GREATBATCH, INC.
Form 4
June 13, 2008

FORM 4

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

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Ayliffe John

(Last) (First) (Middle)

9645 WEHRLE DRIVE

(Street)

CLARENCE, NY 14031

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
GREATBATCH, INC. [GB]

3. Date of Earliest Transaction (Month/Day/Year)
06/12/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP Europe

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common	06/12/2008		P		6,000	A	$ 17.72	9,727	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Ayliffe John 9645 WEHRLE DRIVE CLARENCE, NY 14031			VP Europe	

Signatures

/s/ Christopher J. Thome as attorney-in-fact for John Ayliffe	06/13/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ;">

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

Unregistered Sales of Equity Securities

The Company did not sell any securities during the fiscal year ended December 31, 2018 that were not registered under the Securities Act of 1933, as amended (the "Securities Act").

Issuer Purchases of Equity Securities

As of December 31, 2018, the Company's board of trustees had authorized a share repurchase program up to a total of $440.0 million, which expired on February 28, 2019. On February 15, 2019, the Company's board of trustees approved a new share repurchase program, authorizing the repurchase of up to $250.0 million of our common shares from March 1, 2019 to February 28, 2020. During the year ended December 31, 2018, the Company repurchased and retired 1.2 million common shares for approximately $21.8 million in connection with its share repurchase program.

Additionally, during the year ended December 31, 2018, certain of our employees surrendered common shares owned by them to satisfy their statutory minimum U.S. federal and state tax obligations associated with the vesting of restricted common shares of beneficial interest issued under the RLJ Lodging Trust 2015 Equity Incentive Plan (the "2015 Plan").

37

Table of Contents

The following table summarizes all of the share repurchases during the year ended December 31, 2018:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs (1)
January 1, 2018 through January 31, 2018	3,453	$ 23.20	—	8,604,348
February 1, 2018 through February 28, 2018	17,578	$ 21.75	—	10,042,025
March 1, 2018 through March 31, 2018	—	$ —	—	10,233,154
April 1, 2018 through April 30, 2018	1,605	$ 20.58	—	9,577,878
May 1, 2018 through May 31, 2018	22,836	$ 22.00	—	8,501,390
June 1, 2018 through June 30, 2018	—	$ —	—	9,021,883
July 1, 2018 through July 31, 2018	1,297	$ 22.57	—	8,806,220
August 1, 2018 through August 31, 2018	85,601	$ 22.17	—	9,079,531
September 1, 2018 through September 30, 2018	—	$ —	—	9,030,073
October 1, 2018 through October 31, 2018	15,938	$ 19.17	—	10,233,154
November 1, 2018 through November 30, 2018	321,195	$ 19.79	303,282	9,485,228
December 1, 2018 through December 31, 2018	859,275	$ 18.40	859,275	10,799,929
Total for the year ended December 31, 2018	1,328,778		1,162,557	

(1) The maximum number of shares that may yet be repurchased under the share repurchase program is calculated by dividing the total dollar amount available to repurchase shares by the closing price of our common shares on the last business day of the respective month.

Item 6. Selected Financial Data

The following selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements as of December 31, 2018 and 2017 and for the three years ended December 31, 2018, 2017 and 2016, and the related notes included elsewhere in this Annual Report on Form 10-K.

The selected financial information as of and for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 has been derived from our audited historical financial statements.

Table of Contents

	For the year ended December 31,				
	2018	2017	2016	2015	2014
	(In thousands, except share and per share data)				
Statements of Operations Data:					
Revenues					
Room revenue	$1,473,047	$1,146,882	$1,010,637	$985,361	$969,402
Other property revenue	288,177	209,379	149,358	150,979	139,795
Total revenues	1,761,224	1,356,261	1,159,995	1,136,340	1,109,197
Expenses					
Room expense	364,820	270,729	228,656	220,101	213,071
Other property expense	712,409	541,142	439,453	437,545	433,274
Total property operating expenses	1,077,229	811,871	668,109	657,646	646,345
Depreciation and amortization	241,641	186,993	162,500	156,226	144,294
Impairment loss	—	—	—	1,003	9,200
Property tax, insurance and other	135,059	91,406	77,281	76,682	71,443
General and administrative	49,195	40,453	31,516	37,810	41,671
Transaction costs	2,057	44,398	192	3,058	4,850
Total operating expenses	1,505,181	1,175,121	939,598	932,425	917,803
Interest income, other income and other gains, net	13,678	5,926	1,998	3,161	2,688
Interest expense	(101,643)	(78,322)	(58,820)	(54,788)	(56,810)
Gain on sale of hotel properties, net	30,941	8,980	45,929	28,398	353
Income before equity in income from unconsolidated joint ventures and income tax (expense) benefit	199,019	117,724	209,504	180,686	137,625
Equity in income from unconsolidated joint ventures	636	133	—	—	—
Income tax (expense) benefit	(8,793)	(42,118)	(8,190)	39,126	(1,145)
Net income	190,862	75,739	201,314	219,812	136,480
Net income attributable to noncontrolling interests	(2,219)	(904)	(962)	(1,591)	(1,039)
Preferred dividends	(25,115)	(8,372)	—	—	—
Net income attributable to common shareholders	$163,528	$66,463	$200,352	$218,221	$135,441

39

Table of Contents

	As of December 31,				
	2018	2017	2016	2015	2014
	(In thousands, except share and per share data)				
Balance Sheet Data:					
Investment in hotel properties, net	$5,378,651	$5,791,925	$3,368,674	$3,674,999	$3,518,803
Cash and cash equivalents	$320,147	$586,470	$456,672	$134,192	$262,458
Total assets	$6,005,097	$6,794,805	$4,023,393	$3,972,942	$4,118,727
Total debt	$2,202,676	$2,880,488	$1,582,715	$1,575,486	$1,548,095
Total liabilities	$2,508,156	$3,224,527	$1,788,116	$1,772,418	$1,740,243
Total equity	$3,496,941	$3,570,278	$2,235,277	$2,200,524	$2,378,484
Per Common Share Data:					
Basic net income per share	$0.93	$0.47	$1.61	$1.69	$1.06
Diluted net income per share (1)	$0.93	$0.47	$1.61	$1.68	$1.05
Weighted-average common shares outstanding — basic	174,225,130	140,616,838	123,651,003	128,444,469	127,360,669
Weighted-average common shares outstanding — diluted (1)	174,316,405	140,694,049	123,879,007	128,967,754	128,293,843
Dividends declared per common share	$1.32	$1.32	$1.32	$1.32	$1.04

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

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

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

Overview

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

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

As we look at factors that could impact our business, we find that the consumer is generally in good financial health, job creation remains positive, and an increase in wages is adding to consumers' disposable income. While geopolitical and global economic uncertainty still exists and interest rates are rising, we remain cautiously optimistic that positive

employment trends, high consumer confidence, and elevated corporate sentiment will continue to drive economic expansion in the U.S. and generate positive lodging demand and RevPAR growth for the industry. However, in light of accelerating supply and signs of slowing economic growth, RevPAR growth is likely to be moderate. Low unemployment rates can impact the cost of labor through higher wages and benefits, which negatively impact our financial and operating results.

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

40

Table of Contents

As of December 31, 2018, we owned 151 hotel properties with approximately 28,800 rooms, located in 25 states and the District of Columbia. We owned, through wholly-owned subsidiaries, a 100% interest in 147 of our hotel properties, a 98.3% controlling interest in the DoubleTree Metropolitan Hotel New York City, a 95% controlling interest in The Knickerbocker, and 50% interests in entities owning two hotel properties. We consolidate our real estate interests in the 149 hotel properties in which we hold a controlling financial interest, and we record the real estate interests in the two hotel properties in which we hold an indirect 50% interest using the equity method of accounting. We lease 150 of the 151 hotel properties to our TRS, of which we own a controlling financial interest.

Our Customers

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

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

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

Our Revenues and Expenses

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

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

Key Indicators of Operating Performance

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

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

41

Table of Contents

- Occupancy — Occupancy represents the total number of hotel rooms sold in a given period divided by the total number of rooms available. Occupancy measures the utilization of our hotels' available capacity. We use occupancy to measure demand at a specific hotel or group of hotels in a given period. Additionally, occupancy levels help us determine the achievable ADR levels.
- Revenue Per Available Room — RevPAR is the product of ADR and occupancy. RevPAR does not include non-room revenues, such as food and beverage revenue or other revenue. We use RevPAR to identify trend information with respect to room revenues from comparable hotel properties and to evaluate hotel performance on a regional basis.

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

ADR, Occupancy and RevPAR are commonly used measures within the lodging industry to evaluate operating performance. RevPAR is an important statistic for monitoring operating performance at the individual hotel property level and across our entire business. We evaluate individual hotel RevPAR performance on an absolute basis with comparisons to budget and prior periods, as well as on a regional and company-wide basis. ADR and RevPAR include only room revenue. Room revenue comprised approximately 83.6% of our total revenues for the year ended December 31, 2018, and it is dictated by demand (as measured by occupancy), pricing (as measured by ADR) and our available supply of hotel rooms.

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

Principal Factors Affecting Our Results of Operations

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

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

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

- Revenues — Substantially all of our revenues are derived from the operation of hotels. Specifically, our revenues are comprised of:

Room revenue — Occupancy and ADR are the major drivers of room revenue. Room revenue accounts for the majority of our total revenues.

Food and beverage revenue — Occupancy, the nature of the hotel property and the type of customer staying at the hotel are the major drivers of food and beverage revenue (i.e., group business typically generates more food and beverage revenue through catering functions as compared to transient business, which may or may not utilize the hotel's food and beverage outlets).
Other revenue — Occupancy and the nature of the hotel property are the main drivers of other ancillary revenue, such as parking fees, golf, pool and other resort fees, gift shop sales and other guest service fees. Some hotels, due to the limited focus of the services offered and size or space limitations at the hotel, may not have the type of facilities that generate other revenue.

Table of Contents

- Property Operating Expenses — The components of our property operating expenses are as follows:

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

Food and beverage expense — These expenses primarily include food, beverage and labor costs. Occupancy and the type of customer staying at the hotel (i.e., catered functions are generally more profitable than restaurant, bar, and other food and beverage outlets that are located on the hotel property) are the major drivers of food and beverage expense, which correlates closely with food and beverage revenue.

Management and franchise fee expense — A base management fee is computed as a percentage of gross hotel revenues. An incentive management fee is typically paid when the hotel's operating income exceeds certain thresholds, and it is generally calculated as a percentage of hotel operating income after we have received a priority return on our investment in the hotel. A franchise fee is computed as a percentage of room revenue, plus an additional percentage of room revenue for marketing, central reservation systems and other franchisor costs. Certain hotels will also pay an additional franchise fee which is computed as a percentage of food and beverage revenue. For a more in depth discussion of the management and franchise fees, please refer to the "Our Hotel Properties — Management Agreements" and "Our Hotel Properties — Franchise Agreements" sections.

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

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

2018 Significant Activities

Our significant activities reflect our commitment to creating long-term shareholder value through enhancing our hotel portfolio's quality, recycling capital and maintaining a prudent capital structure. During the year ended December 31, 2018, the following significant activities took place:

- In January 2018, we modified our $400.0 million term loan initially due in 2019, our $225.0 million term loan initially due in 2019, and our $150 million term loan due in 2022. We extended the maturity for both the $400.0 million term loan and the $225.0 million term loan to January 2023, and we improved the overall pricing for each of the modified term loans.

- In February 2018, we sold the Embassy Suites Boston Marlborough in Marlborough, Massachusetts for $23.7 million.

- In March 2018, we completed the early redemption of the senior secured notes in full for an aggregate principal amount of $524.0 million.

- In March 2018, we sold the Sheraton Philadelphia Society Hill Hotel in Philadelphia, Pennsylvania for $95.5 million.

- In July 2018, we sold the Embassy Suites Napa Valley in Napa, California for $102.0 million.

- In August 2018, we sold the DoubleTree Hotel Columbia in Columbia, Maryland for $12.9 million.

- In August 2018, we sold The Vinoy Renaissance St. Petersburg Resort & Golf Club in St. Petersburg, Florida for $185.0 million.
- In September 2018, we sold the DoubleTree by Hilton Burlington Vermont in Burlington, Vermont for $35.0 million.
- In October 2018, we sold the Holiday Inn San Francisco - Fisherman's Wharf in San Francisco, California for $75.3 million.

Table of Contents

- In November 2018, we repaid an $85.0 million mortgage loan that encumbered one hotel property.
- We repurchased and retired 1.2 million common shares for approximately $21.8 million at an average price per share of $18.76. Since we announced our share repurchase program in 2015, we have repurchased and retired 9.9 million common shares for approximately $262.9 million. As of December 31, 2018, we had $177.1 million of remaining capacity under the share repurchase program.
- We declared cash dividends of $1.95 on each Series A Cumulative Convertible Preferred Share for the year.
- We declared cash dividends of $1.32 per common share for the year.

Results of Operations

At December 31, 2018, 2017 and 2016 we owned 151, 158 and 122 hotel properties, respectively. Based on when a hotel property is acquired, sold, or closed for renovation, the operating results for certain hotel properties are not comparable for the years ended December 31, 2018, 2017 and 2016.

For the comparison between the years ended December 31, 2018 and 2017, the non-comparable properties include 37 hotel properties that were acquired in the merger with FelCor on August 31, 2017, and eight dispositions that were completed between January 1, 2017 and December 31, 2018.

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

Table of Contents

Comparison of the year ended December 31, 2018 to the year ended December 31, 2017

	For the year ended December 31,			
	2018	2017	$ Change	% Change
	(amounts in thousands)			
Revenues				
Operating revenues				
Room revenue	$1,473,047	$1,146,882	$326,165	28.4 %
Food and beverage revenue	205,518	157,672	47,846	30.3 %
Other revenue	82,659	51,707	30,952	59.9 %
Total revenues	1,761,224	1,356,261	404,963	29.9 %
Expenses				
Operating expenses				
Room expense	364,820	270,729	94,091	34.8 %
Food and beverage expense	157,156	113,914	43,242	38.0 %
Management and franchise fee expense	138,143	122,633	15,510	12.6 %
Other operating expense	417,110	304,595	112,515	36.9 %
Total property operating expenses	1,077,229	811,871	265,358	32.7 %
Depreciation and amortization	241,641	186,993	54,648	29.2 %
Property tax, insurance and other	135,059	91,406	43,653	47.8 %
General and administrative	49,195	40,453	8,742	21.6 %
Transaction costs	2,057	44,398	(42,341)	(95.4)%
Total operating expenses	1,505,181	1,175,121	330,060	28.1 %
Other income	2,791	269	2,522	— %
Interest income	4,891	2,987	1,904	63.7 %
Interest expense	(101,643)	(78,322)	(23,321)	29.8 %
Gain on sale of hotel properties, net	30,941	8,980	21,961	— %
Gain on extinguishment of indebtedness, net	5,996	—	5,996	100.0 %
Gain on settlement of an investment in loan	—	2,670	(2,670)	(100.0)%
Income before equity in income from unconsolidated joint ventures	199,019	117,724	81,295	69.1 %
Equity in income from unconsolidated joint ventures	636	133	503	— %
Income before income tax expense	199,655	117,857	81,798	69.4 %
Income tax expense	(8,793)	(42,118)	33,325	(79.1)%
Net income	190,862	75,739	115,123	— %
Net income attributable to noncontrolling interests:				
Noncontrolling interest in consolidated joint ventures	(17)	(117)	100	(85.5)%
Noncontrolling interest in the Operating Partnership	(719)	(291)	(428)	— %
Preferred distributions - consolidated joint venture	(1,483)	(496)	(987)	— %
Net income attributable to RLJ	188,643	74,835	113,808	— %
Preferred dividends	(25,115)	(8,372)	(16,743)	— %
Net income attributable to common shareholders	$163,528	$66,463	$97,065	— %

Revenues

Total revenues increased $405.0 million, or 29.9%, to $1.76 billion for the year ended December 31, 2018 from $1.36 billion for the year ended December 31, 2017. The increase was a result of a $326.2 million increase in room revenue, a $47.8 million increase in food and beverage revenue, and a $31.0 million increase in other revenue.

45

Table of Contents

Room Revenue

Room revenue increased $326.2 million, or 28.4%, to $1.47 billion for the year ended December 31, 2018 from $1.15 billion for the year ended December 31, 2017. The increase was a result of a $338.0 million increase in room revenue attributable to the non-comparable properties, which was partially offset by an $11.8 million decrease in room revenue attributable to the comparable properties. The decrease in room revenue from the comparable properties was attributable to a 1.3% decrease in RevPAR, led by RevPAR decreases in our Louisville, Houston, and Austin markets of 14.6%, 6.9% and 6.2%, respectively, which were partially offset by RevPAR increases in our Northern California, Chicago, and New York City markets of 5.7%, 4.8% and 1.4%, respectively.

The following are the key hotel operating statistics for the comparable properties owned at December 31, 2018 and 2017, respectively:

	For the year ended December 31,		
	2018	2017	% Change
Number of comparable properties (at end of period)	121	121	—
Occupancy	77.1 %	77.9 %	(1.0)%
ADR	$166.01	$166.39	(0.2)%
RevPAR	$127.96	$129.59	(1.3)%

Food and Beverage Revenue

Food and beverage revenue increased $47.8 million, or 30.3%, to $205.5 million for the year ended December 31, 2018 from $157.7 million for the year ended December 31, 2017. The increase was a result of a $51.4 million increase in food and beverage revenue attributable to the non-comparable properties, which was partially offset by a $3.5 million decrease in food and beverage revenue attributable to the comparable properties.

Other Revenue

Other revenue, which includes revenue derived from ancillary sources such as parking fees, golf, pool and other resort fees, gift shop sales and other guest service fees, increased $31.0 million, or 59.9%, to $82.7 million for the year ended December 31, 2018 from $51.7 million for the year ended December 31, 2017. The increase was due to a $29.6 million increase in other revenue attributable to the non-comparable properties and a $1.4 million increase in other revenue attributable to the comparable properties.

Property Operating Expenses

Property operating expenses increased $265.4 million, or 32.7%, to $1.08 billion for the year ended December 31, 2018 from $811.9 million for the year ended December 31, 2017. The increase was due to a $258.5 million increase in property operating expenses attributable to the non-comparable properties and a $6.8 million increase in property operating expenses attributable to the comparable properties.

The components of our property operating expenses for the comparable properties owned at December 31, 2018 and 2017, respectively, were as follows (in thousands):

For the year ended
December 31,

	2018	2017	$ Change	% Change
Room expense	$222,172	$216,720	$5,452	2.5 %
Food and beverage expense	78,829	77,528	1,301	1.7 %
Management and franchise fee expense	108,726	110,014	(1,288)	(1.2)%
Other operating expense	236,610	235,257	1,353	0.6 %
Total property operating expenses	$646,337	$639,519	$6,818	1.1 %

The increase in property operating expenses attributable to the comparable properties was due to higher room expense, food and beverage expense, and other operating expense. Room expense, food and beverage expense, and other operating expense fluctuate based on various factors, including changes in occupancy, labor costs, utilities and insurance costs.

46

Table of Contents

Management fees and franchise fees, which are computed as a percentage of gross revenue and room revenue, respectively, decreased as a result of lower revenues at the comparable properties.

Depreciation and Amortization

Depreciation and amortization expense increased $54.6 million, or 29.2%, to $241.6 million for the year ended December 31, 2018 from $187.0 million for the year ended December 31, 2017. The increase was a result of a $51.7 million increase in depreciation and amortization expense attributable to the non-comparable properties and a $3.0 million increase in depreciation and amortization expense attributable to the comparable properties.

Property Tax, Insurance and Other

Property tax, insurance and other expense increased $43.7 million, or 47.8%, to $135.1 million for the year ended December 31, 2018 from $91.4 million for the year ended December 31, 2017. The increase was primarily attributable to a $39.8 million increase in property tax, insurance and other expense attributable to the non-comparable properties and a $3.8 million increase in property tax, insurance and other expense attributable to the comparable properties. The increase in property tax, insurance and other expense attributable to the non-comparable properties includes property tax reassessments in certain jurisdictions as a result of the merger with FelCor.

General and Administrative

General and administrative expense increased $8.7 million, or 21.6%, to $49.2 million for the year ended December 31, 2018 from $40.5 million for the year ended December 31, 2017. The increase in general and administrative expense was primarily attributable to our larger operating platform as a result of the merger with FelCor, which included an increase of $3.6 million in professional fees and other general and administrative costs and a $2.3 million increase in compensation expense. The increase in compensation expense for the year ended December 31, 2018 was due to an increase in salary, bonus, and other employee compensation costs, which includes the accelerated vesting of restricted share awards as a result of our former President and Chief Executive Officer retiring in August 2018. The remaining increase in general and administrative expense was due to an increase of $2.8 million related to expenses that were outside of the normal course of operations, including debt modification costs, executive transition costs, and professional fees incurred related to an activist shareholder defense, all of which were partially offset by receipts of prior year employee tax credits.

Transaction Costs

Transaction costs decreased $42.3 million, or 95.4%, to $2.1 million for the year ended December 31, 2018 from $44.4 million for the year ended December 31, 2017. The decrease in transaction costs in 2018 was attributable to a decrease of approximately $42.5 million in transaction and integration costs related to the merger with FelCor in 2017, which was partially offset by approximately $0.2 million in transaction costs that we incurred as a result of the higher volume of asset disposition transactions that occurred during the year ended December 31, 2018.

