

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

OR

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

For the transition period ended _____ to _____

Commission file number 001-36594

Xenia Hotels & Resorts, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State of Incorporation)

20-0141677
(I.R.S. Employer Identification No.)

200 S. Orange Avenue
Suite 2700, Orlando, Florida
(Address of Principal Executive Offices)

32801
(Zip Code)

(Registrant's telephone number, including area code): (407) 246-8100
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:
Common Stock, \$0.01 par value per share

Name of Exchange on Which Registered:
New York Stock Exchange

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer	☒ Accelerated filer	☐
Non-accelerated filer	☐ Smaller reporting company	☐

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

The aggregate market value of the 106,493,077 shares of common stock held by non-affiliates of the registrant was approximately \$2.1 billion based on the closing price of the New York Stock Exchange for such common stock as of June 30, 2017.

As of February 23, 2018, there were 106,827,866 shares of the registrant's common stock, \$0.01 per value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant incorporates by reference portions of its Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders, which is expected to be held on May 22, 2018, into Part III of this Form 10-K to the extent stated herein.

XENIA HOTELS & RESORTS, INC.

2017 FORM 10-K ANNUAL REPORT

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K ("Annual Report"), other than purely historical information, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended ("the Exchange Act"). These statements include statements about Xenia Hotels & Resorts, Inc.'s ("Xenia") plans, objectives, strategies, financial performance and outlook, trends, the amount and timing of future cash distributions, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, our actual financial results, performance, achievements or prospects may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "guidance," "predict," "potential," "continue," "likely," "will," "would," "illustrative" and variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by Xenia and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are not guarantees of future performance, and stockholders should not place undue reliance on forward-looking statements. There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Annual Report. Such risks, uncertainties and other important factors, include, among others, the risks, uncertainties and factors set forth under "Part I-Item 1A. Risk Factors" and "Part II-Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and the risks and uncertainties related to the following:

- business, financial and operating risks inherent to real estate investments and the lodging industry;
- seasonal and cyclical volatility in the lodging industry;
- adverse changes in the energy and/or technology industries that result in a sustained downturn of related businesses and corporate spending that may negatively impact our revenues and results of operations;
- macroeconomic and other factors beyond our control that can adversely affect and reduce demand for hotel rooms and/or meeting facilities;
- contraction in the U.S. or global economy or low levels of economic growth;
- levels of spending in business and leisure segments as well as consumer confidence;
- declines in occupancy ("OCC") and average daily rate ("ADR");
- fluctuations in the supply and demand for hotel rooms;
- changes in the competitive environment in the lodging industry, including due to consolidation of management companies, franchisors, and online travel agencies, and changes in the markets where we own hotels;
- events beyond our control, such as war, terrorist or cyber-attacks, travel-related health concerns and natural disasters;
- our reliance on third-party hotel management companies to operate and manage our hotels;
- our ability to maintain good relationships with our third-party hotel management companies and franchisors;
- our failure to maintain brand operating standards;
- our ability to maintain our brand licenses at our hotels;
- relationships with labor unions and changes in labor laws;
- loss of our senior management team or key personnel;
- our ability to identify and consummate additional acquisitions and dispositions of hotels;
- our ability to integrate and successfully operate hotel properties that we acquire and the risks associated with these hotel properties;
- the impact of hotel renovations, repositionings, redevelopments and re-branding activities;

- our ability to access capital for renovations and acquisitions on terms and at times that are acceptable to us;
- the fixed cost nature of hotel ownership;
- our ability to service, restructure or refinance our debt;
- changes in interest rates and operating costs;
- compliance with regulatory regimes and local laws;
- uninsured or underinsured losses, including those relating to natural disasters, terrorism or cyber-attacks;
- changes in distribution channels, such as through internet travel intermediaries or websites that facilitate the short-term rental of homes and apartments from owners;
- the amount of debt that we currently have or may incur in the future;
- provisions in our debt agreements that may restrict the operation of our business;
- our organizational and governance structure;
- our status as a real estate investment trust ("REIT");
- our taxable REIT subsidiary ("TRS") lessee structure;
- the cost of compliance with and liabilities under environmental, health and safety laws;
- adverse litigation judgments or settlements;
- changes in real estate and zoning laws and increases in real property tax valuations or rates;
- changes in federal, state or local tax law, including legislative, administrative, regulatory or other actions affecting REITs;
- the impact of changes in the tax code as a result of recent U.S. federal income tax reform and uncertainty as to how some of those changes may be applied;
- changes in governmental regulations or interpretations thereof; and
- estimates relating to our ability to make distributions to our stockholders in the future.

These factors are not necessarily all of the important factors that could cause our actual financial results, performance, achievements or prospects to differ materially from those expressed in or implied by any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date they are made, and we do not undertake or assume any obligation to update publicly any of these forward-looking statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

The "Company", "Xenia", "we", "our" or "us" means Xenia Hotels & Resorts, Inc. and one or more of its subsidiaries (including XHR LP (the "Operating Partnership") and XHR Holding, Inc. (together with its wholly owned subsidiaries, "XHR Holding")), or, as the context may require, Xenia Hotels & Resorts, Inc. only, the Operating Partnership only or XHR Holding only.

MARKET AND INDUSTRY DATA

The market data and certain other statistical information used throughout this Annual Report are based on independent industry publications, government publications or other published independent sources. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers' experience in the industry, and there is no assurance that any of the projected amounts will be achieved. We believe that the surveys and market research others have performed are reliable, but we have not independently verified this information. STR Inc. ("STR") is the

primary source for third-party market data and industry statistics and forecasts. STR does not guarantee the performance of any company about which it collects and provides data. The reproduction of STR's data without their written permission is strictly prohibited. Nothing in the STR data should be construed as advice. Some data is also based on our good faith estimates.

TRADEMARKS, SERVICE MARKS AND TRADENAMES

Xenia Hotels & Resorts® and related trademarks, trade names and service marks of Xenia appearing in this Annual Report are the property of Xenia. Unless otherwise noted, all other trademarks, trade names or service marks appearing in this Annual Report are the property of their respective owners, including Marriott International, Inc., Hyatt Corporation, Kimpton Hotel & Restaurant Group LLC, Aston Hotels & Resorts LLC, Fairmont Hotels & Resorts, Hilton Worldwide Inc., and Loews Hotels, Inc. or their respective parents, subsidiaries or affiliates ("Brand Companies"). In the event that any of our management agreements or franchise agreements with the Brand Companies are terminated for any reason, the use of all applicable trademarks and service marks owned by the Brand Companies will cease at the hotel where the management agreement or franchise agreement was terminated; all signs and materials bearing the marks and other indicia connecting the hotel to the Brand Companies will be removed (at our expense).

