be required, and shall be discharged from its obligations, to make additional Swing Line Loans, without affecting its rights and obligations with respect to Swing Line Loans previously made by it and (ii) the provisions of Sections 2.17, 2.18 and 10.5 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was a Swing Line Lender under this Agreement. Upon the appointment of a successor Swing Line Lender, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the resigning Swing Line Lender and (b) the successor Swing Line Lender shall repay all outstanding Obligations with respect to Swing Line Loans due to the resigning Swing Line Lender. In the event that the Borrower does not appoint a successor Swing Line Lender to replace a resigning Swing Line Lender, on the effective date of such resigning Swing Line Lender's resignation, (x) such Swing Line Lender's Swing Line Commitment shall automatically terminate and (y) the Swing Line Sublimit shall automatically be reduced by an amount equal to such Swing Line Lender's Swing Line Commitment until the Borrower appoints a successor Swing Line Lender, if any, in accordance with this Section 2.4(f), provided that, in no event shall the aggregate Swing Line Commitments of all Swing Line Lenders exceed the Swing Line Sublimit. The Administrative Agent shall notify the Revolving Credit Lenders of any such resignation or replacement of a Swing Line Lender.

3.5 Repayment of Loans; Evidence of Debt. The Borrower hereby unconditionally promises to pay to (i) the Administrative Agent for the account of the appropriate Revolving Credit Lender the then unpaid principal amount of each Revolving Credit Loan of such Revolving Credit Lender on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8.1) and (ii) to each Swing Line Lender the then unpaid principal amount of each Swing Line Loan of such Swing Line Lender on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8.1). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Loans from time to time outstanding from the Effective Date until payment in full thereof, in each case, at the rates per annum, and on the dates, set forth in Section 2.13.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(b) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 10.6(d), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Revolving Credit Loan made hereunder and any Note evidencing such Revolving Credit Loan, the Type of such Revolving Credit Loan and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Revolving Credit Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Revolving Credit Lender's share thereof. Each Swing Line Lender, on behalf of the Borrower, shall record (i) the amount of each Swing Line Loan made by such Swing Line Lender hereunder and any Note evidencing such Swing Line Loan, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to such Swing Line Lender hereunder and (iii) the amount of any sum received by such Swing Line Lender hereunder from the Borrower.

(c) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.5(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to the Borrower by such Lender in accordance with the terms of this Agreement.

(d) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will promptly execute and deliver to such Lender a promissory note of the Borrower evidencing any Revolving Credit Loans or Swing Line Loans, as the case may be, of such Lender, substantially in the forms of Exhibit F-1 or F-2, respectively (a "Revolving Credit Note" or "Swing Line Note", respectively), with appropriate insertions as to date and principal amount; provided, that delivery of Notes shall not be a condition precedent to the occurrence of the Effective Date or the making of the Loans or issuance of Letters of Credit on the Effective Date.

3.6 Extension of Revolving Credit Termination Date. During the period commencing not more than 120 days prior to, and ending not less than 30 days prior to, the Revolving Credit Termination Date then in effect, the Borrower may request two six-month extensions of the Revolving Credit Termination Date by delivering to the Administrative Agent a written notice (the "Extension Request"), which the Administrative Agent shall distribute promptly to the Lenders, provided that, (i) the Borrower may not submit more than two Extension Requests and (ii) the Revolving Credit Termination Date, as extended, shall not be later than the earlier of (x) March 8, 2023 and (y) the date that is one year prior to the earliest maturity date of any Incremental Term Loans, if any.

(a) The first extension of the Revolving Credit Termination Date (the "First Extended Revolving Credit Termination Date") shall become automatically effective on the date on which the following conditions have been satisfied:

(i) the Administrative Agent shall have received the Extension Request;

(ii) no Default or Event of Default shall have occurred and be continuing either on the date that the Borrower delivers the Extension Request, or on the original Revolving Credit Termination Date immediately prior to or after giving effect to such extension, provided that, the Borrower shall deliver a certificate from a Responsible Officer together with the Extension Request certifying that no Default or Event of Default shall have occurred and be continuing on such date; and

(iii) the Borrower shall have paid to the Administrative Agent, for distribution to each Lender, a one-time fee in an amount equal to 0.075% of the Revolving Credit Commitment of such Lender on such date (or, if the Revolving Credit Commitments have been terminated, the aggregate principal amount of the Revolving Credit Loans then outstanding).

(b) The second extension of the Revolving Credit Termination Date shall become automatically effective on the date on which the following conditions have been satisfied:

(i) the Administrative Agent shall have received the Extension Request;

(ii) the First Extended Revolving Credit Termination Date shall have occurred;

(iii) no Default or Event of Default shall have occurred and be continuing either on the date that the Borrower delivers the Extension Request, or on the First Extended Revolving Credit Termination Date immediately prior to or after giving effect to such extension, provided that, the Borrower shall deliver a certificate from a Responsible Officer together with the Extension Request certifying that no Default or Event of Default shall have occurred and be continuing on such date; and

(iv) the Borrower shall have paid to the Administrative Agent, for distribution to each Lender, a one-time fee in an amount equal to 0.075% of the Revolving Credit Commitment of such Lender on such date (or, if the Revolving Credit Commitments have been terminated, the aggregate principal amount of the Revolving Credit Loans then outstanding).

3.7 Commitment Fees, etc. The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Credit Lender a commitment fee for the

period from and including the Effective Date to the last day of the Revolving Credit Commitment Period, computed at the applicable Commitment Fee Rate on the average daily amount of the Available Revolving Credit Commitment of such Lender during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December and on the Revolving Credit Termination Date, commencing on the first of such dates to occur after the Effective Date. If there is any change in the Commitment Fee Rate during any quarter, the actual daily amount of the commitment fee shall be computed and multiplied by the Commitment Fee Rate separately for each period during such quarter that such Commitment Fee Rate was in effect.

(a) The Borrower agrees to pay to the Syndication Agent the fees in the amounts and on the dates previously agreed to in writing by the Borrower and the Syndication Agent.

(b) The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates from time to time agreed to in writing by the Borrower and the Administrative Agent.

3.8 Termination or Reduction of Revolving Credit Commitments. The Borrower shall have the right, upon not less than three Business Days' notice to the Administrative Agent, to terminate the Revolving Credit Commitments or, from time to time, to reduce the aggregate amount of the Revolving Credit Commitments; provided that no such termination or reduction of Revolving Credit Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Credit Loans and Swing Line Loans made on the effective date thereof, the Total Revolving Extensions of Credit would exceed the Maximum Facility Availability. Any such reduction shall be in an amount equal to $1,000,000, or a whole multiple thereof, and shall reduce permanently the Revolving Credit Commitments then in effect.

3.9 Optional Prepayments. The Borrower may at any time and from time to time prepay the Loans, in whole or in part, without premium or penalty (except as otherwise provided herein), upon irrevocable notice delivered to the Administrative Agent no later than 11:00 A.M. (New York City time) three Business Days prior thereto in the case of Eurodollar Loans and no later than 11:00 A.M. (New York City time) one Business Day prior thereto in the case of Base Rate Loans, which notice shall specify the date and amount of such prepayment and whether such prepayment is of Eurodollar Loans or Base Rate Loans; provided, that (i) if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.19 and (ii) no prior notice is required for the prepayment of Swing Line Loans. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Revolving Credit Loans that are Base Rate Loans and Swing Line Loans) accrued interest to such date on the amount prepaid. Partial prepayments of Revolving Credit Loans shall be in an aggregate principal amount of $1,000,000 or a whole multiple thereof. Partial prepayments of Swing Line Loans shall be in an aggregate principal amount of $100,000 or a whole multiple thereof.

3.10 Mandatory Prepayments. If at any date the Total Revolving Extensions of Credit exceed the Maximum Facility Availability calculated as of such date, the Borrower shall prepay the Loans and the outstanding Letters of Credit shall be Cash Collateralized within three Business Days of such date in an aggregate amount equal to or greater than such excess so that the Total Revolving Extensions of Credit no longer exceed the Maximum Facility Availability as of such date. Amounts to be applied in connection with prepayments made pursuant to this Section shall be applied, first, to the prepayment of the Loans (without a corresponding reduction of the Revolving Credit Commitments) and, second, to Cash Collateralize the outstanding Letters of Credit.

3.11 Conversion and Continuation Options. The Borrower may elect from time to time to convert Eurodollar Loans to Base Rate Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election, provided that any such conversion of Eurodollar Loans may be made only on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert Base Rate Loans to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election (which notice shall specify the length of the initial Interest Period therefor), provided that no Base Rate Loan may be converted into a Eurodollar Loan (i) when any Event of Default has occurred and is continuing and the Administrative Agent has, or the Required Lenders have, determined in its or their sole discretion not to permit such conversions or (ii) after the date that is one month prior to the Revolving Credit Termination Date (as in effect from time to time). Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

(a) The Borrower may elect to continue any Eurodollar Loan as such upon the expiration of the then current Interest Period with respect thereto by giving irrevocable notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loan, provided that no Eurodollar Loan may be continued as such (i) when any Event of Default has occurred and is continuing and the Administrative Agent has, or the Required Lenders have, determined in its or their sole discretion not to permit such continuations or (ii) after the date that is one month prior to the Revolving Credit Termination Date, and provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso, such Loans shall be converted automatically to Base Rate Loans on the last day of such then expiring Interest Period. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

3.12 Minimum Amounts and Maximum Number of Eurodollar Tranches. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions, continuations and optional prepayments of Eurodollar Loans and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that, (a) after giving effect thereto, the aggregate principal amount of the Eurodollar Loans comprising each Eurodollar Tranche shall be equal to $5,000,000 or a whole multiple of $1,000,000 in excess thereof and (b) no more than five Eurodollar Tranches shall be outstanding at any one time.

3.13 Interest Rates and Payment Dates. Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin in effect for such day.

(a) Each Base Rate Loan shall bear interest for each day on which it is outstanding at a rate per annum equal to the Base Rate in effect for such day plus the Applicable Margin in effect for such day.

(b) (i) At any time an Event of Default has occurred and is continuing, all outstanding Loans and Reimbursement Obligations (whether or not overdue) (to the extent legally permitted) shall bear interest at a rate per annum that is equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2% or (y) in the case of Reimbursement Obligations, the rate applicable to Base Rate Loans plus 2% and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to Base Rate Loans plus 2%, in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (after as well as before judgment).

(c) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand.

3.14 Computation of Interest and Fees; Retroactive Adjustments of Applicable Margin. Interest, fees and commissions payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that, with respect to Base Rate Loans on which interest is calculated on the basis of the Prime Rate, the interest thereon shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Base Rate or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(a) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.13(a) or (b).

(b) If, as a result of any restatement of or other adjustment to the financial statements of the REIT or for any other reason, the REIT, the Borrower, the Administrative Agent or the Lenders determine that (i) the Consolidated Leverage Ratio as calculated by the REIT and the Borrower as of any applicable date was inaccurate and (ii) a proper calculation of the Consolidated Leverage Ratio would have resulted in a higher Applicable Margin for such

period, the Borrower shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of the applicable Lenders or Issuing Lenders, as the case may be, promptly on demand by the Administrative Agent (or, after the occurrence of an Event of Default specified in clause (i) or (ii) of 8.1(f) with respect to the Borrower, automatically and without further action by the Administrative Agent, any Lender or Issuing Lender) an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. This paragraph shall not limit the rights of the Administrative Agent, any Lender or Issuing Lender, as the case may be, under Section 2.13(c), 3.3(a) or 3.4(b) or under Section 8.1.

(c) Each Swing Line Lender shall calculate the interest owed to such Swing Line Lender on the unpaid principal amount of such Swing Line Lender's Swing Line Loans for each Interest Payment Date based on the interest rates determined by the Administrative Agent pursuant to Section 2.13 and this Section 2.14 and shall promptly deliver notice to the Borrower and the Administrative Agent of any such calculation and the applicable Interest Payment Date for such payment of interest.

3.15 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(i) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(ii) the Administrative Agent shall have received notice from the Required Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, (y) any Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as Base Rate Loans and (z) any outstanding Eurodollar Loans shall be converted, on the last day of the then current Interest Period with respect thereto, to Base Rate Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert Loans to Eurodollar Loans.

(b) If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in Section 2.15(a)(i) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in Section 2.15(a)(i) have not arisen but the supervisor for the administrator of the Eurodollar Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the Eurodollar Rate shall no

longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the Eurodollar Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable. Notwithstanding anything to the contrary in Section 10.1, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five (5) Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment. Provided that, if such alternate rate of interest shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

3.16 Pro Rata Treatment and Payments. Each borrowing by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any commitment fee or Letter of Credit fee, and any reduction of the Revolving Credit Commitments of the Lenders, shall be made pro rata according to the Revolving Credit Percentages of the Lenders. Each payment of interest in respect of the Loans and each payment in respect of fees payable hereunder shall be applied to the amounts of such obligations owing to the Lenders pro rata according to the respective amounts then due and owing to the Lenders.

(a) Each payment (including each prepayment) by the Borrower on account of principal of the Revolving Credit Loans shall be made pro rata according to the respective outstanding principal amounts of the Revolving Credit Loans then held by the Revolving Credit Lenders. Each payment in respect of Reimbursement Obligations in respect of any Letter of Credit shall be made to the Issuing Lender that issued such Letter of Credit.

(b) The application of any payment of Loans (including optional and mandatory prepayments) shall be made, first, to Base Rate Loans and, second, to Eurodollar Loans. Each payment of the Loans (except in the case of Swing Line Loans and Revolving Credit Loans that are Base Rate Loans) shall be accompanied by accrued interest to the date of such payment on the amount paid.

(c) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 2:00 pm, New York City time, on the due date thereof to the Administrative Agent, for the account of the relevant Lenders, at the Payment Office, in Dollars and in immediately available funds; provided that, any payments of Swing Line Loans shall be made by the Borrower directly to the applicable Swing Line Lender at the payment office specified by such Swing Line Lender. Any payment made by the Borrower after 2:00 pm, New York City time, on any Business Day shall be deemed to have been on the next following Business Day. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such

payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(d) Unless the Administrative Agent shall have been notified in writing by any Revolving Credit Lender prior to a borrowing of Revolving Credit Loans that such Revolving Credit Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Revolving Credit Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Revolving Credit Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the greater of (i) the Federal Funds Effective Rate and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such Revolving Credit Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Revolving Credit Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Revolving Credit Lender's share of such borrowing is not made available to the Administrative Agent by such Revolving Credit Lender within three Business Days after such Borrowing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to Base Rate Loans, on demand, from the Borrower.

(e) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment of Revolving Credit Loans due to be made by the Borrower hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Revolving Credit Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days after such due date, the Administrative Agent shall be entitled to recover, on demand, from each Revolving Credit Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

(f) Upon receipt by the Administrative Agent of payments on behalf of Lenders, the Administrative Agent shall promptly distribute such payments to the Lender or Lenders entitled thereto, in like funds as received by the Administrative Agent. Notwithstanding the foregoing, if the Administrative Agent receives any payment (whether voluntarily or involuntarily, pursuant to events or proceedings of the nature referred to in Section 8.1(f), or otherwise) (the amount of such payment, the "Lender Payment Amount") for the account of any Lender (whether in such Lender's capacity as a Revolving Credit Lender or L/C Participant), and

at the time of such receipt such Lender, in its capacity as L/C Participant, is in default in any of its obligations pursuant to Section 3.4(a) (the amount of such obligations in default, the "Defaulted Amount"), the Administrative Agent may withhold from the Lender Payment Amount an amount up to the Defaulted Amount, and apply the amount so withheld toward payment to the relevant Issuing Lender of the Defaulted Amount or, if applicable, toward reimbursement of any other Person that has previously reimbursed such Issuing Lender for the Defaulted Amount.

3.17 Requirements of Law. If any Change in Law:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any Application or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes imposed on amounts payable by the Borrower under this Agreement, taxes expressly excluded under the provisions of Section 2.18 in defining "Non-Excluded Taxes" or Other Taxes covered by Section 2.18);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans or issuing or participating in Letters of Credit, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this Section, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that any Change in Law regarding capital adequacy or liquidity requirements or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the Effective Date shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such Change in Law or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. The obligations of the Borrower pursuant to this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

3.18 Taxes. All payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding (i) net income taxes (however denominated), branch profit taxes, and franchise taxes (imposed in lieu of net income taxes) imposed on any Agent or any Lender as a result of a present or former connection between such Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising from such Agent's or such Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document); (ii) taxes that are attributable to such Lender's failure to comply with the requirements of paragraph (e) or (f) of this Section; (iii) taxes that are United States withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such deduction or withholding pursuant to this Section 2.18; or (iv) any U.S. federal withholding taxes imposed under FATCA. If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or any Other Taxes are required to be withheld from any amounts payable to any Agent or any Lender hereunder, the amounts so payable to such Agent or such Lender shall be increased to the extent necessary to yield to such Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement.

(a) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(b) The Borrower shall indemnify each Lender or the Administrative Agent, as the case may be, within ten days after demand therefor, for the full amount of any Non-Excluded Taxes (including Non-Excluded Taxes imposed or asserted on or attributable to amounts payable under this Section 2.18(c)) payable or paid by the Administrative Agent or such Lender and any reasonable expenses arising therefrom or with respect thereto, whether or not such Non-Excluded Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for the account of the relevant Agent or Lender, as the case may be, a certified copy of an

original official receipt received by the Borrower showing payment thereof, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent. If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Agents and the Lenders for any incremental taxes, interest or penalties that may become payable by any Agent or any Lender as a result of any such failure, except to the extent that any such amounts are compensated for by an increased payment under Section 2.18(a). The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

(d) Each Lender shall deliver documentation and information to the Borrower and the Administrative Agent, at the times and in form required by applicable law or reasonably requested by the Borrower or the Administrative Agent, sufficient to permit the Borrower or the Administrative Agent to determine whether or not payments made with respect to this Agreement or any other Loan Documents are subject to taxes, and, if applicable, the required rate of withholding or deduction. However, a Lender shall not be required to deliver any documentation or information pursuant to this paragraph that such Lender is not legally able to deliver. A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's reasonable judgment such completion, execution or submission would not subject such Lender to any material unreimbursed cost or expense, and would not materially prejudice the legal or commercial position of such Lender.

(e) Any Lender (or Transferee) that is a "United States person" within the meaning of Section 7701(a)(30) of the Code shall deliver to the Borrower and the Administrative Agent Internal Revenue Service Form W-9. Each Lender (or Transferee) that in not a "United States person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant that would be Non-U.S. Lender if it were a Lender (each, a "Non-U.S. Participant"), to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN, Form W-8BEN-E or Form W-8ECI, Form W-8IMY (together with all required supporting documentation), or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest" a statement substantially in the form of Exhibit G-1, G-2, G-3 or G-4, as applicable, and a Form W-8BEN or Form W-8BEN-E, or any subsequent versions thereof or successors thereto properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this

Agreement (or, in the case of any Non-U.S. Participant, on or before the date such Non-U.S. Participant purchases the related participation). In addition, each Non-U.S. Lender (and Non-U.S. Participant) shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender (and Non-U.S. Participant). Each Non-U.S. Lender shall promptly notify the Borrower (or, in the case of a Non-U.S. Participant, the Lender from which the related participation shall have been purchased) at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(f) If a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (g), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(g) Nothing in this Section 2.18 shall require the Lender to make available any of its tax returns or any other information that it deems to be confidential or proprietary.

3.19 Indemnity. The Borrower agrees to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense that such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment or conversion of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. A

certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

3.20 Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert Base Rate Loans to Eurodollar Loans shall forthwith be canceled and (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 2.19.

3.21 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.17, 2.18(a) or 2.20 with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section shall affect or postpone any of the obligations of any Borrower or the rights of any Lender pursuant to Section 2.17, 2.18(a) or 2.20.

3.22 Replacement of Lenders under Certain Circumstances. The Borrower shall be permitted to replace any Lender that (i) requests reimbursement for amounts owing pursuant to Section 2.17 or 2.18 or gives a notice of illegality pursuant to Section 2.20, (ii) is a Defaulting Lender or (iii) is a Non-Consenting Lender with a replacement financial institution; provided that (A) such replacement does not conflict with any Requirement of Law, (B) no Event of Default shall have occurred and be continuing at the time of such replacement, (C) prior to any such replacement, such Lender shall have taken no action under Section 2.21 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.17 or 2.18 or to eliminate the illegality referred to in such notice of illegality given pursuant to Section 2.20, (D) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (E) the Borrower shall be liable to such replaced Lender under Section 2.19 (as though Section 2.19 were applicable) if any Eurodollar Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (F) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (G) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.6 (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (H) the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.17 or 2.18, as the case may be, in respect of any period prior to the date on which such replacement shall be consummated, and (I) any such replacement shall not be deemed to be a

waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

(a) In the event that (i) the Borrower or the Administrative Agent has requested that the Lenders consent to a departure or waiver of any provisions of the Loan Documents or agree to any amendment thereto, (ii) the consent, waiver or amendment requires the agreement of the Supermajority Lenders, all Lenders or all affected Lenders in accordance with the terms of Section 10.1 and (iii) the Required Lenders have agreed to such consent, waiver or amendment, then any Lender who does not agree to such consent, waiver or amendment shall be deemed a "Non-Consenting Lender".