Interest Expense

The components of our interest expense for the years ended December 31, 2018 and 2017 were as follows (in thousands):

For the year ended
December 31,

	2018	2017	$ Change	% Change
Senior Notes	$28,428	$15,918	$12,510	78.6 %
Revolver and Term Loans	43,458	39,262	4,196	10.7 %
Mortgage loans	26,253	19,643	6,610	33.7 %
Amortization of deferred financing costs	3,504	3,499	5	0.1 %
Total interest expense	$101,643	$78,322	$23,321	29.8 %

Interest expense increased $23.3 million, or 29.8%, to $101.6 million for the year ended December 31, 2018 from $78.3 million for the year ended December 31, 2017. The increase in interest expense was primarily due to the impact of assuming the senior notes and mortgage loans in the merger with FelCor in 2017, along with the outstanding borrowings under the Revolver during the year ended December 31, 2018. The increase in interest expense was partially offset by the redemption of

47

the senior secured notes in March 2018, the payoff of the Revolver in August 2018, and the payoff of an $85.0 million mortgage loan that encumbered one hotel property in November 2018.

Gain on Sale of Hotel Properties, net

During the year ended December 31, 2018, we recognized a net gain on the sale of hotel properties of $30.9 million, which was primarily due to a $30.3 million net gain from the sale of seven hotel properties and a parcel of land and a $0.7 million gain on sale as a result of satisfying certain post-closing obligations with respect to the sale of two hotel properties during the year ended December 31, 2016. During the year ended December 31, 2017, we recognized a net gain on the sale of hotel properties of $9.0 million, which was due to a $9.6 million gain on sale as a result of satisfying certain post-closing obligations with respect to the sale of two hotel properties during the year ended December 31, 2016 that was partially offset by a $0.6 million loss from the sale of one hotel property during the year ended December 31, 2017.

Gain on Extinguishment of Indebtedness, net

During the year ended December 31, 2018, we recognized a net gain on extinguishment of indebtedness of approximately $6.0 million. In March 2018, we recognized a $7.7 million gain on extinguishment of indebtedness, which was due to the early redemption of the senior secured notes. The gain on extinguishment of indebtedness related to the early redemption of the senior secured notes excludes $5.1 million related to two hotel properties that were sold during the year ended December 31, 2018, which is included in gain on sale of hotel properties, net, in the accompanying consolidated statement of operations and comprehensive income. In July 2018, we recognized a $1.7 million loss on extinguishment of indebtedness, which was due to the early payoff of a mortgage loan that encumbered a hotel property that was sold during the year ended December 31, 2018.

Gain on Settlement of an Investment in Loan

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

Income Taxes

As part of our structure, we own TRSs that are subject to U.S. federal and state income taxes. Income tax expense decreased $33.3 million, or 79.1%, to $8.8 million for the year ended December 31, 2018 from $42.1 million for the year ended December 31, 2017. The decrease in income tax expense was primarily due to a decrease in the U.S. corporate income tax rate to 21% for the year ended December 31, 2018 as compared to 35% for the year ended December 31, 2017.

Table of Contents

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

	For the year ended December 31,			
	2017	2016	$ Change	% Change
	(amounts in thousands)			
Revenues				
Operating revenues				
Room revenue	$1,146,882	$1,010,637	$136,245	13.5 %
Food and beverage revenue	157,672	111,691	45,981	41.2 %
Other revenue	51,707	37,667	14,040	37.3 %
Total revenues	1,356,261	1,159,995	196,266	16.9 %
Expenses				
Operating expenses				
Room expense	270,729	228,656	42,073	18.4 %
Food and beverage expense	113,914	79,589	34,325	43.1 %
Management and franchise fee expense	122,633	118,210	4,423	3.7 %
Other operating expense	304,595	241,654	62,941	26.0 %
Total property operating expenses	811,871	668,109	143,762	21.5 %
Depreciation and amortization	186,993	162,500	24,493	15.1 %
Property tax, insurance and other	91,406	77,281	14,125	18.3 %
General and administrative	40,453	31,516	8,937	28.4 %
Transaction costs	44,398	192	44,206	— %
Total operating expenses	1,175,121	939,598	235,523	25.1 %
Other income	269	303	(34)	(11.2)%
Interest income	2,987	1,695	1,292	76.2 %
Interest expense	(78,322)	(58,820)	(19,502)	33.2 %
Gain on sale of hotel properties, net	8,980	45,929	(36,949)	(80.4)%
Gain on settlement of an investment in loan	2,670	—	2,670	100.0 %
Income before equity in income from unconsolidated joint ventures	117,724	209,504	(91,780)	(43.8)%
Equity in income from unconsolidated joint ventures	133	—	133	100.0 %
Income before income tax expense	117,857	209,504	(91,647)	(43.7)%
Income tax expense	(42,118)	(8,190)	(33,928)	— %
Net income	75,739	201,314	(125,575)	(62.4)%
Net income attributable to noncontrolling interests:				
Noncontrolling interest in consolidated joint ventures	(117)	(55)	(62)	— %
Noncontrolling interest in the Operating Partnership	(291)	(907)	616	(67.9)%
Preferred distributions - consolidated joint venture	(496)	—	(496)	100.0 %
Net income attributable to RLJ	74,835	200,352	(125,517)	(62.6)%
Preferred dividends	(8,372)	—	(8,372)	100.0 %
Net income attributable to common shareholders	$66,463	$200,352	$(133,889)	(66.8)%

Revenues

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

49

Table of Contents

Room Revenue

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

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

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

Food and Beverage Revenue

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

Other Revenue

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

Property Operating Expenses

Property operating expenses increased $143.8 million, or 21.5%, to $811.9 million for the year ended December 31, 2017 from $668.1 million for the year ended December 31, 2016. The increase was due to a $136.9 million increase in property operating expense attributable to the non-comparable properties and a $6.9 million increase in property operating expense attributable to the comparable properties.

The components of our property operating expenses for the comparable properties owned at December 31, 2017 and 2016, respectively, were as follows (in thousands):

For the year ended
December 31,

	2017	2016	$ Change	% Change
Room expense	$217,859	$214,368	$3,491	1.6 %
Food and beverage expense	78,648	78,833	(185)	(0.2)%
Management and franchise fee expense	110,616	112,334	(1,718)	(1.5)%
Other operating expense	237,493	232,212	5,281	2.3 %
Total property operating expenses	$644,616	$637,747	$6,869	1.1 %

The increase in property operating expenses attributable to the comparable properties was related to higher room expense and other operating expense. Room expense and other operating expense fluctuate based on various factors, including changes in occupancy, labor costs, utilities and insurance costs. Management fees and franchise fees, which are computed as a

50

Table of Contents

percentage of gross revenue and room revenue, respectively, decreased as a result of lower revenues at the comparable properties.

Depreciation and Amortization

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

Property Tax, Insurance and Other

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

General and Administrative

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

Transaction Costs

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

Interest Expense

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

	For the year ended December 31,			
	2017	2016	$ Change	% Change
Senior Notes	$15,918	$—	$15,918	100.0 %
Revolver and Term Loans	39,262	38,849	413	1.1 %

Mortgage loans	19,643	16,006	3,637	22.7 %
Amortization of deferred financing costs	3,499	3,965	(466)	(11.8)%
Total interest expense	$78,322	$58,820	$19,502	33.2 %

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

Gain on Sale of Hotel Properties, net

During the year ended December 31, 2017, we recognized a net gain on the sale of hotel properties of $9.0 million, which was due to a $9.6 million gain on sale as a result of satisfying certain post-closing obligations with respect to the sale of two hotel properties during the year ended December 31, 2016 that was partially offset by a $0.6 million loss from the sale of one

Table of Contents

hotel property during the year ended December 31, 2017. During the year ended December 31, 2016, we recognized a net gain on the sale of hotel properties of $45.9 million, which was due to the sale of four hotel properties.

Gain on Settlement of an Investment in Loan

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

Income Taxes

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

Non-GAAP Financial Measures

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

Funds From Operations

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

We further adjust FFO for certain additional items that are not in NAREIT’s definition of FFO, such as hotel transaction costs, non-cash income tax expense or benefit, the amortization of share-based compensation, and certain

other income or expenses that we consider outside the normal course of operations. We believe that Adjusted FFO provides useful supplemental information to investors regarding our ongoing operating performance that, when considered with net income and FFO, is beneficial to an investor’s understanding of our operating performance.

52

Table of Contents

The following table is a reconciliation of our GAAP net income to FFO attributable to common shareholders and unitholders and Adjusted FFO attributable to common shareholders and unitholders for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	For the year ended December 31,		
	2018	2017	2016
Net income	$190,862	$75,739	$201,314
Preferred dividends	(25,115)	(8,372)	—
Preferred distributions - consolidated joint venture	(1,483)	(496)	—
Depreciation and amortization	241,641	186,993	162,500
Gain on sale of hotel properties, net	(30,941)	(8,980)	(45,929)
Noncontrolling interest in consolidated joint ventures	(17)	(117)	(55)
Adjustments related to consolidated joint ventures (1)	(307)	(193)	(152)
Adjustments related to unconsolidated joint ventures (2)	2,644	900	—
FFO	377,284	245,474	317,678
Transaction costs	2,057	44,398	192
Gain on extinguishment of indebtedness, net	(5,996)	—	—
Gain on settlement of an investment in loan	—	(2,670)	—
Amortization of share-based compensation	12,251	10,607	5,990
Non-cash income tax expense	6,584	39,747	7,001
Other expenses (3)	3,558	1,591	1,851
Adjusted FFO	$395,738	$339,147	$332,712

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

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

(3) Represents income and expenses outside of the normal course of operations, including debt modification costs, debt extinguishment costs, the accelerated amortization of deferred financing costs, hurricane-related costs that were not reimbursed by insurance, executive transition costs, receipts of prior year employee tax credits and activist shareholder costs.

53

Table of Contents

EBITDA and EBITDAre

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

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

We also present Adjusted EBITDA, which includes additional adjustments for items such as gains or losses on extinguishment of indebtedness, transaction costs, the amortization of share-based compensation, and certain other income or 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 EBITDAre, is beneficial to an investor’s understanding of our operating performance. We previously presented Adjusted EBITDA in a similar manner, with the exception of the adjustments for noncontrolling interests in consolidated joint ventures, which totaled approximately $0.1 million for each of the years ended December 31, 2017 and 2016. The rationale for including 100% of Adjusted EBITDA for the consolidated joint ventures with noncontrolling interests is that the full amount of any debt for the consolidated joint ventures is reported in our consolidated balance sheet and the metrics using debt to EBITDA provide a better understanding of the Company’s leverage. This is also consistent with NAREIT’s definition of EBITDAre.

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

	For the year ended December 31,		
	2018	2017	2016
Net income	$190,862	$75,739	$201,314
Depreciation and amortization	241,641	186,993	162,500
Interest expense, net (1)	96,752	76,703	58,793
Income tax expense	8,793	42,118	8,190
Adjustments related to unconsolidated joint ventures (2)	3,152	1,072	—
EBITDA	541,200	382,625	430,797
Gain on sale of hotel properties, net	(30,941)	(8,980)	(45,929)
EBITDAre	510,259	373,645	384,868
Transaction costs	2,057	44,398	192
Gain on extinguishment of indebtedness, net	(5,996)	—	—
Gain on settlement of an investment in loan	—	(2,670)	—
Amortization of share-based compensation	12,251	10,607	5,990
Other expenses (3)	3,558	1,591	1,528
Adjusted EBITDA	$522,129	$427,571	$392,578

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

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

(3) Represents income and expenses outside of the normal course of operations, including debt modification costs, debt extinguishment costs, hurricane-related costs that were not reimbursed by insurance, executive transition costs, receipts of prior year employee tax credits, and activist shareholder costs.

54

Table of Contents

Liquidity and Capital Resources

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

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

We expect to meet our short-term liquidity requirements generally through the net cash provided by operations, existing cash balances, short-term borrowings under our Revolver, of which $600.0 million was available at December 31, 2018, proceeds from the sale of hotel properties, and proceeds from public offerings of common shares.

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

Sources and Uses of Cash

As of December 31, 2018, we had $384.8 million of cash, cash equivalents, and restricted cash reserves as compared to $659.1 million at December 31, 2017.

Cash flows from Operating Activities

The net cash flow provided by operating activities totaled $394.8 million, $260.6 million, and $331.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. Our cash flows provided by operating activities generally consist of the net cash generated by our hotel operations, partially offset by the cash paid for corporate expenses and other working capital changes. Refer to the "Results of Operations" section for further discussion of our operating results for the years ended December 31, 2018, 2017 and 2016.

Cash flows from Investing Activities

The net cash flow provided by investing activities totaled $277.1 million for the year ended December 31, 2018 primarily due to $475.1 million of net cash proceeds from the sale of hotel properties, partially offset by $197.3 million in routine capital improvements and additions to our hotel properties.

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

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

55

Table of Contents

Cash flows from Financing Activities

The net cash flow used in financing activities totaled $946.2 million for the year ended December 31, 2018 primarily due to a payment of $539.0 million to redeem the senior secured notes, $257.3 million in distributions to shareholders and unitholders, $113.1 million in repayments of mortgage loans, $21.8 million paid to repurchase common shares under a share repurchase program, $6.3 million in scheduled mortgage loans principal payments, $3.6 million in deferred financing cost payments, and $3.6 million paid to repurchase common shares to satisfy employee tax withholding requirements.

The net cash flow used in financing activities totaled $190.4 million for the year ended December 31, 2017 primarily due to $177.0 million in distributions to shareholders and unitholders, $4.8 million in scheduled mortgage loans principal payments, $3.1 million paid to repurchase common shares to satisfy employee tax withholding requirements, $2.6 million paid to repurchase common shares under a share repurchase program, and $1.6 million in deferred financing cost payments.

The net cash flow used in financing activities totaled $182.3 million for the year ended December 31, 2016 primarily due to $165.2 million in distributions to shareholders and unitholders, $13.3 million paid to repurchase common shares under a share repurchase program, $5.5 million paid to repurchase common shares to satisfy employee tax withholding requirements, $5.4 million in deferred financing cost payments, and $3.7 million in scheduled mortgage loans principal payments. The net cash flow used in financing activities was partially offset by $11.0 million in additional mortgage loan debt.

Capital Expenditures and Reserve Funds

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

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

With respect to some of our hotels that are operated under franchise agreements with major national hotel brands and for some of our hotels subject to first mortgage liens, we are obligated to maintain FF&E reserve accounts for future capital expenditures at these hotels. The amount funded into each of these reserve accounts is generally determined pursuant to the management agreements, franchise agreements and/or mortgage loan documents for each of the respective hotels, and typically ranges between 3.0% and 5.0% of the respective hotel's total gross revenue. As of December 31, 2018, approximately $62.0 million was held in FF&E reserve accounts for future capital expenditures.

Off-Balance Sheet Arrangements

As of December 31, 2018, we owned 50% interests in joint ventures that owned two hotel properties. We own more than 50% of the operating lessee for one of these hotels and the other hotel is operated without a lease. The Company also owned 50% interests in joint ventures that owned real estate and a condominium management business that are associated with two of our resort hotel properties. None of our trustees, officers or employees holds an ownership interest in any of these joint ventures or entities.

One of the 50% unconsolidated joint ventures that owns a hotel property has $21.0 million of non-recourse mortgage debt, of which our pro rata portion was $10.5 million, none of which is reflected as a liability on our consolidated balance sheet. Our liabilities with regard to the non-recourse debt and the liabilities of our subsidiaries that are members or partners in joint ventures are generally limited to guaranties of the borrowing entity's obligations to pay for the lender's losses caused by misconduct, fraud or misappropriation of funds by the venture and other typical exceptions from the non-recourse provisions in the mortgages, such as for environmental liabilities. In addition, this joint venture is subject to two ground leases with terms expiring in 2044 and 2094.

56

Table of Contents

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

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2018 (in thousands):

Obligations and Commitments	2019 (2)	2020	2021	2022	2023	Thereafter	Total
Senior Notes and interest (1)	$28,500	$28,500	$28,500	$28,500	$28,500	$515,375	$657,875
Mortgage loans and interest (1)	310,583	14,700	96,766	146,216	—	—	568,265
Revolver and Term Loans and interest (1)	37,658	37,658	429,085	170,881	626,431	—	1,301,713
Ground rent	9,013	9,023	9,034	9,058	9,107	533,789	579,024
Operating lease obligations	2,187	2,234	2,806	1,160	1,176	23,858	33,421
	$387,941	$92,115	$566,191	$355,815	$665,214	$1,073,022	$3,140,298

(1) Amounts include principal and interest payments. The interest payments are based on the interest rate at December 31, 2018, giving consideration to the effect of interest rate swaps, if applicable.

(2) Excludes a payment of $45.6 million in February 2019 to fully redeem the preferred equity under the EB-5 Immigrant Investor Program.

Critical Accounting Policies

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. We have provided a summary of our significant accounting policies in the notes to the consolidated financial statements included elsewhere in this filing. We have set forth below those accounting policies that we believe require material subjective or complex judgments and have the most significant impact on our financial condition and results of operations. It is possible that the actual amounts may differ significantly from these estimates and assumptions. We evaluate our estimates, assumptions and judgments on an ongoing basis, based on information that is available to us, our business and industry experience, and various other matters that we believe are reasonable and appropriate for consideration under the circumstances.

Investment in Hotel Properties

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

Our investments in hotel properties are carried at cost and are depreciated using the straight-line method over the estimated useful lives of 15 years for land improvements, 15 years for building improvements, 40 years for buildings, and three to five years for FF&E. Maintenance and repairs are expensed and major renewals or improvements to the hotel properties are capitalized. Indirect project costs, including interest, salaries and benefits, travel and other related costs that are directly attributable to the development, are also capitalized. Upon the sale or disposition of a hotel

property, the asset and related accumulated depreciation accounts are removed and the related gain or loss is included in the gain or loss on sale of hotel properties in the consolidated statements of operations and comprehensive income. A sale or disposition of a hotel property that represents a strategic shift that has or will have a major effect on our operations and financial results is presented as discontinued operations in the consolidated statements of operations and comprehensive income.

In accordance with the guidance on impairment or disposal of long-lived assets, we do not consider the "held for sale" classification on the consolidated balance sheet until it is expected to qualify for recognition as a completed sale within one year and the other requisite criteria for such classification have been met. We do not depreciate assets so long as they are classified as held for sale. Upon designation as held for sale and quarterly thereafter, we review the realizability of the carrying

57

---

value, less costs to sell, in accordance with the guidance. Any such adjustment to the carrying value is recorded as an impairment loss.

We assess the carrying value of our investments in hotel properties whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverability is measured by comparing the carrying amount to the estimated undiscounted future cash flows expected to be generated from the operations and the eventual disposition of the hotel properties over the estimated hold period, which take into account current market conditions and our intent with respect to holding or disposing of the hotel properties. If our analysis indicates that the carrying value is not recoverable on an undiscounted cash flow basis, we will recognize an impairment loss for the amount by which the carrying value exceeds the fair value. The fair value is determined through various valuation techniques, including internally developed discounted cash flow models, comparable market transactions, third-party appraisals, the net sales proceeds from pending offers, or the net sales proceeds from transactions that closed subsequent to the end of the reporting period. The use of projected future cash flows is based on assumptions that are consistent with a market participant’s future expectations for the travel industry and the economy in general, including discount rates, terminal capitalization rates, average daily rates, occupancy rates, operating expenses and capital expenditures, and our intent with respect to holding or disposing of the underlying hotel properties.

Revenue

Our revenues consist of room revenue, food and beverage revenue, and revenue from other hotel operating departments (such as parking fees, golf, pool and other resort fees, gift shop sales and other guest service fees). A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when the performance obligation is satisfied. Our contracts generally have a single performance obligation, such as renting a hotel room to a customer, or providing food and beverage to a customer, or providing a hotel property-related good or service to a customer. Our performance obligations are generally satisfied at a point in time.

We allocate revenue to the performance obligation based on its relative standalone selling price. We determine the standalone selling price based on the price we charge each customer for the use or consumption of the promised good or service.

We recognize revenue when control of the promised good or service is transferred to the customer, in an amount that reflects the consideration we expect to receive in exchange for the promised good or service. The revenue is recorded net of any sales and occupancy taxes collected from the customer. All rebates or discounts are recorded as a reduction to revenue, and there are no material contingent obligations with respect to rebates and discounts offered by the hotel properties.

Hotel and other receivables are recognized on the consolidated balance sheets when we have provided a good or service to the customer and we are waiting for the customer to submit consideration to us. Advance deposits and deferred revenue are recognized on the consolidated balance sheets when cash payments are received prior to the satisfaction of a performance obligation. Advance deposits and deferred revenue consist of amounts that are refundable and non-refundable to the customer. The advance deposits and deferred revenue are recognized as revenue in the consolidated statements of operations and comprehensive income when we satisfy our performance obligation to the customer.