DISCLAIMER

None of the Brand Companies or their respective directors, officers, agents or employees are issuers of the shares described herein or had responsibility for the creation or contents of this Annual Report. None of the Brand Companies or their respective directors, officers, agents or employees make any representation or warranty as to the accuracy, adequacy or completeness of any of the following information, including any financial information and any projections of future performance. The Brand Companies do not have an exclusive relationship with us and will continue to be engaged in other business ventures, including the acquisition, development, construction, ownership or operation of lodging, residential and vacation ownership properties, which are or may become competitive with the properties held by us.

CERTAIN DEFINED TERMS

Except where the context suggests otherwise, we define certain terms in this Annual Report as follows:

- "ADR" or "average daily rate" means hotel room revenue divided by total number of rooms sold in a given period;
- "occupancy" means the total number of rooms sold in a given period divided by the total number of rooms available at a hotel or group of hotels;
- "RevPAR" or "revenue per available room" means hotel room revenue divided by room nights available to guests for a given period, and does not include non-room revenues such as food and beverage revenue or other operating revenues;
- "Top 25 Markets" refers to the top 25 U.S. lodging markets as defined by STR;
- an "upper upscale" hotel refers to an upper upscale hotel as defined by STR;
- a "luxury" hotel refers to a luxury hotel as defined by STR;
- an "independent" hotel refers to an independent hotel as defined by STR;
- a "lifestyle" hotel refers to an innovative hotel with a focus on providing a unique and individualized guest experience in a smaller footprint by combining traditional hotel services with modern technologies and placing an emphasis on local influence;
- a "premium full service hotel" refers to a hotel defined as "upper upscale" or "luxury" by STR, but excluding hotels referred to as "lifestyle" hotels, as defined above; and
- "Aston," "Fairmont," "Hilton," "Hyatt," "Kimpton," "Loews," and "Marriott," mean Aston Hotels & Resorts LLC, Fairmont Hotels & Resorts, Hilton Worldwide Inc., Hyatt Corporation, Kimpton Hotel & Restaurant Group, LLC, Loews Hotels, Inc. and Marriott International, Inc., respectively, as well as their respective parents, subsidiaries or affiliates.

PART I

Item 1. Business

General

Xenia Hotels & Resorts, Inc. (the "Company" or "Xenia") is a Maryland corporation that invests primarily in premium full service and lifestyle hotels, with a focus on Top 25 Markets and key leisure destinations in the United States ("U.S."). Prior to February 3, 2015, Xenia was a wholly owned subsidiary of InvenTrust Properties Corp. (formerly known as Inland American Real Estate Trust, Inc. or "InvenTrust"), its former parent.

On February 3, 2015, Xenia was spun off from InvenTrust through a taxable pro rata distribution by InvenTrust of 95% of the outstanding common stock, \$0.01 par value per share (the "Common Stock"), of Xenia to holders of record of InvenTrust's common stock as of the close of business on January 20, 2015 (the "Record Date"). Each holder of record of InvenTrust's common stock received one share of Common Stock for every eight shares of InvenTrust's common stock held at the close of business on the Record Date (the "Distribution"). In lieu of fractional shares, stockholders of InvenTrust received cash. On February 4, 2015, Xenia's Common Stock began trading on the New York Stock Exchange ("NYSE") under the ticker symbol "XHR." As a result of the Distribution, the Company became a stand-alone, publicly-traded company. Xenia operates and intends to continue to qualify as a REIT for U.S. federal income tax purposes. See additional detail below in "Part I-Item 1. Our Structure and Reorganization Transactions."

Substantially all of the Company's assets are held by, and all the operations are conducted through our Operating Partnership. XHR GP, Inc. is the sole general partner of Operating Partnership. XHR GP, Inc. is wholly owned by the Company. On December 31, 2017, the Company collectively owned 98% of the common limited partnership units issued by the Operating Partnership ("Operating Partnership Units"). The remaining 2% of the common limited partnership units are owned by the other limited partners comprised of certain of our current and former executive officers and members of our Board of Directors and includes unvested long term incentive plan ("LTIP") partnership units, which may or may not vest based on the passage of time and meeting certain market-based performance objectives. To qualify as a REIT, the Company cannot operate or manage its hotels. Therefore, the Operating Partnership and its subsidiaries lease the hotel properties to XHR Holding, the Company's TRS, which engages third-party eligible independent operators to manage the hotels. The third-party non-affiliated hotel operators manage each hotel pursuant to a hotel management agreement, the terms of which are discussed in more detail under "Part I-Item 2. Our Principal Agreements."

The Company's consolidated financial statements include the accounts of the Company, the Operating Partnership, XHR Holding, as well as all wholly owned subsidiaries and consolidated investments in real estate entities. The Company's subsidiaries and consolidated investments in real estate entities generally consist of limited liability companies ("LLCs"), limited partnerships ("LPs") and our TRS. The effects of all inter-company transactions are eliminated.

As of December 31, 2017, the Company owned 39 lodging properties, 37 of which were wholly owned, with a total of 11,533 rooms, including a 75% ownership interest in two hotels owned through two consolidated investments in real estate entities.

The Company's principal executive offices are located at 200 S. Orange Avenue, Suite 2700, Orlando, Florida, 32801, and our telephone number is (407) 246-8100. The Company's website is www.xeniareit.com. The information contained on our website or that can be accessed through our website neither constitutes part of this information statement nor is incorporated by reference herein.

Our Structure and Reorganization Transactions

Our History

We were formed as a Delaware corporation in 2007 as a wholly-owned subsidiary of InvenTrust. Subsequently, we changed our name from Inland American Lodging Group, Inc. to IA Lodging Group, Inc. and converted to a Maryland corporation in 2014. On August 5, 2014, we changed our name to Xenia Hotels & Resorts, Inc.

Our Operating Partnership was formed as a North Carolina limited partnership in 1994. On September 17, 2014, our Operating Partnership was converted to a Delaware limited partnership and changed its name to XHR LP. Our wholly-owned subsidiary is the sole general partner of our Operating Partnership, and we conduct substantially all of our business through our Operating Partnership. As of December 31, 2017, we collectively own 98% of the Operating Partnership Units in our Operating Partnership, with the remaining 2% being owned by certain of our current and former executive officers and members of the Board of Directors.

Our Corporate Reorganization

Prior to our separation from InvenTrust, we effectuated certain reorganization transactions (collectively, the "Reorganization Transactions") which were designed to: consolidate the ownership of our hotels into our Operating Partnership; consolidate our TRS lessees into our TRS; facilitate our separation from InvenTrust and the Distribution; and enable us to qualify as a REIT for U.S. federal income tax purposes beginning with our short taxable year that commenced on January 5, 2015 and ended on February 3, 2015.