3.23 Incremental Borrowings. At any time after the Effective Date and prior to the date that is twelve months prior to the Revolving Credit Termination Date, so long as no Default or Event of Default has occurred and is continuing, the Borrower may, (x) by delivery of a Revolving Commitment Increase Notice to the Administrative Agent, which notice shall promptly be copied by the Administrative Agent to each Lender, request an increase in the Total Revolving Credit Commitments pursuant to a Revolving Commitment Increase Notice or (y) by delivery of an Incremental Term Loan Facility Notice to the Administrative Agent, which notice shall promptly be copied by the Administrative Agent to each Lender, add one or more tranches of term loans under the Loan Documents pursuant to an Incremental Term Loan Facility Notice (the "Incremental Term Loan Facilities" and the term loans made thereunder, the "Incremental Term Loans"; each such increase or tranche pursuant to clauses (x) and (y), an "Incremental Facility"). The Borrower may request Incremental Facilities in an aggregate principal amount up to $200,000,000; provided that, (i) each such Revolving Offered Increase Amount shall be in a minimum amount of not less than $25,000,000, (ii) each such Incremental Term Loan Facility shall be in a minimum amount of not less than $75,000,000 and (iii) at no time shall the Total Revolving Credit Commitments (as so increased) together with the aggregate principal amount of the Increment Term Loan Facilities exceed $450,000,000.

(a) (%3) For any increase of the Total Revolving Credit Commitments, the Borrower shall (A) first, offer each of the Revolving Credit Lenders the opportunity to provide a pro rata portion of any Revolving Offered Increase Amount pursuant to Section 2.23(b)(iii) below, (B) second, offer each of the Revolving Credit Lenders the opportunity to provide all or a portion of any Revolving Offered Increase Amount not otherwise accepted by the other Revolving Credit Lenders (pursuant to clause (A) above) pursuant to Section 2.23(b)(ii) below and (C) third, with the consent of each Issuing Lender, each Swing Line Lender and the Administrative Agent (which consent shall not be unreasonably withheld), offer one or more additional banks, financial institutions or other entities the opportunity to provide all or a portion of such Revolving Offered Increase Amount not accepted by the Revolving Credit Lenders pursuant to Section 2.23(b)(ii) below. Each Revolving Commitment Increase Notice shall specify which banks, financial institutions or other entities the Borrower desires to provide such Revolving Offered Increase Amount not accepted by the Revolving Credit Lenders. The Borrower or, if requested by the Borrower, the Administrative Agent, will notify the Revolving Credit Lenders, and, if the Revolving Credit Lenders do not accept the entire Revolving Offered Increase Amount, such banks, financial institutions or other entities offered the opportunity to

provide the portion of the Revolving Offered Increase Amount not accepted by the Revolving Credit Lenders.

(i) Any additional bank, financial institution or other entity that the Borrower selects to offer participation in any increased Total Revolving Credit Commitments and that elects to become a party to this Agreement and provide a Revolving Credit Commitment in an amount so offered and accepted by it pursuant to Section 2.23(b)(i) shall execute a New Lender Supplement substantially in the form of Exhibit I, with the Borrower, each Issuing Lender, each Swing Line Lender and the Administrative Agent, whereupon such bank, financial institution or other entity (herein called a "New Revolving Credit Lender") shall become a Revolving Credit Lender for all purposes and to the same extent as if originally a party hereto and shall be bound by and entitled to the benefits of this Agreement, provided that, the Revolving Credit Commitment of any such New Revolving Credit Lender shall be in an amount not less than $5,000,000.

(ii) Any Revolving Credit Lender that accepts an offer to it by the Borrower to increase its Revolving Credit Commitment pursuant to Section 2.23(b)(i) shall, in each case, execute a Commitment Increase Supplement substantially in the form of Exhibit J (each, a "Commitment Increase Supplement"), with the Borrower, each Issuing Lender, each Swing Line Lender and the Administrative Agent, whereupon such Revolving Credit Lender shall be bound by and entitled to the benefits of this Agreement with respect to the full amount of its Revolving Credit Commitment as so increased.

(iii) On any Revolving Credit Increase Effective Date, (A) each bank, financial institution or other entity that is a New Revolving Credit Lender pursuant Section 2.23(b)(ii) or any Revolving Credit Lender that has increased its Revolving Credit Commitment pursuant to Section 2.23(b)(iii) shall make available to the Administrative Agent such amounts in immediately available funds as the Administrative Agent shall determine, for the benefit of the other relevant Revolving Credit Lenders, as being required in order to cause, after giving effect to such increase and the use of such amounts to make payments to such other relevant Revolving Credit Lenders, each Revolving Credit Lender's portion of the outstanding Revolving Credit Loans of all the Lenders to equal its Revolving Credit Percentage of such Revolving Credit Loans and (B) the Borrower shall be deemed to have repaid and reborrowed all outstanding Revolving Credit Loans of all the Revolving Credit Lenders to equal its Revolving Credit Percentage of such outstanding Revolving Credit Loans as of the date of any increase in the Revolving Credit Commitments (with such reborrowing to consist of the Types of Loans, with related Interest Periods if applicable, specified in a notice delivered by the Borrower in accordance with the requirements of Section 2.2). The deemed payments made pursuant to clause (B) of the immediately preceding sentence in respect of each Eurodollar Loan shall be subject to indemnification by the Borrower pursuant to the provisions of Section 2.19 if the deemed payment occurs other than on the last day of the related Interest Periods.

(iv) The increase in the Revolving Credit Commitments provided pursuant to this Section 2.23 shall be effective on the date (the "Revolving Credit Increase Effective Date") the Administrative Agent receives satisfactory legal opinions, board resolutions and other closing documents deemed reasonably necessary by the Administrative Agent in connection with such increase; provided that, immediately prior to and after giving effect to such increase, (A) no Default or Event of Default shall have occurred and be continuing, (B) each of the REIT and the Borrower is in pro forma compliance with Section 7.1, such determination of pro forma compliance to be based on the then outstanding principal amount of Loans and (C) each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, provided that, (x) to the extent that any such representation or warranty relates to a specific earlier date, they shall be true and correct as of such earlier date, (y) to the extent that such representation or warranty relates to a Borrowing Base Property being removed from the Borrowing Base, the representation and warranties shall be true and correct without regard to such removed Borrowing Base Property and (z) to the extent that any representation and warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct in all respects on such respective dates. For the avoidance of doubt, no increase in the Revolving Credit Commitments pursuant to this Section 2.23 shall require, as a condition to its effectiveness, the signature of, or any consent or approval from, any Lender that is not obligated to increase its Revolving Credit Commitments pursuant to a Commitment Increase Supplement.

(a) (b) For any Incremental Term Loan Facility, the Borrower shall (A) first, offer each of the Revolving Credit Lenders the opportunity to provide a pro rata portion of any Incremental Term Loan Facility, (B) second, offer each of the Revolving Credit Lenders the opportunity to provide all or a portion of any Incremental Term Loan Facility not otherwise accepted by the other Revolving Credit Lenders (pursuant to clause (A) above) and (C) third, with the consent of the Administrative Agent (which consent shall not be unreasonably withheld), offer one or more additional banks, financial institutions or other entities the opportunity to provide all or a portion of such any Incremental Term Loan Facility not accepted by the Revolving Credit Lenders (herein called a "New Term Loan Lender"), provided that, the minimum amount of Incremental Term Loans under any Incremental Term Loan Facility of any new Term Loan Lender shall be in an amount not less than $5,000,000. Each Incremental Term Loan Facility Notice shall specify which banks, financial institutions or other entities the Borrower desires to provide the portion of such Incremental Term Loan Facility not accepted by the Revolving Credit Lenders. The Borrower or, if requested by the Borrower, the Administrative Agent, will notify the Revolving Credit Lenders, and, if the Revolving Credit Lenders do not accept the entire Incremental Term Loan Facility, such banks, financial institutions or other entities offered the opportunity to provide the portion of the Incremental Term Loan Facility not accepted by the Revolving Credit Lenders.

(i) Each Incremental Term Loan Facility will become effective pursuant to an amendment to this Agreement (each, an "Incremental Amendment") and, as appropriate, the other Loan Documents, executed by the Borrower, each Person providing such

Incremental Term Loan Facility and the Administrative Agent. Incremental Amendments may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower, to set forth the amounts, terms and conditions of the related Incremental Term Loan Facility consistent with the terms of this Agreement and to effect the provisions of this Section 2.23(c), provided that, the first Incremental Amendment after the 2018 Amendment Agreement Effective Date may amend and restate this Agreement to reflect the addition of a term loan facility on a pari passu basis with the Revolving Credit Loans without requiring the consent of any Revolving Credit Lender so long as the terms of such amendment and restatement do not adversely affect the Revolving Credit Lenders. Each of the parties hereto hereby agrees that, upon the effectiveness of any Incremental Amendment, this Agreement and the other Loan Documents, as applicable, will be amended to the extent necessary to reflect the existence and terms of the Incremental Facility and the Incremental Term Loans evidenced thereby. This Section 2.23 shall supersede any provisions in Section 2.16 or 10.1 to the contrary. The Borrower may use the proceeds of the Incremental Term Loans for any purpose not prohibited by this Agreement.

(ii) Each Incremental Amendment will set forth the amount and terms of the relevant Incremental Term Loan Facility. The terms of each Incremental Term Loan Facility will be as agreed between the Borrower and the Persons providing such Incremental Facility; provided that:

(A) the final maturity date of any such Incremental Term Loans will be no earlier than the date that is one year after the Revolving Credit Termination Date then in effect;

(B) no Incremental Term Loan Facility shall be guaranteed by any Person other than a Guarantor;

(C) any Incremental Term Loan Facility shall be on terms and conditions that are substantially identical to, or, taken as a whole, not materially more favorable to the lenders or holders providing such Incremental Term Loan Facility than, those applicable to the Revolving Credit Loans, as determined in good faith by a Responsible Officer of the Borrower in its reasonable judgment (except (x) for covenants applicable only to periods after the Revolving Credit Termination Date at the time of incurrence and (y) any term or condition to the extent such term or condition is also added for the benefit of the Lenders under the Revolving Credit Loans); provided that, this clause (C) will not apply to (1) terms addressed in the other clauses of this Section 2.23(c), (2) interest rate, fees, funding discounts and other pricing terms, (3) redemption, prepayment or other premiums, and (4) optional prepayment or redemption terms.

(c) Notwithstanding anything to the contrary in this Section 2.23, (i) in no event may the Borrower deliver more than two Revolving Commitment Increase Notices and/or

Incremental Term Loan Facility Notices, (ii) in no event shall there be more than two Incremental Facilities and (iii) no Lender shall have any obligation to increase its Revolving Credit Commitment or to commit to provide any portion of an Incremental Term Loan Facility unless it agrees to do so in its sole discretion.

3.24 Defaulting Lender.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definitions of Required Lenders and Supermajority Lenders.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 8 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 10.7 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to any Issuing Lender or any Swing Line Lender hereunder; third, to Cash Collateralize the Issuing Lenders' Fronting Exposure with respect to such Defaulting Lender; fourth, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize the Issuing Lenders' future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement; sixth, to the payment of any amounts owing to the Lenders, the Issuing Lenders or the Swing Line Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the Issuing Lenders or the Swing Line Lenders against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or L/C Obligations in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 5.2 were satisfied or waived, such payment shall be applied solely to pay

the Loans of, and L/C Obligations owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or L/C Obligations owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Obligations and Swing Line Loans are held by the Lenders pro rata in accordance with the Revolving Credit Commitments without giving effect to Section 2.24(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.24(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees. (1) No Defaulting Lender shall be entitled to receive any Commitment Fee for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(A) Each Defaulting Lender shall be entitled to receive fees pursuant to Section 3.3(a) with respect to Letters of Credit for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Revolving Credit Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral.

(B) With respect to any fee on account of Letters of Credit not required to be paid to any Defaulting Lender pursuant to clause (A) or (B) above, the Borrower shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in L/C Obligations or Swing Line Loans that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to each Issuing Lender and each Swing Line Lender, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such Issuing Lender's or such Swing Line Lender's Fronting Exposure to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Participations to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in L/C Obligations and Swing Line Loans shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Revolving Credit Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (x) the conditions set forth in Section 5.2 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate Revolving Extensions of Credit of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Revolving Credit Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender

having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) Cash Collateral, Repayment of Swing Line Loans. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, (x) first, prepay Swing Line Loans in an amount equal to the Swing Line Lenders' Fronting Exposure and (y) second, Cash Collateralize the Issuing Lenders' Fronting Exposure.

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent, each Swing Line Lender and each Issuing Lender agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swing Line Loans to be held pro rata by the Lenders in accordance with the Revolving Credit Commitments (without giving effect to Section 2.24(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) New Swing Line Loans/Letters of Credit. So long as any Lender is a Defaulting Lender, (i) no Swing Line Lender shall be required to fund any Swing Line Loans unless it is satisfied that it will have no Fronting Exposure after giving effect to such Swing Line Loan and (ii) no Issuing Lender shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

SECTION 4 LETTERS OF CREDIT

4.1 L/C Commitment. Subject to the terms and conditions hereof, each Issuing Lender, in reliance on the agreements of the other Revolving Credit Lenders set forth in Section 3.4(a), agrees to issue letters of credit (the "Letters of Credit") for the account of the Borrower on any Business Day during the Revolving Credit Commitment Period in such form as may be approved from time to time by such Issuing Lender; provided, that (x) no Issuing Lender shall have any obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations in respect of Letters of Credit issued by such Issuing Lender would exceed such Issuing Lender's L/C Commitment, (ii) the L/C Obligations would exceed the L/C Sublimit, (iii) the Total Revolving Extensions of Credit would exceed the Maximum Facility Availability at such time or (iv) the L/C Obligations in respect of Letters of Credit issued by such Issuing Lender, together with the aggregate principal amount of its outstanding Swing Line Loans and its other outstanding Revolving Credit Loans hereunder, would exceed such Issuing Lender's Revolving Credit Commitment then in effect and (y) the Borrower shall alternate the

selection of the applicable Issuing Lender based on the number and size of the Letters of Credit requested by the Borrower in order for each Issuing Lender to be selected for the issuance of Letters of Credit on an equivalent basis. Each Letter of Credit shall (A) be denominated in Dollars and (B) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date which is five Business Days prior to the Revolving Credit Termination Date; provided that any Letter of Credit with a one-year term may provide for the automatic renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above).

(a) Notwithstanding any other provision of this Agreement or any other Loan Document to the contrary, no Issuing Lender shall at any time be obligated to issue, amend, extend, renew or increase any Letter of Credit hereunder if such issuance, amendment, extension or increase would conflict with, or cause such Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law or one or more of the applicable Issuing Lender's policies (now or hereafter in effect) applicable to letters of credit.

(b) Notwithstanding the foregoing, any Letters of Credit issued by Barclays Bank PLC in its capacity as an Issuing Lender shall be limited to standby letters of credit.

4.2 Procedure for Issuance of Letter of Credit. The Borrower may from time to time request that an Issuing Lender issue a Letter of Credit by delivering to such Issuing Lender at its address for notices specified herein an Application therefor, completed to the satisfaction of such Issuing Lender, and such other certificates, documents and other papers and information as such Issuing Lender may request. Concurrently with the delivery of an Application to an Issuing Lender, the Borrower shall deliver a copy thereof to the Administrative Agent. Upon receipt of any Application, the applicable Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by such Issuing Lender and the Borrower (but in no event shall any Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto). Promptly after issuance by an Issuing Lender of a Letter of Credit, such Issuing Lender shall furnish a copy of such Letter of Credit to the Borrower. Each Issuing Lender shall promptly give notice to the Administrative Agent of the issuance of each Letter of Credit issued by such Issuing Lender (including the face amount thereof), and shall provide a copy of such Letter of Credit to the Administrative Agent as soon as possible after the date of issuance.

4.3 Fees and Other Charges. The Borrower will pay a fee on the aggregate drawable amount of all outstanding Letters of Credit at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans, shared ratably among the Revolving Credit Lenders in accordance with their respective Revolving Credit Percentages and payable quarterly in arrears on each L/C Fee Payment Date after the issuance date. In addition, the Borrower shall pay to the relevant Issuing Lender for its own account a fronting fee on the aggregate drawable amount of all outstanding Letters of Credit issued by it of ¼ of 1% per annum, payable quarterly in arrears on each L/C Fee Payment Date after the issuance date.

(a) In addition to the foregoing fees, the Borrower shall pay or reimburse each Issuing Lender for such normal and customary costs and expenses as are incurred or charged by such Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

4.4 L/C Participations. Each Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce each Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from each Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk, an undivided interest equal to such L/C Participant's Revolving Credit Percentage in each Issuing Lender's obligations and rights under each Letter of Credit issued by such Issuing Lender hereunder and the amount of each draft paid by such Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with each Issuing Lender that, if a draft is paid under any Letter of Credit issued by such Issuing Lender for which such Issuing Lender is not reimbursed in full by the Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to the Administrative Agent for the account of such Issuing Lender upon demand at such Issuing Lender's address for notices specified herein (and thereafter the Administrative Agent shall promptly pay to such Issuing Lender) an amount equal to such L/C Participant's Revolving Credit Percentage of the amount of such draft, or any part thereof, that is not so reimbursed. Each L/C Participant's obligation to pay such amount shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such L/C Participant may have against any Issuing Lender, the Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5, (iii) any adverse change in the condition (financial or otherwise) of the Borrower, (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other L/C Participant or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(a) If any amount (a "Participation Amount") required to be paid by any L/C Participant to an Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by such Issuing Lender under any Letter of Credit is paid to such Issuing Lender within three Business Days after the date such payment is due, such Issuing Lender shall so notify the Administrative Agent, which shall promptly notify the L/C Participants, and each L/C Participant shall pay to the Administrative Agent, for the account of such Issuing Lender, on demand (and thereafter the Administrative Agent shall promptly pay to such Issuing Lender) an amount equal to the product of (i) such Participation Amount, times (ii) the daily average Federal Funds Effective Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to such Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any Participation Amount required to be paid by any L/C Participant pursuant to Section 3.4(a) is not made available to the Administrative Agent for the account of the relevant Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, the Administrative Agent on behalf of such Issuing Lender shall be entitled to recover from such L/C Participant, on demand,

such Participation Amount with interest thereon calculated from such due date at the rate per annum applicable to Base Rate Loans. A certificate of the Administrative Agent submitted on behalf of an Issuing Lender to any L/C Participant with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error.

(b) Whenever, at any time after an Issuing Lender has made payment under any Letter of Credit and has received from the Administrative Agent any L/C Participant's pro rata share of such payment in accordance with Section 3.4(a), such Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by such Issuing Lender), or any payment of interest on account thereof, such Issuing Lender will distribute to the Administrative Agent for the account of such L/C Participant (and thereafter the Administrative Agent will promptly distribute to such L/C Participant) its pro rata share thereof; provided, however, that in the event that any such payment received by such Issuing Lender shall be required to be returned by such Issuing Lender, such L/C Participant shall return to the Administrative Agent for the account of such Issuing Lender (and thereafter the Administrative Agent shall promptly return to such Issuing Lender) the portion thereof previously distributed by such Issuing Lender.

4.5 Reimbursement Obligation of the Borrower. The Borrower agrees to reimburse each Issuing Lender, on each date on which such Issuing Lender notifies the Borrower of the date and amount of a draft presented under any Letter of Credit and paid by such Issuing Lender, for the amount of (a) such draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by such Issuing Lender in connection with such payment (the amounts described in the foregoing clauses (a) and (b) in respect of any drawing, collectively, the "Payment Amount"). Each such payment shall be made to such Issuing Lender at its address for notices specified herein in lawful money of the United States of America and in immediately available funds. Interest shall be payable on each Payment Amount from the date of the applicable drawing until payment in full at the rate set forth in (i) until the second Business Day following the date of the applicable drawing, Section 2.13(b) and (ii) thereafter, Section 2.13(c). Each drawing under any Letter of Credit shall (unless an event of the type described in clause (i) or (ii) of Section 8.1(f) shall have occurred and be continuing with respect to the Borrower, in which case the procedures specified in Section 3.4 for funding by L/C Participants shall apply) constitute a request by the Borrower to the Administrative Agent for a borrowing pursuant to Section 2.2 of Base Rate Loans (or, at the option of the Administrative Agent and any Swing Line Lender in its sole discretion, a borrowing pursuant to Section 2.4 of Swing Line Loans) in the amount of such drawing. The Borrowing Date with respect to such borrowing shall be the first date on which a borrowing of Revolving Credit Loans (or, if applicable, Swing Line Loans) could be made, pursuant to Section 2.2 (or, if applicable, Section 2.4), if the Administrative Agent had received a notice of such borrowing at the time the Administrative Agent receives notice from the relevant Issuing Lender of such drawing under such Letter of Credit.

4.6 Obligations Absolute. The Borrower's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment that the Borrower may have or have had against any Issuing Lender, any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees with each Issuing Lender that such Issuing Lender shall not be responsible for, and the Borrower's Reimbursement Obligations under Section 3.5 shall not be affected by, among other

things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. No Issuing Lender shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Issuing Lender. The Borrower agrees that any action taken or omitted by an Issuing Lender under or in connection with any Letter of Credit issued by it or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Borrower and shall not result in any liability of such Issuing Lender to the Borrower.