We record an allowance for doubtful accounts based on our best estimate of the amount of probable credit losses in the existing accounts receivable portfolio. We recognize increases to the allowance for doubtful accounts as bad debt

expense. The allowance for doubtful accounts is calculated as a percentage of the aged accounts receivable based on our historical collection activity and our understanding of the circumstances related to a specific receivable.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk includes the risks that arise from changes in interest rates, equity prices and other market changes that affect market sensitive instruments. Our primary market risk exposure is to changes in interest rates on our variable rate debt. As of December 31, 2018, we had approximately $1.6 billion of total variable rate debt outstanding (or 71.3% of total indebtedness) with a weighted-average interest rate of 3.44% per annum. After taking into consideration the effect of interest rate swaps, $192.0 million (or 8.8% of total indebtedness) was subject to variable rates. As of December 31, 2018, if market interest rates on our variable rate debt not subject to interest rate swaps were to increase by 1.00%, or 100 basis points, interest expense would decrease future earnings and cash flows by approximately $1.9 million annually, taking into account our existing contractual hedging arrangements.

58

Table of Contents

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

The following table provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations outstanding as of December 31, 2018, the following table presents the principal repayments and related weighted-average interest rates by contractual maturity dates (in thousands):

	2019	2020	2021	2022	2023	Thereafter	Total
Fixed rate debt (1)	$2,967	$3,361	$3,557	$140,386	$—	$475,000	$625,271
Weighted-average interest rate	5.01 %	5.01 %	5.01 %	5.01 %	— %	6.00 %	5.76 %
Variable rate debt (1)	$290,250	$—	$485,000	$150,000	$625,000	$—	$1,550,250
Weighted-average interest rate (2)	4.07 %	— %	3.37 %	3.08 %	3.30 %	— %	3.44 %
Total (3)	$293,217	$3,361	$488,557	$290,386	$625,000	$475,000	$2,175,521

(1) Excludes $5.8 million and $0.4 million of net deferred financing costs on the Term Loans and mortgage loans, respectively.
(2) The weighted-average interest rate gives effect to interest rate swaps, as applicable.
(3) Excludes a total of $33.4 million related to fair value adjustments on debt.

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

Changes in market interest rates on our fixed rate debt impact the fair value of our debt, but such changes have no impact to our consolidated financial statements. As of December 31, 2018, the estimated fair value of our fixed rate debt was $646.0 million, which is based on having the same debt service requirements that could have been borrowed at the date presented, at prevailing current market interest rates. If interest rates were to rise by 1.00%, or 100 basis points, and our fixed rate debt balance remains constant, we expect the fair value of our debt to decrease by approximately $31.0 million.

Item 8. Financial Statements and Supplementary Data

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

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

None.

Table of Contents

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), as required by paragraph (b) of Rules 13a-15 and 15d-15 of the Exchange Act. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2018, the Company's disclosure controls and procedures were effective to ensure that the information we are required to disclose in reports filed or submitted with the Securities and Exchange Commission (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Management's Annual Report on Internal Control over Financial Reporting

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

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

The Company's management assessed the effectiveness of its internal control over financial reporting as of December 31, 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). 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 the Company's 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.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15 and 15d-15 of the Exchange Act) during the period ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other information

None.

60

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by this Item is contained in our definitive Proxy Statement for our 2019 Annual Meeting of Shareholders, and is incorporated herein by reference.

Item 11. Executive Compensation

The information called for by this Item is contained in our definitive Proxy Statement for our 2019 Annual Meeting of Shareholders, and is incorporated herein by reference.

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

The information called for by this Item is contained in our definitive Proxy Statement for our 2019 Annual Meeting of Shareholders, or in Item 5 of this Annual Report on Form 10-K for the year ended December 31, 2018, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information called for by this Item is contained in our definitive Proxy Statement for our 2019 Annual Meeting of Shareholders, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information called for by this Item is contained in our definitive Proxy Statement for our 2019 Annual Meeting of Shareholders, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

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

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

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

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

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

61

Table of Contents

Exhibit Index

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger, dated April 23, 2017, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P., Rangers Sub I, LLC, Rangers Sub II, L.P., FelCor Lodging Trust Incorporated and FelCor Lodging Limited Partnership (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on April 25, 2017)
3.1	Articles of Amendment and Restatement of Declaration of Trust of RLJ Lodging Trust (incorporated by reference to Exhibit 3.1 to Amendment No. 4 to the Registrant’s Registration Statement on Form S-11 (File No. 333-172011) filed on May 5, 2011)
3.2	Articles of Amendment to Articles of Amendment and Restatement of Declaration of Trust of RLJ Lodging Trust (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on

	Form 8-K filed on May 7, 2015)
3.3	Articles of Amendment to Articles of Amendment and Restatement of Declaration of Trust of RLJ Lodging Trust (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 5, 2016)
3.4	Articles Supplementary to Articles of Amendment and Restatement of Declaration of Trust (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on February 26, 2015)
3.5	Articles Supplementary designating RLJ Lodging Trust's $1.95 Series A Cumulative Convertible Preferred Shares, par value $0.01 per share (incorporated by reference to Exhibit 3.5 to the Registrant's Form 8-A filed on August 30, 2017)
3.6	Third Amended and Restated Bylaws of RLJ Lodging Trust (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on May 5, 2016)
4.1	Form of Specimen Common Share

	Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-11/A (File. No. 333-172011) filed on April 29, 2011)
4.2	Form of stock certificate evidencing the $1.95 Series A Cumulative Convertible Preferred Shares, par value $0.01 per share (incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-A filed on August 30, 2017)
4.3	Registration Rights Agreement, dated May 16, 2011, by and among RLJ Lodging Trust and the persons listed on Schedule I thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
4.4	Registration Rights Agreement, dated May 16, 2011, by and among RLJ Lodging Trust and the persons listed on Schedule I thereto (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
4.5	Second Supplemental Indenture with respect to FelCor Lodging Limited Partnership's

	5.625% Senior Secured Notes due 2023, dated as of August 31, 2017, by and among FelCor Lodging Limited Partnership, Rangers Sub I, LLC, the other guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on September 1, 2017)
4.6	Second Supplemental Indenture with respect to FelCor Lodging Limited Partnership's 6.000% Senior Notes due 2025, dated as of August 31, 2017, by and among FelCor Lodging Limited Partnership, Rangers Sub I, LLC, the other guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on September 1, 2017)
10.1	Amended and Restated Agreement of Limited Partnership, dated May 13, 2011 (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on May 19, 2011)
10.2	Amendment No. 1 to Amended and Restated Agreement

	of Limited Partnership, dated August 31, 2017 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on September 1, 2017)
10.3	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Evan Bayh (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.4	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Ross H. Bierkan (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.5	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Nathaniel Davis (incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.6	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Leslie D. Hale (incorporated by reference to Exhibit

	10.8 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)
10.7	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Robert L. Johnson (incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K filed on May 19, 2011)

62

Table of Contents

10.8	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Robert M. La Forgia (incorporated by reference to Exhibit 10.10 to the Registrant’s Current Report on Form 8-K filed on May 19, 2011)
10.9	Indemnification Agreement, dated May 16, 2011, between RLJ Lodging Trust and Glenda McNeal (incorporated by reference to Exhibit 10.11 to the Registrant’s Current Report on Form 8-K filed on May 19, 2011)
10.10	RLJ Lodging Trust 2015 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-203947) filed on May 7, 2015)
10.11	

	Form of Restricted Share Agreement (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-11/A (File. No. 333-172011) filed on May 5, 2011)
10.12	Form of Restricted Share Agreement for Trustees (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-11/A (File. No. 333-172011) filed on May 5, 2011)
10.13	Form of Non-Qualified Option Agreement (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-11/A (File. No. 333-172011) filed on April 13, 2011)
10.14	Form of Share Units Agreement (incorporated by reference to

	Exhibit 10.6 to the Registrant’s Registration Statement on Form S-11/A (File. No. 333-172011) filed on April 13, 2011)
10.15	Employment Agreement, dated as of May 14, 2015, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P. and Robert L. Johnson (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on May 20, 2015)
10.16	Employment Agreement, dated as of August 22, 2016, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P. and Leslie D. Hale (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on August 26, 2016)
10.17	Employment Agreement, dated as of July 16, 2018, by and among RLJ Lodging Trust,

	RLJ Lodging Trust, L.P., and Sean Mahoney (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 20, 2018).
10.18	Second Amended and Restated Credit Agreement, dated as of April 22, 2016, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P., Wells Fargo Bank National Association, as Administrative Agent and a lender, and the other agents and lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 28, 2016)
10.19	First Amendment to Second Amended and Restated Credit Agreement, dated as of August 31, 2017, by and among RLJ Lodging Trust, RLJ Lodging

	Trust, L.P., certain subsidiaries of RLJ Lodging Trust party thereto, Wells Fargo Bank National Association, as Administrative Agent and a lender, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on September 1, 2017)
10.20	Second Amendment to Second Amended and Restated Credit Agreement, dated January 25, 2018, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P., certain subsidiaries of RLJ Lodging Trust party thereto, Wells Fargo Bank, National Association, as Administrative Agent and a lender, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to

	the Registrant's Current Report on Form 8-K filed on January 31, 2018)
10.21	Second Amended and Restated Guaranty, dated as of April 22, 2016, by and among RLJ Lodging Trust, certain subsidiaries of RLJ Lodging Trust party thereto and Wells Fargo Bank National Association, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on April 28, 2016)
10.22	Term Loan Agreement, dated as of November 20, 2012, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent, PNC Bank, National Association, as Syndication Agent, Capital One, N.A., as Documentation

	Agent, Raymond James, as Managing Agent, Wells Fargo Securities LLC and PNC Capital Markets LLC, as Joint Lead Arrangers and Joint Bookrunners and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on September 3, 2013)
10.23	First Amendment to Term Loan Agreement, dated as of August 27, 2013, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent, PNC Bank, National Association, as Syndication Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report

	on Form 8-K filed on September 3, 2013)
10.24	Second Amendment to Term Loan Agreement, dated as of June 1, 2015, by and between RLJ Lodging Trust, L.P., RLJ Lodging Trust and Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K filed on February 25, 2016)
10.25	Third Amendment to Term Loan Agreement, dated as of November 12, 2015, by and between RLJ Lodging Trust, L.P., RLJ Lodging Trust and Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated

by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K filed on February 25, 2016)

63

10.26	Fourth Amendment to Term Loan Agreement and First Amendment to Guaranty, dated as of April 22, 2016, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, certain subsidiaries of RLJ Lodging Trust party thereto, Wells Fargo Bank, National Association, as Administrative Agent and a lender, and the other lenders party thereto (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on April 28, 2016)
10.27	Fifth Amendment to Term Loan Agreement, dated August 31, 2017, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P., certain subsidiaries of RLJ Lodging Trust party thereto, Wells Fargo Bank, National Association, as administrative agent and a lender, and the other lenders party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on September 1, 2017)
10.28	Sixth Amendment to Term Loan Agreement, dated January 25, 2018, by and among RLJ Lodging Trust, RLJ Lodging Trust, L.P., certain subsidiaries of RLJ Lodging Trust party thereto, Wells Fargo Bank, National Association, as administrative agent and a lender, and the other lenders party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on January 31, 2018)
10.29	Additional Lender Supplement, dated as of August 27, 2013, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed on September 3, 2013)
10.30	Guaranty, dated as of November 20, 2012, by RLJ Lodging Trust and certain subsidiaries of RLJ Lodging Trust party thereto (incorporated by reference to Exhibit 10.4 to the Registrant’s Current Report on Form 8-K filed on September 3, 2013)
10.31	Term Loan Agreement, dated as of August 27, 2013, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent, PNC Bank, National Association, as Syndication Agent, Bank of America, N.A., Barclays Bank PLC, Compass Bank, an Alabama Banking Corporation, and U.S. Bank National Association, as Documentation Agents, and Wells Fargo Securities LLC and PNC Capital Markets LLC, as Joint Lead Arrangers and Joint Bookrunners and the lenders party thereto (incorporated by reference to Exhibit 10.5 to the Registrant’s Current Report on Form 8-K filed on September 3, 2013)
10.32	Guaranty, dated as of August 27, 2013, by RLJ Lodging Trust and certain subsidiaries of RLJ Lodging Trust party thereto (incorporated by reference to Exhibit 10.6 to the Registrant’s Current Report on Form 8-K filed on September 3, 2013)
10.33	First Amendment to Term Loan Agreement, dated as of June 1, 2015, by and between RLJ Lodging Trust, L.P., RLJ Lodging Trust and Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K filed on February 25, 2016)
10.34	Second Amendment to Term Loan Agreement, dated as of November 12, 2015, by and between RLJ Lodging Trust, L.P., RLJ Lodging Trust and Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K filed on February 25, 2016)
10.35	Additional Term Loan Lender Supplement, dated as of March 20, 2014, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed on March 25, 2014)
10.36	Additional Lender Supplement, dated as of March 20, 2014, by and among RLJ Lodging Trust, L.P., RLJ Lodging Trust, Wells Fargo Bank, National Association, as Administrative Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K

	filed on March 25, 2014)	
21.1*	List of subsidiaries of RLJ Lodging Trust	
23.1*	Consent of PricewaterhouseCoopers LLP	
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
101.INS	XBRL Instance Document	Submitted electronically with this report
101.SCH	XBRL Taxonomy Extension Schema Document	Submitted electronically with this report
101.CAL	XBRL Taxonomy Calculation Linkbase Document	Submitted electronically with this report
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Submitted electronically with this report
101.LAB	XBRL Taxonomy Label Linkbase Document	Submitted electronically with this report
101.PRE	XBRL Taxonomy Presentation Linkbase Document	Submitted electronically with this report

Table of Contents

*Filed herewith

Item 16. Form 10-K Summary

Not applicable.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 1, 2019.

RLJ LODGING TRUST
By: /s/ LESLIE D. HALE
Leslie D. Hale
President and Chief Executive Officer and Trustee

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

Signature	Title	Date
/s/ ROBERT L. JOHNSON Robert L. Johnson	Executive Chairman and Trustee	March 1, 2019
/s/ LESLIE D. HALE Leslie D. Hale	President and Chief Executive Officer and Trustee (Principal Executive Officer)	March 1, 2019
/s/ SEAN M. MAHONEY Sean M. Mahoney	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	March 1, 2019
/s/ CHRISTOPHER A. GORMSEN Christopher A. Gormsen	Chief Accounting Officer (Principal Accounting Officer)	March 1, 2019
/s/ EVAN BAYH Evan Bayh	Trustee	March 1, 2019
/s/ ARTHUR R. COLLINS Arthur R. Collins	Trustee	March 1, 2019
/s/ NATHANIEL A. DAVIS Nathaniel A. Davis	Trustee	March 1, 2019
/s/ PATRICIA L. GIBSON Patricia L. Gibson	Trustee	March 1, 2019
/s/ ROBERT M. LA FORGIA Robert M. La Forgia	Trustee	March 1, 2019
/s/ ROBERT J. MCCARTHY Robert J. McCarthy	Trustee	March 1, 2019
/s/ GLENDA G. MCNEAL Glenda G. McNeal	Trustee	March 1, 2019

Table of Contents

Item 8. Financial Statements

INDEX TO FINANCIAL STATEMENTS

RLJ Lodging Trust:

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Financial Statements	
Balance Sheets as of December 31, 2018 and 2017	F-3
Statements of Operations and Comprehensive Income for the years ended December 31, 2018, 2017, and 2016	F-4
Statements of Changes in Equity for the years ended December 31, 2018, 2017, and 2016	F-6
Statements of Cash Flows for the years ended December 31, 2018, 2017, and 2016	F-9
Notes to the Consolidated Financial Statements	F-10
Schedule III—Real Estate and Accumulated Depreciation as of December 31, 2018	F-45

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the consolidated financial statements, including the related notes and financial statement schedule, of RLJ Lodging Trust and its subsidiaries (the "Company") as listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 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 their operations and their 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 Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP
McLean, Virginia
March 1, 2019

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

Table of Contents

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

	December 31,	
	2018	2017
Assets		
Investment in hotel properties, net	$5,378,651	$5,791,925
Investment in unconsolidated joint ventures	22,279	23,885
Cash and cash equivalents	320,147	586,470
Restricted cash reserves	64,695	72,606
Hotel and other receivables, net of allowance of $598 and $510, respectively	52,115	60,011
Deferred income tax asset, net	47,395	56,761
Intangible assets, net	52,448	133,211
Prepaid expense and other assets	67,367	69,936
Total assets	$6,005,097	$6,794,805
Liabilities and Equity		
Debt, net	$2,202,676	$2,880,488
Accounts payable and other liabilities	203,833	225,664
Deferred income tax liability	2,766	5,547
Advance deposits and deferred revenue	25,411	30,463
Accrued interest	7,913	17,081
Distributions payable	65,557	65,284
Total liabilities	2,508,156	3,224,527
Commitments and Contingencies (Note 12)		
Equity		
Shareholders' equity:		
Preferred shares of beneficial interest, $0.01 par value, 50,000,000 shares authorized		
Series A Cumulative Convertible Preferred Shares, $0.01 par value, 12,950,000 shares authorized; 12,879,475 shares issued and outstanding, liquidation value of $328,266, at December 31, 2018 and 2017	366,936	366,936
Common shares of beneficial interest, $0.01 par value, 450,000,000 shares authorized; 174,019,616 and 174,869,046 shares issued and outstanding at December 31, 2018 and 2017, respectively	1,740	1,749
Additional paid-in capital	3,195,381	3,208,002
Accumulated other comprehensive income	16,195	8,846
Distributions in excess of net earnings	(150,476)	(82,566)
Total shareholders' equity	3,429,776	3,502,967
Noncontrolling interest:		
Noncontrolling interest in consolidated joint ventures	11,908	11,700
Noncontrolling interest in the Operating Partnership	10,827	11,181
Total noncontrolling interest	22,735	22,881
Preferred equity in a consolidated joint venture, liquidation value of $45,544 and $45,430 at December 31, 2018 and 2017, respectively	44,430	44,430
Total equity	3,496,941	3,570,278

Total liabilities and equity	$6,005,097	$6,794,805

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

Table of Contents

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

	For the year ended December 31,		
	2018	2017	2016
Revenues			
Operating revenues			
Room revenue	$1,473,047	$1,146,882	$1,010,637
Food and beverage revenue	205,518	157,672	111,691
Other revenue	82,659	51,707	37,667
Total revenues	1,761,224	1,356,261	1,159,995
Expenses			
Operating expenses			
Room expense	364,820	270,729	228,656
Food and beverage expense	157,156	113,914	79,589
Management and franchise fee expense	138,143	122,633	118,210
Other operating expense	417,110	304,595	241,654
Total property operating expenses	1,077,229	811,871	668,109
Depreciation and amortization	241,641	186,993	162,500
Property tax, insurance and other	135,059	91,406	77,281
General and administrative	49,195	40,453	31,516
Transaction costs	2,057	44,398	192
Total operating expenses	1,505,181	1,175,121	939,598
Other income	2,791	269	303
Interest income	4,891	2,987	1,695
Interest expense	(101,643)	(78,322)	(58,820)
Gain on sale of hotel properties, net	30,941	8,980	45,929
Gain on extinguishment of indebtedness, net	5,996	—	—
Gain on settlement of an investment in loan	—	2,670	—
Income before equity in income from unconsolidated joint ventures	199,019	117,724	209,504
Equity in income from unconsolidated joint ventures	636	133	—
Income before income tax expense	199,655	117,857	209,504
Income tax expense	(8,793)	(42,118)	(8,190)
Net income	190,862	75,739	201,314
Net income attributable to noncontrolling interests:			
Noncontrolling interest in consolidated joint ventures	(17)	(117)	(55)
Noncontrolling interest in the Operating Partnership	(719)	(291)	(907)
Preferred distributions - consolidated joint venture	(1,483)	(496)	—
Net income attributable to RLJ	188,643	74,835	200,352
Preferred dividends	(25,115)	(8,372)	—
Net income attributable to common shareholders	$163,528	$66,463	$200,352
Basic per common share data:			
Net income per share attributable to common shareholders	$0.93	$0.47	$1.61
Weighted-average number of common shares	174,225,130	140,616,838	123,651,003

F-4

Table of Contents

Diluted per common share data:			
Net income per share attributable to common shareholders	$ 0.93	$ 0.47	$ 1.61
Weighted-average number of common shares	174,316,405	140,694,049	123,879,007
Comprehensive income:			
Net income	$ 190,862	$ 75,739	$ 201,314
Unrealized gain on interest rate derivatives	7,349	13,748	11,700
Comprehensive income	198,211	89,487	213,014
Comprehensive income attributable to noncontrolling interests:			
Noncontrolling interest in consolidated joint ventures	(17)	(117)	(55)
Noncontrolling interest in the Operating Partnership	(719)	(291)	(907)
Preferred distributions - consolidated joint venture	(1,483)	(496)	—
Comprehensive income attributable to RLJ	$ 195,992	$ 88,583	$ 212,052