The significant elements of our Reorganization Transactions included:

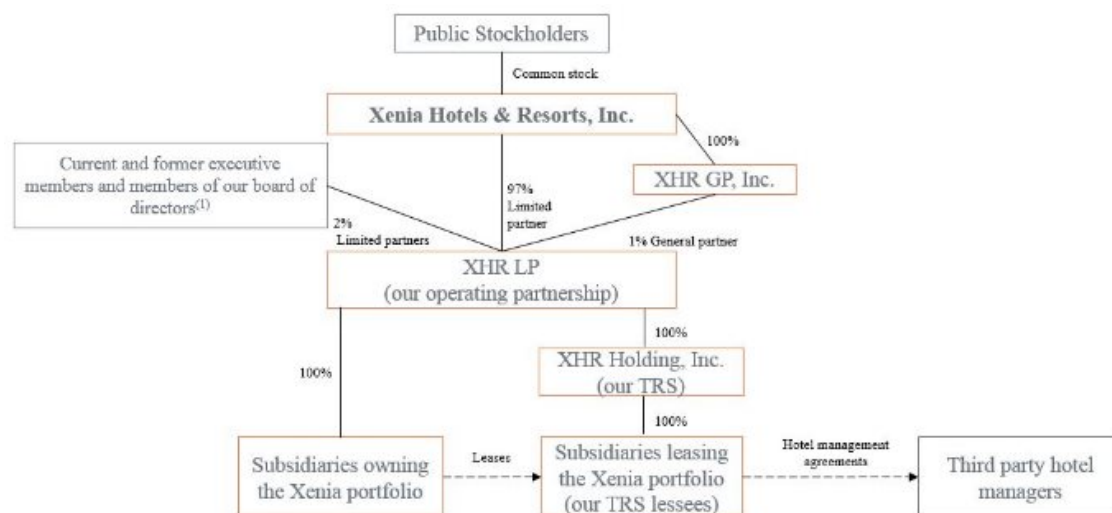
- The Company was renamed and converted to a Maryland corporation;
- Our Operating Partnership was renamed and converted to a Delaware limited partnership;
- Certain of our TRS lessees were transferred from a subsidiary of InvenTrust to our TRS;
- Certain subsidiaries owning our hotels were transferred to our Operating Partnership from other subsidiaries of ours, which subsidiaries were transferred to subsidiaries of InvenTrust other than us;
- We classified and designated 125 shares of Series A Preferred Stock and issued 125 shares to 125 individual investors;
- We issued 113,396,997 shares of our common stock to InvenTrust pursuant to a stock dividend effectuated prior to the Distribution; and
- Certain subsidiaries that previously owned or leased the Suburban Select Service Portfolio (as defined below) or other hotels previously owned by us were transferred out of our Operating Partnership and our TRS and into subsidiaries of InvenTrust.

Prior to the Reorganization Transactions, we owned all of our hotels and certain of our TRS lessees, and our remaining TRS lessees were owned by subsidiaries of InvenTrust other than us. In addition, prior to the sale of 52 suburban select service hotels (the "Suburban Select Service Portfolio"), we also owned all of the Suburban Select Service Portfolio and subsidiaries leasing certain hotels in the Suburban Select Service Portfolio, and the remaining subsidiaries leasing the Suburban Select Service Portfolio were owned by subsidiaries of InvenTrust other than us.

The Suburban Select Service Portfolio was sold on November 17, 2014 to unaffiliated third party purchasers for approximately \$1.1 billion, resulting in net proceeds to InvenTrust of approximately \$480 million after prepayment of certain indebtedness and related costs. None of the proceeds from the sale of the Suburban Select Service Portfolio were retained by Xenia.

Pursuant to the terms of the Separation and Distribution Agreement we entered into with InvenTrust in connection with the Distribution (the "Separation and Distribution Agreement"), we agreed to assume the first \$8 million of liabilities (including any related fees and expenses) incurred following the Distribution relating to, arising out of or resulting from the ownership, operation or sale of the Suburban Select Service Portfolio and that relate to, arise out of or result from a claim or demand that is made against Xenia or InvenTrust by any person who is not a party or an affiliate of a party to the Separation and Distribution Agreement, other than liabilities arising from the breach or alleged breach by InvenTrust of certain fundamental representations made by InvenTrust to the third party purchasers of the Suburban Select Service Portfolio. We have also agreed to assume and indemnify InvenTrust for certain tax liabilities attributable to the Suburban Select Service Portfolio. As part of our working capital at the time of the Distribution, InvenTrust left us with cash estimated to be sufficient to satisfy such tax obligations. The hotels included in the Suburban Select Service Portfolio were not retained by Xenia because such hotels did not generally fit within our investment criteria of investing in premium full service and lifestyle hotels, with a focus on Top 25 Markets as well as key leisure destinations in the U.S. In selecting the hotels to retain in our portfolio, we also took into consideration factors such as supply growth dynamics in various markets, RevPAR and risk-adjusted return potential. In addition to the sale of the Suburban Select Service Portfolio, we also sold one hotel on May 30, 2014, one hotel on August 28, 2014 and one hotel on December 31, 2014.

The following chart shows our structure as of December 31, 2017 :



(1) Ownership includes unvested LTIP partnership units, which may or may not vest based on the passage of time and meeting certain market-based performance objectives.

Business Objectives and Growth Strategies

Our objective is to allocate capital in order to invest primarily in a high-quality diversified portfolio of premium full service and lifestyle hotels in the Top 25 Markets and key leisure destinations in the U.S. We invest at valuation levels which we believe will generate attractive risk-adjusted returns. We pursue this objective through the following investment and growth strategies:

- **Pursue Differentiated Investment Strategy Across Targeted Markets.** We use our management team's network of relationships in the lodging industry, real estate brokers and our relationships with multiple hotel brands and management companies, among others, to source acquisition opportunities. When evaluating opportunities, we use a multi-pronged approach to investing that we believe provides us the flexibility to pursue attractive opportunities in a variety of markets across any point in the cycle. We consider the following characteristics when making investment decisions:
 - **Market Characteristics.** We seek opportunities across a range of urban and dense suburban areas, primarily in the Top 25 Markets and key leisure destinations, in the U.S. We believe that this strategy provides us with a broader range of opportunities and allows us to target markets and sub-markets with particular positive characteristics, such as multiple demand generators, favorable supply and demand dynamics and attractive long-term projected RevPAR growth. We believe assets in the Top 25 Markets and key leisure destinations present attractive investment opportunities considering the favorable supply and demand dynamics, RevPAR growth trends, attractive valuations and better opportunities for diversification.
 - **Asset Characteristics.** We generally pursue premium full service and lifestyle hotels in the upper upscale and luxury segments that are affiliated with leading premium brands, as we believe these segments yield attractive risk-adjusted returns. Within these segments, we seek hotels that will provide guests with a distinctive lodging experience, tailored to reflect local market environments rather than investing primarily in properties that are heavily dependent on conventions and group business. We seek properties with desirable locations within their markets, exceptional facilities, and other competitive advantages that are hard to replicate. We also favor properties that can be purchased below estimated replacement cost. We believe our focus on premium full service and lifestyle assets, allows us to seek appropriate investments that are well suited for specific markets.
 - **Operational and Structural Characteristics.** We pursue both new or recently constructed assets that require limited capital investment, as well as more mature and complex properties with opportunities for our dedicated asset and project management teams to create value through more active operational oversight and targeted capital expenditures. Additionally, we generally seek properties that are unencumbered by debt and that will not require partnerships with third-party investors, allowing us maximum operational flexibility.