4.7 Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the relevant Issuing Lender shall promptly notify the Borrower and the Administrative Agent of the date and amount thereof. The responsibility of the relevant Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit, in addition to any payment obligation expressly provided for in such Letter of Credit issued by such Issuing Lender, shall be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment appear on their face to be in conformity with such Letter of Credit.

4.8 Applications. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall apply.

4.9 Resignation of an Issuing Lender. Any Issuing Lender may resign upon 30 days' notice to the Administrative Agent, the Lenders and the Borrower. In the event of any such resignation, the Borrower shall be entitled to appoint from among the Lenders a successor Issuing Lender hereunder by written agreement among the Borrower, the Administrative Agent, the resigning Issuing Lender (provided that the resigning Issuing Lender shall not be required to execute or deliver any written agreement if the resigning Issuing Lender has no Letters of Credit or Reimbursement Obligations outstanding), provided that, the failure by the Borrower to appoint a successor shall not affect the resignation of such Issuing Lender. On the date of effectiveness of such resignation, the Borrower shall pay all accrued and unpaid fees to the resigning Issuing Lender pursuant to Section 3.3. Any Issuing Lender resigning hereunder, (i) shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Lender set forth in this Agreement and the other Loan Documents with respect to Letters of Credit issued by it prior to such resignation, including the right to require the Lenders to make Loans pursuant to Section 3.5 or to purchase participations in outstanding Letters of Credit pursuant to Section 3.4, but, after receipt by the Administrative Agent, the Lenders and the Borrower of notice of resignation from such Issuing Lender, such Issuing Lender shall not be required, and shall be discharged from its obligations, to issue additional Letters of Credit or extend or increase the amount of Letters of Credit then outstanding, without affecting its rights and obligations with respect to Letters of Credit previously issued by it and (ii) the provisions of Sections 2.17, 2.18 and 10.5 shall inure to its benefit as to any actions taken or omitted to be

taken by it while it was an Issuing Lender under this Agreement. Upon the appointment of a successor Issuing Lender, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the resigning Issuing Lender and (b) the successor Issuing Lender shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to the such resigning Issuing Lender. In the event that the Borrower does not appoint a successor Issuing Lender to replace a resigning Issuing Lender, on the effective date of such resigning Issuing Lender's resignation, (x) such Issuing Lender's L/C Commitment shall automatically terminate and (y) the L/C Sublimit shall automatically be reduced by an amount equal to such Issuing Lender's L/C Commitment until the Borrower appoints a successor Issuing Lender, if any, in accordance with this Section 3.9, provided that, the aggregate L/C Commitments of all Issuing Lenders shall not exceed the L/C Sublimit. The Administrative Agent shall notify the Revolving Credit Lenders of any such resignation or replacement of an Issuing Lender.

SECTION 5 REPRESENTATIONS AND WARRANTIES

To induce the Agents and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the REIT and the Borrower hereby jointly and severally represent and warrant to each Agent and each Lender that:

5.1 Financial Condition (%3) The unaudited pro forma consolidated balance sheet of the REIT and its consolidated Subsidiaries as at September 30, 2015 (including the notes thereto) (the "Pro Forma Balance Sheet"), copies of which have heretofore been furnished to each Lender, has been prepared giving effect (as if such events had occurred on such date) to (i) the Loans to be made on the Effective Date and the use of proceeds thereof and (ii) the payment of fees and expenses in connection with the foregoing. The Pro Forma Balance Sheet has been prepared based on the best information available to the REIT as of the date of delivery thereof, and presents fairly on a pro forma basis the estimated financial position of the REIT and its consolidated Subsidiaries as at September 30, 2015, assuming that the events specified in the preceding sentence had actually occurred at such date.

(a) [Intentionally omitted].

(b) The audited consolidated balance sheets of the REIT as at December 31, 2013 and December 31, 2014, and the related consolidated statements of income and of cash flows for the fiscal years ended on such dates, reported on by and accompanied by an unqualified report from PricewaterhouseCoopers, copies of which have heretofore been furnished to each Lender, present fairly the consolidated financial condition of the REIT and its consolidated Subsidiaries as at such date, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended. The unaudited consolidated balance sheet of the REIT and its consolidated Subsidiaries as at September 30, 2015, and the related unaudited consolidated statements of income and cash flows for the nine-month period ended on such date, copies of which have heretofore been furnished to each Lender, present fairly the consolidated financial condition of the REIT and its consolidated Subsidiaries as at such date, and the consolidated results of its operations and its consolidated cash flows for the nine-month period then ended (subject to normal year-end audit adjustments).

(c) The unaudited operating statements for each Borrowing Base Property for the fiscal years ended December 31, 2012, December 31, 2013 and December 31, 2014, copies of which have heretofore been furnished to each Lender, present fairly the operating cash flow of each Borrowing Base Property for the respective fiscal years then ended. The unaudited operating statements for each Borrowing Base Property for the nine-month period ended September 30, 2015, copies of which have heretofore been furnished to each Lender, presents fairly the operating cash flow of each Borrowing Base Property for the nine-month period ended on such date.

(d) All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with the Uniform System of Accounts and reconciled in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein). The Group Members do not have any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long-term Leases or unusual forward or long-term commitments, including, without limitation, any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the most recent financial statements referred to in this paragraph. During the period from December 31, 2014 to and including the date hereof there has been no Disposition by the REIT and its Subsidiaries of any material part of its business or Property.

5.2 No Change. Since December 31, 2014 there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

5.3 Corporate Existence; Compliance with Law. Each of the Group Members (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) has the corporate power and authority, and the legal right and all requisite governmental licenses, authorizations, consents and approvals to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, (iii) is duly qualified as a foreign corporation or other organization and in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification and (iv) is in compliance with all Requirements of Law, except in the case of clauses (iii) and (iv) to the extent that the failure to so qualify or comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(a) All material certifications, permits, licenses and approvals, including without limitation, certificates of completion and occupancy permits and any applicable liquor license and hospitality license required for the legal use, occupancy and operation of each Borrowing Base Property as a hotel (collectively, the "Hotel Licenses"), have been obtained and are in full force and effect. Each Group Member is in compliance in all material respects with all Hotel Licenses, and no event (including, without limitation, any material violation of any law, rule or regulation) has occurred which would reasonably likely lead to the revocation or termination of any Hotel License or the imposition of any material restriction thereon. The Hotel Licenses listed on Schedule 4.3(b) constitute all Hotel Licenses of the Borrowing Base Group Members. The use being made of each Borrowing Base Property is in conformity with the certificate of occupancy issued for such Borrowing Base Property.

5.4 Corporate Power; Authorization; Enforceable Obligations. Each Loan Party has the corporate or other power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to borrow hereunder. Each Loan Party has taken all necessary corporate or other action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except consents, authorizations, filings and notices described in Schedule 4.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect. Each Loan Document has been duly executed and delivered on behalf of each Loan Party that is a party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party that is a party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

5.5 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of any Group Member and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation. No Requirement of Law or Contractual Obligation applicable to any Group Member could reasonably be expected to have a Material Adverse Effect.

5.6 No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the REIT or the Borrower, threatened by or against any Group Member or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect.

5.7 No Default. None of the Group Members is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

5.8 Ownership of Property; Liens. Each of the Group Members has good record and marketable title, and with respect to the Borrowing Base Properties, title in fee simple to, or a valid leasehold interest in, all its Real Property, and good title to, or a valid leasehold interest in, all its other Property, and none of such Property is subject to any Lien except as permitted by Section 7.3. Such Liens in the aggregate do not materially and adversely affect the value, operation or use of the applicable Real Property (as currently used) or the Borrower's ability to repay the Loans.

(a) (i) No Loan Party has received written notice of the assertion of any material valid claim by anyone adverse to any such Loan Party's ownership or leasehold rights in and to any Borrowing Base Property and (ii) no Person has an option or right of first refusal to purchase all or part of any Borrowing Base Property or any interest therein which has not been waived (except as disclosed in writing and approved by the Required Lenders).

5.9 Intellectual Property. Each of the Group Members owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does the REIT or the Borrower know of any valid basis for any such claim. The use of Intellectual Property by the Group Members does not infringe on the rights of any Person in any material respect.

5.10 Taxes. Each of the Group Members has filed or caused to be filed all Federal, state and other material tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any taxes the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with the Uniform System of Accounts and reconciled in accordance with GAAP have been provided on the books of the applicable Group Member, as the case may be); and no tax Lien has been filed, and, to the knowledge of the REIT and the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

5.11 Federal Regulations. No part of the proceeds of any Loans, and no other extensions of credit hereunder, will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1 referred to in Regulation U.

5.12 Labor Matters. There are no strikes or other labor disputes against any Group Member or involving the operations of the Borrowing Base Properties pending or, to the knowledge of the REIT or the Borrower, threatened that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. Hours worked by and payments made to employees of the Group Members and to employees of any Qualified Manager who are principally involved in the operations of any of the Borrowing Base Properties (the "Hotel Employees") have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. All payments due from the Group Members on account of employee health and welfare insurance, including payments in respect of the Hotel Employees, that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect if not paid have been paid or accrued as a liability on the books of the Group Members.

5.13 ERISA. Neither a Reportable Event nor a failure to meet the minimum funding standards and benefit limitations of Section 412, 430 or 436 of the Code with respect to any Single Employer Plan (whether or not waived) has occurred during the period of ownership of any of the Borrowing Base Properties by a Group Member or Affiliate, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or, to the knowledge of Borrower or any Commonly Controlled Entity, Insolvent.

5.14 Investment Company Act; Other Regulations. No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) that limits its ability to incur Indebtedness.

5.15 Subsidiaries. The Subsidiaries listed on Schedule 4.15 constitute all the Subsidiaries of the REIT on the Effective Date. Schedule 4.15 sets forth as of the Effective Date the name and jurisdiction of incorporation, formation or organization, as applicable, of each Subsidiary and, as to each Subsidiary, the percentage of each class of Capital Stock owned by each Group Member.

(a) There are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors and directors' qualifying shares) of any nature relating to any Capital Stock of any Group Member, except as disclosed on Schedule 4.15.

5.16 Use of Proceeds. The proceeds of the Revolving Credit Loans on the Effective Date shall be used to refinance the Existing Credit Agreement and to pay related fees and expenses. The proceeds of the Revolving Credit Loans, the Swing Line Loans and the Letters of Credit after the Effective Date shall be used for general corporate purposes, including to refinance existing indebtedness, and funding acquisitions, redevelopment and expansion.

5.17 Environmental Matters. Other than exceptions to any of the following that could not, individually or in the aggregate, reasonably be expected to result in the payment of a Material Environmental Amount:

(a) Each of the Group Members and all Real Property and facilities owned, leased, or otherwise operated by them: (i) is, and within the period of all applicable statutes of limitation has been to the knowledge of the Borrower, in compliance with all applicable Environmental Laws; (ii) holds or as applicable is covered by all Environmental Permits (each of which is in full force and effect) required for its current or intended operations; (iii) is, and within the period of all applicable statutes of limitation has been, in compliance with all applicable Environmental Permits; and (iv) to

the extent within the control of the Borrower and its Subsidiaries: each of such Environmental Permits will be timely renewed and complied with and additional Environmental Permits that may be required will be timely obtained and complied with, without material expense; and compliance with any Environmental Law that is or is expected to become applicable to it will be timely attained and maintained, without material expense.

(b) Materials of Environmental Concern are not present at, on, under, in, or about any Real Property or facilities now or formerly owned, leased or operated by any Group Member, or at any other location (including, without limitation, any location to which Materials of Environmental Concern have been sent for re-use or recycling or for treatment, storage, or disposal) which could reasonably be expected to (i) give rise to liability of any Group Member under any applicable Environmental Law or otherwise result in costs to any Group Member, or (ii) interfere with the Borrower's or any of its Subsidiaries' continued operations, or (iii) impair the fair saleable value of any Real Property owned or leased by any Group Member.

(c) There is no judicial, administrative, or arbitral proceeding (including any notice of violation or alleged violation) under or relating to any Environmental Law to which any Group Member is, or to the knowledge of any Group Member will be, named as a party that is pending or, to the knowledge of any Group Member, threatened.

(d) No Group Member has received any notice of, or has any knowledge of, any Environmental Claim or any completed, pending, or to the knowledge of any Group Member, proposed or threatened investigation or inquiry concerning the presence or release of any Materials of Environmental Concern at any Real Property or facilities owned, leased, or otherwise operated by them.

(e) None of the Group Members has received any written request for information, or been notified that it is a potentially responsible party under or relating to the federal Comprehensive Environmental Response, Compensation, and Liability Act or any similar Environmental Law, or with respect to any Materials of Environmental Concern, or with respect to any Real Property or facilities owned, leased, or otherwise operated by them.

(f) None of the Group Members, or as applicable any Real Property or facilities owned, leased, or otherwise operated by them, has entered into or agreed to any consent decree, order, or settlement or other agreement, or is subject to any judgment, decree, or order or other agreement, in any judicial, administrative, arbitral, or other forum for dispute resolution, relating to compliance with or liability under any Environmental Law.

(g) None of the Group Members has expressly assumed or retained, by contract, conduct or operation of law, any liabilities of any kind, fixed or contingent, known or unknown, under any Environmental Law or with respect to any Materials of Environmental Concern.

(h) No Borrowing Base Properties or any other Real Property owned by or leased to a Group Member is subject to any liens imposed pursuant to Environmental Law.

5.18 Accuracy of Information, etc. No statement or information contained in this Agreement, any other Loan Document or any other document, certificate or statement furnished to the Administrative Agent or the Lenders or any of them, by or on behalf of any Loan Party for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. There is no fact known to any Loan Party that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents or in any other documents, certificates and statements furnished to the Agents and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

5.19 [Intentionally Omitted].

5.20 Solvency. Each Loan Party is, and after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

5.21 [Intentionally Omitted].

5.22 REIT Status; Borrower Tax Status. The REIT has been organized and operated in a manner that has allowed it to qualify for REIT Status commencing with its taxable year ending December 31, 2010 and it will meet the requirements for REIT Status. The Borrower is not an association taxable as a corporation under the Code.

5.23 Insurance. The Group Members obtained and has delivered to the Administrative Agent certified copies of insurance certificates reflecting the insurance coverages, amounts and other requirements for insurance policies set forth in this Agreement. No claims have been made under any such policies, and no Person, including the Group Members, has done, by act or omission, anything which would impair the coverage of any such policies.

5.24 Casualty; Condemnation. No material Condemnation has been commenced or, to the REIT's or the Borrower's knowledge, is contemplated with respect to all or any part of any Borrowing Base Property or for the relocation of roadways providing material access to any Borrowing Base Property, other than any Condemnation with respect to a Borrowing Base Property for which the Administrative Agent shall have received notice in accordance with Section 6.7; and the Borrowing Base Properties are not the subject of any adverse zoning proceeding, except as could not reasonably be expected to cause a Material Adverse Effect.

(a) No material Casualty has occurred with respect to all or any part of any Borrowing Base Property, other than any Casualty with respect to a Borrowing Base Property for

which the Administrative Agent shall have received notice in accordance with Section 6.7 and the Improvements on any Borrowing Base Property have not been damaged (ordinary wear and tear excepted) and not repaired, except as could not reasonably be expected to cause a Material Property Event.

5.25 Compliance with Anti-Terrorism, Embargo and Anti-Money Laundering Laws. No Group Member or REIT Controlled Affiliate has, directly or indirectly (i) engaged in business dealings with any party listed on the Specially Designated Nationals List or other similar lists maintained by OFAC, or in any related Executive Order issued by the President, (ii) conducted business dealings with a party subject to sanctions administered by OFAC or (iii) derived income from business dealings with a party subject to sanctions administered by OFAC.

(a) No Group Member or REIT Controlled Affiliate has derived any of its assets in violation of the anti-money laundering or anti-terrorism laws or regulations of the United States, including but not limited to the USA PATRIOT Act, the Money Laundering Control Act, the Bank Secrecy Act and any related Executive Order issued by the President.

(b) No Group Member or REIT Controlled Affiliate has failed to comply with applicable anti-bribery and anti-corruption laws and regulations (including the FCPA), including failing to comply in any manner that may result in the forfeiture of any Borrowing Base Property or the proceeds of the Loans or a claim of forfeiture of any Borrowing Base Property or the proceeds of the Loans.

5.26 Property Condition. Except as could not reasonably be expected to have a Material Adverse Effect, (a) all Borrowing Base Properties comply with all Requirements of Law, including all subdivision and platting requirements, without reliance on any adjoining or neighboring property; (b) the Improvements on each Borrowing Base Property comply with all Requirements of Law regarding access and facilities for handicapped or disabled persons; (c) no Group Member has directly or indirectly conveyed, assigned, or otherwise disposed of, or transferred (or agreed to do so) any development rights, air rights, or other similar rights, privileges, or attributes with respect to any Borrowing Base Properties, including those arising under any zoning or property use ordinance or other Requirements of Law; (d) all utility services necessary for the use of the Borrowing Base Properties and the Improvements thereon and the operation thereof for their intended purpose are available at the Borrowing Base Property; (e) except as otherwise permitted in the Loan Documents, no Group Member has made any contract or arrangement of any kind the performance of which by the other party thereto would give rise to Liens on the Borrowing Base Properties; (f) no Borrowing Base Property is part of a larger tract of Real Property owned by the Borrower or any other Group Member or otherwise included under any unity of title or similar covenant with other Real Property not owned by a Loan Party and each Borrowing Base Property constitutes a separate tax lot or lots with a separate tax assessment or assessments for such Borrowing Base Property and the Improvements thereon, independent of those for any other Real Property or improvements; (g) the current and anticipated use of the Borrowing Base Properties complies in all material respects with all applicable zoning ordinances, regulations, certificates of occupancy issued for the Borrowing Base Properties and restrictive covenants affecting the Borrowing Base Properties without the existence of any variance, non-complying use, nonconforming use, or other special exception, all

use restrictions of any Governmental Authority having jurisdiction have been satisfied, and no violation of any Requirements of Law or regulation exists with respect thereto; (h) all certifications, permits, licenses and approvals, including without limitation, certificates of completion and occupancy permits, required for the legal use, occupancy and operation of the Borrowing Base Properties have been obtained and are in full force and effect; and (i) the Borrowing Base Properties, including, without limitation, all buildings, improvements, parking facilities, sidewalks, storm drainage systems, roofs, plumbing systems, HVAC systems, fire protection systems, electrical systems, equipment, elevators, exterior sidings and doors, landscaping, irrigation systems and all structural components, are in good condition, order and repair in all material respects; there exists no structural or other material defects or damages in the Borrowing Base Properties, whether latent or otherwise, and Borrower has not received notice from any insurance company or bonding company of any defects or inadequacies in the Borrowing Base Properties, or any part thereof, which would adversely affect the insurability of the same or cause the imposition of extraordinary premiums or charges thereon or of any termination or threatened termination of any policy of insurance or bond.

5.27 Management Agreements; Franchise Agreements. Each Management Agreement and Franchise Agreement with respect to a Borrowing Base Property is in full force and effect, there is no default thereunder by any party thereto and no event has occurred that, with the passage of time or giving of notice, would constitute a default thereunder.

5.28 Operating Leases. Each Operating Lease with respect to a Borrowing Base Property is in full force and effect, and there is no default thereunder by any party thereto and no event has occurred that, with the passage of time or giving of notice, would constitute a default thereunder.

5.29 Acceptable Leases. Each applicable Loan Party has delivered true, correct and complete copies of each Acceptable Lease, together with all related agreements, to the Administrative Agent.

SECTION 6 CONDITIONS PRECEDENT

6.1 Conditions to Effectiveness. The conditions to the effectiveness of the amendment and restatement of the Existing Credit Agreement in the form of this Agreement are set forth in Section 3 of the 2018 Amendment Agreement.

6.2 Conditions to Each Extension of Credit. The agreement of each Lender to make any extension of credit requested to be made by it hereunder on any date (including, without limitation, its initial extension of credit) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, provided that, (x) to the extent that any such representation or warranty relates to a specific earlier date, they shall be true and correct as of such earlier date, (y) to the extent that such representation or warranty relates to a Borrowing Base Property being removed from the Borrowing Base, the representation and warranties shall be true and correct without regard to such removed Borrowing Base Property and (z) to the extent that any such representation and warranty that is qualified as to “materiality”, “Material Adverse

Effect" or similar language shall be true and correct in all respects on such respective dates.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

(c) Borrowing Base Certificate. The Administrative Agent shall have received and be satisfied in all respects with, a completed Borrowing Base Certificate as of the last day of the fiscal quarter for which financial statements are available and signed by a Principal Financial Officer.

Each borrowing by and issuance of a Letter of Credit on behalf of the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such extension of credit that the conditions contained in this Section 5.2 have been satisfied.

6.3 Conditions to the Addition of a Borrowing Base Property. The Borrower may request the addition of any Real Property as a Borrowing Base Property by submitting a request in writing to the Administrative Agent which request shall instruct and authorize the Administrative Agent to obtain the Third Party Reports for such Real Property (at the Borrower's sole cost and expense). Each such written request shall be accompanied by the Preliminary Diligence Materials for such Real Property.