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

F-5

Table of Contents

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

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

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

F-6

Table of Contents

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

	Shareholders' Equity							Noncontrolling Interest		
	Preferred Stock		Common Stock							
	Shares	Amount	Shares	Par Value	Additional Paid-in Capital	Retained Earnings (Distributions in excess of net earnings)	Accumulated Other Comprehensive Income (Loss)	Operating Partnership	Consolidated Joint Ventures	Preferred Equity in a Consolidated Joint Venture
Balance at December 31, 2016	—	$—	124,364,178	$1,244	$2,187,333	$38,249	$(4,902)	$7,380	$5,973	$—
Net income	—	—	—	—	—	74,835	—	291	117	496
Unrealized gain on interest rate derivatives	—	—	—	—	—	—	13,748	—	—	—
Issuance of common shares	—	—	50,358,104	504	1,015,723	—	—	—	—	—
Issuance of Operating Partnership units	—	—	—	—	—	—	—	4,342	—	—
Issuance of Series A Cumulative Convertible Preferred Shares	12,879,475	366,936	—	—	—	—	—	—	—	—
Noncontrolling interest recorded in connection with the Mergers	—	—	—	—	—	—	—	—	5,493	—
Preferred equity in a consolidated joint venture	—	—	—	—	—	—	—	—	—	44,430
Issuance of restricted stock	—	—	425,076	4	(4)	—	—	—	—	—
Amortization of share-based compensation	—	—	—	—	10,607	—	—	—	—	—
	—	—	(144,766)	(2)	(3,048)	—	—	—	—	—

Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock										
Shares acquired as part of a share repurchase program	—	—	(122,508)	(1)	(2,609)	—	—	—	—	—
Forfeiture of restricted stock	—	—	(11,038)	—	—	—	—	—	—	—
Contributions from joint venture partners	—	—	—	—	—	—	—	—	117	—
Distributions on preferred shares	—	—	—	—	—	(8,372)	—	—	—	—
Distributions on common shares and units	—	—	—	—	—	(187,278)	—	(832)	—	—
Preferred distributions - consolidated joint venture	—	—	—	—	—	—	—	—	—	(496)
Balance at December 31, 2017	12,879,475	$366,936	174,869,046	$1,749	$3,208,002	$(82,566)	$8,846	$11,181	$11,700	$44,430

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

F-7

Table of Contents

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

	Shareholders' Equity Preferred Stock		Common Stock					Noncontrolling Interest		
	Shares	Amount	Shares	Par Value	Additional Paid-in Capital	Distributions in excess of net earnings	Accumulated Other Comprehensive Income	Operating Partnership	Consolidated Joint Ventures	Preferred Equity in a Consolida Joint Venture
Balance at December 31, 2017	12,879,475	$366,936	174,869,046	$1,749	$3,208,002	$(82,566)	$8,846	$11,181	$11,700	$44,430
Net income	—	—	—	—	—	188,643	—	719	17	1,483
Unrealized gain on interest rate derivatives	—	—	—	—	—	—	7,349	—	—	—
Redemption of Operating Partnership units	—	—	—	—	—	—	—	(14)	—	—
Issuance of restricted stock	—	—	592,673	6	(6)	—	—	—	—	—
Amortization of share-based compensation	—	—	—	—	12,769	—	—	—	—	—
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock	—	—	(166,221)	(2)	(3,583)	—	—	—	—	—
Shares acquired as part of a share repurchase program	—	—	(1,162,557)	(12)	(21,802)	—	—	—	—	—
Forfeiture of restricted stock	—	—	(113,325)	(1)	1	—	—	—	—	—

Contributions from joint venture partners	—	—	—	—	—	—	—	—	191	—
Distributions on preferred shares	—	—	—	—	—	(25,115)	—	—	—	—
Distributions on common shares and units	—	—	—	—	—	(231,438)	—	(1,059)	—	—
Preferred distributions - consolidated joint venture	—	—	—	—	—	—	—	—	—	(1,483)
Balance at December 31, 2018	12,879,475	$366,936	174,019,616	$1,740	$3,195,381	$(150,476)	$16,195	$10,827	$11,908	$44,430

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

F-8

Table of Contents

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

	For the year ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Net income	$190,862	$75,739	$201,314
Adjustments to reconcile net income to cash flow provided by operating activities:			
Gain on sale of hotel properties, net	(30,941)	(8,980)	(45,929)
Gain on extinguishment of indebtedness, net	(5,996)	—	—
Gain on settlement of an investment in loan	—	(2,670)	—
Depreciation and amortization	241,641	186,993	162,500
Amortization of deferred financing costs	3,504	3,499	3,965
Other amortization	(3,081)	(2,098)	751
Equity in income from unconsolidated joint ventures	(636)	(133)	—
Distributions of income from unconsolidated joint ventures	2,591	1,900	—
Accretion of interest income on an investment in loan	—	(664)	(613)
Share grants to trustees	—	—	57
Amortization of share-based compensation	12,251	10,607	5,990
Deferred income taxes	8,384	40,140	6,994
Changes in assets and liabilities:			
Hotel and other receivables, net	5,580	(5,686)	(263)
Prepaid expense and other assets	351	3,805	(5,162)
Accounts payable and other liabilities	(20,590)	(27,575)	2,870
Advance deposits and deferred revenue	82	(5,307)	328
Accrued interest	(9,168)	(8,975)	(1,439)
Net cash flow provided by operating activities	394,834	260,595	331,363
Cash flows from investing activities			
Acquisition of FelCor, net of cash acquired	—	(24,883)	—
Proceeds from the sale of hotel properties, net	475,063	180,279	269,185
Improvements and additions to hotel properties	(197,320)	(102,989)	(83,780)
Additions to property and equipment	(279)	(219)	(283)
Contributions to unconsolidated joint ventures	(350)	—	—
Proceeds from the settlement of an investment in loan	—	12,792	—
Net cash flow provided by investing activities	277,114	64,980	185,122
Cash flows from financing activities			
Borrowings under Revolver	300,000	—	51,000
Repayments under Revolver	(300,000)	—	(51,000)
Redemption of senior notes	(539,026)	(990)	—
Proceeds from mortgage loans	—	—	11,000
Scheduled mortgage loan principal payments	(6,335)	(4,770)	(3,651)
Repayments of mortgage loans	(113,137)	—	—
Repurchase of common shares under a share repurchase program	(21,814)	(2,610)	(13,271)
Repurchase of common shares to satisfy employee tax withholding requirements	(3,585)	(3,050)	(5,502)
Distributions on preferred shares	(25,115)	(6,279)	—
Distributions on common shares	(231,188)	(169,942)	(164,364)
Distributions on Operating Partnership units	(1,036)	(775)	(838)

Redemption of Operating Partnership units	(14)	—	—
Payments of deferred financing costs	(3,640)	(1,582)	(5,369)
Preferred distributions - consolidated joint venture	(1,483)	(496)	—
Contributions from joint venture partners	191	117	—
Distributions to joint venture partners	—	—	(259)
Net cash flow used in financing activities	(946,182)	(190,377)	(182,254)
Net change in cash, cash equivalents, and restricted cash reserves	(274,234)	135,198	334,231
Cash, cash equivalents, and restricted cash reserves, beginning of year	659,076	523,878	189,647
Cash, cash equivalents, and restricted cash reserves, end of year	$384,842	$659,076	$523,878

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

F-9

Table of Contents

RLJ Lodging Trust
Notes to the Consolidated Financial Statements

1. Organization

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

Substantially all of the Company's assets and liabilities are held by, and all of its operations are conducted through, RLJ Lodging Trust, L.P. (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership. As of December 31, 2018, there were 174,792,809 units of limited partnership interest in the Operating Partnership ("OP units") outstanding and the Company owned, through a combination of direct and indirect interests, 99.6% of the outstanding OP units.

As of December 31, 2018, the Company owned 151 hotel properties with approximately 28,800 rooms, located in 25 states and the District of Columbia. The Company, through wholly-owned subsidiaries, owned a 100% interest in 147 of its hotel properties, a 98.3% controlling interest in the DoubleTree Metropolitan Hotel New York City, a 95% controlling interest in The Knickerbocker, and 50% interests in entities owning two hotel properties. The Company consolidates its real estate interests in the 149 hotel properties in which it holds a controlling financial interest, and the Company records the real estate interests in the two hotels in which it holds an indirect 50% interest using the equity method of accounting. The Company leases 150 of the 151 hotel properties to its taxable REIT subsidiaries ("TRS"), of which the Company owns a controlling financial interest.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements and related notes have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The consolidated financial statements include the accounts of the Company, the Operating Partnership and its wholly-owned subsidiaries, and joint ventures in which the Company has a majority voting interest and control. For the controlled subsidiaries that are not wholly-owned, the third-party ownership interest represents a noncontrolling interest, which is presented separately in the consolidated financial statements. The Company also records the real estate interests in two joint ventures in which it holds an indirect 50% interest using the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Reclassifications

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

Revenue

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which superseded or replaced nearly all GAAP revenue recognition guidance. The guidance established a new control-based revenue recognition model that changed the basis for deciding when revenue is recognized over time or at a point in time and expanded the disclosures about revenue. The guidance also applied to the sale of real estate, for which the new principles-based approach is largely based on the transfer of control of the real estate to the buyer. The Company adopted this standard on January 1, 2018 using the modified retrospective transition method. Accordingly, the Company's revenue beginning on January 1, 2018 is presented under ASC 606, while prior period revenue is reported under the accounting standards in effect for those historical periods. Based on the Company's assessment, the adoption of this standard

did not have an impact to the Company's consolidated financial statements but it did result in additional disclosures in the notes to the consolidated financial statements. Refer to Note 8 for the Company's disclosures about revenue.

Substantially all of the Company's revenues are derived from the operation of hotel properties. The Company generates room revenue by renting hotel rooms to customers at its hotel properties. The Company generates food and beverage revenue from the sale of food and beverage to customers at its hotel properties. The Company generates other revenue from parking fees, golf, pool and other resort fees, gift shop sales and other guest service fees at its hotel properties.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when the performance obligation is satisfied. The Company's contracts generally have a single performance obligation, such as renting a hotel room to a customer, or providing food and beverage to a customer, or providing a hotel property-related good or service to a customer. The Company's performance obligations are generally satisfied at a point in time.

The Company allocates revenue to the performance obligation based on its relative standalone selling price. The Company determines the standalone selling price based on the price it charges each customer for the use or consumption of the promised good or service.

The Company's revenue is recognized when control of the promised good or service is transferred to the customer, in an amount that reflects the consideration the Company expects to receive in exchange for the promised good or service. The revenue is recorded net of any sales and occupancy taxes collected from the customer. All rebates or discounts are recorded as a reduction to revenue, and there are no material contingent obligations with respect to rebates and discounts offered by the hotel properties.

The timing of revenue recognition, billings, and cash collections results in the Company recognizing hotel and other receivables and advance deposits and deferred revenue on the consolidated balance sheet. Hotel and other receivables are recognized on the consolidated balance sheets when the Company has provided a good or service to the customer and is waiting for the customer to submit consideration to the Company. Advance deposits and deferred revenue are recognized on the consolidated balance sheets when cash payments are received in advance of the Company satisfying its performance obligation. Advance deposits and deferred revenue consist of amounts that are refundable and non-refundable to the customer. The advance deposits and deferred revenue are recognized as revenue in the consolidated statements of operations and comprehensive income when the Company satisfies its performance obligation to the customer.

For the majority of its goods or services and customers, the Company requires payment at the time the respective good or service is provided to the customer. The Company's payment terms vary by the type of customer and the goods or services offered to the customer. The Company applied a practical expedient to not disclose the value of unsatisfied performance obligations for contracts that have an original expected length of one year or less. Any contracts that have an original expected length of greater than one year are insignificant.

The Company records an allowance for doubtful accounts based on its best estimate of the amount of probable credit losses in the existing accounts receivable portfolio. The Company recognizes increases to the allowance for doubtful accounts as bad debt expense. The allowance for doubtful accounts is calculated as a percentage of the aged accounts receivable based on the Company's historical collection activity and its understanding of the circumstances related to a specific receivable.

Investment in Hotel Properties

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

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The guidance clarified the definition of a business by adding guidance to assist companies and other reporting organizations with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or

---

Table of Contents

businesses. If substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single asset or a group of similar identifiable asset(s), then the transaction is considered to be an asset acquisition (or disposition). As a result of this standard, the Company anticipates the majority of its hotel purchases will be considered asset acquisitions as opposed to business combinations, although the determination will be made on a transaction-by-transaction basis. Transaction costs associated with asset acquisitions will be capitalized rather than expensed as incurred. The Company adopted this guidance on January 1, 2018 on a prospective basis.

The Company’s investments in hotel properties are carried at cost and are depreciated using the straight-line method over the estimated useful lives of 15 years for land improvements, 15 years for building improvements, 40 years for buildings, and three to five years for FF&E. Maintenance and repairs are expensed and major renewals or improvements to the hotel properties are capitalized. Indirect project costs, including interest, salaries and benefits, travel and other related costs that are directly attributable to the development, are also capitalized. Upon the sale or disposition of a hotel property, the asset and related accumulated depreciation accounts are removed and the related gain or loss is included in the gain or loss on sale of hotel properties in the consolidated statements of operations and comprehensive income. A sale or disposition of a hotel property that represents a strategic shift that has or will have a major effect on the Company's operations and financial results is presented as discontinued operations in the consolidated statements of operations and comprehensive income.

In accordance with the guidance on impairment or disposal of long-lived assets, the Company does not consider the "held for sale" classification on the consolidated balance sheet until it is expected to qualify for recognition as a completed sale within one year and the other requisite criteria for such classification have been met. The Company does not depreciate assets so long as they are classified as held for sale. Upon designation as held for sale and quarterly thereafter, the Company reviews the realizability of the carrying value, less costs to sell, in accordance with the guidance. Any such adjustment to the carrying value is recorded as an impairment loss.

The Company assesses the carrying value of its investments in hotel properties whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverability is measured by comparing the carrying amount to the estimated undiscounted future cash flows expected to be generated from the operations and the eventual disposition of the hotel properties over the estimated hold period, which take into account current market conditions and the Company’s intent with respect to holding or disposing of the hotel properties. If the Company’s analysis indicates that the carrying value is not recoverable on an undiscounted cash flow basis, the Company will recognize an impairment loss for the amount by which the carrying value exceeds the fair value. The fair value is determined through various valuation techniques, including internally developed discounted cash flow models, comparable market transactions, third-party appraisals, the net sales proceeds from pending offers, or the net sales proceeds from transactions that closed subsequent to the end of the reporting period. The use of projected future cash flows is based on assumptions that are consistent with a market participant’s future expectations for the travel industry and the economy in general, including discount rates, terminal capitalization rates, average daily rates, occupancy rates, operating expenses and capital expenditures, and the Company's intent with respect to holding or disposing of the underlying hotel properties.

Sale of Real Estate

ASU 2014-09 also applied to the sale of real estate, for which the new principles-based approach is largely based on the transfer of control of the real estate to the buyer. In February 2017, the FASB issued ASU 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. This guidance clarifies that ASC 610-20 applies to the derecognition of nonfinancial assets, including real estate, and in substance nonfinancial assets,

which are defined as assets or a group of assets for which substantially all of the fair value consists of nonfinancial assets and the group or subsidiary is not a business. As a result of this guidance, sales and partial sales of real estate assets are accounted for similar to all other sales of nonfinancial and in substance nonfinancial assets. The Company adopted this guidance on January 1, 2018 using the modified retrospective transition method. Based on the Company's assessment, the adoption of this guidance did not have an impact on the Company's consolidated financial statements.

Investment in Unconsolidated Joint Ventures

If the Company determines that it does not have a controlling financial interest in a joint venture, either through a controlling financial interest in a variable interest entity or through the Company's voting interest in a voting interest entity, but the Company exercises significant influence over the operating and financial policies of the joint venture, the Company accounts for the joint venture using the equity method of accounting. Under the equity method of accounting, the Company's investment is adjusted each reporting period to recognize the Company's share of the net earnings or losses of the joint venture, plus any contributions to the joint venture, less any distributions received from the joint venture and any adjustment for

Table of Contents

impairment. In addition, the Company's share of the net earnings or losses of the joint venture is adjusted for the straight-line depreciation of the difference between the Company's basis in the investment in the unconsolidated joint venture as compared to the historical basis of the underlying net assets in the joint venture at the date of acquisition.

The Company assesses the carrying value of its investment in unconsolidated joint ventures whenever events or changes in circumstances may indicate that the carrying value of the investment exceeds its fair value on an other-than-temporary basis. When an impairment indicator is present, the Company will estimate the fair value of the investment, which will be determined by using internally developed discounted cash flow models, comparable market transactions, third-party appraisals, the net sales proceeds from pending offers, or the net sales proceeds from transactions that closed subsequent to the end of the reporting period. If the estimated fair value is less than the carrying value, and management determines that the decline in value is considered to be other-than-temporary, the Company will recognize an impairment loss on its investment in the joint venture.

The Company evaluates the nature of the distributions from each of its unconsolidated joint ventures in order to classify the distributions as either operating activities or investing activities in the consolidated statements of cash flows. Any cash distribution that is considered to be a distribution of the earnings of the unconsolidated joint venture is presented as an operating activity in the consolidated statements of cash flows. Any cash distribution that is considered to be a return of capital from the unconsolidated joint venture is presented as an investing activity in the consolidated statements of cash flows.

Intangible Assets

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

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

Cash and Cash Equivalents

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

Restricted Cash Reserves

Restricted cash reserves consist of all cash that is required to be maintained in a reserve escrow account by a management agreement, franchise agreement, and/or a mortgage loan agreement for the replacement of FF&E and the funding of real estate taxes and insurance.

F-13

Table of Contents

Hotel Receivables

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

Deferred Financing Costs

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

For the years ended December 31, 2018, 2017 and 2016, approximately $3.5 million, $3.5 million and $4.0 million, respectively, of amortization expense was recorded as a component of interest expense in the consolidated statements of operations and comprehensive income.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense was approximately $9.1 million, $6.2 million and $4.2 million for the years ended December 31, 2018, 2017 and 2016, respectively, and is included in other operating expense in the consolidated statements of operations and comprehensive income.

Transaction Costs

The Company incurs costs during the review of potential hotel property acquisitions and dispositions, including legal fees and other professional service fees. In addition, if the Company completes a hotel property acquisition, the Company may incur transfer taxes and integration costs, including professional fees and employee-related costs. If the Company completes a hotel property acquisition that is considered to be an asset acquisition, the transaction costs are capitalized on the consolidated balance sheets. If the Company completes a hotel property acquisition that is considered to be a business combination, the transaction costs are expensed as incurred in the consolidated statements of operations and comprehensive income.

Derivative Financial Instruments

In the normal course of business, the Company is exposed to the effects of interest rate changes. The Company utilizes a variety of borrowing vehicles, including the Revolver and medium and long-term financings. The Company reduces its risk to interest rate changes by following its established risk management policies and procedures, including the use of derivative financial instruments as part of its interest rate risk management strategy. The Company utilizes derivatives to manage, or hedge, interest rate risk. To mitigate the Company's exposure to interest rate changes, the

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

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

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

Table of Contents

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

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

Noncontrolling Interests

The consolidated financial statements include all subsidiaries controlled by the Company. For the controlled subsidiaries that are not wholly-owned, the third-party ownership interest represents a noncontrolling interest, which is presented separately in the consolidated financial statements.

As of December 31, 2018 and 2017, the Company consolidated the Operating Partnership, which has a 0.4% third-party ownership interest. The third-party ownership interest is included in the noncontrolling interest in the Operating Partnership in the equity section of the consolidated balance sheets. The portion of the income and losses associated with the third-party ownership interest are included in the noncontrolling interest in the Operating Partnership in the consolidated statements of operations and comprehensive income.

As of December 31, 2018 and 2017, the Company consolidated the joint venture that owns the DoubleTree Metropolitan Hotel New York City hotel property; this joint venture has a 1.7% third-party ownership interest in the joint venture. The Company also consolidated the joint venture that owns The Knickerbocker hotel property; this joint venture has a 5% third-party ownership interest in the joint venture. In addition, the Company consolidated the operating lessee of the Embassy Suites Secaucus - Meadowlands hotel property through its 51% controlling financial interest in the operating lessee of the joint venture; this joint venture has a 49% third-party ownership interest in the joint venture. The third-party ownership interest is included in the noncontrolling interest in consolidated joint ventures in the equity section of the consolidated balance sheets. The income and losses associated with the third-party ownership interest are included in the noncontrolling interest in consolidated joint ventures in the consolidated statements of operations and comprehensive income.

Preferred Equity in a Consolidated Joint Venture

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

Income Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it distribute at least 90% of its REIT taxable income, subject to certain

adjustments and excluding any net capital gain, to shareholders. The Company's intention is to adhere to the REIT qualification requirements and to maintain its qualification for taxation as a REIT.

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

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and for net operating loss, capital loss and tax credit carryforwards. The deferred tax assets and liabilities are measured using the enacted income tax rates

Table of Contents

in effect for the year in which those temporary differences are expected to be realized or settled. The effect on the deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of all available evidence, including the future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies. Valuation allowances are provided if, based upon the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

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

Earnings Per Common Share

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

Share-based Compensation

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

Non-employee trustees may elect to receive unrestricted shares under the 2015 Plan as compensation that would otherwise be paid in cash for their services. The shares issued to the non-employee trustees in lieu of cash compensation are unrestricted and include no vesting conditions. The Company recognizes compensation expense for the unrestricted shares issued in lieu of cash compensation based upon the fair market value of the shares on the date of issuance.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which provides the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). Lessees will recognize a right-of-use asset and a lease liability for most of their leases on the balance sheet. A lessee will need to classify its leases as either an operating lease or a finance lease based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether

lease expense is recognized on a straight-line basis over the term of the lease or on the effective interest method. Leases with a term of 12 months or less will be accounted for similar to the existing accounting guidance today in ASC 840, Leases, for operating leases. Lessors will classify their leases using an approach that is substantially equivalent to the existing accounting guidance today for operating, direct financing, or sales-type leases. Lessors may only capitalize the incremental direct costs of leasing, so any indirect costs of leasing will be expensed as incurred.