- **Drive Growth Through Aggressive Asset Management, In-House Project Management and Strategic Capital Investment.** We believe that investing in our properties and employing a proactive asset management approach designed to identify investment strategies will optimize internal growth opportunities. Our management team's extensive industry experience across multiple brands and management companies coupled with our integrated asset management and project management teams, enable us to identify and implement value-add strategies, prudently invest capital in our assets to optimize operating results and leverage best practices across our portfolio.
 - **Aggressive Asset Management.** Our experienced asset management team focuses on driving property performance through revenue enhancement and cost containment efforts. Our ability to work with a wide variety of management and franchise companies provides us with the opportunity to benchmark performance across our portfolio in order to share best practices. While we do not operate our hotel properties directly, and under the terms of our hotel management agreements our ability to participate in operating decisions regarding our hotels is limited, we conduct regular revenue, sales, and financial performance reviews and also perform in-depth on-site reviews focused on ongoing operating margin improvement initiatives. We interact frequently with our management companies and on-site management personnel, including conducting regular meetings with key executives of our management companies and brands. We work to maximize the value of our assets through all aspects of the hotel operation and ancillary real estate opportunities.
 - **In-House Project Management.** By maintaining a dedicated in-house capital planning and project management team, we believe we are able to develop our capital plans and execute each renovation project at a lower cost and in a timelier manner than if we outsourced these services. In addition, our project management team has extensive experience in the development and renovation of hotel properties, providing both in-depth knowledge of building construction, as well as the opportunity for us to evaluate potential development opportunities. We view this as a significant competitive strength relative to many of our peers.
 - **Strategic Capital Investment to Enhance Portfolio Performance.** As part of our ongoing asset management activities, we continuously review opportunities to reinvest in our hotels to maintain quality, increase long-term value and generate attractive returns on invested capital. We also may opportunistically dispose of hotels to take advantage of market conditions or in situations where the hotels no longer fit within our strategic objectives. We believe our breadth of experience and integrated in-house asset management and project management teams are instrumental in our ability to acquire and operate assets and to capitalize on redevelopment opportunities.

Our Financing and Capital Strategy

Over time, we intend to finance our long-term growth with issuances of common and preferred equity securities, as well as with debt financings having staggered maturities. Our debt includes a senior unsecured revolving credit facility, unsecured term loans, mortgage debt collateralized by our hotel properties or leasehold interests under the ground leases on our hotel properties, and may include other types of private and public debt in the future.

We strive to maintain a flexible capital structure that puts us in a position to be opportunistic in allocating capital for investment. As of December 31, 2017, we had a total of \$130.4 million of cash on hand, including \$58.5 million of restricted cash primarily set aside to maintain our hotels. We have and seek to maintain a modest amount of leverage and closely monitor our near-term debt maturities. Our net debt to adjusted earnings before interest, taxes, depreciation and amortization ratio as of December 31, 2017 was 4.7x based on actual operating results for the year then ended. Our weighted average debt maturity was 5.2 years, including available extension options, and our debt had a weighted average interest rate of 3.71% as of December 31, 2017 (See "Part II-Item 7. Non-GAAP Financial Measures" for definition of net debt and reconciliation to net income).

From time to time, we will also seek to create value for our stockholders by opportunistically repurchasing shares of our common stock at valuations we believe are attractive. We may also issue new equity or debt if we feel that we can accretively use proceeds to acquire assets or make capital improvements that yield attractive risk-adjusted returns on investment.

We anticipate using a portion of cash flows generated from operations to fund future acquisitions as well as for property redevelopments, return on investment initiatives, working capital requirements, and share repurchase programs. Subject to market conditions, we intend to repay amounts outstanding under our senior unsecured revolving credit facility from time to time with proceeds from periodic common and preferred equity issuances, long-term debt financings, sale of assets and cash flows from operations.

Competition

The U.S. lodging industry is highly competitive. Our hotels compete with other hotels and alternative accommodation options for guests (e.g. those that are found on websites that facilitate short-term rentals of homes and apartments from owners) in each of their markets on the basis of several factors, including, among others, room rates, quality of accommodations, service levels and amenities, location, brand affiliation, reputation and reservation systems. Competition is often specific to the individual markets in which our hotels are located and includes competition from existing and new hotels and alternative accommodation options. We believe that hotels, such as our portfolio of hotels, that are affiliated with leading national brands, will enjoy the competitive advantages associated with operating under such brands. Increased competition could harm our occupancy and revenues and may require us to provide additional amenities, or make capital improvements that we otherwise would not have to make, and may materially and adversely affect our operating results and liquidity.

We face competition for the acquisition of hotels from other REITs, private equity firms, institutional investors, hedge funds, specialty finance companies, insurance companies, governmental bodies, foreign investors and other entities. Some of these competitors have substantially greater financial and operational resources and access to capital than we have and may have greater knowledge of the markets in which we seek to invest. This competition may reduce the number of suitable investment opportunities offered to us and decrease the attractiveness of the terms on which we may acquire our targeted hotel investments, including the cost thereof. In addition, these competitors seek financing through the same channels that we do. Therefore, we compete for funding in a market where funds for real estate investment may decrease, or grow at a rate that is less than the underlying demand.

Seasonality

The lodging industry is seasonal in nature which can be expected to cause fluctuations in our hotel room revenues, occupancy levels, room rates, operating expenses and cash flows. The periods during which our hotels experience higher or lower levels of demand vary from property to property and depend upon location, type of property, and competitive mix within the specific location. We expect our revenues and operating income to be the highest during the first and second quarters of the year followed by the third and fourth quarters based on our current portfolio composition.

Cyclicality

The hospitality industry is cyclical and generally its growth or contraction follows the overall economy. There is a history of increases and decreases in demand for and supply of hotel rooms, in occupancy levels and in rates realized by owners of hotels through economic cycles. Variability of results through some of the cycles in the past has been more severe due to changes in the supply of hotel rooms in given markets or in given segments of hotels. The combination of changes in economic conditions and in the supply of hotel rooms can result in significant volatility in results for owners of hotel properties. The costs of running a hotel tend to be more fixed than variable. Because of this, in an environment of declining revenues the rate of decline in earnings will be higher than the rate of decline in revenues. Conversely, in an environment of increasing demand and room rates, the rate of increase in earnings is typically higher than the rate of increase in revenues.