(a) The addition of any Real Property to the Borrowing Base pursuant to a request submitted pursuant to Section 5.3(a) shall be subject to the satisfaction of each of the following conditions:

(i) the Administrative Agent shall have received each of the Preliminary Diligence Materials and final Third Party Reports for such Real Property no later than the date that is 30 days after the date of the Borrower's written request delivered pursuant to Section 5.3(a) with respect to such Real Property,

(ii) such Real Property shall be an Eligible Borrowing Base Property and the Borrower shall have delivered to the Administrative Agent each of the applicable documents described in clause (h) of the definition of "Eligible Borrowing Base Property" no later than the date that is 30 days after the date of the Borrower's written request delivered pursuant to Section 5.3(a) with respect to such Real Property; and

(iii) subject to Section 5.3(c), the Supermajority Lenders shall have approved the addition of such Real Property to the Borrowing Base.

For the avoidance of doubt, in the event that the Borrower has failed to deliver the Preliminary Diligence Materials, the final Third Party Reports and all other documentation required to be delivered pursuant to clause (h) of the definition of "Eligible Borrowing Base Property" for such Real Property on or prior to the date that is 30 days after the date of the Borrower's written

request delivered pursuant to Section 5.3(a) with respect to such Real Property, the Administrative Agent may in its sole discretion require that the Borrower update any of such documents prior to submitting the request to the Lenders for approval.

(b) Upon receipt by the Administrative Agent of the Preliminary Diligence Materials, the final Third Party Reports and all other documentation required to be delivered pursuant to clause (h) of the definition of "Eligible Borrowing Base Property" for such Real Property from the Borrower, the Administrative Agent shall promptly distribute such materials to the Lenders (which distribution may be effected by posting such materials to an Intralinks or SyndTrak workspace), together with a request that the Lenders approve the addition of such Real Property to the Borrowing Base (the "Approval Request Date"). If the Administrative Agent does not receive a written notice from a Lender objecting to the inclusion of such Real Property as a Borrowing Base Property on or prior to the date that is five Business Days after the Approval Request Date, such Lender shall be deemed to have approved the inclusion of such Real Property as a Borrowing Base Property.

(c) Upon the effectiveness of any new Real Property added as a Borrowing Base Property, the Borrower may deliver to the Administrative Agent an updated Borrowing Base Certificate giving pro forma effect to such new Borrowing Base Property as of the date of the most recent Borrowing Base Certificate previously delivered pursuant to Sections 5.2(c), 5.3, 5.4 and 6.12.

6.4 Conditions to the Release of a Borrowing Base Property. The release of any Borrowing Base Property at the written request of the Borrower delivered to the Administrative Agent shall be subject to the satisfaction of each of the following conditions:

(a) the aggregate number of Borrowing Base Properties shall not be less than eight after giving effect to the release of such Real Property from the Borrowing Base;

(b) [intentionally omitted];

(c) no Default or Event of Default shall have occurred and be continuing on such date immediately prior to or after giving effect to the release of such Real Property from the Borrowing Base;

(d) the Administrative Agent shall have received a certificate of a Principal Financial Officer (x) certifying that after giving pro forma effect to the release of such Real Property from the Borrowing Base, the Total Revolving Extensions of Credit shall not exceed the Maximum Facility Availability and (y) containing all information and calculations necessary, after giving pro forma effect to the release of such Real Property from the Borrowing Base, for determining pro forma compliance with the provisions of Section 7.1 hereof;

(e) the removal occurs in connection with either (x) a sale, financing or other transaction involving the Borrowing Base Property being removed from the Borrowing Base or (y) a transaction undertaken by the Borrower pursuant to which the removal of the Borrowing Base Property is necessary or advisable to facilitate such transaction;

(f) all representations and warranties in the Loan Documents are true and accurate in all material respects at the time of such release and immediately after giving effect to such release, (x) to the extent that any such representation or warranty relates to a specific earlier date, they shall be true and correct as of such earlier date, (y) to the extent that such representation or warranty relates to a Borrowing Base Property being removed from the Borrowing Base, the representation and warranties shall be true and correct without regard to such removed Borrowing Base Property, and (z) any representation and warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language shall be true and correct in all respects on such respective dates; and

(g) the Administrative Agent shall have received an updated Borrowing Base Certificate giving pro forma affect to the release of such Borrowing Base Property from the Borrowing Base as of the date of the most recent Borrowing Base Certificate previously delivered pursuant to Sections 5.2(c), 5.3, 5.4 and 6.12.

SECTION 7 AFFIRMATIVE COVENANTS

The REIT and the Borrower hereby jointly and severally agree that, so long as the Revolving Credit Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or any Agent hereunder, each of the REIT and the Borrower shall and shall cause each of its Subsidiaries to:

7.1 Financial Statements. Furnish to each Agent and each Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the REIT, a copy of the audited consolidated balance sheet of the REIT and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures as of the end of such year and for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by PricewaterhouseCoopers or other independent certified public accountants of nationally recognized standing;

(b) as soon as available, but in any event within 90 days after the end of each fiscal year of the REIT, a copy of the unaudited operating statement for each Borrowing Base Property for such year, setting forth in each case in comparative form the figures as of the end of such year and for the previous year;

(c) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the REIT, the unaudited consolidated balance sheet of the REIT and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures as of the end of such quarter and for the corresponding period in the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments); and

(d) as soon as available, but in any event within 45 days after the end of each of the first three quarterly periods of each fiscal year of the REIT, a copy of the unaudited operating statement for each Borrowing Base Property for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures as of the end of such quarter and for the corresponding period in the previous year;

all such financial statements to be complete and correct in all material respects and to be prepared in reasonable detail and in accordance with the Uniform System of Accounts and reconciled in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

7.2 Certificates; Other Information. Furnish to each Agent and each Lender, or, in the case of clause (h), to the relevant Lender:

(a) concurrently with the delivery of the financial statements referred to in Section 6.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate (it being understood that such certificate shall be limited to the items that independent certified public accountants are permitted to cover in such certificates pursuant to their professional standards and customs of the profession);

(b) concurrently with the delivery of any financial statements pursuant to Section 6.1, (i) a certificate of a Responsible Officer stating that, to the best of such Responsible Officer's knowledge, each Loan Party during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) a Compliance Certificate containing all information and calculations necessary for determining compliance by the Group Members with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the REIT, as the case may be;

(c) as soon as available, and in any event no later than 60 days after the end of each fiscal year of the REIT, a detailed consolidated budget for the following fiscal year (including a projected consolidated balance sheet of the REIT and its consolidated Subsidiaries as of the end of the following fiscal year, and the related consolidated statements of projected cash flow, projected changes in financial position and projected income and a description of the underlying assumptions applicable thereto), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively, the "Projections"), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections are based on reasonable estimates, information and assumptions and that such Responsible

Officer has no reason to believe that such Projections are incorrect or misleading in any material respect;

(d) within 60 days after the end of each fiscal quarter of the Borrower, a narrative discussion and analysis of the financial condition and results of operations of the REIT and its Subsidiaries for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter, as compared to the portion of the Projections covering such periods and to the comparable periods of the previous year;

(e) (i) within five days after the same are sent, copies, including copies sent electronically, of all financial statements and reports that the REIT or the Borrower sends to the holders of any class of its debt securities or public equity securities and, within five days after the same are filed, copies of all financial statements and reports that the REIT or the Borrower may make to, or file with, the SEC; and (ii) within five days after the receipt thereof, copies of all correspondence received from the SEC concerning any material investigation or inquiry regarding financial or other operational results of any Group Member;

(f) on or before the date which is 45 days after the end of each fiscal quarter of the Borrower, (i) the most current STAR Reports for each of the immediately preceding three consecutive months ending during such quarter in the form then available to the Borrower reflecting market penetration and relevant hotel properties competing with each Borrowing Base Property and (ii) occupancy statistics for the Borrowing Base Properties on a combined basis as well as for each individual Borrowing Base Property, including Average Daily Rate, Occupancy Rate and RevPAR;

(g) at the request of the Administrative Agent, the Borrower shall execute a certificate in form satisfactory to the Administrative Agent listing the trade names under which the Loan Parties intend to operate each Borrowing Base Property, and representing and warranting that the Loan Parties do business under no other trade name with respect to such Borrowing Base Property; and

(h) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

7.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with the Uniform System of Accounts and reconciled in accordance with GAAP with respect thereto have been provided on the books of the relevant Group Member.

7.4 Conduct of Business and Maintenance of Existence; Compliance; Hotel Licenses. (%3)(i) Preserve, renew and keep in full force and effect its organizational existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 7.4 and except, in the case of clause (ii) above, to the extent that failure to do so could

not reasonably be expected to have a Material Adverse Effect; (b) comply with all Contractual Obligations and Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect; and (c) preserve and maintain all Hotel Licenses necessary for the operation of each Borrowing Base Property as a hotel with related retail uses.

7.5 Maintenance of Property; Insurance. (i) Maintain, preserve and protect all of its material Property and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (ii) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; (iii) use the standard of care typical in the industry in the operation and maintenance of its facilities; and (iv) keep the Borrowing Base Properties in good order, repair, operating condition, and appearance, causing all necessary repairs, renewals, replacements, additions, and improvements to be promptly made, and not allow any of the Borrowing Base Properties to be misused, abused or wasted or to deteriorate (ordinary wear and tear excepted).

(a) Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, rights, licenses, permits and franchises and comply with all Requirements of Law applicable to the Loan Parties and the Borrowing Base Properties (and the Improvements thereon and the use thereof), including, without limitation, building and zoning ordinances and codes and certificates of occupancy. There shall never be committed by any Group Member, and neither the REIT nor the Borrower shall permit any other Person in occupancy of or involved with the operation or use of the Borrowing Base Properties to commit any act or omission affording the federal government or any state or local government the right of forfeiture against any Borrowing Base Property or any part thereof or any monies paid in performance of any Loan Party's obligations under any of the Loan Documents. Each of the REIT and the Borrower hereby covenants and agrees not to commit, permit or suffer to exist any act or omission affording such right of forfeiture. Each of the REIT and the Borrower shall at all times maintain, preserve and protect all franchises and trade names and preserve all the remainder of its property used or useful in the conduct of its business.

(b) Obtain and maintain, or cause to be maintained, insurance for the Group Members and the Borrowing Base Properties providing at least the following coverages:

(i) property insurance with respect to all insurable property, against loss or damage by fire, lightning, windstorm, explosion, hail, tornado and such additional hazards as are presently included in special form (also known as "all-risk") coverage and against any and all acts of terrorism and such other insurable hazards as the Administrative Agent may require, (A) in an amount equal to 100% of the full replacement cost (the "Full Replacement Cost") which for purposes of this Agreement shall mean actual replacement value (exclusive of costs of excavations, foundations, underground utilities and footings) with a waiver of depreciation; (B) containing an agreed value coverage waiving all co-insurance provisions; (C) providing for no deductible in excess of $25,000 for all such insurance coverage; provided, however, with respect to named windstorm,

earthquake, flood and terrorism coverage, providing for a deductible satisfactory to the Administrative Agent in its sole discretion; and (D) if any of the Borrowing Base Properties or the use of the Borrowing Base Properties shall at any time constitute legal non-conforming structures or uses, coverage for loss due to operation of law in an amount equal to the Full Replacement Cost, coverage for demolition costs and coverage for increased costs of construction. In addition, the Borrower shall obtain: (y) if any portion of any Borrowing Base Property is currently or at any time in the future located in a federally designated "special flood hazard area", flood hazard insurance in an amount equal to the lesser of (1) the outstanding amount of the Obligations or (2) the maximum amount of such insurance available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each may be amended from time to time or such greater amount as the Administrative Agent shall require, and (z) earthquake insurance in amounts and in form and substance satisfactory to the Administrative Agent in the event the Borrowing Base Property is located in an area with a high degree of seismic activity; provided that the insurance pursuant to clauses (y) and (z) hereof shall be on terms consistent with the comprehensive all risk insurance policy required under this subsection (i);

(ii) business income or rental loss insurance (A) covering all risks required to be covered by the insurance provided for in subsection (i) above; (B) in an amount equal to 100% of the gross revenue less non-continuing expenses from the operation of any Borrowing Base Property for a period of at least 18 months after the date of the Casualty to such Borrowing Base Property; and (C) containing an extended period of indemnity endorsement which provides that after the physical loss to any Borrowing Base Property has been repaired, the continued loss of income will be insured until such income either returns to the same level it was at prior to the loss, or the expiration of 365 days from the date that such Borrowing Base Property is repaired or replaced and operations are resumed, whichever first occurs, and notwithstanding that the policy may expire prior to the end of such period. The amount of such business income or rental loss insurance shall be determined prior to the Effective Date and at least once each year thereafter based on the Borrower's reasonable estimate of the gross revenues from the Property for the succeeding twelve month period;

(iii) at all times during which structural construction, repairs or alterations are being made with respect to any Borrowing Base Property, and only if such Borrowing Base Property coverage form does not otherwise apply, (A) owner's contingent or protective liability insurance, otherwise known as Owner Contractor's Protective Liability, covering claims not covered by or under the terms or provisions of the below-mentioned commercial general liability insurance policy and (B) the insurance provided for in subsection (i) above written in a so-called builder's risk completed value form (1) on a non-reporting basis, (2) against all risks insured against pursuant to subsection (i) above,

(3) including permission to occupy any Borrowing Base Property and (4) with an agreed amount endorsement waiving co-insurance provisions;

(iv) comprehensive boiler and machinery insurance, if steam boilers or other pressure-fixed vessels are in operation, in amounts as shall be reasonably required by the Administrative Agent on terms consistent with the commercial property insurance policy required under subsection (i) above providing no deductible in excess of $100,000;

(v) commercial general liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about any Borrowing Base Property, such insurance (A) to be on the so-called "occurrence" form with a combined limit of not less than $2,000,000.00 in the aggregate per location and $1,000,000.00 per occurrence; (B) to continue at not less than the aforesaid limit until required to be changed by the Administrative Agent in writing by reason of changed economic conditions making such protection inadequate and (C) to cover at least the following hazards: (1) premises and operations; (2) products and completed operations on an "if any" basis; (3) independent contractors; and (4) blanket contractual liability for all written contracts;

(vi) automobile liability coverage for all owned and non-owned vehicles, including rented and leased vehicles containing minimum limits per occurrence of $1,000,000.00;

(vii) worker's compensation subject to the worker's compensation laws of the applicable state and employer's liability with minimum limits per incident of $1,000,000;

(viii) umbrella and excess liability insurance in an amount not less than $25,000,000.00 per occurrence affording excess coverage on terms consistent with the commercial general liability, employer liability and automobile liability required under subsections (v), (vi) and (vii); and

(ix) upon 60 days' written notice, such other reasonable insurance, including, but not limited to, sinkhole or land subsidence insurance, and in such reasonable amounts as Lender from time to time may reasonably request against such other insurable hazards which at the time are commonly insured against for property similar to the such Borrowing Base Property located in or around the region in which the such Borrowing Base Property is located.

(c) All insurance provided for in Section 6.5(c) hereof, shall be obtained under valid and enforceable policies (collectively, the "Policies" or in the singular, the "Policy"), and shall be subject to the approval of the Administrative Agent as to insurance companies, amounts, deductibles, loss payees (if other than Group Members) and insureds. Unless approved by the Administrative Agent, the Policies shall be issued by financially sound and responsible insurance companies authorized to do business in the State and having a rating of "A:VII" or

better in the current Best's Insurance Reports and a claims paying ability rating of "A" or better by at least two of the Rating Agencies including, (i) S&P, (ii) Fitch, and (iii) Moody's.

(d) Any blanket insurance Policy shall specifically allocate to each Borrowing Base Property the amount of coverage from time to time required hereunder and shall otherwise provide the same protection as would a separate Policy insuring only the Borrowing Base Property in compliance with the provisions of Section 6.5(c) hereof.

(e) All Policies provided for or contemplated by Section 6.5(c) hereof, shall name the Borrower as the insured.

(f) [Intentionally omitted].

(g) [Intentionally omitted].

(h) If any insurer which has issued a Policy required under this Section 6.5 becomes insolvent or is the subject of any petition, case, proceeding or other action pursuant to any Debtor Relief Law, or if in the Administrative Agent's reasonable opinion the financial responsibility of such insurer is or becomes inadequate, then the Borrower shall in each instance promptly upon its discovery thereof or upon the request of the Administrative Agent therefor, promptly obtain and deliver to the Administrative Agent a like policy (or, if and to the extent permitted by the Administrative Agent, acceptable evidence of insurance) issued by another insurer, which insurer and policy meet the requirements of this Section 6.5.

(i) All certificates of insurance evidencing the Borrower's compliance to the insurance required under this Section 6.5 shall be delivered to the Administrative Agent on or prior to the Effective Date, with all premiums fully paid current and each renewal or substitute policy (or evidence of insurance) shall be delivered to the Administrative Agent, at least ten days before the termination of the policy it renews or replaces, with all premiums to be fully paid current in the ordinary course.

7.6 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with the Uniform System of Accounts and reconciled in accordance with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives of any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of the Group Members with officers and employees of the Group Members and with its independent certified public accountants.

7.7 Notices. Promptly (unless otherwise specified below) give notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of any Group Member or (ii) litigation, investigation or proceeding which may exist at any time

between any Group Member and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting any Group Member (i) in which the aggregate actual or estimated liability of the Group Members is $5,000,000 or more and not covered by insurance, (ii) in which injunctive or similar relief is sought or (iii) which relates to any Loan Document;

(d) the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan;

(e) as soon as a Responsible Officer of any Group Member first obtains knowledge thereof: (i) any Environmental Claim or other development, event, or condition that, individually or in the aggregate with other developments, events or conditions, could reasonably be expected to result in the payment by the Group Members, in the aggregate, of a Material Environmental Amount; and (ii) any notice that any governmental authority may deny any application for an Environmental Permit sought by, or revoke or refuse to renew any Environmental Permit held by, any Group Member, in each case including a full description of the nature and extent of the matter for which notice is given and all relevant circumstances;

(f) as soon as possible and in any event within five days after a Responsible Officer of any Group Member has knowledge, or should have had knowledge thereof, of any development or event that has had or could reasonably be expected to have a Material Adverse Effect;

(g) (i) any Casualty to the extent required by Section 6.15(b) and (ii) any actual or threatened Condemnation of any material portion of any Borrowing Base Property (including copies of any and all papers served in connection with such proceeding), any negotiations with respect to any such taking, or any loss of or substantial damage to any Borrowing Base Property;

(h) the failure of the REIT to maintain REIT Status;

(i) any notice received by any Group Member with respect to the cancellation, alteration or non-renewal of any insurance coverage required by this Agreement to be maintained with respect to any Borrowing Base Property;

(j) if any required permit, license, certificate or approval or Hotel License with respect to any Borrowing Base Property that is material to the operation of such Borrowing Base Property lapses or ceases to be in full force and effect or claim from any Person that any Borrowing Base Property, or any use, activity, operation or maintenance thereof or thereon, is not in compliance with any Requirement of Law that would materially interfere with the use or operation of such Borrowing Base Property;

(k) concurrently with the giving thereof, and within five Business Days of receipt thereof, (i) any notice of any default by such Loan Party that is a Borrowing Base Group Member under any Acceptable Lease, (ii) any notice of the occurrence of any material default by any related lessor of which any Loan Party that is a Borrowing Base Group Member is aware or the occurrence of any event of which any Loan Party that is a Borrowing Base Group Member is aware that, with the passage of time or service of notice, or both, would constitute a material default by any related lessor, (iii) any bankruptcy, reorganization, or insolvency of the lessor under any Acceptable Lease or of any notice thereof and (iv) copies of all material notices, other than routine correspondence, given or received by any Loan Party with respect to any Acceptable Lease with respect to a Borrowing Base Property; and

(l) within five Business Days of obtaining knowledge or receiving any notice of any action, proceeding, motion or notice being commenced or filed in respect of any related lessor of all or any part of any Acceptable Lease in connection with any case under the Bankruptcy Code, which notice shall set forth any information available to such Loan Party that is a Borrowing Base Group Member as to the date of such filing, the court in which such petition was filed, and the relief sought in such filing and copies of any and all notices, summonses, pleadings, applications and other documents received by such Loan Party that is a Borrowing Base Group Member in connection with any such petition and any proceedings relating to such petition.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the relevant Group Member proposes to take with respect thereto.

7.8 Environmental Laws; Environmental Reports. Comply in all material respects with, and ensure compliance in all material respects by all Tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all material respects with and maintain, and ensure that all Tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws.

(a) Promptly conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

(b) If any Acceptable Environmental Report or update delivered pursuant to Section 5.3 identifies a Recognized Environmental Condition ("REC"), as defined under ASTM

guidelines then in effect, the Borrower shall, within six months of the delivery of such Acceptable Environmental Report or update to the Administrative Agent, conduct such follow up testing, provide such reports, and take such other actions as required or approved by the applicable Governmental Authority to mitigate such REC.