The guidance is effective for annual reporting periods beginning after December 15, 2018, and the interim periods within those annual periods. The Company adopted this standard on January 1, 2019 using the modified retrospective transition approach. There are two methods of applying the modified retrospective transition approach and the Company elected to not adjust the comparative periods in the consolidated financial statements and footnotes, so the Company did not recognize a cumulative effect adjustment on the date of adoption. The comparative periods will be presented in accordance with ASC 840.

Table of Contents

The Company elected the following practical expedients in adopting the new standard:

- The Company elected the package of practical expedients that allows the Company to not reassess:

(i) whether any expired or existing contracts meet the definition of a lease;
(ii) the lease classification for any expired or existing leases; and
(iii) the initial direct costs for any existing leases.

- The Company elected a practical expedient to make an accounting policy election to not recognize a right-of-use asset and a lease liability for leases with an initial term of 12 months or less.

- The Company elected a practical expedient to allow the Company to not reassess whether an existing land easement not previously accounted for as a lease under ASC 840 would now be considered to be a lease under ASC 842.

- The Company elected the practical expedient whereby lessors, by class of underlying asset, are not required to separate the nonlease components from the lease components, if certain conditions are met.

Upon adoption of this standard on January 1, 2019, the Company expects to recognize between $117.0 million and $132.0 million of lease liabilities and the related right-of-use assets on the consolidated balance sheet for its ground leases, parking leases, office leases, and equipment leases. In addition to recording the lease liabilities and right-of-use assets on the date of adoption, the Company will reclassify its below market ground lease intangible assets and its above market ground lease liabilities from intangible assets, net and accounts payable and other liabilities, respectively, on the consolidated balance sheet to the right-of-use assets. There was no impact to the Company’s consolidated statements of operations and comprehensive income and the consolidated statements of cash flows.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The guidance amends the hedge accounting recognition and presentation requirements in ASC 815. The guidance is meant to simplify the application of hedge accounting and better align the financial reporting for hedging activities with the entity's economic and risk management activities. Under the new guidance, all changes in the fair value of highly effective cash flow hedges will be recorded in other comprehensive income and they will be reclassified to earnings when the hedged item impacts earnings. The guidance is effective for annual reporting periods beginning after December 15, 2018, and the interim periods within those annual periods, with early adoption permitted. The Company adopted this new standard on January 1, 2019. Based on the Company's assessment, the adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In August 2018, the SEC issued SEC Final Rule 33-10532, Disclosure Update and Simplification. The amendments simplify or eliminate duplicative, overlapping, or outdated disclosure requirements. The amendments also add certain disclosure requirements, such as requiring entities to disclose the current and comparative quarter and year-to-date changes in shareholders' equity for interim periods. The amended rules are effective for reports filed on or after November 5, 2018. However, the SEC issued Compliance & Disclosure Interpretation 105.09 that allows entities to defer the adoption of the new disclosure requirement relating to changes in shareholders' equity for interim periods until the Form 10-Q for the quarterly period that begins after November 5, 2018. The Company adopted the new disclosure requirement relating to changes in shareholders' equity for interim periods on January 1, 2019. Based on the Company's assessment, the adoption of the new disclosures did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The guidance modifies the disclosure requirements for fair value measurements by removing or modifying some of the disclosures, while also adding new disclosures. The guidance is effective for annual reporting periods beginning after December 15, 2019, and the interim periods within those annual periods, with early adoption permitted. The Company will adopt this new standard on January 1, 2020. Based on the Company's assessment, the adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

3. Merger with FelCor Lodging Trust Incorporated

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

Table of Contents

thereafter, FelCor merged with and into Rangers, with Rangers surviving as a wholly owned subsidiary of the Operating Partnership (the "REIT Merger" and, together with the Partnership Merger, the "Mergers").

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

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

Table of Contents

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

Hotel Property Name	Location	Ownership Interest	Management Company	Rooms
DoubleTree Suites by Hilton Austin	Austin, TX	100%	Hilton	188
DoubleTree Suites by Hilton Orlando - Lake Buena Vista	Orlando, FL	100%	Hilton	229
Embassy Suites Atlanta - Buckhead	Atlanta, GA	100%	Hilton	316
Embassy Suites Birmingham	Birmingham, AL	100%	Hilton	242
Embassy Suites Boston Marlborough (1)	Marlborough, MA	100%	Hilton	229
Embassy Suites Dallas - Love Field	Dallas, TX	100%	Aimbridge Hospitality	248
Embassy Suites Deerfield Beach - Resort & Spa	Deerfield Beach, FL	100%	Hilton	244
Embassy Suites Fort Lauderdale 17th Street	Fort Lauderdale, FL	100%	Hilton	361
Embassy Suites Los Angeles - International Airport South	El Segundo, CA	100%	Hilton	349
Embassy Suites Mandalay Beach - Hotel & Resort	Oxnard, CA	100%	Hilton	250
Embassy Suites Miami - International Airport	Miami, FL	100%	Hilton	318
Embassy Suites Milpitas Silicon Valley	Milpitas, CA	100%	Hilton	266
Embassy Suites Minneapolis - Airport	Bloomington, MN	100%	Hilton	310
Embassy Suites Myrtle Beach - Oceanfront Resort	Myrtle Beach, SC	100%	Hilton	255
Embassy Suites Napa Valley (2)	Napa, CA	100%	Hilton	205
Embassy Suites Orlando - International Drive South/Convention Center	Orlando, FL	100%	Hilton	244
Embassy Suites Phoenix - Biltmore	Phoenix, AZ	100%	Hilton	232
Embassy Suites San Francisco Airport - South San Francisco	San Francisco, CA	100%	Hilton	312
Embassy Suites San Francisco Airport - Waterfront	Burlingame, CA	100%	Hilton	340
Embassy Suites Secaucus - Meadowlands (3)	Secaucus, NJ	50%	Hilton	261
Hilton Myrtle Beach Resort	Myrtle Beach, SC	100%	Hilton	385
Holiday Inn San Francisco - Fisherman's Wharf (4)	San Francisco, CA	100%	InterContinental Hotels	585
San Francisco Marriott Union Square	San Francisco, CA	100%	Marriott	400
Sheraton Burlington Hotel & Conference Center (5) (6)	Burlington, VT	100%	Marriott	309
Sheraton Philadelphia Society Hill Hotel (7)	Philadelphia, PA	100%	Marriott	364
The Fairmont Copley Plaza (8)	Boston, MA	100%	FRHI Hotels & Resorts	383
The Knickerbocker New York	New York, NY	95%	Highgate Hotels	330
The Mills House Wyndham Grand Hotel	Charleston, SC	100%	Wyndham	216
	St. Petersburg, FL	100%	Marriott	361

The Vinoy Renaissance St. Petersburg Resort & Golf Club (9)				
Wyndham Boston Beacon Hill	Boston, MA	100%	Wyndham	304
Wyndham Houston - Medical Center Hotel & Suites	Houston, TX	100%	Wyndham	287
Wyndham New Orleans - French Quarter	New Orleans, LA	100%	Wyndham	374
Wyndham Philadelphia Historic District	Philadelphia, PA	100%	Wyndham	364
Wyndham Pittsburgh University Center	Pittsburgh, PA	100%	Wyndham	251
Wyndham San Diego Bayside	San Diego, CA	100%	Wyndham	600
Wyndham Santa Monica At The Pier	Santa Monica, CA	100%	Wyndham	132
Chateau LeMoyne - French Quarter, New Orleans (10)	New Orleans, LA	50%	InterContinental Hotels	171
				11,215

(1) In February 2018, the Company sold this hotel property for a sale price of $23.7 million.
(2) In July 2018, the Company sold this hotel property for a sale price of $102.0 million.
(3) The Company owns an indirect 50% ownership interest in the real estate at this hotel property and records the real estate interests using the equity method of accounting. The Company leases the hotel property to its TRS, of which the Company owns a controlling financial interest in the operating lessee, so the Company consolidates its ownership interest in the leased hotel.
(4) In October 2018, the Company sold this hotel property for a sale price of $75.3 million.
(5) In December 2017, this hotel property was converted to the DoubleTree by Hilton Burlington Vermont.
(6) In September 2018, the Company sold this hotel property for a sale price of $35.0 million.
(7) In March 2018, the Company sold this hotel property for a sale price of $95.5 million.

Table of Contents

(8) In December 2017, the Company sold this hotel property for a sale price of $170.0 million.
(9) In August 2018, the Company sold this hotel property for a sale price of $185.0 million.
(10) The Company owns an indirect 50% ownership interest in this hotel property and accounts for its ownership interest using the equity method of accounting. This hotel property is operated without a lease.

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

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

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

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

The Company recognized the following intangible assets in the Mergers (dollars in thousands):

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

For the hotel properties acquired during the year ended December 31, 2017, the total revenues and net income from the date of acquisition through December 31, 2017 are included in the accompanying consolidated statements of operations and comprehensive income as follows (in thousands):

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

F-20

Table of Contents

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

	For the year ended December 31,	
	2018	2017
Transaction costs	$(487)	$38,391
Integration costs	2,050	5,696
	$1,563	$44,087

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

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

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

4. Investment in Hotel Properties

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

	December 31, 2018	December 31, 2017
Land and improvements	$1,209,416	$1,275,030
Buildings and improvements	4,694,490	4,890,266
Furniture, fixtures and equipment	813,797	756,546
	6,717,703	6,921,842
Accumulated depreciation	(1,339,052)	(1,129,917)
Investment in hotel properties, net	$5,378,651	$5,791,925

For the years ended December 31, 2018, 2017 and 2016, the Company recognized depreciation expense related to its investment in hotel properties of approximately $233.8 million, $182.0 million and $162.2 million, respectively.

5. Investment in Unconsolidated Joint Ventures

As of December 31, 2018 and 2017, the Company owned 50% interests in joint ventures that owned two hotel properties. The Company also owned 50% interests in joint ventures that owned real estate and a condominium management business that are associated with two of its resort hotel properties. The Company accounts for the investments in these unconsolidated joint ventures under the equity method of accounting. The Company makes adjustments to the equity in income from unconsolidated joint ventures related to the difference between the Company's basis in the investment in the unconsolidated joint ventures as compared to the historical basis of the assets and liabilities of the joint ventures. As of December 31, 2018 and 2017, the unconsolidated joint ventures' debt consisted entirely of non-recourse mortgage debt.

Table of Contents

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

	December 31, 2018	December 31, 2017
Equity basis of the joint venture investments	$ 117	$ 253
Cost of the joint venture investments in excess of the joint venture book value	22,162	23,632
Investment in unconsolidated joint ventures	$ 22,279	$ 23,885

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

	For the year ended December 31,	
	2018	2017
Unconsolidated joint ventures net income attributable to the Company	$2,105	$623
Depreciation of cost in excess of book value	(1,469)	(490)
Equity in income from unconsolidated joint ventures	$636	$133

6. Intangible Assets

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

		December 31, 2018			December 31, 2017		
	Weighted Average Amortization Period (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Below market ground leases	27	$50,267	$ (3,495)	$46,772	$118,609	$ (1,217)	$117,392
Advanced bookings	1	1,902	(1,268)	634	11,360	(3,083)	8,277
Other intangible assets	5	7,500	(2,458)	5,042	9,511	(1,969)	7,542
Intangible assets, net	25	$59,669	$ (7,221)	$52,448	$139,480	$ (6,269)	$133,211

For the years ended December 31, 2018, 2017 and 2016, the Company recognized amortization expense related to its intangible assets of approximately $10.2 million, $5.7 million and $0.2 million, respectively.

As of December 31, 2018, the estimated amortization expense for the intangible assets over the next five years is as follows (in thousands):

	2019	2020	2021	2022	2023
Estimated amortization expense	$4,357	$3,659	$3,659	$3,659	$3,303

7. Sale of Hotel Properties

During the year ended December 31, 2018, the Company sold seven hotel properties and a parcel of land for a total sale price of approximately $530.9 million. In connection with these transactions, the Company recorded an aggregate $30.3 million net gain on sales, which is included in gain on sale of hotel properties, net, in the accompanying consolidated statement of operations and comprehensive income. The gain on sale includes a gain on extinguishment

of indebtedness of $5.1 million associated with two of the hotel properties that were sold.

Table of Contents

The following table discloses the hotel properties that were sold during the year ended December 31, 2018:

Hotel Property Name	Location	Sale Date	Rooms
Embassy Suites Boston Marlborough	Marlborough, MA	February 21, 2018	229
Sheraton Philadelphia Society Hill Hotel	Philadelphia, PA	March 27, 2018	364
Embassy Suites Napa Valley	Napa, CA	July 13, 2018	205
DoubleTree Hotel Columbia	Columbia, MD	August 7, 2018	152
The Vinoy Renaissance St. Petersburg Resort & Golf Club	St. Petersburg, FL	August 28, 2018	362
DoubleTree by Hilton Burlington Vermont	Burlington, VT	September 27, 2018	309
Holiday Inn San Francisco - Fisherman's Wharf (1)	San Francisco, CA	October 15, 2018	585
		Total	2,206

(1) The Holiday Inn San Francisco - Fisherman's Wharf consists of two separate buildings, the 342-room Columbus Street building and the 243-room Annex building. On October 31, 2018, the ground lease under the Columbus Street building expired and the building was transferred to the lessor in accordance with the ground lease. On October 15, 2018, the Company separately sold the remaining 243-room Annex building for $75.3 million. In connection with the sale, the Company transferred its purchase option on the land underlying the Annex building ground lease to the buyer. The proceeds to the Company as a result of the sale were approximately $30.4 million.

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

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

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

During the year ended December 31, 2016, the Company sold four hotel properties in three separate transactions for a total sale price of approximately $301.5 million. In conjunction with these transactions, the Company recorded a $45.9 million gain on sale, which is included in the accompanying consolidated statement of operations and comprehensive income, and a deferred gain of $15.0 million related to certain post-closing obligations from the sale of two hotel properties, which is included in accounts payable and other liabilities in the accompanying consolidated balance sheet. During the years ended December 31, 2018 and 2017, the Company satisfied the remaining post-closing obligations from the sale of the two hotel properties and recognized an additional gain on sale of $0.7 million and $9.6 million, respectively.

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

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

Investment in Loan

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

Table of Contents

8. Revenue

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

	For the year ended December 31, 2018			
	Room Revenue	Food and Beverage Revenue	Other Revenue	Total Revenue
Northern California	$233,394	$20,872	$7,572	$261,838
South Florida	133,527	20,547	7,272	161,346
Southern California	129,634	16,662	8,846	155,142
New York City	133,728	16,633	4,197	154,558
Austin	84,183	9,382	3,662	97,227
Chicago	73,497	13,106	2,029	88,632
Denver	69,603	12,596	1,291	83,490
Washington, DC	66,130	2,460	2,370	70,960
Houston	61,811	3,789	4,337	69,937
Tampa	38,169	17,296	9,108	64,573
Other	449,371	72,175	31,975	553,521
Total	$1,473,047	$205,518	$82,659	$1,761,224

	For the year ended December 31, 2017			
	Room Revenue	Food and Beverage Revenue	Other Revenue	Total Revenue
Northern California	$143,717	$11,064	$3,902	$158,683
South Florida	97,734	14,924	4,890	117,548
New York City	101,544	9,143	3,120	113,807
Austin	81,370	9,007	2,894	93,271
Southern California	77,617	8,693	4,132	90,442
Denver	72,781	13,185	1,441	87,407
Chicago	70,119	13,575	1,684	85,378
Washington, DC	68,795	3,208	2,449	74,452
Houston	58,333	3,033	3,140	64,506
Louisville	43,654	14,890	2,428	60,972
Other	331,218	56,950	21,627	409,795
Total	$1,146,882	$157,672	$51,707	$1,356,261

Table of Contents

	For the year ended December 31, 2016			
	Room Revenue	Food and Beverage Revenue	Other Revenue	Total Revenue
New York City	$132,872	$5,075	$3,489	$141,436
Northern California	99,535	4,967	2,059	106,561
South Florida	80,309	12,924	4,391	97,624
Austin	81,036	8,957	2,711	92,704
Chicago	74,605	13,382	1,807	89,794
Denver	72,119	13,005	1,377	86,501
Washington, DC	66,650	3,044	2,315	72,009
Louisville	46,378	16,092	2,784	65,254
Southern California	56,060	4,191	1,784	62,035
Houston	52,989	3,051	2,916	58,956
Other	248,084	27,003	12,034	287,121
Total	$1,010,637	$111,691	$37,667	$1,159,995

9. Debt

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

	December 31, 2018	December 31, 2017
Senior Notes	$505,322	$1,062,716
Revolver and Term Loans, net	1,169,165	1,170,954
Mortgage loans, net	528,189	646,818
Debt, net	$2,202,676	$2,880,488

Senior Notes

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

	Number of Assets Encumbered	Interest Rate	Maturity Date	Outstanding Borrowings at December 31, 2018	December 31, 2017
Senior secured notes (1) (2) (3)	—	5.63%	—	$—	$ 552,669
Senior unsecured notes (1) (2) (4)	—	6.00%	June 2025	505,322	510,047
Total Senior Notes				$505,322	$ 1,062,716

(1) Requires payments of interest only through maturity.

(2) The senior secured notes include $28.7 million at December 31, 2017, and the senior unsecured notes include $30.3 million and $35.1 million at December 31, 2018 and 2017, respectively, related to fair value adjustments on the Senior Notes that were assumed in the Mergers.

(3) On March 9, 2018, the Company completed the early redemption of the senior secured notes in full for an aggregate amount of approximately $539.0 million, which included the redemption price of 102.813% for the outstanding principal amount. The Company recognized a gain of approximately $7.7 million on the early

redemption, which is included in gain on extinguishment of indebtedness, net in the accompanying consolidated statements of operations and comprehensive income. The gain on extinguishment of indebtedness excludes $5.1 million related to two hotel properties that were sold during the year ended December 31, 2018 that is included in gain on sale of hotel properties, net in the accompanying consolidated statement of operations and comprehensive income.

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

The Senior Notes contain certain financial covenants relating to the Company's total leverage ratio, secured leverage ratio, and interest coverage ratio. If an event of default exists, the Company is not permitted to (i) incur additional indebtedness, except to refinance maturing debt with replacement debt, as defined under our indentures; (ii) pay dividends in excess of the

minimum distributions required to qualify as a REIT; (iii) repurchase capital stock; or (iv) merge. As of December 31, 2018 and 2017, the Company was in compliance with all financial covenants.

The indenture governing the senior unsecured notes places a limitation on the Company's ability to sell hotel properties that were acquired in the Mergers. As a result of the Company's sale of certain hotel properties during the year ended December 31, 2018, the Company will need to take certain actions in order to comply with the applicable covenant in the indenture. The applicable covenant will require the Company to, within the 24-month period specified in the indenture, either (i) pay down senior indebtedness of FelCor LP, (ii) acquire new hotel properties, or (iii) consummate a tender offer for an aggregate principal amount of the senior unsecured notes equal to the amount of Excess Proceeds (as defined in the indenture) from the hotel property sales in 2018. The Company plans to comply with the applicable covenant by conducting a tender offer for at least the required principal amount of the senior unsecured notes at a purchase price of at least 100% of the principal amount of such notes during the year ended December 31, 2019.

Revolver and Term Loans

The Company has the following unsecured credit agreements in place:

- $600.0 million revolving credit facility with a scheduled maturity date of April 22, 2020 with a one-year extension option if certain conditions are satisfied (the "Revolver");

- $400.0 million term loan with a scheduled maturity date of April 22, 2021 (the "$400 Million Term Loan Maturing 2021");

- $150.0 million term loan with a scheduled maturity date of January 22, 2022 (the "$150 Million Term Loan Maturing 2022");

- $400.0 million term loan with a scheduled maturity date of January 25, 2023 (the "$400 Million Term Loan Maturing 2023"). This term loan was referred to as the $400 Million Term Loan Maturing 2019 in previous periodic filings; and

- $225.0 million term loan with a scheduled maturity date of January 25, 2023 (the "$225 Million Term Loan Maturing 2023"). This term loan was referred to as the $225 Million Term Loan Maturing 2019 in previous periodic filings.

The $400 Million Term Loan Maturing 2021, the $150 Million Term Loan Maturing 2022, the $400 Million Term Loan Maturing 2023, and the $225 Million Term Loan Maturing 2023 are collectively the "Term Loans". The credit agreements contain certain financial covenants relating to the Company's maximum leverage ratio, minimum fixed charge coverage ratio, minimum tangible net worth, and maximum secured indebtedness. If an event of default exists, the Company is not permitted to make distributions to shareholders, other than those required to qualify for and maintain REIT status. As of December 31, 2018 and 2017, the Company was in compliance with all financial covenants.