Regulations

General

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

Americans with Disabilities Act

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

Environmental Matters

Under various laws relating to the protection of the environment, a current or previous owner or operator (including tenants) of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances at that property and may be required to investigate and clean up such contamination at that property or emanating from that property. These costs could be substantial and liability under these laws may attach without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the liability may be joint and several. The presence of contamination or the failure to remediate contamination at our hotels may expose us to third-party liability or materially and adversely affect our ability to sell, lease or develop the real estate or to incur debt using the real estate as collateral.

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

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

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

Our Tax Status

We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended ("the Code") for U.S. federal income tax purposes, beginning with our short taxable year that commenced on January 5, 2015 and ended on February 3, 2015. We believe that we have been organized and have operated and will continue to operate in a manner that will allow us to maintain our REIT for U.S. federal income tax purposes commencing with such short taxable year, and we intend to continue operating in such a manner. To qualify for REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains.

We conduct our business through a traditional umbrella partnership real estate investment trust, or UPREIT, in which our hotels are indirectly owned by our Operating Partnership, through subsidiary limited partnerships, limited liability companies or other legal entities. We own and control 100% of the sole general partner of our Operating Partnership and own, directly or indirectly, approximately 98% of the Operating Partnership Units in our Operating Partnership, with the remaining 2% owned by our current and former executive officers and members of our Board of Directors. In the future, we may issue additional common or preferred units in our Operating Partnership from time to time in connection with acquisitions of hotels or for financing, compensation or other reasons.

In order for the income from our hotel operations to constitute "rents from real property" for purposes of the gross income tests required for REIT qualification, we cannot directly or indirectly operate any of our hotels. Accordingly, we lease each of our hotels, and intend to lease any hotels we acquire in the future, to our TRS lessees. As required for our qualification as a REIT, our TRS lessees have engaged third-party hotel management companies to manage our hotels on market terms. Our TRS lessees pay rent to us that we intend to treat as "rents from real property". Our TRS, which owns our TRS lessees, is subject to U.S. federal, state and local income taxes applicable to corporations and we are generally subject to sales tax on a portion of the rent paid from our TRS lessees.

We made a joint election with InvenTrust under section 336(e) of the Code with respect to our spin-off from InvenTrust on February 3, 2015. As a result of that election, our tax basis in our assets was stepped up to the fair market value of each respective asset as of the date of the spin-off. The increased tax basis in our assets will increase the depreciation deductions we are allowed to claim over the useful life of our assets.

Restrictions on Ownership and Transfer of Our Stock

Our charter authorizes our directors to take such actions as are necessary or appropriate to enable us to maintain our qualification as a REIT. Furthermore, our charter prohibits any one person from actually or constructively owning more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock. Our Board of Directors, in its sole discretion, may exempt (prospectively or retroactively) a person from the ownership limits if certain conditions are satisfied. However, our Board of Directors may not grant an exemption from the ownership limits to any proposed transferee whose ownership, direct or indirect, in excess of 9.8% of the value or number of outstanding shares of any class or series of our capital stock, could jeopardize our status as a REIT. These restrictions on transferability and ownership will not apply if our Board of Directors determines that it is no longer in our best interests to continue to qualify as a REIT or that compliance with such restrictions is no longer required for us to qualify as a REIT. The ownership limits may delay or impede a transaction or a change of control that might be in our stockholders' best interest.

Insurance

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

Employees

As of December 31, 2017, we had 51 employees. None of our employees are covered by collective bargaining agreements. Our third-party managers are responsible for hiring and maintaining the labor force at each of our hotels. Although we do not manage employees at our hotels, we are still subject to the many costs and risks generally associated with the labor at our hotels.

Employees at certain of our third-party managed hotels are covered by collective bargaining agreements that are subject to review and renewal on a regular basis. For a discussion of these relationships, see "Part I-Item 1A. Risk Factors - Risks Related to Our Business and Industry – We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ or may employ unionized labor, which could increase our operating costs, reduce the flexibility of our hotel managers to adjust the size of the workforce at our hotels and could materially and adversely affect our revenues and profitability."

Where You Can Find More Information

Our internet website is located at www.xeniareit.com. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports and other filings as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities Exchange Commission ("SEC"), and also make available on our website the charters for the audit, executive, compensation and nominating and corporate governance committees of our Board of Directors and our Code of Ethics and Business Conduct, as well as our Corporate Governance Guidelines. Copies in print of these documents are available upon request to our secretary at the address indicated on the cover of this Annual Report. We may also use our website as a distribution channel of material company information. Financial and other important information regarding the Company is routinely accessible through and posted on the "Investor Relations" page of our website. In addition, you may automatically receive email alerts and other information about the Company when you enroll your email address by visiting the "Investor Relations" page of our website. The information on our website is not a part of, nor is it incorporated by reference into, this Annual Report.

Copies of any materials that we have filed with the SEC can be viewed at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549. Information regarding the operations of the Public Reference Room can be obtained from the SEC by calling the SEC at 1-800-SEC-0330. Additionally, the SEC maintains a website that contains reports, proxy and other information that we have filed with the SEC. The SEC website can be found at <http://www.sec.gov>.

Item 1A. Risk Factors

In addition to the other information set forth in this Annual Report, you should consider carefully the risks and uncertainties described below, which could materially adversely affect our business, financial condition, results of operations and cash flow.

Risks Related to Our Business and Industry

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

We own hotels which have different economic characteristics than many other real estate assets. A typical office property, for example, has long-term leases with third-party tenants, which provides a relatively stable long-term stream of revenue. Hotels, on the other hand, generate revenue from guests that typically stay at the hotel for only a few nights, which causes the room rates and occupancy levels at each of our hotels to change every day, and results in earnings that can be highly volatile.