(c) Within 30 days of completion of such actions required pursuant to subsections (b) and (c) above, the applicable Loan Party shall obtain and deliver to the Administrative Agent an Acceptable Environmental Report of the applicable Borrowing Base Property made after such completion and confirming to the Administrative Agent's satisfaction that all required investigation and other action has been successfully completed.

(d) Keep the Borrowing Base Properties and other Real Property free of Materials of Environmental Concern to the extent such conditions could reasonably be expected to cause a Material Property Event.

(e) Keep the Borrowing Base Properties and other Real Property free of any liens imposed pursuant to Environmental Law.

(f) Promptly deliver to the Administrative Agent a copy of any update to an Acceptable Environmental Report and each report pertaining to any Borrowing Base Property or to any Group Member prepared by or on behalf of such Group Member pursuant to any Environmental Requirement. "Environmental Requirement" shall mean any Environmental Law, agreement or restriction (including any condition or requirement imposed by any insurance or surety company) pertaining to Environmental Law.

(g) Immediately advise the Administrative Agent in writing of any Environmental Claim, or of the discovery of any Materials of Environmental Concern other than in material compliance with Environmental Law, on any Borrowing Base Property and other Real Property as soon as any Group Member first obtains knowledge thereof, including a full description of the nature and extent of the Environmental Claim or Materials of Environmental Concern and all relevant circumstances.

(h) If the Administrative Agent shall ever have reason to believe that any Materials of Environmental Concern adversely affects any Borrowing Base Property and other Real Property, or if any Environmental Claim is made or threatened, or if a Default or Event of Default shall have occurred and be continuing, then if requested by the Administrative Agent, at Borrower's expense, deliver to the Administrative Agent from time to time, in each case within 30 days after the Administrative Agent's request, an Acceptable Environmental Report prepared after the date of the Administrative Agent's request. If any applicable Loan Party fails to furnish to the Administrative Agent such Acceptable Environmental Report within 30 days after the Administrative Agent's request, the Administrative Agent may cause any such Acceptable Environmental Report to be prepared at Borrower's expense and risk, and each applicable Loan Party shall cooperate and provide access and information as requested. The Administrative Agent and its designees are hereby granted access to the Borrowing Base Properties at any time or times, upon reasonable notice (which may be written or oral), and a license which is coupled with an interest and irrevocable, to observe environmental conditions and compliance and as may

be necessary to prepare or cause to be prepared such ESAs. The Administrative Agent may disclose to interested parties any information about the environmental condition or compliance of the Borrowing Base Properties, but assumes no obligation and shall be under no duty to disclose any such information to any Person.

7.9 Additional Guarantors, etc. [Intentionally omitted].

(a) With respect to any new Subsidiary (other than (1) an Excluded Foreign Subsidiary or (2) an Excluded Subsidiary) created or acquired after the Effective Date (which, for the purposes of this paragraph, shall include any existing Subsidiary that ceases to be an Excluded Foreign Subsidiary or Excluded Subsidiary, as applicable), by any Group Member, promptly (i) cause such new Subsidiary to become a party to the Guarantee Agreement, and (ii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent, provided that, in the event any Subsidiary ceases to be an Excluded Subsidiary as a result of the termination or lapse of the prohibition described in the definition of "Excluded Subsidiary", the Borrower shall cause the compliance with this Section 6.9(b) with respect to such Subsidiary on or prior to the date that is 30 days after such termination or lapse.

7.10 Further Assurances. From time to time execute and deliver, or cause to be executed and delivered, such additional instruments, certificates or documents, and take such actions, as the Administrative Agent may reasonably request for the purposes of implementing or effectuating the provisions of this Agreement and the other Loan Documents. Upon the exercise by the Administrative Agent or any Lender of any power, right, privilege or remedy pursuant to this Agreement or the other Loan Documents which requires any consent, approval, recording, qualification or authorization of any Governmental Authority, the REIT and the Borrower will execute and deliver, or will cause the execution and delivery of, all applications, certifications, instruments and other documents and papers that the Administrative Agent or such Lender may be required to obtain from any Group Member for such governmental consent, approval, recording, qualification or authorization.

7.11 [Intentionally Omitted].

7.12 Borrowing Base Reports. (%3) Beginning with the quarter ended December 31, 2015, deliver to the Administrative Agent (and the Administrative Agent shall thereafter deliver to each Lender), as soon as available and in any event concurrently with the delivery of the financial statements referred to in Sections 6.1(a) and (c), a completed Borrowing Base Certificate calculating and certifying the Borrowing Base as of the end of such quarter, signed on behalf of the Borrower by a Principal Financial Officer.

(a) Furnish to the Administrative Agent (and the Administrative Agent shall thereafter deliver to each Lender) as soon as practicable and in any event within five Business Days after any Disposition outside the ordinary course of business (including by way of Casualty or Condemnation) of any Borrowing Base Property having a book value exceeding $1,000,000, an updated Borrowing Base Certificate calculating (on a pro forma basis, after giving effect to such Disposition and reflecting only the changes to the affected component of the Borrowing Base Property) and certifying such pro forma Borrowing Base as of the end of the most recent fiscal quarter for which a Borrowing Base Certificate was delivered pursuant to Section 5.2(c),

5.3, 5.4 or 6.12, as applicable. The Borrowing Base set forth in each Borrowing Base Certificate delivered with respect to each fiscal quarter occurring after the fiscal quarter covered by the updated Borrowing Base Certificate described in the preceding sentence and ending prior to any such Disposition shall be calculated on a pro forma basis, after giving effect to such Disposition.

7.13 [Intentionally Omitted].

7.14 Taxes. Timely file or cause to be filed all Federal, state and other material tax returns that are required to be filed and shall timely pay all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other material taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any taxes the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with the Uniform System of Accounts and reconciled in accordance with GAAP have been provided on the books of the applicable Group Member, as the case may be).

(a) The Loan Parties shall pay all taxes and Other Charges now or hereafter levied or assessed or imposed against any Borrowing Base Property or any part thereof as the same become due and payable. At the request of the Administrative Agent, each Loan Party that is a Borrowing Base Group Member will deliver to the Administrative Agent receipts for payment or other evidence satisfactory to the Administrative Agent that the taxes and Other Charges have been so paid or are not then delinquent no later than ten days prior to the date on which the taxes or Other Charges would otherwise be delinquent if not paid. At the request of the Administrative Agent, each Loan Party that is a Borrowing Base Group Member shall furnish to the Administrative Agent receipts for the payment of the taxes and the Other Charges prior to the date the same shall become delinquent. Except Liens set forth in Sections 7.3(a), 7.3(b) and 7.3(f), the Loan Parties shall not suffer and shall promptly cause to be paid and discharged any Lien or charge whatsoever which may be or become a Lien or charge against any Borrowing Base Property, and shall promptly pay for all utility services provided to each Borrowing Base Property.

7.15 Condemnation, Casualty and Restoration. Notwithstanding any taking by any public or quasi-public authority through Condemnation or otherwise (including any transfer made in lieu of or in anticipation of the exercise of such taking), the Borrower shall continue to pay the Obligations at the time and in the manner provided for in this Agreement.

(a) If any Borrowing Base Property shall be damaged or destroyed, in whole or in part, by a Casualty, and either (i) the aggregate cost of repair of such damage or destruction shall be equal to or in excess of 5% of the Borrowing Base Value as reflected in the most-recent Borrowing Base Report for such Borrowing Base Property or (ii) such Casualty is reasonably expected to cause a Material Property Event, give prompt notice of such Casualty to the Administrative Agent. The applicable Loan Party shall pay, or cause to be paid, all restoration or demolition costs whether or not such costs are covered by insurance.

7.16 Acceptable Leases. Each lease that is a Borrowing Base Property or a portion thereof, shall at all times be an Acceptable Lease;

(a) within ten days after receipt of request by the Administrative Agent, the applicable Loan Party shall use commercially reasonable efforts to obtain from each lessor

related to each Acceptable Lease and furnish to the Administrative Agent the estoppel certificate of such lessor stating the date through which rent has been paid and whether or not there are any defaults thereunder and specifying the nature of such claimed defaults, if any;

(b) promptly give notice to the Administrative Agent of any event or occurrence that, with notice or passage of time or both, would constitute an event of default under any Acceptable Lease and promptly furnish to the Administrative Agent a copy of any notice given or received by any Loan Party pursuant to any Acceptable Lease;

(c) upon the Administrative Agent's reasonable written request and at reasonable intervals, unless an Event of Default shall have occurred and be continuing, in which case, upon written request at any time, provide to the Administrative Agent any information or materials relating to such Acceptable Lease and evidencing the applicable Loan Party's due observance and performance of its material obligations thereunder;

(d) [intentionally omitted]; and

(e) notwithstanding anything to the contrary contained in the Loan Documents with respect to any Acceptable Lease:

(i) [intentionally omitted];

(ii) each Loan Party shall not, without the Administrative Agent's prior written consent, elect to treat any Acceptable Lease as terminated under subsection 365(h)(l)(A)(l) of the Bankruptcy Code. Any such election made without the Administrative Agent's prior written consent shall be void.

7.17 Borrowing Base Property Covenants.

(a) Reports and Testing. (i) Deliver to the Administrative Agent copies of all material reports, studies, inspections, and tests made on the Borrowing Base Properties, the Improvements thereon, or any materials to be incorporated into the Improvements thereon, (ii) immediately notify the Administrative Agent of any report, study, inspection, or test that indicates any material adverse condition relating to the Borrowing Base Properties, the Improvements thereon, or any such materials which could reasonably be expected to have a Material Property Event and (iii) make such additional tests as the Administrative Agent may require.

(b) Business Strategy. Maintain ownership of each Borrowing Base Property at all times consistent with the Borrower's business strategy, and each Borrowing Base Property shall at all times be of an asset quality consistent in all material respects with or better than the quality of Borrowing Base Properties owned by the Loan Parties as of the Effective Date.

(c) Management Agreements; Franchise Agreements. (1) Promptly (A) perform and observe all of the covenants and agreements required to be performed and observed under the Management Agreements and the Franchise Agreements, in each case, with respect to Borrowing Base Properties, including, without limitation, any PIP Requirements, and

do all things necessary to preserve and to keep unimpaired the Loan Parties' rights thereunder; (B) notify the Administrative Agent of any default under the Management Agreements and the Franchise Agreements, in each case, with respect to Borrowing Base Properties of which any Loan Party is aware; (C) deliver to the Administrative Agent a copy of each financial statement, business plan, annual budget and capital expenditures plan, notice, report, estimate, notice of default or other notice received by the Loan Parties under the Management Agreements and the Franchise Agreements, in each case, with respect to Borrowing Base Properties; and (D) enforce in all respects the performance and observance of all of the covenants and agreements required to be performed or observed by the applicable Qualified Manager under the Management Agreements with respect to Borrowing Base Properties and the applicable Qualified Franchisor under the Franchise Agreements, in each case, with respect to Borrowing Base Properties.

(i) If (A) an Event of Default hereunder has occurred and remains uncured, (B) a Qualified Manager or Qualified Franchisor of a Borrowing Base Property shall become insolvent or is the subject of any petition, case, proceeding or other action pursuant to any Debtor Relief Law, (C) a default occurs under any Management Agreement or Franchise Agreement, in each case, with respect to a Borrowing Base Property or (D) a Qualified Manager or Qualified Franchisor, in each case, of a Borrowing Base Property engages in gross negligence, fraud or willful misconduct, the Borrower shall, and shall cause each relevant Subsidiary to, at the request of the Administrative Agent, terminate such Management Agreement or Franchise Agreement, in each case, with respect to a Borrowing Base Property and replace such Qualified Manager with a Qualified Manager pursuant to a Replacement Management Agreement or such Qualified Franchisor with a Qualified Franchisor pursuant to a Replacement Franchise Agreement, as applicable, it being understood and agreed that the management fee for such Qualified Manager or the franchise fee for such Qualified Franchisor, as applicable, shall not exceed then prevailing market rates. In the event that a Management Agreement or Franchise Agreement, in each case, with respect to a Borrowing Base Property, expires or is terminated (without limiting any obligation of the Borrower to obtain the Administrative Agent's consent to any termination or modification of such Management Agreement or Franchise Agreement, in each case, with respect to a Borrowing Base Property in accordance with the terms and provisions of this Agreement), the Borrower shall, or shall cause each relevant Subsidiary, to promptly enter, or cause to be entered, into a Replacement Management Agreement with the Qualified Manager or another Qualified Manager or a Replacement Franchise Agreement (in each case, with respect to a Borrowing Base Property) with the Qualified Franchisor or another Qualified Franchisor, as applicable.

(d) Operating Leases. Promptly (i) perform and observe all of the covenants and agreements required to be performed and observed under the Operating Leases with respect to Borrowing Base Properties and do all things necessary to preserve and to keep unimpaired the Loan Parties' rights thereunder; (ii) notify the Administrative Agent of any default under the Operating Leases with respect to Borrowing Base Properties of which any Loan Party is aware;

(iii) deliver to the Administrative Agent a copy of any notice of default or other notice received by the Loan Parties under the Operating Leases with respect to Borrowing Base Properties; and (iv) enforce in all respects the performance and observance of all of the covenants and agreements required to be performed or observed by the applicable lessor under each Operating Lease with respect to a Borrowing Base Property.

7.18 [Intentionally Omitted].

7.19 Disclosable Events. If the REIT or the Borrower obtains knowledge or receives any notice that any Group Member or REIT Controlled Affiliate is in violation of Section 7.21(a), (b) or (c), including any such violation that could result in the forfeiture of any Borrowing Base Property or the proceeds of the Loans or a claim of forfeiture of any Borrowing Base Property or the proceeds of the Loans (any such violation, a "Disclosable Event"), the Borrower shall promptly (i) give written notice to the Administrative Agent of such Disclosable Event and (ii) comply with all applicable laws with respect to such Disclosable Event. The Borrower hereby authorizes and consents to the Administrative Agent and each Lender taking any and all steps the Administrative Agent or such Lender deems necessary, in its sole but reasonable discretion, to avoid a violation of all applicable laws with respect to any such Disclosable Event.

SECTION 8 NEGATIVE COVENANTS

The REIT and the Borrower hereby jointly and severally agree that, so long as the Revolving Credit Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or any Agent hereunder, each of the REIT and the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

8.1 Financial Condition Covenants.

(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as of the last day of any fiscal quarter of the Borrower to exceed 60%; provided that, the Borrower may elect a one-time step up to 65% for two consecutive quarters following a Material Acquisition.

(b) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower to be less than 1.50 to 1.00.

(c) Minimum Tangible Net Worth. Permit Tangible Net Worth as of the last day of any fiscal quarter to be less than the sum of (i) $743,378,742, plus (ii) 75% of net cash proceeds of any issuance or sale of Capital Stock by the REIT after the Effective Date.

(d) Consolidated Secured Debt Leverage Ratio. Permit the Consolidated Secured Debt Leverage Ratio as of the last day of any fiscal quarter of the Borrower to exceed 50%.

(e) Consolidated Unsecured Debt Leverage Ratio. Permit the Consolidated Unsecured Debt as of the last day of any fiscal quarter of the Borrower to exceed the Borrowing Base.

8.2 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except (without duplication):

(a) Indebtedness of any Loan Party pursuant to any Loan Document;

(b) Indebtedness of (i) the Borrower to any Subsidiary and (ii) any Wholly Owned Subsidiary Guarantor to the Borrower or any other Subsidiary; provided that, the aggregate amount of any Indebtedness of any Subsidiary that is not a Loan Party to any Loan Party shall not exceed $5,000,000 at any one time outstanding;

(c) Indebtedness (including, without limitation, Capital Lease Obligations) secured by Liens permitted by Section 7.3(h) in an aggregate principal amount not to exceed $5,000,000 at any one time outstanding;

(d) Indebtedness outstanding on the Effective Date and listed on Schedule 7.2(d) and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof (other than by the refinancing costs thereof including premiums and make whole payments) or any shortening of the maturity of any principal amount thereof);

(e) Guarantee Obligations made in the ordinary course of business by the Borrower or any of its Subsidiaries of obligations of the Borrower or any Subsidiary Guarantor;

(f) Unsecured Indebtedness of the REIT and any of its Subsidiaries that does not result in a Default or an Event of Default under the financial covenants set forth in Section 7.1;

(g) Non-Recourse Indebtedness of any Subsidiary that becomes a Subsidiary of the Borrower (other than a Borrowing Base Group Member) after the Effective Date in accordance with Section 7.7(g), which exists at the time such Person becomes a Subsidiary; provided that, (x) such Indebtedness existed at the time of such acquisition and was not created in connection therewith or in contemplation thereof, and (y) the Borrower shall deliver to the Administrative Agent a pro forma Compliance Certificate (i) certifying that, immediately prior to and after giving effect to such additional Indebtedness, no Default or Event of Default shall exist and (ii) containing all information and calculations necessary, and taking into consideration such additional Indebtedness, for determining pro forma compliance with the provisions of Section 7.1 hereof;

(h) Non-Recourse Indebtedness (other than Permitted Construction Financing) in respect of the Non-Recourse Subsidiary Borrowers that is secured by either (i) Real Property owned or leased by such Non-Recourse Subsidiary Borrowers and any related Property permitted by Section 7.3(k) or (ii) the Capital Stock of any Subsidiary of such Non-Recourse Subsidiary Borrower that is also a Non-Recourse Subsidiary Borrower,

including, in either case, any refinancing of any Indebtedness incurred pursuant to Section 7.2(d); provided that, with respect to any of the foregoing Indebtedness:

(i) none of the Group Members provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or is directly or indirectly liable (as guarantor or otherwise), other than (i) any Subsidiary of the Borrower that is a direct or indirect parent or Subsidiary of such Non-Recourse Subsidiary Borrower or (ii) the Non-Recourse Parent Guarantor as guarantor (x) to the extent permitted by Section 7.2(j) for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of special purpose entity covenants and other circumstances customarily excluded by institutional lenders from exculpation provisions and included in separate guarantee or indemnification agreements in non-recourse financing of real estate or (y) to the extent otherwise permitted by Section 7.2(f); and

(ii) as to which the lenders thereunder will not have any recourse to the Capital Stock or assets of the Group Members other than the assets securing such Indebtedness, additions, accessions and improvements thereto and proceeds thereof, the Capital Stock of the Non-Recourse Subsidiary Borrower that is the borrower under such Indebtedness or the Capital Stock of any direct or indirect parent of such Non-Recourse Subsidiary Borrower and, in the case of a Non-Recourse Parent Guarantor, recourse against such Non-Recourse Parent Guarantor for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of special purpose entity covenants and other circumstances customarily excluded by institutional lenders from exculpation provisions and included in separate guarantee or indemnification agreements in non-recourse financings of real estate, and Guarantee Obligations permitted by Section 7.2(f); and

provided, further, that, (x) immediately prior to and after giving effect to the incurrence of such Indebtedness, no Default or Event of Default shall have occurred and be continuing, and (y) after giving pro forma effect to such Indebtedness and the use of proceeds therefrom, the Borrower shall be in compliance with the provisions of Section 7.1 hereof. For the avoidance of doubt, if at any time following the Effective Date any Group Member acquires the remaining Capital Stock of any Joint Venture not owned by the Group Members on the Effective Date, any Real Property owned by such Joint Venture shall be included in clause (i) of this Section 7.2(h);

(i) Permitted Construction Financing of any Non-Recourse Subsidiary Borrower; provided that, with respect to any of the foregoing Indebtedness:

(i) none of the Group Members provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or is directly or indirectly liable (as guarantor or otherwise), other than (i) any Subsidiary of the Borrower that is a direct or indirect parent or

Subsidiary of such Non-Recourse Subsidiary Borrower or (ii) the Non-Recourse Parent Guarantor as guarantor (x) to the extent permitted by Section 7.2(j) for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of special purpose entity covenants and other circumstances customarily excluded by institutional lenders from exculpation provisions and included in separate non-monetary completion guarantee or indemnification agreements in construction financing of real estate or (y) to the extent otherwise permitted by Section 7.2(f), including customary monetary completion and repayment guarantees; and

(ii) as to which the lenders thereunder will not have any recourse to the Capital Stock or assets of the Group Members other than the assets securing such Indebtedness, additions, accessions and improvements thereto and proceeds thereof and, in the case of a Non-Recourse Parent Guarantor, recourse against such Non-Recourse Parent Guarantor for (x) fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities, prohibited transfers, violations of special purpose entity covenants and other circumstances customarily excluded by institutional lenders from exculpation provisions and included in separate non-monetary completion guarantee or indemnification agreements in construction financing of real estate, or (y) to the extent otherwise permitted by Section 7.2(f), including customary monetary completion and repayment guarantees;

provided, further, that, (x) immediately prior to and after giving effect to the incurrence of such Indebtedness, no Default or Event of Default shall have occurred and be continuing, and (y) after giving pro forma effect to such Indebtedness and the use of proceeds therefrom, the Borrower shall be in compliance with the provisions of Section 7.1 hereof;

(j) Permitted Limited Recourse Guarantees of Indebtedness permitted by Sections 7.2(h) and (i), provided that, the sum of, without duplication, (x) the aggregate amount of Permitted Limited Recourse Guarantees comprised of monetary completion or payment guarantees plus (y) the aggregate amount of Permitted Limited Recourse Guarantees required by GAAP to be reflected as a liability on the consolidated balance sheet of the Group Members shall not exceed the amount permitted to be incurred under Section 7.2(f) (together with all other Indebtedness incurred pursuant to such Section at such time) at any one time outstanding;

(k) Guarantee Obligations made by the REIT or any Loan Party which owns a Borrowing Base Property for the payment and performance of the Franchise Agreement with respect to such Borrowing Base Property; and

(l) Secured Recourse Debt of the REIT and any of its Subsidiaries other than any Borrowing Base Group Members (other than the REIT and the Borrower) which (i) shall mature at least one year after the Revolving Credit Termination Date and (ii) shall not exceed on any date of determination, an amount equal to 10% of Total Asset Value on such date at any one time outstanding.