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

F-26

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

	Interest Rate at December 31, 2018 (1)	Maturity Date	Outstanding Borrowings at December 31, 2018	December 31, 2017
Revolver (2)	4.00%	April 2020	$—	$—
$400 Million Term Loan Maturing 2021	3.11%	April 2021	400,000	400,000
$150 Million Term Loan Maturing 2022	3.08%	January 2022	150,000	150,000
$400 Million Term Loan Maturing 2023	3.22%	January 2023	400,000	400,000
$225 Million Term Loan Maturing 2023	3.44%	January 2023	225,000	225,000
			1,175,000	1,175,000
Deferred financing costs, net (3)			(5,835)	(4,046)
Total Revolver and Term Loans, net			$1,169,165	$1,170,954

(1) Interest rate at December 31, 2018 gives effect to interest rate hedges.

(2) At both December 31, 2018 and 2017, there was $600.0 million of borrowing capacity on the Revolver. The Company has the ability to further increase the borrowing capacity to $750.0 million, subject to certain lender requirements.

(3) Excludes $1.5 million and $2.6 million as of December 31, 2018 and 2017, respectively, related to deferred financing costs on the Revolver, which are included in prepaid expense and other assets in the accompanying consolidated balance sheets.

Mortgage Loans

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

	Number of Assets Encumbered	Interest Rate at December 31, 2018 (1)	Maturity Date		Principal balance at December 31, 2018	December 31, 2017
Mortgage loan (5)	4	4.05%	March 2019	(3)	$140,250	$ 143,250
Mortgage loan (2)	4	4.09%	October 2019	(4)	150,000	150,000
Mortgage loan (2) (6)	5	4.60%	March 2021	(7)	85,000	85,000
Mortgage loan (8)	1	5.25%	June 2022		32,066	32,882
Mortgage loan (9)	3	4.95%	October 2022		91,737	120,893
Mortgage loan (10)	1	4.94%	October 2022		29,569	30,323
Mortgage loan (2) (11)	—	—	—	(12)	—	85,404
	18				528,622	647,752
Deferred financing costs, net					(433)	(934)

Total mortgage loans, net	$528,189	$ 646,818

(1) Interest rate at December 31, 2018 gives effect to interest rate hedges.
(2) Requires payments of interest only through maturity.
(3) In March 2018, the Company extended the maturity date for a one-year term. The maturity date may be extended for three additional one-year terms at the Company’s option, subject to certain lender requirements.
(4) In October 2018, the Company extended the maturity date for a one-year term. The maturity date may be extended for two additional one-year terms at the Company's option, subject to certain lender requirements.
(5) Two of the four hotels encumbered by the mortgage loan are cross-collateralized.
(6) The five hotels encumbered by the mortgage loan are cross-collateralized.
(7) The maturity date may be extended for two one-year terms at the Company’s option, subject to certain lender requirements.
(8) Includes $0.6 million and $0.8 million at December 31, 2018 and 2017, respectively, related to a fair value adjustment on the mortgage loan that was assumed in conjunction with an acquisition.
(9) Includes $1.9 million and $3.0 million at December 31, 2018 and 2017, respectively, related to fair value adjustments on the mortgage loans that were assumed in the Mergers.
(10) Includes $0.6 million and $0.7 million at December 31, 2018 and 2017, respectively, related to a fair value adjustment on the mortgage loan that was assumed in the Mergers.
(11) Includes $0.4 million at December 31, 2017 related to a fair value adjustment on the mortgage loan that was assumed in the Mergers.
(12) On November 5, 2018, the Company paid off the mortgage loan in full.

Table of Contents

Certain mortgage agreements are subject to customary financial covenants. The Company was in compliance with all financial covenants at December 31, 2018 and 2017.

Interest Expense

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

	For the year ended December 31,		
	2018	2017	2016
Senior Notes	$28,428	$15,918	$—
Revolver and Term Loans	43,458	39,262	38,849
Mortgage loans	26,253	19,643	16,006
Amortization of deferred financing costs	3,504	3,499	3,965
Total interest expense	$101,643	$78,322	$58,820

Future Minimum Principal Payments

As of December 31, 2018, the future minimum principal payments were as follows (in thousands):

2019	$293,217
2020	3,361
2021	488,557
2022	290,386
2023	625,000
Thereafter	475,000
Total (1)	$2,175,521

(1) Excludes a total of $33.4 million related to fair value adjustments on debt.

Table of Contents

10. Derivatives and Hedging

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

Hedge type	Interest rate	Maturity	Notional value at December 31, 2018	Notional value at December 31, 2017	Fair value at December 31, 2018	Fair value at December 31, 2017
Swap-cash flow	1.56%	March 2018	—	175,000	—	(38)
Swap-cash flow	1.64%	March 2018	—	175,000	—	(71)
Swap-cash flow	1.83%	September 2018	—	15,758	—	(23)
Swap-cash flow	1.75%	September 2018	—	15,758	—	(14)
Swap-cash flow	1.83%	September 2018	—	38,678	—	(57)
Swap-cash flow	1.75%	September 2018	—	39,632	—	(35)
Swap-cash flow	1.83%	September 2018	—	17,190	—	(25)
Swap-cash flow	1.75%	September 2018	—	16,235	—	(14)
Swap-cash flow	2.02%	March 2019	125,000	125,000	148	(383)
Swap-cash flow	1.94%	March 2019	100,000	100,000	136	(213)
Swap-cash flow	1.27%	March 2019	125,000	125,000	447	836
Swap-cash flow	1.96%	March 2019	100,000	100,000	153	(230)
Swap-cash flow	1.85%	March 2019	50,000	50,000	93	(43)
Swap-cash flow	1.81%	March 2019	50,000	50,000	99	(19)
Swap-cash flow	1.74%	March 2019	25,000	25,000	54	13
Swap-cash flow	1.80%	September 2020	30,855	33,000	370	202
Swap-cash flow	1.80%	September 2020	76,670	82,000	919	502
Swap-cash flow	1.80%	September 2020	32,725	35,000	392	214
Swap-cash flow	1.81%	October 2020	143,000	143,000	1,808	803
Swap-cash flow	1.15%	April 2021	100,000	100,000	3,072	2,880
Swap-cash flow	1.20%		100,000	100,000	2,955	2,726

		April 2021				
Swap-cash flow	2.15%	April 2021	75,000	75,000	539	(144)
Swap-cash flow	1.91%	April 2021	75,000	75,000	967	415
Swap-cash flow	1.61%	June 2021	50,000	50,000	1,057	769
Swap-cash flow	1.56%	June 2021	50,000	50,000	1,129	869
Swap-cash flow	1.71%	June 2021	50,000	50,000	934	598
Swap-cash flow (1)	2.29%	December 2022	200,000	200,000	938	(413)
Swap-cash flow (1)	2.29%	December 2022	125,000	125,000	607	(259)
Swap-cash flow (1)	2.38%	December 2022	200,000	—	259	—
Swap-cash flow (1)	2.38%	December 2022	100,000	—	139	—
Swap-cash flow (2)	2.75%	November 2023	100,000	—	(1,020)	—
			$2,083,250	$ 2,186,251	$16,195	$ 8,846

(1) Effective between the maturity of the existing swaps in March 2019 and December 2022.
(2) Effective in November 2020.

As of December 31, 2018 and 2017, the aggregate fair value of the interest rate swap assets of $17.2 million and $10.8 million, respectively, was included in prepaid expense and other assets in the accompanying consolidated balance sheets. As of December 31, 2018 and 2017, the aggregate fair value of the interest rate swap liabilities of $1.0 million and $2.0 million, respectively, was included in accounts payable and other liabilities in the accompanying consolidated balance sheets.

As of December 31, 2018 and 2017, there was approximately $16.2 million and $8.8 million, respectively, of unrealized gains included in accumulated other comprehensive income related to interest rate hedges that are effective in offsetting the variable cash flows. There was no ineffectiveness recorded on the designated hedges during the years ended December 31,

F-29

Table of Contents

2018 and 2017. For the year ended December 31, 2018, approximately $3.7 million of the amounts included in accumulated other comprehensive income were reclassified into interest expense. For the year ended December 31, 2017, approximately $7.4 million of the amounts included in accumulated other comprehensive loss were reclassified into interest expense. Approximately $8.9 million of the unrealized gains included in accumulated other comprehensive income at December 31, 2018 is expected to be reclassified into interest expense within the next 12 months.

11. Fair Value

Fair Value Measurement

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

- Level 1 — Inputs include quoted market prices in an active market for identical assets or liabilities.

- Level 2 — Inputs are market data, other than Level 1, that are observable either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data.

- Level 3 — Inputs are unobservable and corroborated by little or no market data.

Fair Value of Financial Instruments

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

- Cash and cash equivalents, restricted cash reserves, hotel and other receivables, accounts payable and other liabilities — The carrying amounts reported in the consolidated balance sheets for these financial instruments approximate fair value because of their short term maturities.

- Debt — The Company estimated the fair value of the Senior Notes by using publicly available trading prices, market interest rates, and spreads for the Senior Notes, which are Level 2 and Level 3 inputs in the fair value hierarchy. The Company estimated the fair value of the Revolver and Term Loans by using a discounted cash flow model and incorporating various inputs and assumptions for the effective borrowing rates for debt with similar terms, which are Level 3 inputs in the fair value hierarchy. The Company estimated the fair value of the mortgage loans using a discounted cash flow model and incorporating various inputs and assumptions for the effective borrowing rates for debt with similar terms and the loan to estimated fair value of the collateral, which are Level 3 inputs in the fair value hierarchy.

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

	December 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Notes	$505,322	$492,554	$1,062,716	$1,038,892
Revolver and Term Loans, net	1,169,165	1,175,000	1,170,954	1,179,052
Mortgage loans, net	528,189	528,404	646,818	643,078

Debt, net	$2,202,676	$2,195,958	$2,880,488	$2,861,022

F-30

Table of Contents

Recurring Fair Value Measurements

The following table presents the Company's fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 (in thousands):

	Fair Value at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Interest rate swap asset	$ —	$ 17,215	$ —	$ 17,215
Interest rate swap liability	—	(1,020)	—	(1,020)
Total	$ —	$ 16,195	$ —	$ 16,195

The following table presents the Company's fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 (in thousands):

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

The fair values of the derivative financial instruments are determined using widely accepted valuation techniques including a discounted cash flow analysis on the expected cash flows for each derivative. The Company determined that the significant inputs, such as interest yield curves and discount rates, used to value its derivatives fall within Level 2 of the fair value hierarchy and that the credit valuation adjustments associated with the Company's counterparties and its own credit risk utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. As of December 31, 2018, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

12. Commitments and Contingencies

Ground Leases

As of December 31, 2018, 14 of our hotel properties were subject to ground lease agreements that cover the land underlying the respective hotels. The total ground rent expense was $22.3 million, $11.1 million and $5.4 million for the years ended December 31, 2018, 2017 and 2016, respectively, which is included in property tax, insurance and other in the accompanying consolidated statements of operations and comprehensive income.

The Residence Inn Chicago Oak Brook is subject to a ground lease with an initial term expiring in 2100. After the initial term, the Company may extend the ground lease for an additional term of 99 years. The ground rent expense was de minimis for each of the years ended December 31, 2018, 2017 and 2016, respectively.

The Marriott Louisville Downtown is subject to a ground lease with an initial term expiring in 2053. After the initial term, the ground lease may be extended for up to four additional twenty-five year terms at the Company's option. The ground rent expense was de minimis for each of the years ended December 31, 2018, 2017 and 2016, respectively.

The Courtyard Austin Downtown Convention Center and Residence Inn Austin Downtown Convention Center are subject to a ground lease with a term expiring in 2100. The ground rent expense was $0.9 million, $0.9 million and $0.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The Hilton Garden Inn Bloomington is subject to a ground lease with an initial term expiring in 2053. After the initial term, the ground lease automatically extends for up to five additional ten-year terms unless certain conditions are met. The ground rent expense was de minimis for each of the years ended December 31, 2018, 2017 and 2016, respectively. In addition, the Hilton Garden Inn Bloomington is subject to an agreement to lease parking spaces with an initial term expiring in 2033.

Table of Contents

The agreement to lease parking spaces may be extended if certain events occur. The ground rent expense was de minimis for each of the years ended December 31, 2018, 2017 and 2016, respectively.

A portion of the site of the Courtyard Charleston Historic District is subject to a ground lease with a term expiring in 2096. The ground rent expense was $1.0 million for each of the years ended December 31, 2018, 2017 and 2016, respectively.

The Courtyard Waikiki Beach is subject to a ground lease with a term expiring in 2112. The ground rent expense was $3.5 million for each of the years ended December 31, 2018 and 2017 and $3.4 million for the year ended December 31, 2016.

A portion of the site of the Residence Inn Palo Alto Los Altos is subject to a ground lease with a term expiring in 2033. The ground rent expense was $0.1 million for each of the years ended December 31, 2018, 2017 and 2016.

The DoubleTree Suites by Hilton Orlando Lake Buena Vista is subject to a ground lease with an initial term expiring in 2032. After the initial term, the Company may extend the ground lease for an additional term of 25 years to 2057. The ground rent expense was $0.8 million and $0.2 million for the years ended December 31, 2018 and 2017, respectively.

The Embassy Suites San Francisco Airport Waterfront is subject to a ground lease with a term expiring in 2059. The ground rent expense was $2.3 million and $0.7 million for the years ended December 31, 2018 and 2017, respectively.

The DoubleTree by Hilton Burlington Vermont was subject to an agreement to lease parking spaces with a term expiring in 2051. The ground rent expense was $0.1 million for each of the years ended December 31, 2018 and 2017. The Company sold the DoubleTree by Hilton Burlington Vermont on September 27, 2018.

The Vinoy Renaissance St. Petersburg Resort & Golf Club was subject to three ground leases on the hotel property. The hotel was subject to a ground lease with a term expiring in 2090. The golf course was subject to a ground lease with a term expiring in 2090. The marina was subject to a ground lease with a term expiring in 2088. The ground rent expense was $1.9 million and $1.0 million for the years ended December 31, 2018 and 2017, respectively. The Company sold The Vinoy Renaissance St. Petersburg Resort & Golf Club on August 28, 2018.

The Wyndham Boston Beacon Hill is subject to a ground lease with a term expiring in 2028. The ground rent expense was $0.9 million and $0.3 million for the years ended December 31, 2018 and 2017, respectively.

The Wyndham New Orleans French Quarter is subject to a ground lease with a term expiring in 2065. The ground rent expense was $0.5 million and $0.1 million for the years ended December 31, 2018 and 2017, respectively.

The Wyndham Pittsburgh University Center is subject to a ground lease with an initial term expiring in 2038. After the initial term, the Company may extend the ground lease for up to five additional nine-year renewal terms to 2083. The ground rent expense was $0.8 million and $0.1 million for the years ended December 31, 2018 and 2017, respectively.

The Wyndham San Diego Bayside is subject to a ground lease with a term expiring in 2029. In addition, the Wyndham San Diego Bayside is subject to an agreement to lease parking spaces with a term expiring in 2018. The ground rent expense was $4.8 million and $1.5 million for the years ended December 31, 2018 and 2017, respectively.

The Holiday Inn San Francisco Fisherman's Wharf was subject to two ground leases that expired in 2018. The ground rent expense was $4.6 million and $1.6 million for the years ended December 31, 2018 and 2017, respectively. The Company sold the Holiday Inn San Francisco Fisherman's Wharf on October 15, 2018.

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

As of December 31, 2018, the future minimum ground lease payments were as follows (in thousands):

	2019	2020	2021	2022	2023	Thereafter	Total
Future minimum ground lease payments	$9,013	$9,023	$9,034	$9,058	$9,107	$533,789	$579,024

Table of Contents

Restricted Cash Reserves

The Company is obligated to maintain cash reserve funds for future capital expenditures at the hotels (including the periodic replacement or refurbishment of FF&E) as determined pursuant to the management agreements, franchise agreements and/or mortgage loan documents. The management agreements, franchise agreements and/or mortgage loan documents require the Company to reserve cash ranging typically from 3.0% to 5.0% of the individual hotel’s revenues. Any unexpended amounts will remain the property of the Company upon termination of the management agreements, franchise agreements or mortgage loan documents. As of December 31, 2018 and 2017, approximately $64.7 million and $72.6 million, respectively, was available in the restricted cash reserves for future capital expenditures, real estate taxes and insurance.

Litigation

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

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

Based on the current assessment of the claim, resolution of this matter may not occur until 2022. The Company plans to vigorously defend the underlying claims and, if appropriate, IHG’s demand for indemnification.

Management Agreements

As of December 31, 2018, 150 of the Company's hotel properties were operated pursuant to long-term management agreements with initial terms ranging from 3 to 25 years, with 16 different management companies as noted in the table below. This number includes 41 hotel properties that receive the benefits of a franchise agreement pursuant to management agreements with Hilton, Hyatt, Marriott, or Wyndham.

Management Company	Number of Hotel Properties
Aimbridge Hospitality	4
Concord Hospitality Enterprises Company	1
Crestline Hotels and Resorts	1
Davidson Hotels and Resorts	1
Hilton Management and affiliates	21
HEI Hotels and Resorts	1
Highgate Hotels	5
Hyatt Corporation and affiliates	11
Interstate Hotels & Resorts	72
InnVentures	3
K Partners Hospitality Group	1

Marriott International, Inc.	5
Sage Hospitality	4
Urgo Hotels	3
White Lodging Services	9
Wyndham	8
	150

Table of Contents

Each management company receives a base management fee generally between 3.0% and 3.5% of hotel revenues. Management agreements that include the benefits of a franchise agreement incur a base management fee generally between 3.0% and 7.0% of hotel revenues. The management companies are also eligible to receive an incentive management fee if hotel operating income, as defined in the management agreements, exceeds certain thresholds. The incentive management fee is generally calculated as a percentage of hotel operating income after the Company has received a priority return on its investment in the hotel.

The Wyndham management agreements guarantee minimum levels of annual net operating income at each of the Wyndham-managed hotels for each year of the initial 10-year term to 2023, subject to an aggregate $100.0 million limit over the term and an annual $21.5 million limit. The Company recognizes the net operating income guaranties as a reduction of Wyndham's contractual management and other fees.

Management fees are included in management and franchise fee expense in the accompanying consolidated statements of operations and comprehensive income. For the years ended December 31, 2018, 2017 and 2016, the Company incurred management fee expense, including amortization of deferred management fees, of approximately $57.3 million, $48.9 million and $44.3 million, respectively.

On January 24, 2018, Interstate Hotels & Resorts ("Interstate") acquired 62 of the Company's management agreements from White Lodging Services ("WLS"). The terms of the original WLS management agreements remained in effect.

Franchise Agreements

As of December 31, 2018, 108 of the Company's hotel properties were operated under franchise agreements with initial terms ranging from 10 to 30 years. This number excludes 41 hotel properties that receive the benefits of a franchise agreement pursuant to management agreements with Hilton, Hyatt, Marriott, or Wyndham. In addition, The Knickerbocker is not operated with a hotel brand so the hotel does not have a franchise agreement. Franchise agreements allow the hotel properties to operate under the respective brands. Pursuant to the franchise agreements, the Company pays a royalty fee, generally between 4.0% and 6.0% of room revenue, plus additional fees for marketing, central reservation systems and other franchisor costs generally between 1.0% and 4.3% of room revenue. Certain hotels are also charged a royalty fee of generally 3.0% of food and beverage revenues.

Franchise fees are included in management and franchise fee expense in the accompanying consolidated statements of operations and comprehensive income. For the years ended December 31, 2018, 2017 and 2016, the Company incurred franchise fee expense of approximately $80.8 million, $73.7 million and $73.9 million, respectively.

13. Equity

Common Shares of Beneficial Interest

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

In 2015, the Company's board of trustees authorized a share repurchase program to acquire up to $400.0 million of Common Shares through December 31, 2016. During the year ended December 31, 2016, the Company repurchased and retired 610,607 Common Shares for approximately $13.3 million.

On February 17, 2017, the Company's board of trustees increased the authorized amount that may be repurchased by $40.0 million to a total of $440.0 million. During the year ended December 31, 2017, the Company repurchased and retired 122,508 Common Shares for approximately $2.6 million.

On February 16, 2018, the Company's board of trustees extended the duration of the share repurchase program to February 28, 2019. During the year ended December 31, 2018, the Company repurchased and retired 1,162,557 Common Shares for approximately $21.8 million. As of December 31, 2018, the share repurchase program had a remaining capacity of $177.1 million.

On February 15, 2019, the Company's board of trustees approved a new share repurchase program to acquire up to $250.0 million of Common Shares from March 1, 2019 to February 28, 2020.

As a result of the REIT Merger, on August 31, 2017, the Company issued 50.4 million Common Shares at a price of $20.18 per share to former FelCor common stockholders as consideration in the REIT Merger.

Table of Contents

During each of the years ended December 31, 2018, 2017 and 2016, the Company declared a cash dividend of $1.32 per Common Share.

Preferred Shares of Beneficial Interest

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

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

During the years ended December 31, 2018 and 2017, the Company declared a cash dividend of $1.95 and $0.975, respectively, on each Series A Preferred Share.

Noncontrolling Interest in Consolidated Joint Ventures

The Company consolidates the joint venture that owns the DoubleTree Metropolitan Hotel New York City hotel property, which has a third-party partner that owns a noncontrolling 1.7% ownership interest in the joint venture. In addition, the Company consolidates the joint venture that owns The Knickerbocker hotel property, which has a third-party partner that owns a noncontrolling 5% ownership interest in the joint venture. Lastly, the Company owns a controlling financial interest in the operating lessee of the Embassy Suites Secaucus Meadowlands hotel property, which has a third-party partner that owns a noncontrolling 49% ownership interest in the joint venture. The third-party ownership interests are included in the noncontrolling interest in consolidated joint ventures on the consolidated balance sheets.