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

- changes in general economic conditions, including the severity and duration of any downturn in the U.S. or global economy and financial markets;
- war, political conditions or civil unrest, terrorist activities or threats and heightened travel security measures instituted in response to these events;
- outbreaks of pandemic or contagious diseases, such as norovirus, avian flu, severe acute respiratory syndrome (SARS), H1N1 (swine flu), Ebola, and Zika virus;
- natural or man-made disasters, such as earthquakes, tsunamis, tornadoes, hurricanes, typhoons, floods, oil spills, and nuclear incidents;
- delayed delivery or any material reduction or prolonged interruption of public utilities and services, including water and electric power;
- decreased corporate or government travel-related budgets and spending and cancellations and/or government shutdowns, deferrals or renegotiations of group business due to adverse changes in general economic conditions and/or changes in laws and regulations;
- decreased need for business-related travel due to innovations in business-related technology;
- low consumer confidence, high levels of unemployment or depressed real estate prices;
- competition from other hotels and alternative accommodations in the markets in which we operate;
- over-building of hotels in the markets in which we operate, which results in increased supply and will adversely affect occupancy and revenues at our hotels;
- requirements for periodic capital reinvestment to repair and upgrade hotels;
- increases in operating costs due to inflation and other factors that may not be offset by increased room rates;
- change in interest rates and the availability, cost and terms of financing;
- the financial condition and general business condition of the airline, automotive and other transportation-related industries and its impact on travel;
- decreased airline capacities and routes;
- oil prices and travel costs;
- statements, actions or interventions by governmental officials related to travel and corporate travel-related activities and the resulting negative public perception of such travel and activities; and
- risks generally associated with the ownership of hotels and real estate, as we discuss in detail below.

These factors, and the reputational repercussions of these factors, can adversely affect, and from time to time have adversely affected, individual hotels, particular regions and our business, financial condition, results of operations and/or our ability to make distributions to our stockholders.

The lodging industry is highly cyclical in nature, and we cannot assure you how long the current lodging cycle will last.

Due to its close link with the performance of the general economy, and, specifically, growth in U.S. GDP, the lodging industry is highly cyclical in nature. Demand for products and services provided by the lodging industry generally trails improvement in economic conditions. Since 2010, the lodging industry has had continued growth in line with that of the U.S. economy but there can be no assurance of either any further increase in demand for hotel rooms from past levels or of the timing or extent of any such demand growth in the future. If demand weakens, our operating results and profitability would likely be adversely affected. Worsening of the U.S. or global economy, if experienced, would likely have an adverse impact on the occupancy, ADR and RevPAR of our hotels, and would therefore adversely impact our results of operations and financial condition. In addition, in an economic downturn, luxury and upper upscale hotels may be more susceptible to a decrease in revenue, as compared to hotels in other categories that have lower room rates.

In addition to general economic conditions, new hotel room supply is an important factor that can affect the lodging industry's performance and overbuilding has the potential to further exacerbate the negative impact of an economic downturn. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. A reduction or slowdown in growth of lodging demand or increased growth in lodging supply could result in returns that are substantially below expectations or result in losses, which could materially and adversely affect our revenues and profitability as well as limit or slow our future growth and impact our ability to make distributions to stockholders.

The seasonality of the lodging industry is expected to cause quarterly fluctuations in our revenues.

The lodging industry is seasonal in nature, which can be expected to cause quarterly fluctuations in our revenues, occupancy levels, room rates, operating expenses and cash flows. Our quarterly earnings may be adversely affected by factors outside our control, including timing of holidays, weather conditions and poor economic factors in certain markets in which we operate. The periods during which our hotels experience higher or lower levels of demand vary from property to property and depend upon location, type of property and competitive mix within the specific location. Based on the composition of our current portfolio, assuming a stable macroeconomic environment, we generally expect our revenue to be highest in the first and second quarters followed by the third and fourth quarters. We can provide no assurances that our cash flows will be sufficient to offset any shortfalls that occur as a result of these fluctuations. As a result, we may have to enter into short-term borrowings in certain quarters in order to make distributions to our stockholders, and we can provide no assurances that such borrowings will be available on favorable terms, if at all. Consequently, volatility in our financial performance resulting from the seasonality of the lodging industry could adversely affect our financial condition and results of operations.

We operate in a highly competitive industry.

The lodging industry is highly competitive. Our hotels compete with other hotels and alternative accommodations (e.g. websites that facilitate the short-term rentals of homes and apartments from owners) based on a number of factors, including room rates, quality of accommodations, service levels and amenities, location, brand affiliation, reputation and reservation systems. New hotels may be constructed and these additions to supply create new competitors, in some cases without corresponding increases in demand for hotel rooms. Some of our competitors also have greater financial and marketing resources than we do, which could allow them to reduce their rates, offer greater convenience, services or amenities, build new hotels in direct competition with our existing hotels, improve their properties, expand and improve their marketing efforts, all of which could adversely affect the ability of our hotels to attract prospective guests and materially and adversely affect our revenues and profitability as well as limit or slow our future growth. In addition, travelers can book stays on websites that facilitate the short-term rental of homes and apartments from owners, thereby providing an alternative to hotel rooms.

We also compete for hotel acquisitions with entities that have similar investment objectives as we do. This competition could limit the number of suitable investment opportunities offered to us. It may also increase the bargaining power of property owners seeking to sell to us, making it more difficult for us to acquire new properties on attractive terms or on the terms contemplated in our business plan.

There are inherent risks with investments in real estate, including the relative liquidity of such investments.

Investments in real estate are subject to varying degrees of risk. For example, an investment in real estate cannot generally be quickly sold, and we cannot predict whether we will be able to sell any hotel we desire to for the price or on the terms set by us or acceptable to us, or the length of time needed to find a willing purchaser and to close the sale of the hotel. Moreover, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate

companies. In particular, the tax laws applicable to REITs require that we hold our hotels for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of hotels that otherwise would be in our best interests. Therefore, we may not be able to vary our portfolio promptly in response to changing economic, financial and investment conditions and dispose of assets at opportune times or on favorable terms, which may adversely affect our cash flows and our ability to make distributions to stockholders.

In addition, our ability to dispose of some of our hotels could be constrained by their tax attributes. Hotels that we own for a significant period of time or that we acquire through tax-deferred contribution transactions in exchange for Operating Partnership Units in our Operating Partnership may have low tax bases. If we dispose of these hotels outright in taxable transactions, we may be required to distribute the taxable gain to our stockholders under the requirements of the Code applicable to REITs or to pay tax on that gain, either of which, in turn, would impact our cash flow and increase our leverage. In some cases, we may be restricted from disposing of properties contributed to us in the future in exchange for our Operating Partnership Units under tax protection agreements with contributors unless we incur additional costs related to indemnifying those contributors. To dispose of low basis or tax-protected hotels efficiently, we may from time to time use like-kind exchanges, which qualify for non-recognition of taxable gain, but can be difficult to consummate and result in the hotel for which the disposed assets are exchanged inheriting their low tax bases and other tax attributes.