8.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its Property, whether now owned or hereafter acquired, except for:

(a) Liens for taxes not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with the Uniform System of Accounts and reconciled in accordance with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) any attachment or judgment liens not resulting in an Event of Default under Section 8.1(h);

(e) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and that do not in any case materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(g) Liens in existence on the Effective Date listed on Schedule 7.3(g), securing Indebtedness permitted by Section 7.2(d), provided that, no such Lien is spread to cover any additional Property after the Effective Date and that the amount of Indebtedness secured thereby is not increased except as permitted by Section 7.2(d);

(h) Liens securing Indebtedness of the Borrower or any other Subsidiary incurred pursuant to Section 7.2(c) to finance the acquisition of fixed or capital assets, including Real Property, provided that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any Property other than the Property financed by such Indebtedness and (iii) the amount of Indebtedness secured thereby is not increased;

(i) [intentionally omitted];

(j) any interest or title of a lessor under any Lease entered into by the Borrower or any other Subsidiary in the ordinary course of its business and covering only the assets so leased;

(k) Liens on (x) fee-owned property or Real Property leases of the Non-Recourse Subsidiary Borrowers and any related Property (other than the Capital Stock of any Group Member that is not a Non-Recourse Subsidiary Borrower or a direct or indirect parent of a Non-Recourse Subsidiary Borrower) customarily granted or pledged by a borrower to its lender in connection with non-recourse real estate financing or construction financing, as applicable, including, without limitation, any personal property located on or related to such Property, any contracts, accounts receivables and general intangibles related to such Real Property and any Hedge Agreements relating to the Indebtedness, or (y) in the case of any Mortgage Financing, the Capital Stock of any Non-Recourse Subsidiary Borrower or a direct or indirect parent of a Non-Recourse Subsidiary Borrower (and, in each case, any proceeds from any of the foregoing) which Liens secure Indebtedness permitted by Sections 7.2(h) and (i); and

(l) Liens securing Indebtedness of any Subsidiary that becomes a Subsidiary after the Effective Date incurred pursuant to Section 7.2(g), which exists at the time such Person becomes a Subsidiary, provided that, (x) such Liens are created substantially simultaneously with the incurrence of such Indebtedness and (y) such Liens do not at any time encumber any Property other than the Property financed by such Indebtedness, other than, in each case, in connection with any consolidations of such Indebtedness.

Notwithstanding the foregoing, in no event shall any Lien be created, incurred, assumed or suffered to exist on (x) any Borrowing Base Property (except Liens pursuant to Section 7.3(a), (b) or (f)) or (y) the Capital Stock of any Person that is the direct or indirect owner of any Borrowing Base Property.

8.4 Limitation on Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its Property or business, except that:

(a) any Subsidiary of the Borrower may be merged or consolidated with (or liquidated or dissolved into) or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any Wholly Owned Subsidiary Guarantor (provided that (i) the Wholly Owned Subsidiary Guarantor shall be the continuing or surviving corporation or (ii) simultaneously with such transaction, the continuing or surviving corporation shall become a Wholly Owned Subsidiary Guarantor and the Borrower shall comply with Section 6.9 in connection therewith);

(b) any Subsidiary of the Borrower may Dispose of any or all of its assets (upon voluntary liquidation, dissolution or otherwise) to the Borrower or any Subsidiary Guarantor; and

(c) the Borrower and any Subsidiary of the Borrower may Dispose of any or all of its assets pursuant to Section 7.5(e) or (f).

8.5 Limitation on Disposition of Property. Dispose of any of its Property (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

(a) the Disposition of obsolete or worn out property in the ordinary course of business;

(b) the sale of inventory in the ordinary course of business;

(c) Dispositions permitted by Section 7.4(b);

(d) the sale or issuance of any Subsidiary's Capital Stock to the Borrower or any Subsidiary Guarantor;

(e) the Disposition of any Borrowing Base Property (including the Capital Stock of the direct or indirect owner of such Borrowing Base Property (other than the REIT and the Borrower)); provided that, the Borrower shall have complied with each of the requirements set forth in Section 5.4; and

(f) the Disposition of other assets (including the Capital Stock of the direct or indirect owner of such assets (other than the Borrower and the REIT)); provided that, for each such Disposition, the Administrative Agent shall have received (i) a certificate of a Principal Financial Officer certifying that after giving pro forma effect to the Disposition of such asset, the Total Revolving Extensions of Credit shall not exceed the Maximum Facility Availability and (ii) a pro forma Compliance Certificate (x) containing all information and calculations necessary, after giving pro forma effect to the Disposition of such asset, for determining pro forma compliance with the provisions of Section 7.1 hereof and (y) certifying that immediately prior to and after giving effect to such Disposition, no Default or Event of Default shall have occurred or be continuing.

8.6 Limitation on Restricted Payments. Declare or pay any dividend on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of any Group Member, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of any Group Member, or enter into any derivatives or other transaction with any financial institution, commodities or stock exchange or clearinghouse (a "Derivatives Counterparty") obligating any Group Member to make payments to such Derivatives Counterparty as a result of any change in market value of any such Capital Stock (collectively, "Restricted Payments"), except that:

(a) any Subsidiary may make Restricted Payments to the Borrower or any Subsidiary;

(b) the REIT may make Restricted Payments in the form of common stock of the REIT;

(c) the REIT may make Restricted Payments to its direct or indirect owners during any four-quarter period (and the Borrower may make Restricted Payments to the REIT and the holders of the Borrower Common Units, in each case, to the extent necessary to enable the REIT to make such Restricted Payments), not to exceed the greater of (x) 95% of Adjusted Funds From Operations and (y) the minimum amount required to maintain REIT Status, provided that, (1) on the date of any such Restricted Payment, the Borrower shall deliver to the Administrative Agent a pro forma Compliance Certificate delivered by the Borrower to the Administrative Agent certifying that immediately prior to and after giving effect to such Restricted Payment, (i) no Default or Event of Default shall have occurred and be continuing and (ii) containing all information and calculations necessary, and taking into consideration such Restricted Payment, for determining pro forma compliance with the provisions of Section 7.1 hereof and (2) no such Restricted Payments shall be made pursuant to this Section 7.6(c) if a Default or Event of Default shall have occurred and be continuing;

(d) the Borrower may make Restricted Payments to the REIT to permit the REIT to (i) pay corporate overhead expenses incurred in the ordinary course of business and (ii) pay any taxes which are due and payable by the REIT, the Borrower or any Subsidiary;

(e) the Borrower may (i) make redemption payments in cash with respect to the Borrower Common Units to the extent permitted by the Borrower LP Agreement; provided that, on the date of any such Restricted Payment, the Borrower shall deliver to the Administrative Agent a pro forma Compliance Certificate (A) certifying that, immediately prior to and after giving effect to such Restricted Payment, no Default or Event of Default shall have occurred and be continuing, and (B) containing all information and calculations necessary, and taking into consideration such Restricted Payment, for determining pro forma compliance with the provisions of Section 7.1 hereof; and (ii) exchange the Borrower LTIP Units for the Borrower Common Units to the extent required by the Borrower LP Agreement;

(f) any Joint Venture may make Restricted Payments pursuant to the terms of its joint venture agreement; and

(g) the REIT may make Restricted Payments to purchase shares of its common stock from time to time for an aggregate purchase price not to exceed $75,000,000 during the term of this Agreement for all such purchases, provided that, at the time of any such purchase, (i) no Default or Event of Default shall have occurred and be continuing immediately prior to or after giving effect to such purchase, (ii) the Borrower shall be in pro forma compliance with the financial covenants in Section 7.1 after giving effect to such purchase and (iii) the Consolidated Leverage Ratio shall not exceed 50% after giving effect to such purchase.

8.7 Limitation on Investments. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting an ongoing

business from, or make any other investment in, any other Person (all of the foregoing, "Investments"), except:

(a) extensions of trade credit in the ordinary course of business;

(b) Investments in Cash Equivalents;

(c) Investments arising in connection with the incurrence of Indebtedness permitted by Sections 7.2(b), (e) and (k);

(d) loans and advances to employees of the REIT, the Borrower or any Subsidiaries of the Borrower in the ordinary course of business (including, without limitation, for travel, entertainment and relocation expenses) in an aggregate amount for the REIT, the Borrower and Subsidiaries of the Borrower not to exceed $100,000 at any one time outstanding;

(e) Investments (other than those relating to the incurrence of Indebtedness permitted by Section 7.7(c)) by the Group Members in the Borrower or any Subsidiary Guarantor, provided that, (x) immediately prior to and after giving effect to such Investment, no Default or Event of Default shall have occurred and be continuing, and (y) after giving pro forma effect to such Investment, the Borrower shall be in compliance with the provisions of Section 7.1 hereof;

(f) REIT Permitted Investments; and

(g) Investments by the Borrower or any of its Subsidiaries, consisting of Acquisitions; provided that the Administrative Agent shall have received a certificate of a Principal Financial Officer (i) certifying that after giving pro forma effect to such Acquisition, the Total Revolving Extensions of Credit shall not exceed the Maximum Facility Availability, (ii) containing all information and calculations necessary, after giving pro forma effect to such Investment, for determining pro forma compliance with the provisions of Section 7.1 hereof and (iii) certifying that immediately prior to and after giving effect to such Acquisition, no Default or Event of Default shall have occurred or be continuing.

8.8 Limitation on Modifications of Organizational Documents. Amend its organizational documents in any manner reasonably determined by the Administrative Agent to be adverse to the Lenders.

8.9 Limitation on Transactions with Affiliates. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than any Group Member) unless such transaction is (a) otherwise not prohibited under this Agreement, (b) in the ordinary course of business of such Group Member, as the case may be, and (c) upon fair and reasonable terms no less favorable to such Group Member, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate.

8.10 Limitation on Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by the REIT, the Borrower or any Subsidiary of real or personal property which has been or is to be sold or transferred by the REIT, the Borrower or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the REIT, the Borrower or such Subsidiary.

8.11 Limitation on Changes in Fiscal Periods. Permit the fiscal year of the Borrower to end on a day other than December 31 or change the Borrower's method of determining fiscal quarters.

8.12 Limitation on Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of any Group Member to create, incur, assume or suffer to exist any Lien upon any of its Property or revenues, whether now owned or hereafter acquired, to secure the Obligations or, in the case of any Guarantor, its obligations under the Guarantee Agreement, other than (a) this Agreement and the other Loan Documents; (b) any agreements governing any purchase money Liens or Capital Lease Obligations otherwise permitted hereby; (c) documentation evidencing Indebtedness permitted pursuant to Section 7.2(g); (d) any restrictions in connection with existing Indebtedness incurred pursuant to Section 7.2(d), Mortgage Financing or Permitted Construction Financing, including on the Capital Stock of the Subsidiary that is the borrower under such existing Indebtedness incurred pursuant to Section 7.2(d), Mortgage Financing or Permitted Construction Financing or any direct or indirect parent of such Subsidiary; and (e) single purpose entity limitations contained in charter documents for Excluded Subsidiaries, provided that, (i) in the case of clauses (b) and (c), such prohibition or limitation shall only be effective against the assets financed thereby and (ii) in the case of clause (d), such prohibition or limitation shall only be effective against the assets financed thereby and indirect transfers of the Capital Stock of the Subsidiary.

8.13 Limitation on Restrictions on Subsidiary Distributions. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary to (a) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary, (b) make Investments in the Borrower or any other Subsidiary or (c) transfer any of its assets to the Borrower or any other Subsidiary, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents; (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary; (iii) restrictions with respect to a Person at the time it becomes a Subsidiary pursuant to any Indebtedness permitted pursuant to Section 7.2(g), provided that, such restrictions (x) were not entered into in contemplation of such Person becoming a Subsidiary and (y) such restrictions apply solely to such Person and its Subsidiaries; (iv) restrictions imposed by applicable law; (v) with respect to clauses (b) and (c) above, (A) restrictions pursuant to documentation evidencing Permitted Construction Financing or Mortgage Financing incurred by Subsidiaries that are not Guarantors, and (B) restrictions pursuant to any joint venture agreement solely with respect to the transfer of the assets or Capital Stock of the related Joint Venture; and (vi) any restrictions existing under an agreement that amends, refinances or replaces any agreement containing restrictions permitted under the preceding clauses (i) through (v), provided

that, the terms and conditions of any such agreement, as they relate to any such restrictions are no less favorable to the Borrower and its Subsidiaries, as applicable, than those under the agreement so amended, refinanced or replaced, taken as a whole.

8.14 Limitation on Lines of Business. Enter into any business, either directly or through any Subsidiary, except for those businesses in which the Group Members are engaged on the date of this Agreement or that are reasonably related thereto.

8.15 Limitation on Activities of the REIT. In the case of the REIT, (a) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than those incidental to its ownership of the Capital Stock of the Borrower and its operations as a REIT, (b) incur, create, assume or suffer to exist any Indebtedness or other liabilities or financial obligations (other than liabilities or financial obligations in the ordinary course of its business), except (i) nonconsensual obligations imposed by operation of law, (ii) pursuant to the Loan Documents to which it is a party, (iii) obligations with respect to its Capital Stock, (iv) Unsecured Indebtedness permitted by Section 7.2(f), (v) Permitted Limited Recourse Guarantees permitted by Section 7.2(j), (vi) Guarantee Obligations permitted by Section 7.2(k), (vii) liabilities for compensation and other employment matters, including pursuant to employment agreements filed by the REIT with the SEC; and (viii) as otherwise expressly permitted by the Loan Documents; or (c) own, lease, manage or otherwise operate any properties or assets (including cash (other than cash received in connection with dividends made by the Borrower in accordance with Section 7.6 pending application in the manner contemplated by said Section) and cash equivalents) other than the ownership of shares of Capital Stock of the Borrower.

8.16 Limitation on Hedge Agreements. Enter into any Hedge Agreement other than Hedge Agreements entered into in the ordinary course of business, and not for speculative purposes, to protect against changes in interest rates.

8.17 REIT Status. Permit the REIT to fail to meet the requirements for REIT Status.

8.18 Borrower Tax Status. Permit the Borrower to become an association (or publicly traded partnership or taxable mortgage pool) taxable as a corporation for federal tax purposes at any time.

8.19 Borrowing Base Properties. Use or occupy or conduct any activity on, or allow the use or occupancy of or the conduct of any activity on any Borrowing Base Properties in any manner which makes void, voidable, or cancelable any insurance held by Borrower or any of its Subsidiaries on such Borrowing Base Properties then in force with respect thereto or makes the maintenance of insurance in accordance with Section 6.5 commercially unreasonable (including by way of increased premium);

(a) Without the prior written consent of the Administrative Agent, initiate or permit any zoning reclassification of any Borrowing Base Property or seek any variance under existing zoning ordinances applicable to any Borrowing Base Property or use or permit the use of any Borrowing Base Property in such a manner which would result in such use becoming a nonconforming use under applicable zoning ordinances or other Requirement of Law, in each case, in a manner that would materially interfere with the use or operation of such Borrowing Base Property;

(b) Without the prior written consent of the Administrative Agent, (i) except as permitted by Section 7.3(f), impose any material easement, restrictive covenant, or encumbrance upon any Borrowing Base Property, (ii) execute or file any subdivision plat affecting any Borrowing Base Property or (iii) consent to the annexation of any Borrowing Base Property to any municipality;

(c) Suffer, permit or initiate the joint assessment of any Borrowing Base Property (i) with any other real property constituting a tax lot separate from such Borrowing Base Property, and (ii) which constitutes real property with any portion of such Borrowing Base Property which may be deemed to constitute personal property, or any other procedure whereby the Lien of any taxes which may be levied against such personal property shall be assessed or levied or charged to such real property portion of such Borrowing Base Property;

(d) Without the prior written consent of the Administrative Agent, permit any drilling or exploration for or extraction, removal or production of any mineral, hydrocarbon, gas, natural element, compound or substance (including sand and gravel) from the surface or subsurface of any Borrowing Base Property regardless of the depth thereof or the method of mining or extraction thereof;

(e) Without the prior written consent of the Supermajority Lenders, surrender the leasehold estate created by any Acceptable Lease or terminate or cancel any Acceptable Lease or modify, change, supplement, alter, or amend any Acceptable Lease, either orally or in writing, in each case, except as would not cause such Acceptable Lease to fail to qualify as an Acceptable Lease;

(f) Without the prior written consent of the Supermajority Lenders, fail to exercise any option or right to renew or extend the term of any Acceptable Lease in accordance with the terms of such Acceptable Lease (and give prompt written notice thereof to the Administrative Agent); provided, that, the Loan Parties shall not be required to exercise any particular option or right to renew or extend to the extent the Loan Parties shall have received the prior written consent of the Supermajority Lenders (which consent may be withheld by the Supermajority Lenders in their sole and absolute discretion and which consent shall not be necessary to the extent such failure to exercise such right would not cause such Acceptable Lease to fail to qualify as an Acceptable Lease) allowing the Loan Parties to forego exercising such option or right to renew or extend;

(g) Without the prior written consent of the Supermajority Lenders, waive, excuse, condone or in any way release or discharge any lessor of or from such lessor's material obligations, covenants and/or conditions under the applicable Acceptable Lease, in each case, except as would not cause such Acceptable Lease to fail to qualify as an Acceptable Lease;

(h) Without the prior written consent of the Supermajority Lenders, notwithstanding anything contained in any Acceptable Lease to the contrary, sublet any portion of any Borrowing Base Property held pursuant to an Acceptable Lease, except as would not cause such Acceptable Lease to fail to qualify as an Acceptable Lease;

(i) [Intentionally omitted];

(j) Without the prior written consent of the Administrative Agent with respect to any Borrowing Base Property, (i) surrender, terminate, cancel, amend or modify any Management Agreement; provided, that the Borrower may, without the Administrative Agent's consent, replace any Qualified Manager so long as the replacement manager is a Qualified Manager pursuant to a Replacement Management Agreement; (ii) surrender, terminate or cancel any Franchise Agreement; provided, that the Borrower may, without the Administrative Agent's consent, replace any Qualified Franchisor so long as the replacement franchisor is a Qualified Franchisor pursuant to a Replacement Franchise Agreement; (iii) surrender, terminate or cancel any Operating Lease or enter into any other Operating Lease with respect to such Borrowing Base Property; (iv) reduce or consent to the reduction of the term of any Management Agreement, Franchise Agreement or Operating Lease; (v) increase or consent to the increase of the amount of any fees or other charges under any Management Agreement or Franchise Agreement; (vi) change the amount of any fees or other charges under any Operating Lease; or (vii) otherwise modify, change, supplement, alter or amend, or waive or release any of its rights and remedies under, any Management Agreement, Franchise Agreement or Operating Lease in any material respect;

(k) [Intentionally omitted];

(l) Following the occurrence and during the continuance of an Event of Default, exercise any rights, make any decisions, grant any approvals or otherwise take any action under any Management Agreement, Franchise Agreement or Operating Lease, in each case, solely with respect to a Borrowing Base Property without the prior written consent of the Administrative Agent, which consent may be granted, conditioned or withheld in the Administrative Agent's sole discretion; or

(m) Any acquisition of any related lessor's interest in any Acceptable Lease by any Group Member shall be accomplished by the Group Member in such a manner so as to avoid a merger of the interests of lessor and lessee in such Acceptable Lease, unless consent to such merger is granted by the Administrative Agent.

8.20 Environmental Matters. Cause, commit, permit, or allow to continue (i) any violation of any Environmental Requirement which could reasonably be expected to cause a Material Property Event or have a Material Adverse Effect: (A) by any Group Member or by any Person; and (B) by or with respect to any Borrowing Base Property or any use of or condition or activity on any Real Property, or (ii) the attachment of any environmental Liens on any Borrowing Base Property.

(a) Place, install, dispose of, or release, or cause, permit, or allow the placing, installation, disposal, spilling, leaking, dumping, or release of, any Materials of Environmental Concern or storage tank (or similar vessel) on any Real Property; provided that, any Materials of Environmental Concern or storage tank (or similar vessel) disclosed in the Acceptable Environmental Report or otherwise permitted pursuant to any Lease affecting any Borrowing Base Property shall be permitted on any Borrowing Base Property so long as such Materials of

Environmental Concern or storage tanks (or similar vessels) are maintained in compliance with all applicable Environmental Requirements.

8.21 Disclosable Events. (i) Engage, directly or indirectly, in business dealings with any party listed on the Specially Designated Nationals List or other similar lists maintained by OFAC, or in any related Executive Order issued by the President; (ii) conduct, directly or indirectly, business dealings with a party subject to sanctions administered by OFAC; (iii) derive, directly or indirectly, income from business dealings with a party subject to sanctions administered by OFAC; or (iv) use the proceeds of the Loans or any Letter of Credit to conduct any business dealings or transaction, either directly or indirectly, with any party subject to sanctions administered by OFAC.