Noncontrolling Interest in the Operating Partnership

The Company consolidates the Operating Partnership, which is a majority-owned limited partnership that has a noncontrolling interest. As of December 31, 2018, the Operating Partnership had 174,792,809 OP units outstanding, of which 99.6% of the outstanding OP units were owned by the Company and its subsidiaries, and the noncontrolling 0.4% ownership interest was owned by other limited partners.

As of December 31, 2018, the limited partners owned 773,193 OP units. The outstanding OP units held by the limited partners are redeemable for cash, or at the option of the Company, for a like number of Common Shares. The noncontrolling interest is included in the noncontrolling interest in the Operating Partnership on the consolidated balance sheets.

As a result of the Partnership Merger, on August 31, 2017, the Operating Partnership issued 215,152 OP units at a price of $20.18 per unit, to former FelCor LP limited partners as consideration in the Partnership Merger. During the year ended December 31, 2016, the Company issued 335,250 Common Shares in exchange for redeemed units.

Consolidated Joint Venture Preferred Equity

The Company's joint venture that redeveloped The Knickerbocker raised $45.0 million ($44.4 million net of issuance costs) through the sale of redeemable preferred equity under the EB-5 Immigrant Investor Program. The purchasers received a 3.25% annual return, plus a 0.25% non-compounding annual return that was paid upon redemption. The preferred equity raised by the joint venture is included in preferred equity in a consolidated joint venture on the consolidated balance sheets. On February 15, 2019, the Company redeemed the preferred equity in full.

Table of Contents

14. Equity Incentive Plan

On May 1, 2015, the Company's shareholders approved the RLJ Lodging Trust 2015 Equity Incentive Plan (the "2015 Plan"), which constitutes an amendment and restatement of the RLJ Lodging Trust 2011 Equity Incentive Plan (the "2011 Plan"), including an increase in the total number of available shares under the 2015 Plan by 2,500,000 shares and changes to certain other terms of the 2011 Plan. The Company may issue share-based awards to officers, employees, non-employee trustees and other eligible persons under the 2015 Plan. The 2015 Plan provides for a maximum of 7,500,000 Common Shares to be issued in the form of share options, share appreciation rights, restricted share awards, unrestricted share awards, share units, dividend equivalent rights, long-term incentive units, other equity-based awards and cash bonus awards.

Share Awards

From time to time, the Company may award unvested restricted shares under the 2015 Plan as compensation to officers, employees and non-employee trustees. The issued shares vest over a period of time as determined by the board of trustees at the date of grant. The Company recognizes compensation expense for time-based unvested restricted shares on a straight-line basis over the vesting period based upon the fair market value of the shares on the date of issuance, adjusted for forfeitures.

Non-employee trustees may also elect to receive unrestricted shares under the 2015 Plan as compensation that would otherwise be paid in cash for their services. The shares issued to non-employee trustees in lieu of cash compensation are unrestricted and include no vesting conditions. The Company recognizes compensation expense for the unrestricted shares issued in lieu of cash compensation on the date of issuance based upon the fair market value of the shares on that date.

A summary of the unvested restricted shares is as follows:

	2018		2017		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
Unvested at January 1,	700,325	$ 22.88	649,447	$ 23.00	540,885	$ 26.73
Granted (1)	592,673	21.42	425,076	23.15	675,375	20.59
Vested (1)	(438,881)	22.92	(363,160)	23.41	(272,780)	23.66
Forfeited	(113,325)	21.58	(11,038)	23.24	(294,033)	23.70
Unvested at December 31,	740,792	$ 21.89	700,325	$ 22.88	649,447	$ 23.00

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

For the years ended December 31, 2018, 2017 and 2016, the Company recognized approximately $10.2 million, $8.9 million and $6.9 million, respectively, of share-based compensation expense related to restricted share awards. The share-based compensation expense for the year ended December 31, 2018 includes the accelerated vesting of restricted share awards as a result of the Company's President and Chief Executive Officer retiring in August 2018. The share-based compensation expense for the year ended December 31, 2016 includes a benefit of $0.5 million as a result of the forfeiture of unvested restricted shares upon the resignation of the Company's former President and Chief Executive Officer in May 2016.

As of December 31, 2018, there was $13.8 million of total unrecognized compensation costs related to unvested restricted share awards and these costs are expected to be recognized over a weighted-average period of 2.3 years. The total fair value of the shares vested (calculated as the number of shares multiplied by the vesting date share price) during the years ended December 31, 2018, 2017 and 2016 was approximately $9.5 million, $7.7 million and $5.8 million, respectively.

Table of Contents

Performance Units

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

In May 2016, the Company awarded 280,000 performance units with a grant date fair value of $10.31 per unit to certain employees. The performance units vest over a four-year period, including three years of performance-based vesting (the “2016 performance units measurement period”) plus an additional one year of time-based vesting. These performance units may convert into restricted shares at a range of 25% to 150% of the number of performance units granted contingent upon the Company achieving an absolute total shareholder return and a relative total shareholder return over the measurement period at specified percentiles of the peer group, as defined by the award. If at the end of the 2016 performance units measurement period the target criterion is met, then 50% of the restricted shares will vest immediately. The remaining 50% will vest one year later. The award recipients will not be entitled to receive any dividends prior to the date of conversion. For any restricted shares issued upon conversion, the award recipient will be entitled to receive payment of an amount equal to all dividends that would have been paid if such restricted shares had been issued at the beginning of the 2016 performance units measurement period. The fair value of the performance units is determined using a Monte Carlo simulation with the following assumptions: a risk-free interest rate of 1.05%, volatility of 23.82%, and an expected term equal to the requisite service period for the awards. The Company estimated the compensation expense for the performance units on a straight line basis using a calculation that recognizes 50% of the grant date fair value over three years and 50% of the grant date fair value over four years.

In February 2017, the Company awarded 259,000 performance units with a grant date fair value of $14.93 per unit to certain employees. The performance units vest over a four-year period, including three years of performance-based vesting (the “2017 performance units measurement period”) plus an additional one year of time-based vesting. These performance units may convert into restricted shares at a range of 25% to 150% of the number of performance units granted contingent upon the Company achieving an absolute total shareholder return and a relative total shareholder return over the measurement period at specified percentiles of the peer group, as defined by the award. If at the end of the 2017 performance units measurement period the target criterion is met, then 50% of the restricted shares will vest immediately. The remaining 50% will vest one year later. The award recipients will not be entitled to receive any dividends prior to the date of conversion. For any restricted shares issued upon conversion, the award recipient will be entitled to receive payment of an amount equal to all dividends that would have been paid if such restricted shares had been issued at the beginning of the 2017 performance units measurement period. The fair value of the performance units is determined using a Monte Carlo simulation with the following assumptions: a risk-free interest rate of 1.57%, volatility of 25.73%, and an expected term equal to the requisite service period for the awards. The Company estimated the compensation expense for the performance units on a straight line basis using a calculation that recognizes 50% of the grant date fair value over three years and 50% of the grant date fair value over four years.

In February 2018, the Company awarded 264,000 performance units with a grant date fair value of $13.99 per unit to certain employees. The performance units vest over a four-year period, including three years of performance-based vesting (the "2018 performance units measurement period") plus an additional one year of time-based vesting. These performance units may convert into restricted shares at a range of 25% to 150% of the number of performance units granted contingent upon the Company achieving an absolute total shareholder return and a relative total shareholder

return over the measurement period at specified percentiles of the peer group, as defined by the award. If at the end of the 2018 performance units measurement period the target criterion is met, then 50% of the restricted shares will vest immediately. The remaining 50% will vest one year later. The award recipients will not be entitled to receive any dividends prior to the date of conversion. For any restricted shares issued upon conversion, the award recipient will be entitled to receive payment of an amount equal to all dividends that would have been paid if such restricted shares had been issued at the beginning of the 2018 performance units measurement period. The fair value of the performance units is determined using a Monte Carlo simulation with the following assumptions: a risk-free interest rate of 2.42%, volatility of 27.44%, and an expected term equal to the requisite service period for the awards. The Company estimated the compensation expense for the performance units on a straight-line basis using a calculation that recognizes 50% of the grant date fair value over three years and 50% of the grant date fair value over four years.

Table of Contents

For the years ended December 31, 2018 and 2017, the Company recognized approximately $2.1 million and $1.7 million, respectively, of share-based compensation expense related to the performance unit awards. For the year ended December 31, 2016, the Company recognized a share-based compensation benefit of approximately $0.9 million related to the performance unit awards, which included a benefit of $2.3 million as a result of the forfeiture of unvested restricted shares related to the conversion of the performance units upon the resignation of the Company's former President and Chief Executive Officer in May 2016.

As of December 31, 2018, there was $3.3 million of total unrecognized compensation costs related to the performance unit awards and these costs are expected to be recognized over a weighted-average period of 2.1 years. The total fair value of the vested restricted shares related to the conversion of the performance units (calculated as the number of restricted shares issued multiplied by the vesting date share price) during the year ended December 31, 2016 was approximately $6.7 million.

As of December 31, 2018, there were 2,981,156 Common Shares available for future grant under the 2015 Plan.

15. Earnings per Common Share

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

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

The limited partners’ outstanding OP Units (which may be redeemed for Common Shares under certain circumstances) have been excluded from the diluted earnings per share calculation as there was no effect on the amounts for the years ended December 31, 2018, 2017 and 2016, since the limited partners’ share of income would also be added back to net income attributable to common shareholders.

Table of Contents

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

	For the year ended December 31,		
	2018	2017	2016
Numerator:			
Net income attributable to RLJ	$ 188,643	$ 74,835	$ 200,352
Less: Preferred dividends	(25,115)	(8,372)	—
Less: Dividends paid on unvested restricted shares	(1,181)	(1,029)	(1,105)
Less: Undistributed earnings attributable to unvested restricted shares	—	—	(188)
Net income attributable to common shareholders excluding amounts attributable to unvested restricted shares	$ 162,347	$ 65,434	$ 199,059
Denominator:			
Weighted-average number of Common Shares - basic	174,225,130	140,616,838	123,651,003
Unvested restricted shares	91,275	77,211	228,004
Weighted-average number of Common Shares - diluted	174,316,405	140,694,049	123,879,007
Net income per share attributable to common shareholders - basic	$ 0.93	$ 0.47	$ 1.61
Net income per share attributable to common shareholders - diluted	$ 0.93	$ 0.47	$ 1.61

Table of Contents

16. Income Taxes

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

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "Tax Reform Act"). The legislation significantly changed U.S. tax law by, among other things, lowering corporate income tax rates, implementing limitations on net operating loss carryovers, and allowing dividend income from a REIT to be eligible for a 20% qualified business income deduction. The Tax Reform Act permanently reduced the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018.

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and for net operating loss, capital loss and tax credit carryforwards. The deferred tax assets and liabilities are measured using the enacted income tax rates in effect for the year in which those temporary differences are expected to be realized or settled. The effect on the deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the net rate is enacted. As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% under the Tax Reform Act, the Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse.

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

	For the Years Ended December 31,	
	2018	2017
Common distributions:		
Ordinary income	60.0 %	73.0 %
Return of capital	—	27.0 %
Capital gains	34.0 %	—
Qualified dividend	6.0 %	—
	100.0%	100.0%
Preferred distributions:		
Ordinary income	60.0 %	100.0%
Return of capital	—	—
Capital gains	34.0 %	—
Qualified dividend	6.0 %	—
	100.0%	100.0%

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

	For the Years Ended December 31,		
	2018	2017	2016

Current:			
Federal	$—	$(67)	$(76)
State	(2,209)	(2,304)	(1,113)
Deferred:			
Federal	(4,867)	(43,181)	(6,141)
State	(1,717)	3,434	(860)
Income tax expense	$(8,793)	$(42,118)	$(8,190)

F-40

Table of Contents

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

	For the Years Ended December 31,		
	2018	2017	2016
Expected U.S. federal tax expense at statutory rate	$(41,864)	$(41,593)	$(73,327)
Tax impact of REIT election	35,058	33,236	68,477
Expected tax expense at TRS	(6,806)	(8,357)	(4,850)
Change in valuation allowance	542	366	(1,254)
State income tax expense, net of federal	(1,463)	(1,388)	(1,520)
Impact of rate change	(51)	(31,667)	20
Other permanent items	(566)	(513)	(382)
Impact of provision to return/deferred adjustments	(449)	(559)	(204)
Income tax expense	$(8,793)	$(42,118)	$(8,190)

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

	For the Years Ended December 31,		
	2018	2017	2016
Statutory U.S. federal income tax rate	21.0 %	35.0 %	35.0 %
Impact of REIT election	(17.6)%	(28.0)%	(32.7)%
State and local income taxes	0.9 %	1.2 %	0.7 %
Change in valuation allowance	(0.3)%	(0.3)%	0.6 %
Impact of rate change	— %	26.6 %	— %
Other	0.6 %	0.9 %	0.3 %
Effective tax rate	4.6 %	35.4 %	3.9 %

Table of Contents

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

	December 31, 2018	December 31, 2017
Deferred tax liabilities:		
Prepaid expenses	$ (1,298)	$ (1,501)
Intangible assets	(1,468)	(3,597)
Deposits	—	(449)
Deferred tax liabilities	$ (2,766)	$ (5,547)
Deferred tax assets:		
Property and equipment	$ 2,639	$ 5,427
Incentive and vacation accrual	4,595	4,576
Deferred revenue - key money	1,037	1,095
Allowance for doubtful accounts	156	128
Partnership basis	573	918
Contingent liability	298	301
Other	1,077	357
Other carryforwards	—	184
Net operating loss carryforwards	57,248	64,546
Federal historic tax credit	824	824
Valuation allowance	(21,052)	(21,595)
Deferred tax assets	$ 47,395	$ 56,761

Deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on the consideration of all available evidence, including the future reversals of existing taxable temporary differences, future projected taxable income, and tax planning strategies. Valuation allowances are provided if, based upon the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company records a valuation allowance to reduce its deferred tax assets to the amount that is most likely to be utilized in future periods to offset taxable income. As of December 31, 2018 and 2017, the Company had a valuation allowance of approximately $21.1 million and $21.6 million, respectively, related to net operating loss ("NOL") carryforwards, historic tax credits, and other deferred tax assets of its TRSs. The Company considered all available evidence, both positive and negative, including cumulative income in recent years and its current forecast of future income in its analysis. While the Company believes its forecast of future income is reasonable, it is inherently uncertain. If the Company’s projections of future income are lower than expected, the Company may need to establish an additional valuation allowance.

The Company’s NOLs will begin to expire in 2024 for federal tax purposes and 2019 to 2032 for state tax purposes. Additionally, the annual utilization of these NOLs is limited pursuant to Section 382 of the Code. The Company's historic tax credits begin to expire in 2035. Additionally, the annual utilization of these tax credits is limited pursuant to Section 383 of the Code.

The Company is subject to examination by the U.S. Internal Revenue Service ("IRS") and various state and local jurisdictions. The tax years subject to examination vary by jurisdiction. With few exceptions, as of December 31, 2018, the Company is no longer subject to U.S. federal or state and local tax examinations by tax authorities for the tax years of 2014 and before.

The Company had no accruals for tax uncertainties as of December 31, 2018 and 2017.

17. Segment Information

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

Table of Contents

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

	For the year ended December 31,		
	2018	2017	2016
Reconciliation of cash, cash equivalents, and restricted cash reserves			
Cash and cash equivalents	$320,147	$586,470	$456,672
Restricted cash reserves	64,695	72,606	67,206
Cash, cash equivalents, and restricted cash reserves	$384,842	$659,076	$523,878
Interest paid	$114,280	$65,211	$56,294
Income taxes paid	$1,836	$1,176	$1,290
Supplemental investing and financing transactions			
In conjunction with the sale of hotel properties, the Company recorded the following:			
Sale of hotel properties	$530,850	$170,000	$301,540
Escrow related to certain post-closing obligations	1,000	14,000	(15,000)
Purchase option for land subject to a ground lease	(44,831)	—	—
Transaction costs	(10,668)	(4,564)	(16,693)
Operating prorations	(1,288)	843	(662)
Proceeds from the sale of hotel properties, net	$475,063	$180,279	$269,185
Supplemental non-cash transactions (1)			
Change in fair market value of designated interest rate swaps	$7,349	$13,748	$11,700
Accrued capital expenditures	$15,709	$14,138	$7,392
Distributions payable	$65,557	$65,284	$41,486
Redemption of OP Units	$—	$—	$4,325

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

19. Selected Quarterly Financial Data (unaudited)

The tables below set forth the Company's unaudited condensed consolidated quarterly financial data for the years ended December 31, 2018 and 2017 (in thousands, except share and per share data). In the opinion of management, all adjustments (consisting of normal recurring accruals) that are necessary for a fair presentation of the quarterly results have been reflected in the data. It is also management's opinion, however, that quarterly financial data for the hotel properties are not indicative of the financial results to be achieved in succeeding years or quarters. In order to obtain a more accurate indication of performance, one should review the financial and operating results, changes in shareholders' equity and cash flows for a period of several years.

Table of Contents

	For the year ended December 31, 2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	$429,593	$ 484,691	$ 447,042	$ 399,898
Net income	$23,894	$ 64,393	$ 74,657	$ 27,918
Net income attributable to common shareholders	$17,410	$ 57,435	$ 67,696	$ 20,987
Comprehensive income attributable to RLJ	$41,546	$ 70,650	$ 78,650	$ 5,146
Basic per share data (1):				
Net income attributable to common shareholders	$0.10	$ 0.33	$ 0.39	$ 0.12
Diluted per share data (1):				
Net income attributable to common shareholders	$0.10	$ 0.33	$ 0.39	$ 0.12
Basic weighted-average Common Shares outstanding	174,193,671	174,238,854	174,326,198	174,141,263
Diluted weighted-average Common Shares outstanding	174,268,815	174,364,547	174,479,341	174,194,141

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

	For the year ended December 31, 2017			
	First Quarter	Second Quarter	Third Quarter (2)	Fourth Quarter (2)
Total revenues	$260,232	$ 292,284	$ 341,255	$ 462,490
Net income	$21,777	$ 42,464	$ 4,111	$ 7,387
Net income attributable to common shareholders	$21,758	$ 42,246	$ 1,821	$ 638
Comprehensive income attributable to RLJ	$27,306	$ 40,531	$ 5,660	$ 15,086
Basic per share data (1):				
Net income attributable to common shareholders	$0.17	$ 0.34	$ 0.01	$ —
Diluted per share data (1):				
Net income attributable to common shareholders	$0.17	$ 0.34	$ 0.01	$ —
Basic weighted-average Common Shares outstanding	123,734,173	123,785,735	140,249,961	174,147,522
Diluted weighted-average Common Shares outstanding	123,841,400	123,871,762	140,307,269	174,210,578

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

(2) On August 31, 2017, the Company completed its merger with FelCor and acquired an ownership interest in 37 hotel properties. The increase in the quarterly financial data was a result of the financial impact related to the merger transaction. Refer to Note 3 for more information on the accounting for the business combination.