Investments in real estate also are subject to adverse changes in general economic conditions. Among the factors that could impact our hotels and the value of an investment in us are:

- risks associated with the possibility that cost increases will outpace revenue increases and that in the event of an economic slowdown, the high proportion of fixed costs will make it difficult to reduce costs to the extent required to offset declining revenues;
- changes in tax laws and property taxes, or an increase in the assessed valuation of a property for real estate tax purposes;
- adverse changes in the federal, state or local laws and regulations applicable to us, including those affecting zoning, fuel and energy consumption, water and environmental restrictions, and the related costs of compliance;
- changing market demographics;
- an inability to acquire and finance real estate assets on favorable terms, if at all;
- the ongoing need for owner funded capital improvements and expenditures to maintain or upgrade hotels;
- fluctuations in real estate values or potential impairments in the value of our assets;
- acts of God, such as earthquakes, floods, hurricanes, wildfires or other uninsured losses;
- war, political conditions or civil unrest, terrorist activities or threats and heightened travel security measures instituted in response to these events; and
- changes in interest rates and availability, cost and terms of financing.

Difficult economic conditions may continue to adversely affect the hotel industry.

The performance of the hotel industry has historically been linked to key macroeconomic indicators, such as GDP growth, employment, corporate earnings and investment, and travel demand. If the U.S. economy should falter for any reason, including but not limited to volatility in the energy and/or technology industries and/or government shutdowns, and there is an extended period of economic weakness, a recession or depression, our results of operations and profitability would likely be adversely affected.

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

In order for us to maintain our qualification as a REIT, third parties must operate our hotels. We lease each of our hotels to our TRS lessees. Our TRS lessees, in turn, have entered into management agreements with third party management companies to operate our hotels. We could be materially and adversely affected if any of our third-party managers fail to provide quality services and amenities, fail to maintain a quality brand name or otherwise fail to manage our hotels in our best interest, and we can be financially responsible for the actions and inactions of our third-party managers pursuant to our management

agreements. In addition, our hotel managers or their affiliates may manage, and in some cases may own, may have invested in or may have provided credit support or operating guarantees to hotels that compete with our hotels, any of which could result in conflicts of interest. As a result, our hotel managers may make decisions regarding competing lodging facilities that are not in our best interests. From time to time, disputes may arise between us and our third-party managers regarding their performance or compliance with the terms of the hotel management agreements, which in turn could adversely affect our results of operations. If we are unable to reach satisfactory results through discussions and negotiations, we may choose to terminate our management agreement, litigate the dispute, or submit the matter to third-party dispute resolution, the outcome of which may be unfavorable to us.

Under the terms of the hotel management agreements, our ability to participate in operating decisions regarding our hotels is limited to certain matters, including approval of the annual operating budget, and we do not have the specific authority to require any hotel to be operated in a particular manner. While our TRS lessees closely monitor the performance of our third-party managers, our general recourse under most of the hotel management agreements is limited to termination if our third-party managers are not performing adequately. For example, in many of our hotel management agreements, we have a right to terminate a management agreement if the third-party manager fails to achieve certain hotel performance criteria measured over any two consecutive fiscal years, as outlined in the applicable management agreement. However, even if a third-party manager fails to perform under the terms of its respective management agreement, it generally has the option to avoid a performance termination by paying a performance deficit fee as specified in the applicable management agreement.

In the event that we terminate any of our management agreements, we can provide no assurances that we could find a replacement manager or that any replacement manager will be successful in operating our hotels. In addition, many of our existing franchise agreements provide the franchisor with a right of first offer in the event of certain sales or transfers of a hotel and provide that the franchisor has the right to approve any change in the hotel management company engaged to manage the hotel. If any of the foregoing were to occur, it could materially and adversely affect our business and financial condition.

Restrictive covenants in certain of our hotel management and franchise agreements contain provisions limiting or restricting the sale of our hotels, which could materially and adversely affect our profitability.

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

Contractual and other disagreements with or involving third-party hotel management companies and franchisors could make us liable to them or result in litigation costs or other expenses.

Our management and franchise agreements require us and third-party hotel managers and franchisors to comply with operational and performance conditions that are subject to interpretation and could result in disagreements. At any given time, we may be in dispute with one or more hotel management companies or franchisors regarding various terms of our agreements. Any such dispute could be very expensive for us, even if the outcome is ultimately in our favor. We cannot predict the outcome of any arbitration or litigation, the effect of any negative judgment against us or the amount of any settlement that we may enter into with any third-party. In the event we terminate a management or franchise agreement early and the manager or franchisor considers such termination to have been wrongful, they may seek damages. Additionally, we may be required to indemnify our third-party hotel managers and franchisors against disputes with third parties, pursuant to our management and franchise agreements. An adverse result in any of these proceedings could materially and adversely affect our revenues and profitability.

If we are unable to maintain good relationships with third-party hotel managers and franchisors, profitability could decrease and our growth potential may be adversely affected.

The success of our respective hotel investments and the value of our franchised properties largely depend on our ability to establish and maintain good relationships with the third-party hotel managers and franchisors of our respective hotel management and franchise agreements. If we are unable to maintain good relationships with third-party hotel managers and franchisors, we may be unable to renew existing management or franchise agreements or expand relationships with them. Additionally, opportunities for developing new relationships with additional third-party managers or franchisors may be adversely affected. This, in turn, could have an adverse effect on our results of operations and our ability to execute our growth strategy.

If third-party hotel managers and/or franchisors consolidate through merger and acquisition transactions, we may experience undefined and unknown costs related to the integration of processes and systems, which may adversely affect our hotels. If third-party online travel agencies consolidate through merger and acquisitions transactions this may lead to less negotiating power over contracts and/or higher costs of obtaining customers.

The result of third-party hotel managers and franchisors consolidating could adversely affect our hotels due to the undefined and unknown costs associated with the integration of property-level point of sale and back-of-house computer systems and other technology related processes, the training and other labor costs associated with the merging of labor forces, and the impact of reward point program consolidation. Additionally, the potential consolidation of third-party hotel managers and franchisors could impact our leveraging power in future management and franchise agreement negotiations. Consolidation of third-party online travel agencies could lead to less negotiating power that our operators have in setting contract terms for pricing and commissions paid to the online travel agency. The consolidation of these distribution channels may lead to reduced operating profits and/or higher costs of obtaining customers.

Costs associated with, or failure to maintain, brand operating standards may materially and adversely affect our results of operations and profitability.

Under the terms of our franchise agreements, and certain of our management agreements, we are required to meet specified operating standards and other terms and conditions and compliance with such standards may be costly. We expect that our franchisors will periodically inspect our hotels to ensure that we and the hotel management companies follow brand standards. Failure by us, or any hotel management company that we engage, to maintain these standards or other terms and conditions could result in a franchise license being canceled or the franchisor requiring us to undertake a costly property improvement program. If a franchise license is terminated due to our failure to make required improvements or to otherwise comply with its terms, we also may be liable to the franchisor for a termination payment, which will vary by franchisor and by hotel. If the funds required to maintain brand operating standards are significant, or if a franchise license is terminated, it could materially and adversely affect our results of operations and profitability.