(a) Derive any of its assets in violation of the anti-money laundering or anti-terrorism laws or regulations of the United States, including but not limited to the USA PATRIOT Act, the Money Laundering Control Act, the Bank Secrecy Act and any related Executive Order of the President.

(b) Fail to comply with applicable anti-bribery and anti-corruption laws and regulations (including the FCPA), including any failure to so comply that may result in the forfeiture of any Borrowing Base Property or the proceeds of the Loans or a claim of forfeiture of any Borrowing Base Property or the proceeds of the Loans.

(c) Fail to provide the Administrative Agent and the Lenders with any information regarding any Group Member or any REIT Controlled Affiliate necessary for the Administrative Agent or any of the Lenders to comply with (i) the anti-money laundering laws and regulations, including but not limited to the USA PATRIOT Act, The Money Laundering Control Act, the Bank Secrecy Act and any related Executive Order issued by the President, (ii) all applicable economic sanctions laws and regulations administered by OFAC, and (iii) all applicable anti-corruption and anti-bribery laws and regulations, including the FCPA.

SECTION 9 EVENTS OF DEFAULT

9.1 Events of Default. If any of the following events shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of any Loan or Reimbursement Obligation when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan or Reimbursement Obligation, or any other amount payable hereunder or under any other Loan Document, within five days after any such interest or other amount becomes due in accordance with the terms hereof or thereof; or

(b) any representation or warranty made or deemed made by any Loan Party herein or in any other Loan Document, in any Borrowing Base Certificate, or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made or furnished; or

(c) any Loan Party shall default in the observance or performance of any agreement contained in Section 6.1(a) or 6.1(b), clause (i) or (ii) of Section 6.4(a) (with respect to the REIT and the Borrower only), Section 6.7(a), 6.12, or Section 7; or

(d) (i) any Loan Party shall default in the observance or performance of any agreement contained in Section 6.1(c) or 6.1(d), and such default shall continue unremedied for a period of 15 days; or (ii) any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days; or

(e) any Group Member shall (i) default in making any payment of any principal of any Indebtedness (including, without limitation, any Guarantee Obligation, but excluding the Loans and Reimbursement Obligations) on the scheduled or original due date with respect thereto; or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or to become subject to a mandatory offer to purchase by the obligor thereunder or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of which exceeds in the aggregate $5,000,000; or

(f) (i) any Group Member shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Group Member shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Group Member any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of

60 days; or (iii) there shall be commenced against any Group Member any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) any Group Member shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any Group Member shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Single Employer Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Single Employer Plan, or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders shall be likely to, incur, any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of the Required Lenders, reasonably be expected to have a Material Adverse Effect; or

(h) (i) one or more judgments or decrees shall be entered against any Group Member involving for the Group Members taken as a whole a liability (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of $5,000,000 or more, or (ii) one or more non-monetary judgments shall have been entered against any Group Member have, or could reasonably be expected to have, a Material Adverse Effect, and, in either case, (x) enforcement proceedings are commenced by any creditor upon such judgment or order or (y) all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) [intentionally omitted]; or

(j) the guarantee contained in Section 2 of the Guarantee Agreement shall cease, for any reason (other than by reason of the express release thereof pursuant to Section 10.15 of this Agreement or Section 3.15(b) of the Guarantee Agreement), to be in

full force and effect or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(k) any Change of Control shall occur; or

(l) a material default (i) shall occur and continue beyond any applicable notice or grace period required by any Management Agreement or Franchise Agreement, in each case, with respect to a Borrowing Base Property or (ii) permits the applicable Qualified Franchisor or Qualified Manager to terminate or cancel any Management Agreement or Franchise Agreement, as applicable, in each case, with respect to a Borrowing Base Property; or

(m) a default (i) shall occur and continue beyond any applicable notice or grace period required by any Operating Lease with respect to a Borrowing Base Property or (ii) permits any Person party to an Operating Lease to terminate or cancel such Operating Lease with respect to a Borrowing Base Property; or

(n) the Loan Parties shall cease to do business as a hotel at each of the Borrowing Base Properties or terminates such business for any reason whatsoever (other than temporary cessation in connection with any continuous and diligent renovation or restoration of any individual Borrowing Base Property following a Casualty or Condemnation);

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to the Borrower, automatically the Revolving Credit Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Revolving Credit Commitments to be terminated forthwith, whereupon the Revolving Credit Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. In the case of all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired face amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn

under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the other Loan Documents. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto).

9.2 Right to Cure. Notwithstanding anything to the contrary contained in Section 8.1(c), if an Event of Default arising solely as a result of failure to comply with the requirements of Section 7.1(a) occurs at the end of any fiscal quarter, the REIT may issue cash common equity, the proceeds of which shall be used to make a voluntary prepayment of the Loans pursuant to Section 2.9, in an aggregate amount sufficient to cause the Borrower to be in compliance with the financial covenant set forth in Section 7.1(a), provided that, (i) the aggregate proceeds of such issuance shall not exceed the amount sufficient to cure such Event of Default, (ii) such proceeds shall be contributed by the REIT to the Borrower as cash common equity, (iii) no more than one cure shall be permitted during the term of this Agreement and (iv) such prepayment shall be deemed to have been made on the last day of the relevant fiscal quarter requiring such cure. Such prepayment must be made no later than the date that is 15 days after the date on which the relevant Compliance Certificate is required to have been delivered. The Lenders hereby waive any notice required by Section 2.9 in connection with such prepayment.

(a) If on a pro forma basis after giving effect to the prepayment of the Loans pursuant to Section 8.2(a), the Borrower would have been in compliance with the financial covenant set forth in Section 7.1(a) as of the date of the relevant Compliance Certificate, the Event of Default under Section 8.1(c) shall be deemed to have not occurred. During the pendency of any cure right afforded to the Group Members pursuant to Section 8.1(a), (i) the Administrative Agent and the Lenders shall not exercise any remedies described under Section 8.1 or otherwise for failure to satisfy the financial covenant set forth in Section 7.1(a) and (ii) the Borrower shall not be permitted to request any extension of credit pursuant to Section 5.2.

(b) The Borrower shall, immediately following the prepayment of the Loans pursuant to Section 8.2(a), deliver to the Administrative Agent a Compliance Certificate demonstrating to the Administrative Agent’s satisfaction that on a pro forma basis after giving effect to the prepayment of the Loans, the financial covenant set forth in Section 7.1(a) is then complied with.

SECTION 10 THE AGENTS

10.1 Appointment. Each Lender hereby irrevocably designates and appoints the Agents as the agents of such Lender under this Agreement and the other Loan Documents, and each Lender irrevocably authorizes each Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to such Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, no Agent shall have any duties or responsibilities, except those expressly set forth

herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against any Agent.

10.2 Delegation of Duties. Each Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

10.3 Exculpatory Provisions. Neither any Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party.

10.4 Reliance by Agents. Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Loan Parties), independent accountants and other experts selected by such Agent. The Agents may deem and treat the payee of any Note as the owner thereof for all purposes unless such Note shall have been transferred in accordance with Section 10.6 and all actions required by such Section in connection with such transfer shall have been taken. Each Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders, Supermajority Lenders or any other instructing group of Lenders specified by this Agreement) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Each Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders, Supermajority Lenders or any other instructing group of Lenders specified by this Agreement), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

10.5 Notice of Default. No Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless such Agent shall have received notice from a Lender, the REIT or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent shall receive such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders, Supermajority Lenders or any other instructing group of Lenders specified by this Agreement); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

10.6 Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that neither any of the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, no Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party or any affiliate of a Loan Party that may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

10.7 Indemnification. The Lenders agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by the REIT or the Borrower and without limiting the obligation of the REIT or the Borrower to do so), ratably according to their respective Revolving Credit Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Revolving Credit Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Revolving Credit Percentages immediately prior to such date), for, and to save each Agent harmless from and against, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (including, without limitation, at any time following the payment of the Loans)

be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Revolving Credit Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

10.8 Agent in Its Individual Capacity. Each Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Loan Party as though such Agent were not an Agent. With respect to its Loans made or renewed by it and with respect to any Letter of Credit issued or participated in by it, each Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

10.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon ten days' notice to the Lenders and the Borrower. Any such resignation by the Administrative Agent hereunder shall also constitute its resignation as an Issuing Lender and a Swing Line Lender, in which case the retiring Administrative Agent (x) shall not be required to issue any further Letters of Credit or make any additional Swing Line Loans hereunder and (y) shall maintain all of its rights as Issuing Lender or Swing Line Lender, as the case may be, with respect to any Letters of Credit issued by it, or Swing Line Loans made by it, prior to the date of such resignation. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8.1(a) or 8.1(f) with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is ten days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. The Syndication Agent may, at any time, by notice to the Lenders and the Administrative Agent, resign as Syndication Agent hereunder, whereupon the duties, rights, obligations and responsibilities of the Syndication Agent hereunder shall automatically be assumed by, and inure to the benefit of, the Administrative Agent, without any further act by the Syndication Agent, the Administrative Agent or any Lender. After any retiring Agent's resignation as Agent, such Agent shall remain indemnified to

the extent provided in this Agreement and the other Loan Documents and the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement and the other Loan Documents.

10.10 Authorization to Release Liens and Guarantees. The Administrative Agent is hereby irrevocably authorized by each of the Lenders to effect any release of guarantee obligations contemplated by Section 10.15 of this Agreement or Section 3.15 of the Guarantee Agreement.

10.11 The Arrangers; the Syndication Agent; the Co-Documentation Agents. None of the Arrangers, the Syndication Agent or the Co-Documentation Agents, in their respective capacities as such, shall have any duties or responsibilities, nor shall any such Person incur any liability, under this Agreement and the other Loan Documents.

10.12 No Duty to Disclose. The Administrative Agent, the Syndication Agent, the Arrangers and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the REIT, the Borrower, the other Loan Parties and their respective Affiliates, and none of the Administrative Agent, the Syndication Agent nor the Arrangers has any obligation to disclose any of such interests to the REIT, the Borrower, any other Loan Party or any of their respective Affiliates.

10.13 Waiver. To the fullest extent permitted by law, each of the REIT, the Borrower and the other Loan Parties hereby waives and releases any claims that it may have against the Administrative Agent, the Syndication Agent and the Arrangers with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

10.14 Certain ERISA Matters. Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Arrangers, and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Loan Party, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with the Loans, the Letters of Credit or the Revolving Credit Commitments,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Revolving Credit Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Revolving Credit Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Revolving Credit Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Revolving Credit Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(a) In addition, unless Section 9.14(a)(i) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in Section 9.14(a)(iv), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Loan Party, that:

(i) none of the Administrative Agent or the Arrangers, or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto),

(ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Revolving Credit Commitments and this Agreement is independent (within the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least $50 million, in each case as described in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E),

(iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Revolving Credit Commitments and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including in respect of the Obligations),

(iv) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Revolving Credit Commitments and this Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Loans, the Letters of Credit, the Revolving Credit Commitments and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder, and

(v) no fee or other compensation is being paid directly to the Administrative Agent or the Arrangers or any their respective Affiliates for investment advice (as opposed to other services) in connection with the Loans, the Letters of Credit, the Revolving Credit Commitments or this Agreement.

(b) The Administrative Agent and the Arrangers hereby informs the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Letters of Credit, the Revolving Credit Commitments and this Agreement, (ii) may recognize a gain if it extended the Loans, the Letters of Credit or the Revolving Credit Commitments for an amount less than the amount being paid for an interest in the Loans, the Letters of Credit or the Revolving Credit Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker’s acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

SECTION 11 MISCELLANEOUS

11.1 Amendments and Waivers. Neither this Agreement or any other Loan Document, nor any terms hereof or thereof may be amended, restated, supplemented or modified except in accordance with the provisions of this Section 10.1. The Required Lenders and each Loan Party party to the relevant Loan Document may, or (with the written consent of the Required Lenders) the Administrative Agent and each Loan Party party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents (including amendments and restatements hereof or thereof) for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as may be specified in the instrument of waiver, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall:

(a) forgive the principal amount or extend the final scheduled date of maturity of any Loan or Reimbursement Obligation, reduce the stated rate of any interest or fee payable under this Agreement (except (x) in connection with the waiver of applicability

of any post-default increase in interest rates (which waiver shall be effective with the consent of the Required Lenders) and (y) that any amendment or modification of defined terms used in the financial covenants in this Agreement (which amendment or modification shall be effective with the consent of the Supermajority Lenders) shall not constitute a reduction in the rate of interest or fees for purposes of this clause (a)) or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Revolving Credit Commitment of any Lender, in each case without the consent of each Lender directly affected thereby;

(b) amend, modify or waive any provision of this Section or reduce any percentage specified in the definition of Required Lenders or Supermajority Lenders, increase any percentage specified in clause (iii) of the definition of Borrowing Base, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release the REIT or all or substantially all of the Subsidiary Guarantors from their guarantee obligations under the Guarantee Agreement, in each case without the consent of all the Lenders;

(c) amend, modify or waive any provision of Section 9, or any other provision affecting the rights, duties or obligations of any Agent, without the consent of any Agent directly affected thereby;

(d) amend, modify or waive any provision of Section 2.3 or 2.4 without the consent of each Swing Line Lender affected thereby;

(e) amend, modify or waive any provision of Section 2.16 without the consent of each Lender directly affected thereby;

(f) amend, modify or waive any provision of Section 3 without the consent of each Issuing Lender affected thereby;

(g) impose restrictions on assignments and participations that are more restrictive than, or additional to, those set forth in Section 10.6 without the consent of each Lender directly affected thereby; or

(h) amend, modify or waive (x) the definitions of “Acceptable Lease,” “Additional Borrowing Base Properties,” “Borrowing Base,” “Borrowing Base Properties,” “Borrowing Base Value,” “Capitalization Rate,” “Eligible Borrowing Base Property,” “Maximum Facility Availability” or “Total Asset Value,” (and, with respect to each such definition, the related defined terms used therein, solely to the extent such related defined terms are used in the calculation of the Borrowing Base) or (y) the definitions of “Debt Service Coverage Amount” (and the related defined terms used therein), “Net Operating Income” (and the related defined terms used therein) or any other defined terms (and the related defined terms used therein) used in the financial covenants set forth in Section 7.1, or (z) Section 2.10, 5.3 or 5.4, in each case, without the consent of the Supermajority Lenders.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Agents and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Agents shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Any such waiver, amendment, supplement or modification shall be effected by a written instrument signed by the parties required to sign pursuant to the foregoing provisions of this Section; provided, that delivery of an executed signature page of any such instrument by facsimile transmission or electronic communication shall be effective as delivery of a manually executed counterpart thereof.

11.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed (i) in the case of the REIT, the Borrower and the Agents, as follows, (ii) in the case of the Lenders, as set forth in an administrative questionnaire delivered to the Administrative Agent or, in the case of a Lender which becomes a party to this Agreement pursuant to an Assignment and Assumption substantially in the form of Exhibit E, in such Assignment and Assumption or (iii) in the case of any party, to such other address as such party may hereafter notify to the other parties hereto:

The REIT and the Borrower: Chatham Lodging Trust
Chatham Lodging, L.P.
222 Lakeview Avenue
Suite 200
West Palm Beach, FL 33401
Attention: Mr. Jeffrey Fisher
Telecopy: (561) 659-7318
Telephone: (561) 802-4477

with a copy to: Chief Financial Officer
Chatham Lodging Trust
222 Lakeview Avenue
Suite 200
West Palm Beach, FL 33401

and to: Hunton & Williams LLP
200 Park Avenue
New York, NY 10166
Attn: Laurie A. Grasso

The Administrative Agent: Barclays Bank PLC
745 Seventh Avenue
New York, NY 10019

Attention: Craig Malloy
Telecopy: (646) 758-4617
Telephone: (212) 526-7150

Issuing Lenders: As notified by such Issuing Lender
to the Administrative Agent and the Borrower

Swing Line Lenders: As notified by such Swing Line Lender
to the Administrative Agent and the Borrower
provided that any notice, request or demand to or upon any Agent, any Issuing Lender or any Lender shall not be effective until received.

(a) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

11.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of any Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

11.4 Survival of Representations and Warranties. All representations and warranties made herein, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

11.5 Payment of Expenses. Each of the REIT and the Borrower jointly and severally agrees (a) to pay or reimburse the Agents for all their reasonable out-of-pocket costs and expenses incurred in connection with the syndication of the Revolving Credit Commitments (other than fees payable to syndicate members) and the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements and other charges of counsel to the Administrative Agent and the charges of Intralinks, (b) to pay or reimburse each Lender and the Agents for all their costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any other documents prepared in connection herewith or therewith, including, without limitation, the fees and disbursements of counsel (including the allocated fees and disbursements and other charges of in-house counsel) to each Lender and of counsel to the Agents, (c) to pay, indemnify, or

reimburse each Lender and the Agents for, and hold each Lender and the Agents harmless from, any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify or reimburse each Lender, each Agent, their respective affiliates, and their respective officers, directors, trustees, employees, advisors, agents and controlling persons (each, an "Indemnitee") for, and hold each Indemnitee harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever incurred by an Indemnitee or asserted against any Indemnitee by any third party or by the REIT, the Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document, any commitment letter or fee letter in connection therewith, or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto or thereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds thereof (including any refusal by any Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Materials of Environmental Concern on or from any property owned, occupied or operated by the REIT, the Borrower or any of their respective Subsidiaries, or any environmental liability related in any way to the Borrower or any of their respective Subsidiaries or any of their respective properties, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by any third party or by the REIT, the Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"), provided, that neither the REIT nor the Borrower shall have any obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee. No Indemnitee shall be liable for any damages arising from the use by unauthorized persons of information or other materials sent through electronic, telecommunications or other information transmission systems that are intercepted by such persons or for any special, indirect, consequential or punitive damages in connection with the Revolving Credit Commitments. Without limiting the foregoing, and to the extent permitted by applicable law, the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries so to waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section shall be payable not later than 30 days after written demand therefor. Statements payable by each of the REIT and the Borrower pursuant to this Section shall be submitted to Jeremy Wegner, Chief Financial Officer (Telephone No. (561) 227-1372) (Fax No. (561) 804-0937), at the address of the REIT and the Borrower set forth

in Section 10.2, or to such other Person or address as may be hereafter designated by the REIT or the Borrower in a notice to the Administrative Agent. The agreements in this Section shall survive repayment of the Loans and all other amounts payable hereunder.

11.6 Successors and Assigns; Participations and Assignments. This Agreement shall be binding upon and inure to the benefit of the REIT, the Borrower, the Lenders, the Agents, all future holders of the Loans and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agents and each Lender.

(a) Any Lender may, without the consent of the Borrower, in accordance with applicable law, at any time sell to one or more banks, financial institutions or other entities (each, a "Participant") participating interests in any Loan owing to such Lender, any Revolving Credit Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Agents shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. In no event shall any Participant under any such participation have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by any Loan Party therefrom, except to the extent that such amendment, waiver or consent would require the consent of all Lenders pursuant to Section 10.1. The Borrower agrees that if amounts outstanding under this Agreement and the Loans are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement, provided that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 10.7(a) as fully as if such Participant were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.17, 2.18 or 2.19 with respect to its participation in the Revolving Credit Commitments and the Loans outstanding from time to time as if such Participant were a Lender; provided that, in the case of Section 2.18, such Participant shall have complied with the requirements of said Section, and provided, further, that no Participant shall be entitled to receive any greater amount pursuant to any such Section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(b) Any Lender (an "Assignor") may, in accordance with applicable law and upon written notice to the Administrative Agent, at any time and from time to time assign to any Lender or any affiliate, Related Fund or Control Investment Affiliate thereof or, with the consent of the Borrower and the Administrative Agent and, in the case of any assignment of Revolving

Credit Commitments, the written consent of each Issuing Lender and each Swing Line Lender (which, in each case, shall not be unreasonably withheld or delayed) (provided that no such consent need be obtained by the Arrangers or the Administrative Agent, each in its capacity as a Lender), to an additional bank, financial institution or other entity (an "Assignee") all or any part of its rights and obligations under this Agreement pursuant to an Assignment and Assumption, substantially in the form of Exhibit E, executed by such Assignee and such Assignor (and, where the consent of the Borrower, the Administrative Agent or the Issuing Lenders or the Swing Line Lenders is required pursuant to the foregoing provisions, by the Borrower and such other Persons) and delivered to the Administrative Agent for its acceptance and recording in the Register; provided that no such assignment to an Assignee (other than any Lender or any affiliate thereof) shall be in an aggregate principal amount of less than $5,000,000 (other than in the case of an assignment of all of a Lender's interests under this Agreement), unless otherwise agreed by the Borrower and the Administrative Agent. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Assumption, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Assumption, have the rights and obligations of a Lender hereunder with the Revolving Credit Commitments and/or Loans as set forth therein, and (y) the Assignor thereunder shall, to the extent provided in such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of an Assignor's rights and obligations under this Agreement, such Assignor shall cease to be a party hereto, except as to Section 2.17, 2.18 and 10.5 in respect of the period prior to such effective date); provided that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 10.6(b). In the event that Borrower fails to object by written notice within five Business Days after the receipt of a request to approve an assignment pursuant to this Section 10.6(c), the Borrower shall be deemed to have consented to such assignment. Notwithstanding any provision of this Section, the consent of the Borrower shall not be required for any assignment that occurs at any time when any Event of Default shall have occurred and be continuing. For purposes of the minimum assignment amounts set forth in this paragraph, multiple assignments by two or more Related Funds shall be aggregated.