F-44

Table of Contents

RLJ Lodging Trust
Schedule III - Real Estate and Accumulated Depreciation
December 31, 2018
(amounts in thousands)

		Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2018					
Description	Debt	Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total (1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Marriott Austin South	$ —	$2,253	$ 16,522	$ 2,021	$2,253	$ 18,543	$20,796	$ 5,584	2006	15 - 40 years
Marriott Denver South @ Park Meadows	—	5,385	39,488	3,845	5,353	43,365	48,718	13,422	2006	15 - 40 years
Marriott Louisville Downtown	80,000	—	89,541	20,816	—	110,357	110,357	29,456	2006	15 - 40 years
Marriott Chicago Midway	—	4,464	32,736	2,260	4,496	34,964	39,460	10,986	2006	15 - 40 years
Renaissance Boulder Flatiron Hotel	—	4,440	32,557	3,085	4,719	35,363	40,082	10,807	2006	15 - 40 years
Renaissance Fort Lauderdale Plantation Hotel	—	4,842	35,517	2,775	4,876	38,258	43,134	11,556	2006	15 - 40 years
Courtyard Austin Northwest Arboretum	—	1,443	10,585	3,118	1,447	13,699	15,146	4,110	2006	15 - 40 years
Courtyard Austin South	—	1,530	11,222	1,549	1,553	12,748	14,301	4,035	2006	15 - 40 years
Courtyard Chicago Downtown Magnificent Mile	—	8,140	59,696	8,894	8,142	68,588	76,730	20,042	2006	15 - 40 years
Courtyard Denver West Golden	—	1,325	9,716	1,453	1,325	11,169	12,494	3,510	2006	15 - 40 years
Courtyard Chicago Southeast Hammond	—	1,038	7,616	1,965	1,080	9,539	10,619	2,894	2006	15 - 40 years
Courtyard Indianapolis @ The Capitol	—	2,482	18,207	2,369	2,482	20,576	23,058	5,985	2006	15 - 40 years
Courtyard Boulder Longmont	—	1,192	8,745	1,027	1,226	9,738	10,964	3,072	2006	15 - 40 years
Courtyard Boulder Louisville	—	1,640	12,025	1,457	1,642	13,480	15,122	4,306	2006	15 - 40 years

Courtyard Louisville Northeast	—	1,374	10,079	986	1,382	11,057	12,439	3,485	2006	15 - 40 years
Courtyard Midway Airport	—	2,172	15,927	2,595	2,197	18,497	20,694	6,339	2006	15 - 40 years
Courtyard South Bend Mishawaka	—	640	4,699	1,355	642	6,052	6,694	2,101	2006	15 - 40 years
Courtyard Salt Lake City Airport	—	2,333	17,110	1,410	2,333	18,520	20,853	5,626	2006	15 - 40 years
Courtyard Houston Sugarland	—	1,217	8,931	1,870	1,218	10,800	12,018	3,076	2006	15 - 40 years
Courtyard Fort Lauderdale SW Miramar	—	1,619	11,872	1,206	1,619	13,078	14,697	3,673	2007	15 - 40 years
Courtyard Austin Downtown Convention Center	46,728	6,049	44,361	4,476	6,049	48,837	54,886	12,794	2007	15 - 40 years
Courtyard Austin Airport	—	1,691	12,404	4,077	1,753	16,419	18,172	4,300	2007	15 - 40 years
Residence Inn Austin Northwest Arboretum	—	1,403	10,290	2,003	1,403	12,293	13,696	3,815	2006	15 - 40 years
Residence Inn Austin South	—	802	5,883	1,292	820	7,157	7,977	2,023	2006	15 - 40 years
Residence Inn Austin North Parmer Lane	—	1,483	10,872	1,776	1,483	12,648	14,131	3,672	2006	15 - 40 years
Residence Inn Indianapolis Fishers	—	998	7,322	1,026	1,048	8,298	9,346	2,511	2006	15 - 40 years
Residence Inn Denver West Golden	—	1,222	8,963	1,195	1,222	10,158	11,380	3,111	2006	15 - 40 years
Residence Inn Chicago Southeast Hammond	—	980	7,190	1,119	1,043	8,246	9,289	2,452	2006	15 - 40 years

Table of Contents

Description	Debt	Initial Costs: Land & Improvements	Initial Costs: Building & Improvements	Costs Capitalized Subsequent to Acquisition: Land, Building & Improvements	Gross Amount at December 31, 2018: Land & Improvements	Gross Amount at December 31, 2018: Buildings & Improvements	Gross Amount at December 31, 2018: Total (1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Residence Inn Houston By The Galleria	—	2,665	19,549	2,926	2,665	22,475	25,140	6,996	2006	15 - 40 years
Residence Inn Indianapolis Downtown On The Canal	—	2,670	19,588	2,191	2,670	21,779	24,449	6,618	2006	15 - 40 years
Residence Inn Longmont Boulder	—	1,407	10,321	796	1,407	11,117	12,524	3,367	2006	15 - 40 years
Residence Inn Boulder Louisville	—	1,298	9,519	1,011	1,298	10,530	11,828	3,288	2006	15 - 40 years
Residence Inn Louisville Northeast	—	1,319	9,675	1,207	1,325	10,876	12,201	3,324	2006	15 - 40 years
Residence Inn Merrillville	—	595	4,372	1,320	595	5,692	6,287	1,864	2006	15 - 40 years
Residence Inn Detroit Novi	—	1,427	10,445	2,117	1,666	12,323	13,989	3,710	2006	15 - 40 years
Residence Inn Chicago Oak Brook	—	—	20,436	1,199	—	21,635	21,635	6,549	2006	15 - 40 years
Residence Inn Fort Lauderdale Plantation	—	2,183	16,021	5,105	2,295	21,014	23,309	6,494	2006	15 - 40 years
Residence Inn Salt Lake City Airport	—	875	6,416	1,296	875	7,712	8,587	2,411	2006	15 - 40 years
Residence Inn San Antonio Downtown Market Square	—	1,822	13,360	2,305	1,822	15,665	17,487	4,913	2006	15 - 40 years
Residence Inn Houston Sugarland	—	1,100	8,073	2,841	1,100	10,914	12,014	3,108	2006	15 - 40 years
Residence Inn Chicago Naperville	—	1,923	14,101	841	1,923	14,942	16,865	4,744	2006	15 - 40 years
Residence Inn Louisville Downtown	—	1,815	13,308	905	1,815	14,213	16,028	4,134	2007	15 - 40 years
Residence Inn Fort Lauderdale SW Miramar	—	1,692	12,409	1,615	1,724	13,992	15,716	3,968	2007	15 - 40 years
Residence Inn Austin Downtown Convention Center	31,152	3,767	27,626	671	3,767	28,297	32,064	7,883	2007	15 - 40 years
SpringHill Suites Austin North Parmer Lane	—	1,957	14,351	620	1,957	14,971	16,928	4,589	2006	15 - 40 years
SpringHill Suites Austin South	—	1,605	11,768	2,040	1,624	13,789	15,413	4,199	2006	15 - 40 years
SpringHill Suites Louisville Hurstbourne North	—	1,890	13,869	1,743	1,890	15,612	17,502	4,720	2006	15 - 40 years
SpringHill Suites South Bend Mishawaka	—	983	7,217	1,276	983	8,493	9,476	2,611	2006	15 - 40 years
SpringHill Suites Denver North Westminster	—	2,409	17,670	1,293	2,409	18,963	21,372	5,962	2006	15 - 40 years
SpringHill Suites Boulder Longmont	—	1,144	8,388	742	1,144	9,130	10,274	2,753	2007	15 - 40 years
Fairfield Inn & Suites Austin South Airport	—	505	3,702	1,127	505	4,829	5,334	1,379	2006	15 - 40 years
Fairfield Inn & Suites Denver Cherry Creek	—	1,203	8,823	1,311	1,203	10,134	11,337	3,218	2006	15 - 40 years

Fairfield Inn & Suites Chicago SE Hammond	—	722	5,301	1,401	790	6,634	7,424	2,069	2006	15 - 40 years
Fairfield Inn & Suites Key West	—	1,803	19,325	3,364	1,853	22,639	24,492	6,833	2006	15 - 40 years
Fairfield Inn & Suites Chicago Midway Airport	—	1,425	10,449	1,965	1,446	12,393	13,839	3,718	2006	15 - 40 years

F-46

Table of Contents

		Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2018					
Description	Debt	Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total (1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Fairfield Inn & Suites San Antonio Downtown Market	—	1,378	10,105	1,633	1,378	11,738	13,116	3,438	2006	15 - 40 years
Hampton Inn Chicago Midway Airport	—	2,747	20,143	2,963	2,793	23,060	25,853	7,116	2006	15 - 40 years
Hilton Garden Inn Chicago Midway Airport	—	2,978	21,842	1,335	3,000	23,155	26,155	7,236	2006	15 - 40 years
Sleep Inn Midway Airport	—	1,189	8,718	1,702	1,210	10,399	11,609	3,459	2006	15 - 40 years
Holiday Inn Express & Suites Midway Airport	—	1,874	13,742	3,028	1,901	16,743	18,644	4,632	2006	15 - 40 years
Hilton Garden Inn Bloomington	17,500	—	18,945	1,293	—	20,238	20,238	5,042	2009	15 - 40 years
TGI Friday's Chicago Midway	—	829	6,139	654	851	6,771	7,622	2,064	2006	15 - 40 years
Hampton Inn & Suites Clearwater St Petersburg Ulmerton Road	—	1,106	12,721	1,166	1,146	13,847	14,993	4,015	2007	15 - 40 years
Hampton Inn Garden City	—	5,691	22,764	1,920	5,732	24,643	30,375	6,908	2007	15 - 40 years
Courtyard Houston By The Galleria	26,000	3,069	22,508	1,468	3,069	23,976	27,045	6,717	2007	15 - 40 years
Hampton Inn Fort Walton Beach	—	8,774	6,109	2,241	8,930	8,194	17,124	2,183	2007	15 - 40 years
Embassy Suites Los Angeles Downey	26,500	4,857	29,943	7,845	4,970	37,675	42,645	9,733	2008	15 - 40 years
Hyatt House Austin Arboretum	11,000	2,813	15,940	2,430	2,813	18,370	21,183	4,707	2008	15 - 40 years
Hyatt House Dallas Lincoln Park	18,000	3,169	17,958	3,933	3,350	21,710	25,060	5,249	2008	15 - 40 years
Hyatt House Dallas Uptown	16,500	2,241	12,698	3,242	2,322	15,859	18,181	3,897	2008	15 - 40 years
Hyatt House Houston Galleria	13,000	2,976	16,866	2,142	2,976	19,008	21,984	5,016	2008	15 - 40 years
Embassy Suites Tampa Downtown Convention Center	—	2,161	71,017	9,282	2,410	80,050	82,460	16,458	2010	15 - 40 years
Fairfield Inn & Suites Washington DC Downtown	—	16,214	22,265	5,644	16,447	27,676	44,123	7,059	2010	15 - 40 years
Embassy Suites Fort Myers Estero	—	2,816	7,862	1,687	2,889	9,476	12,365	2,393	2010	15 - 40 years
Homewood Suites Washington DC Downtown	30,855	23,139	34,188	4,786	23,139	38,974	62,113	8,161	2010	15 - 40 years
Hampton Inn & Suites Denver Tech Center	—	2,373	9,180	2,063	2,490	11,126	13,616	2,970	2010	15 - 40 years
Hotel Indigo New Orleans Garden District	—	1,901	3,865	11,920	2,082	15,604	17,686	5,346	2010	15 - 40 years
Residence Inn Columbia	—	1,993	11,487	1,989	2,069	13,400	15,469	3,308	2010	15 - 40 years
Residence Inn National Harbor Washington DC	—	7,457	37,046	2,069	7,480	39,092	46,572	8,022	2010	15 - 40 years
Residence Inn Silver Spring	—	3,945	18,896	1,308	3,989	20,160	24,149	4,751	2010	15 - 40 years
Hilton Garden Inn New Orleans Convention Center	—	3,405	20,750	8,672	3,479	29,348	32,827	6,140	2010	15 - 40 years
Hampton Inn West Palm Beach Airport Central	—	2,280	9,769	1,413	2,282	11,180	13,462	2,519	2010	15 - 40 years

F-47

Table of Contents

Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2018					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total (1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Hilton Garden Inn West Palm Beach Airport	—	1,206	10,811	1,505	1,215	12,307	13,522	2,662	2010	15 - 40 years
Hilton Garden Inn Los Angeles Hollywood	—	5,303	19,136	7,566	5,665	26,340	32,005	6,512	2010	15 - 40 years
DoubleTree Metropolitan Hotel New York City	—	140,332	188,014	22,259	140,495	210,110	350,605	44,950	2010	15 - 40 years
Renaissance Pittsburgh Hotel	—	3,274	39,934	8,195	3,396	48,007	51,403	9,535	2011	15 - 40 years
Courtyard Atlanta Buckhead	—	2,860	21,668	3,674	2,875	25,327	28,202	5,299	2011	15 - 40 years
Marriott Denver Airport @ Gateway Park	26,500	3,083	38,356	4,321	3,179	42,581	45,760	9,157	2011	15 - 40 years
Embassy Suites West Palm Beach Central	—	3,656	9,614	7,576	3,856	16,990	20,846	4,549	2011	15 - 40 years
Hilton Garden Inn Durham Raleigh Research Triangle Park	—	1,751	4,763	5,430	1,888	10,056	11,944	3,528	2011	15 - 40 years
Hilton Garden Inn Pittsburgh University Place	—	1,975	18,490	8,622	2,365	26,722	29,087	6,908	2011	15 - 40 years
Hampton Inn Houston Near The Galleria	—	9,326	9,220	2,062	9,395	11,213	20,608	2,622	2011	15 - 40 years
Courtyard Charleston Historic District	—	2,714	35,828	3,071	3,383	38,230	41,613	6,924	2011	15 - 40 years
Residence Inn Bethesda Downtown	31,581	8,154	52,749	5,405	8,287	58,021	66,308	10,000	2012	15 - 40 years
Courtyard New York Manhattan Upper East Side	—	20,655	60,222	6,510	20,696	66,691	87,387	11,490	2012	15 - 40 years
Hilton Garden Inn San Francisco Oakland Bay Bridge	—	11,903	22,757	3,607	12,026	26,241	38,267	4,526	2012	15 - 40 years
Embassy Suites Boston Waltham	—	6,268	56,024	3,990	6,354	59,928	66,282	10,031	2012	15 - 40 years
Courtyard Houston Downtown Convention Center	—	5,799	28,953	4,227	6,033	32,946	38,979	5,088	2013	15 - 40 years
Residence Inn Houston Downtown Convention Center	—	4,674	24,913	4,788	4,875	29,500	34,375	4,413	2013	15 - 40 years
SpringHill Suites Houston Downtown Convention Center	—	2,382	12,756	15,910	2,566	28,482	31,048	4,443	2013	15 - 40 years
Courtyard Waikiki Beach	—	557	79,033	10,117	748	88,959	89,707	13,189	2013	15 - 40 years
Courtyard San Francisco	—	11,277	18,198	28,052	11,291	46,236	57,527	6,717	2013	15 - 40 years
Residence Inn Atlanta Midtown Historic	—	2,812	6,044	7,430	2,969	13,317	16,286	2,040	2013	15 - 40 years
SpringHill Suites Portland Hillsboro	—	3,488	18,283	314	3,505	18,580	22,085	2,625	2013	15 - 40 years
Hilton Cabana Miami Beach	—	25,083	40,707	5,208	25,454	45,544	70,998	5,256	2014	15 - 40 years
Hyatt House Charlotte Center City	—	3,029	26,193	1,524	3,029	27,717	30,746	3,283	2014	15 - 40 years

Hyatt House Cypress Anaheim	—	3,995	9,164	3,963	4,354	12,768	17,122	2,163	2014	15 - 40 years
Hyatt House Emeryville San Francisco Bay Area	—	7,425	29,137	5,636	7,517	34,681	42,198	5,013	2014	15 - 40 years
Hyatt House San Diego Sorrento Mesa	—	10,420	21,288	1,322	10,530	22,500	33,030	3,060	2014	15 - 40 years
Hyatt House San Jose Silicon Valley	—	6,820	31,682	133	6,820	31,815	38,635	3,882	2014	15 - 40 years

Table of Contents

Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2018					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total (1)	Accumulated Depreciation	Date Acquired	Depreciation Life
Hyatt House San Ramon	—	5,712	11,852	2,804	5,717	14,651	20,368	2,035	2014	15 - 40 years
Hyatt House Santa Clara	—	8,044	27,703	3,013	8,046	30,714	38,760	3,898	2014	15 - 40 years
Hyatt Centric The Woodlands	—	5,950	16,882	966	5,957	17,841	23,798	2,142	2014	15 - 40 years
Hyatt Place Fremont Silicon Valley	—	6,209	13,730	1,274	6,271	14,942	21,213	2,092	2014	15 - 40 years
Hyatt Place Madison Downtown	—	6,701	25,478	7	6,701	25,485	32,186	3,088	2014	15 - 40 years
Embassy Suites Irvine Orange County	—	15,062	33,048	8,386	15,187	41,309	56,496	5,400	2014	15 - 40 years
Courtyard Portland City Center	—	8,019	53,024	1,270	8,022	54,291	62,313	6,406	2014	15 - 40 years
Hyatt Atlanta Midtown	—	3,737	41,731	1,078	3,740	42,806	46,546	4,842	2014	15 - 40 years
DoubleTree Grand Key Resort	—	48,192	27,770	7,012	48,245	34,729	82,974	4,298	2014	15 - 40 years
Hyatt Place Washington DC Downtown K Street	—	10,763	55,225	1,512	10,763	56,737	67,500	4,979	2015	15 - 40 years
Homewood Suites Seattle Lynnwood	—	3,933	30,949	98	3,981	30,999	34,980	2,815	2015	15 - 40 years
Residence Inn Palo Alto Los Altos	32,016	16,996	45,786	324	17,067	46,039	63,106	4,144	2015	15 - 40 years
DoubleTree Suites by Hilton Austin	—	7,072	50,827	305	7,078	51,126	58,204	1,715	2017	15 - 40 years
DoubleTree Suites by Hilton Orlando - Lake Buena Vista	—	896	44,508	380	898	44,886	45,784	1,576	2017	15 - 40 years
Embassy Suites Atlanta - Buckhead	—	31,279	46,015	701	31,534	46,461	77,995	1,602	2017	15 - 40 years
Embassy Suites Birmingham	22,318	10,495	33,568	220	10,495	33,788	44,283	1,188	2017	15 - 40 years
Embassy Suites Dallas - Love Field	—	6,408	34,694	880	6,410	35,572	41,982	1,208	2017	15 - 40 years
Embassy Suites Deerfield Beach - Resort & Spa	29,565	7,527	56,128	1,820	7,603	57,872	65,475	1,961	2017	15 - 40 years
Embassy Suites Fort Lauderdale 17th Street	33,484	30,933	54,592	2,155	31,160	56,520	87,680	1,989	2017	15 - 40 years
Embassy Suites Los Angeles - International Airport South	—	13,110	94,733	873	13,168	95,548	108,716	3,221	2017	15 - 40 years
Embassy Suites Mandalay Beach - Hotel & Resort	—	35,769	53,280	369	35,780	53,638	89,418	1,932	2017	15 - 40 years
Embassy Suites Miami - International Airport	—	14,765	18,099	2,266	14,847	20,283	35,130	776	2017	15 - 40 years
Embassy Suites Milpitas Silicon Valley	—	43,157	26,399	3,559	43,358	29,757	73,115	1,160	2017	15 - 40 years
Embassy Suites Minneapolis - Airport	35,915	7,248	41,202	8,939	9,322	48,067	57,389	1,839	2017	15 - 40 years
Embassy Suites Myrtle Beach - Oceanfront Resort	—	14,103	55,236	2,285	15,392	56,232	71,624	2,052	2017	15 - 40 years
Embassy Suites Orlando - International Drive South/Convention Center	—	4,743	37,687	516	4,743	38,203	42,946	1,326	2017	15 - 40 years
Embassy Suites Phoenix - Biltmore	—	24,680	24,487	1,458	24,719	25,906	50,625	919	2017	15 - 40 years
Embassy Suites San Francisco Airport - South San Francisco	—	39,616	55,163	4,607	39,634	59,752	99,386	2,100	2017	15 - 40 years

F-49

Table of Contents

Description	Debt	Initial Costs		Costs Capitalized Subsequent to Acquisition	Gross Amount at December 31, 2018					
		Land & Improvements	Building & Improvements	Land, Building & Improvements	Land & Improvements	Buildings & Improvements	Total (1)	Accumulated Depreciation	Date Acquired	Depre Life
Embassy Suites San Francisco Airport - Waterfront	—	3,698	85,270	1,559	3,777	86,750	90,527	3,215	2017	15 - 4
Hilton Myrtle Beach Resort	—	17,864	73,713	355	17,864	74,068	91,932	2,591	2017	15 - 4
San Francisco Marriott Union Square	—	46,773	107,841	11,550	46,812	119,352	166,164	4,017	2017	15 - 4
The Knickerbocker New York	—	113,613	119,453	715	113,614	120,167	233,781	4,016	2017	15 - 4
The Mills House Wyndham Grand Hotel	—	9,599	68,932	344	9,601	69,274	78,875	2,329	2017	15 - 4
Wyndham Boston Beacon Hill	—	174	51,934	1,263	178	53,193	53,371	6,340	2017	11 ye
Wyndham Houston - Medical Center Hotel & Suites	—	7,776	43,475	124	7,778	43,597	51,375	1,484	2017	15 - 4
Wyndham New Orleans - French Quarter	—	300	72,711	544	300	73,255	73,555	2,478	2017	15 - 4
Wyndham Philadelphia Historic District	—	8,367	51,914	254	8,373	52,162	60,535	1,761	2017	15 - 4
Wyndham Pittsburgh University Center	—	154	31,625	58	154	31,683	31,837	1,070	2017	15 - 4
Wyndham San Diego Bayside	—	989	29,440	2,200	1,019	31,610	32,629	3,426	2017	12 ye
Wyndham Santa Monica	—	27,054	45,866	369	27,079	46,210	73,289	1,576	2017	15 - 4

At The Pier Kingston Plantation Development Corp & Plantation Laundry Services	—	—	2,000	33	9	2,024	2,033	68	2017	15 - 4
	$528,622	$1,197,437	$4,227,531	$478,938	$1,209,416	$4,694,490	$5,903,906	$759,643		

(1) The aggregate cost of real estate for federal income tax purposes was approximately $5.9 billion at December 31, 2018.

F-50

Table of Contents

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

	2018	2017	2016
Reconciliation of Land and Buildings and Improvements			
Balance at beginning of period	$6,165,296	$3,725,932	$3,942,413
Add: Acquisitions	—	2,539,854	—
Add: Improvements	109,403	60,916	40,308
Less: Sale of hotel properties (1)	(370,793)	(161,406)	(256,789)
Balance at end of period	$5,903,906	$6,165,296	$3,725,932

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

	2018	2017	2016
Reconciliation of Accumulated Depreciation			
Balance at beginning of period	$(628,518)	$(520,517)	$(464,691)
Add: Depreciation for the period	(143,215)	(108,986)	(91,400)
Less: Sale of hotel properties (1)	12,090	985	35,574
Balance at end of period	$(759,643)	$(628,518)	$(520,517)