(c) The Administrative Agent shall, on behalf of the Borrower, maintain at its address referred to in Section 10.2 a copy of each Assignment and Assumption delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Revolving Credit Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, each Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Loans and any Notes evidencing such Loans recorded therein for all purposes of this Agreement. Any assignment of any Loan, whether or not evidenced by a Note, shall be effective only upon appropriate entries with respect thereto being made in the Register (and each Note shall expressly so provide). Any assignment or transfer of

all or part of a Loan evidenced by a Note shall be registered on the Register only upon surrender for registration of assignment or transfer of the Note evidencing such Loan, accompanied by a duly executed Assignment and Assumption; thereupon one or more new Notes in the same aggregate principal amount shall be issued to the designated Assignee, and the old Notes shall be returned by the Administrative Agent to the Borrower marked "canceled". The Register shall be available for inspection by the Borrower or any Lender (with respect to any entry relating to such Lender's Loans) at any reasonable time and from time to time upon reasonable prior notice. Each Lender that sells a participation, acting for this purpose as a non-fiduciary agent (solely for tax purposes) shall maintain a register on which it enters the name and address of each participant and the principal amounts of each participant's interest in the Revolving Credit Commitments, Loans and other Obligations held by it (the "Participant Register"); provided that, no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such interest in the Revolving Credit Commitments, Loans and other Obligations as the owner thereof for all purposes of this Agreement notwithstanding any notice to the contrary.

(d) Upon its receipt of an Assignment and Assumption executed by an Assignor and an Assignee (and, in any case where the consent of any other Person is required by Section 10.6(c), by each such other Person) together with payment to the Administrative Agent of a registration and processing fee of $3,500 (treating multiple, simultaneous assignments by or to two or more Related Funds as a single assignment) (except that no such registration and processing fee shall be payable (x) in connection with an assignment by or to the Arrangers, the Administrative Agent or their Control Investment Affiliates or (y) in the case of an Assignee which is already a Lender or is an affiliate or Related Fund of a Lender or a Person under common management with a Lender), the Administrative Agent shall (i) promptly accept such Assignment and Assumption and (ii) on the effective date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Borrower. On or prior to such effective date, the Borrower, at its own expense, upon request, shall execute and deliver to the Administrative Agent (in exchange for the Revolving Credit Note of the assigning Lender) a new Revolving Credit Note to the order of such Assignee in an amount equal to the Revolving Credit Commitment assumed or acquired by it pursuant to such Assignment and Assumption and, if the Assignor has retained a Revolving Credit Commitment upon request, a new Revolving Credit Note to the order of the Assignor in an amount equal to the Revolving Credit Commitment retained by it hereunder. Such new Note or Notes shall be dated the Effective Date and shall otherwise be in the form of the Note or Notes replaced thereby.

(e) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests in Loans and Notes, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

(f) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Revolving Credit Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any state thereof. In addition, notwithstanding anything to the contrary in this Section 10.6(g), any SPC may (A) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender, or with the prior written consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld) to any financial institutions providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans, and (B) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC; provided that non-public information with respect to the Borrower may be disclosed only with the Borrower's consent which will not be unreasonably withheld. This paragraph (g) may not be amended without the written consent of any SPC with Loans outstanding at the time of such proposed amendment.

(g) No such assignment shall be made to (i) the Borrower or any of the Borrower's Affiliates or Subsidiaries or (ii) to any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (ii).

(h) No such assignment shall be made to a natural Person.

(i) In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, each Issuing Lender, each Swing Line Lender and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Letters of Credit and Swing Line Loans in accordance with its Revolving Credit Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

11.7 Adjustments; Set-off. Except to the extent that this Agreement provides for payments to be allocated to a particular Lender or to the Lenders, if any Lender (a "Benefited Lender") shall at any time receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8.1(f) or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Obligations, such Benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Obligations, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(a) Subject to Sections 10.7(c) and (d), in addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, at any time and from time to time while an Event of Default shall have occurred and be continuing, without prior notice to the REIT or the Borrower, any such notice being expressly waived by the REIT and the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the REIT or the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the REIT or the Borrower, as the case may be. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.

(b) Each Lender hereby acknowledges that the exercise by any Lender of offset, set-off, banker's lien or similar rights against any deposit account or other property or asset of the Borrower or any other Group Member could result under certain laws in significant impairment of the ability of all Lenders to recover any further amounts in respect of the Obligations. Each Lender hereby agrees not to charge or offset any amount owed to it by Borrower against any of the accounts, property or assets of the Borrower or any other Group Member held by such Lender without the prior written approval of the Required Lenders.

(c) In the event that any Defaulting Lender shall exercise any such right of setoff, all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.24 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders.

11.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

11.9 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11.10 Integration. This Agreement and the other Loan Documents represent the entire agreement of the REIT, the Borrower, the Agents, the Arrangers and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Arrangers, any Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

11.11 Governing Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

11.12 Submission To Jurisdiction; Waivers. Each of the REIT and the Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its Property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such

action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the REIT or the Borrower, as the case may be at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

For avoidance of doubt, nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Lenders or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Loan Party or its properties in the courts of any jurisdiction.

11.13 Acknowledgments. Each of the REIT and the Borrower hereby acknowledges that:

(a) it has been advised by and consulted with its own legal, accounting, regulatory and tax advisors (to the extent it deemed appropriate) in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) none of the Arrangers, any Agent nor any Lender has any fiduciary relationship with or duty to the REIT or the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Arrangers, the Agents and the Lenders, on one hand, and the REIT and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor;

(c) it is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; and

(d) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Arrangers, the Agents and the Lenders or among the REIT, the Borrower and the Lenders.

11.14 Confidentiality. Each of the Agents and the Lenders agrees to keep confidential all non-public information provided to it by any Loan Party pursuant to this Agreement that is designated by such Loan Party as confidential; provided that nothing herein shall prevent any Agent or any Lender from disclosing any such information (a) to the Arrangers, any Agent, any other Lender or any affiliate of any thereof, (b) to any Participant or Assignee

(each, a "Transferee") or prospective Transferee that agrees to comply with the provisions of this Section or substantially equivalent provisions, (c) to any of its employees, directors, agents, attorneys, accountants and other professional advisors, (d) to any financial institution that is a direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section), (e) upon the request or demand of any Governmental Authority having jurisdiction over it, (f) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (g) in connection with any litigation or similar proceeding, (h) that has been publicly disclosed other than in breach of this Section, (i) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender or (j) in connection with the exercise of any remedy hereunder or under any other Loan Document.

11.15 Release of Guarantee Obligations. Notwithstanding anything to the contrary contained herein or in any other Loan Document, upon request of the Borrower in connection with any Disposition of Property permitted by the Loan Documents, the Administrative Agent shall take such actions as shall be required to release any guarantee obligations under any Loan Document of any Person being Disposed of in such Disposition, to the extent necessary to permit consummation of such Disposition in accordance with the Loan Documents.

(a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, upon request of the Borrower in connection with any incurrence of Indebtedness permitted by Section 7.2, the Administrative Agent shall (without notice to, or vote or consent of, any Lender) take such actions as shall be required to release any guarantee obligations under any Loan Document of the Person incurring such Indebtedness, to the extent necessary to permit the incurrence of such Indebtedness (and the granting of Liens to secure such Indebtedness) in accordance with the Loan Documents, provided that, the Borrower shall deliver to the Administrative Agent a pro forma Compliance Certificate (i) certifying that, immediately prior to and after giving effect to the incurrence of such Indebtedness, no Default or Event of Default shall have occurred and be continuing, (ii) containing all information and calculations necessary, and taking into consideration such Indebtedness, for determining pro forma compliance with the provisions of Section 7.1 hereof and the Borrowing Base and (iii) with respect to any Borrowing Base Property, certifying that the conditions set forth for the release of such Borrowing Base Property in Section 5.4 have been satisfied.

(b) [Intentionally omitted].

(c) Notwithstanding anything to the contrary contained herein or any other Loan Document, when all Obligations have been paid in full, all Revolving Credit Commitments have terminated or expired and no Letter of Credit shall be outstanding, upon request of the Borrower, the Administrative Agent shall take such actions as shall be required to release all guarantee obligations under any Loan Document. Any such release of guarantee obligations shall be deemed subject to the provision that such guarantee obligations shall be reinstated if

after such release any portion of any payment in respect of the Obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made.

11.16 Accounting Changes. In the event that any Accounting Change (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Borrower and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Change with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Change as if such Accounting Change had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Change had not occurred. "Accounting Change" refers to any change in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board or, if applicable, the SEC, or a change in the Uniform System of Accounts.

11.17 Waivers of Jury Trial. THE REIT, THE BORROWER, THE AGENTS AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

11.18 Acknowledgment and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder that may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

11.19 Effect of Amendment and Restatement of the Existing Credit Agreement

. On the 2018 Amendment Agreement Effective Date, the Existing Credit Agreement shall be amended, restated and superseded in its entirety. Each Loan Party hereby reaffirms its duties and obligations under each Loan Document to which it is a party. Each reference to the Credit Agreement in any Loan Document shall be deemed to be a reference to the Existing Credit Agreement as amended and restated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

CHATHAM LODGING TRUST, as the REIT

By: _____

Name:

Title:

CHATHAM LODGING, L.P., as Borrower

By: Chatham Lodging Trust, its general partner

By: _____

Name:
Title:

BARCLAYS BANK PLC,
as Administrative Agent and Lender

By: _____

Name:
Title:

[Signature Page to Amended and Restated Credit Agreement]

[LENDER]

By: _____

Name:
Title:

Annex A

Commitments

Lender	Revolving Credit Commitment	Swing Line Commitment	L/C Commitment
BARCLAYS BANK PLC	$40,000,000	$6,250,000	$6,250,000
CITIBANK, N.A.	$37,500,000	$6,250,000	$6,250,000
REGIONS BANK	$37,500,000	$6,250,000	$6,250,000
U.S. BANK NATIONAL ASSOCIATION	$37,500,000	$6,250,000	$6,250,000
WELLS FARGO BANK, NATIONAL ASSOCIATION	$30,000,000	$0	$0
BANK OF AMERICA, N.A.	$22,500,000	$0	$0
BMO Harris Bank N.A.	$22,500,000	$0	$0
CITIZENS BANK, N.A.	$22,500,000	$0	$0
Total Commitments	$250,000,000	$25,000,000	$25,000,000

Exhibit B

EXHIBIT B

ACKNOWLEDGMENT AND CONSENT

Reference is made to (i) the Amendment and Restatement Agreement, dated as of March 8, 2018 (the "2018 Amendment Agreement"), among CHATHAM LODGING TRUST, a Maryland real estate investment trust (the "REIT"), CHATHAM LODGING, L.P., a Delaware limited partnership (the "Borrower"), BARCLAYS BANK PLC, as administrative agent (in such capacity, the "Administrative Agent") and the several banks and other financial institutions or entities from time to time parties thereto, (ii) the Amended and Restated Credit Agreement, dated as of March 8, 2018, among the REIT, the Borrower, the several banks and other financial institutions or entities from time to time parties thereto (the "Lenders"), BARCLAYS BANK PLC, CITIGROUP GLOBAL MARKETS INC., REGIONS CAPITAL MARKETS and U.S. BANK NATIONAL ASSOCIATION, as joint lead arrangers and bookrunners, REGIONS BANK, as syndication agent, CITIBANK, N.A. and U.S. BANK NATIONAL ASSOCIATION, as co-documentation agents, and the Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Amended and Restated Credit Agreement") and (iii) the Guarantee Agreement, dated as of November 25, 2015, by the Guarantors party thereto in favor of the Administrative Agent for the benefit of the Lenders (as amended, restated, supplemented or otherwise modified from time to time, the "Guarantee Agreement"). Unless otherwise defined herein, capitalized terms used herein and defined in the Amended and Restated Credit Agreement are used herein as therein defined.

Each of the undersigned parties to the Guarantee Agreement and the other Loan Documents hereby (a) consents to the 2018 Amendment Agreement and (b) acknowledges and agrees that the guarantees made by such party contained in the Guarantee Agreement are, and shall remain, in full force and effect after giving effect to the 2018 Amendment Agreement.

THIS ACKNOWLEDGMENT AND CONSENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Acknowledgment and Consent to be duty executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

CHATHAM LODGING TRUST,
a Maryland real estate investment trust

By: _____
Name:
Title:

CHATHAM ADDISON QUORUM CY LLC, a Delaware limited liability company

By: _____
Name:
Title:

CHATHAM ALTOONA CY LLC, a Delaware limited liability company

By: _____
Name:
Title:

CHATHAM BLOOMINGTON HS LLC,
a Delaware limited liability company

By: _____
Name:
Title:

CHATHAM BRENTWOOD HS LLC,
a Delaware limited liability company

By: _____
Name:
Title:

CHATHAM BURLINGTON HG LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM CHERRY CREEK HP LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM DALLAS HS LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM DEDHAM RI LLC, a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM DENVER TECH HG LLC, a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM EXETER HAS LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM FARMINGTON HS LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM GASLAMP RI LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM HOLTSVILLE RI LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM HOUSTON HAS LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM HOUSTON WEST UNIV CY LLC, a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM HOUSTON WEST UNIV RI LLC, a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM LUGANO LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM MAITLAND HS LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM PORTLAND DT LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM PORTSMOUTH LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM SPRINGFIELD VA LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM SUMMERVILLE CY LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM WASH PA SHS LLC, a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM WASHINGTON DC LLC,

a Delaware limited liability company

By: _____

Name:
Title:

CHATHAM WHITE PLAINS RI LLC,

a Delaware limited liability company

By: _____

Name:
Title:

Exhibit 21.1

List of Subsidiaries of Chatham Lodging Trust

	Name	State of Incorporation of Organization
1	Chatham Lodging L.P.	Delaware
2	Chatham TRS Holding, Inc.	Florida
3	Chatham Leaseco I, LLC	Florida
4	Chatham Maitland HS LLC	Delaware
5	Chatham Billerica HS LLC	Delaware
6	Chatham Bloomington HS LLC	Delaware
7	Chatham Brentwood HS LLC	Delaware
8	Chatham Dallas HS LLC	Delaware
9	Chatham Farmington HS LLC	Delaware
10	Chatham Houston HAS LLC	Delaware
11	Chatham Houston HAS Leaseco LLC	Delaware
12	Chatham Holtsville RI LLC	Delaware
13	Chatham Holtsville RI Leaseco LLC	Delaware
14	Chatham Holtsville RI Utility LLC	Delaware
15	Chatham Altoona CY LLC	Delaware
16	Chatham Altoona CY Leaseco LLC	Delaware
17	Chatham Wash PA SHS LLC	Delaware
18	Chatham Wash PA SHS Leaseco LLC	Delaware
19	Chatham White Plains RI LLC	Delaware
20	Chatham White Plains RI Leaseco LLC	Delaware
21	Chatham New Rochelle RI LLC	Delaware
22	Chatham New Rochelle RI Leaseco LLC	Delaware
23	Chatham Carlsbad HS LLC	Delaware
24	Chatham Carlsbad HS Leaseco LLC	Delaware
25	Chatham RIGG LLC	Delaware
26	Chatham RIGG Leaseco LLC	Delaware
27	Chatham RIMV LLC	Delaware
28	Chatham RIMV Leaseco LLC	Delaware
29	Chatham San Antonio LLC	Delaware
30	Chatham San Antonio Leaseco LLC	Delaware
31	Chatham Washington DC LLC	Delaware
32	Chatham Washington DC Leaseco LLC	Delaware
33	Chatham Tysons RI LLC	Delaware
34	Chatham Tysons RI Leaseco LLC	Delaware
35	Chatham Portland DT LLC	Delaware
36	Chatham Portland DT Leaseco LLC	Delaware
37	Chatham Houston CY LLC	Delaware
38	Chatham Houston CY Leaseco LLC	Delaware
39	Chatham Pittsburgh HP LLC	Delaware
40	Chatham Pittsburgh HP Leaseco LLC	Delaware
41	Chatham Exeter HAS LLC	Delaware
42	Chatham Exeter HAS Leaseco LLC	Delaware
44	Chatham Denver Tech HG LLC	Delaware
45	Chatham Denver Tech HG Leaseco LLC	Delaware
46	Chatham Bellevue RI LLC	Delaware
47	Chatham Bellevue RI Leaseco LLC	Delaware

48	Chatham Savannah SHS LLC	Delaware
49	Chatham Savannah SHS Leaseco LLC	Delaware
50	Grand Prix Sili I LLC	Delaware
51	Chatham Sili I Leaseco LLC	Delaware
52	Grand Prix Sili II LLC	Delaware
53	Chatham Sili II Leaseco LLC	Delaware
54	Grand Prix San Mateo LLC	Delaware
55	Chatham San Mateo Leaseco LLC	Delaware
56	Grand Prix Mountain View LLC	Delaware
57	Chatham Mountain View Leaseco LLC	Delaware
58	Chatham Cherry Creek HP LLC	Delaware
59	Chatham Cherry Creek HP Leaseco LLC	Delaware
60	Chatham Addison Quorum CY LLC	Delaware
61	Chatham Addison Quorum CY Leaseco LLC	Delaware
62	Chatham Houston West Univ CY LLC	Delaware
63	Chatham Houston West Univ CY Leaseco LLC	Delaware
64	Chatham Houston West Univ RI LLC	Delaware
65	Chatham Houston West Univ RI Leaseco LLC	Delaware
66	Chatham Burlington HG LLC	Delaware
67	Chatham Burlington HG Leaseco LLC	Delaware
68	Chatham Billerica HS Leaseco LLC	Delaware
69	Chatham Houston HAS II LLC	Delaware
70	Chatham IHP LLC	Delaware
71	Chatham Gaslamp RI LLC	Delaware
72	Chatham Gaslamp RI Leaseco LLC	Delaware
73	Chatham MDR LLC	Delaware
74	Chatham MDR Leaseco LLC	Delaware
75	Chatham Dedham RI LLC	Delaware
76	Chatham Dedham RI Leaseco LLC	Delaware
77	Chatham Lugano LLC	Delaware
78	Chatham Lugano Leaseco LLC	Delaware
79	Chatham NewINK Member III, LLC	Delaware
80	Chatham NewINK Member LLC	Delaware
81	Chatham Warner LLC	Delaware
82	Chatham Warner Leaseco LLC	Delaware
83	Chatham Portsmouth LLC	Delaware
84	Chatham Portsmouth Leaseco LLC	Delaware
85	Chatham Summerville CY LLC	Delaware
86	Chatham Summerville CY Leaseco LLC	Delaware
87	Chatham Summerville RI LLC	Delaware
88	Chatham Summerville RI Leaseco LLC	Delaware
89	Chatham Springfield VA LLC	Delaware
90	Chatham Springfield VA Leaseco LLC	Delaware
91	Chatham Portland DT 2 LLC	Delaware
92	Chatham Portland DT 2 Leaseco LLC	Delaware
93	Chatham Sili III LLC	Delaware
94	Chatham Sili III Leaseco LLC	Delaware
95	Chatham Dallas DT LLC	Delaware
96	Chatham Dallas DT Leaseco LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-222338 and No. 333-215418) and S-8 (No. 333-215310) of Chatham Lodging Trust of our report dated February 25, 2019 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
February 25, 2019

EXHIBIT 31.1

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

I, Jeffrey H. Fisher, certify that:

1. I have reviewed this annual report on Form 10-K of Chatham Lodging Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

1. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

CHATHAM LODGING TRUST

Dated: February 25, 2019

/s/ JEFFREY H. FISHER

Jeffrey H. Fisher

Chairman, President and Chief Executive Officer

(principal executive officer)

EXHIBIT 31.2

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

I, Jeremy B. Wegner, certify that:

1. I have reviewed this annual report on Form 10-K of Chatham Lodging Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

1. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

CHATHAM LODGING TRUST

Dated: February 25, 2019

/s/ JEREMY B. WEGNER

Jeremy B. Wegner

Senior Vice President and Chief Financial Officer

(principal financial and accounting officer)

EXHIBIT 32.1

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

In connection with the Annual Report of Chatham Lodging Trust (the "Company") on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey H. Fisher, Chairman, President and Chief Executive Officer of the Company and I, Jeremy B. Wegner, Senior Vice President and Chief Financial Officer of the Company, certify, to our knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

CHATHAM LODGING TRUST

Dated: February 25, 2019

/s/ JEFFREY H. FISHER

Jeffrey H. Fisher

Chairman, President and Chief Executive Officer

/s/ JEREMY B. WEGNER

Jeremy B. Wegner

Senior Vice President and Chief Financial Officer

A signed original of this statement has been provided to Chatham Lodging Trust and will be retained by Chatham Lodging Trust and furnished to the Securities and Exchange Commission or its staff upon request.