If we were to lose a brand license at one or more of our hotels, the value of the affected hotels could decline significantly and we could incur significant costs to obtain new franchise licenses, which could materially and adversely affect our results of operations and profitability as well as limit or slow our future growth.

If we were to lose a brand license, the underlying value of a particular hotel could decline significantly from the loss of associated name recognition, marketing support, participation in guest loyalty programs and the centralized reservation system provided by the franchisor or brand manager, which could require us to recognize an impairment on the hotel. Furthermore, the loss of a franchise license at a particular hotel could harm our relationship with the franchisor or brand manager, which could impede our ability to operate other hotels under the same brand, limit our ability to obtain new franchise licenses or brand management agreements from the franchisor or brand in the future on favorable terms, or at all, and cause us to incur significant costs to obtain a new franchise license or brand management agreement for the particular hotel. Accordingly, if we lose one or more franchise licenses or brand management agreements, it could materially and adversely affect our results of operations and profitability as well as limit or slow our future growth.

A substantial number of our hotels operate under the Marriott, Hyatt and Kimpton brand families; therefore, we are subject to risks associated with concentrating our portfolio in three brand families.

In our portfolio, 34 of the 39 hotels that we own as of December 31, 2017 operate under brands owned by Marriott, Hyatt and Kimpton. As a result, our success is dependent in part on the continued success of Marriott, Hyatt and Kimpton and their respective brands. We believe that building brand value is critical to increase demand and build customer loyalty. Consequently, if market recognition or the positive perception of Marriott, Hyatt and/or Kimpton brands is reduced or compromised, the goodwill associated with the Marriott-, Hyatt- and/or Kimpton-branded hotels in our portfolio may be adversely affected. Furthermore, if our relationship with Marriott, Hyatt and/or Kimpton were to deteriorate or terminate as a result of disputes regarding the management of our hotels or for other reasons, Marriott, Hyatt and/or Kimpton could, under certain circumstances, terminate our current franchise licenses with them or decline to provide franchise licenses for hotels that we may acquire in the future. If any of the foregoing were to occur, it could materially and adversely affect our results of operations and profitability as well as limit or slow our future growth and impair our ability to compete effectively.

We have a concentration of hotels in Texas, California, and Florida which exposes our business to the effects of regional events and occurrences.

We have a concentration of hotels in Texas, California and Florida. Specifically, as of December 31, 2017, approximately 51% of rooms in our portfolio were located in Texas, California and Florida. The concentration of hotels in a region may expose us to risks of adverse economic developments, such as negative trends in the industry sectors that are concentrated in these

markets, that are greater than if our portfolio were more geographically diverse. These economic developments include regional economic downturns, significant increases in the number of competitive hotels in these markets and potentially higher local property, sales and income taxes in the geographic markets in which we are concentrated. In addition, our hotels are subject to the effects of adverse acts of nature, such as winter storms, hail storms, strong winds, tropical storms, hurricanes, wildfires, earthquakes, tornadoes, and tsunamis which have in the past caused damage such as flooding and other damage to our hotels in specific geographic locations, including in the Texas, California and Florida markets. Depending on the severity of these acts of nature, the damage to our hotels could require closure of all or substantially all of our hotels in one or more markets for a period of time while the necessary repairs and renovations, as applicable, are undertaken. Additionally, we cannot assure you that the amount of hurricane, windstorm, earthquake, flood or other casualty insurance maintained for these hotels from time to time would entirely cover damages caused by any such event.

As a result of this geographic concentration of hotels, we will face a greater risk of a negative impact on our revenues in the event these areas are more severely impacted by adverse economic and competitive conditions and extreme weather than other areas in the United States.

The departure of any of our key personnel who have significant experience and relationships in the lodging industry could materially and adversely impede or impair our ability to compete effectively and limit future growth prospects.

We depend on the experience and relationships of our senior management team to manage our day-to-day operations and strategic business direction. Our senior management team has an extensive network of lodging industry contacts and relationships, including relationships with global and national hotel brands, hotel owners, financiers, operators, commercial real estate brokers, developers and management companies. We can provide no assurances that any of our key personnel will continue their employment with us. The loss of services of our senior management team, or any difficulty attracting and retaining other talented and experienced personnel, could adversely affect our ability to source potential investment opportunities, our relationship with global and national hotel brands and other industry participants and the execution of our business strategy. Further, such a loss could be negatively perceived by financial analysts and the investment community, which could reduce the market value of our common stock.

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

A key element of our business strategy is to invest in premium full service and lifestyle hotels, with a focus on the Top 25 Markets and key leisure destinations in the U.S. We can provide no assurances that we will be successful in identifying attractive hotels or that, once identified, we will be successful in consummating an acquisition. We face significant competition for attractive investment opportunities from other well-capitalized investors, some of which have greater financial resources and a greater access to debt and equity capital to acquire hotels than we do. This competition increases as investments in real estate become increasingly attractive relative to other forms of investment. As a result of such competition, we may be unable to acquire certain hotels that we deem attractive or the purchase price may be significantly elevated or other terms may be substantially more onerous. In addition, we expect to finance future acquisitions through a combination of borrowings under our senior unsecured revolving credit facility and unsecured term loans, mortgage loans, the use of retained cash flows, and offerings of equity and debt securities, which may not be available on advantageous terms, or at all. Any delay or failure on our part to identify, negotiate, finance on favorable terms, consummate and integrate such acquisitions could materially impede our growth.

Our acquisition, redevelopment, repositioning, renovation and re-branding activities are subject to various risks, any of which could, among other things, result in disruptions to our hotel operations, strain management resources and materially and adversely affect our results of operations and profitability as well as limit or slow our future growth.

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

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

- we may abandon such activities and may be unable to recover expenses already incurred in connection with exploring such opportunities;

- acquired, redeveloped, repositioned, renovated or re-branded hotels may not initially be accretive to our results, and we and the hotel management companies may not successfully manage newly acquired, renovated, redeveloped, repositioned or re-branded hotels to meet our expectations;
- we may be unable to quickly, effectively and efficiently integrate new acquisitions, particularly acquisitions of portfolios of hotels, into our existing operations;
- our redevelopment, repositioning, renovation or re-branding activities may not be completed on schedule, which could result in increased debt service and other costs and lower revenues; and
- management attention may be diverted by our acquisition, redevelopment, repositioning or re-branding activities, which in some cases may turn out to be less compatible with our growth strategy than originally anticipated.

The occurrence of any of the foregoing events, among others, could materially and adversely affect our results of operations and profitability as well as limit or slow our future growth.

Any difficulties in obtaining capital necessary to make required periodic capital expenditures and renovation of our hotels could materially and adversely affect our financial condition and results of operations.

Ownership of hotels is a capital intensive business that requires significant capital expenditures to operate, maintain and renovate properties. Access to the capital that we need to maintain and renovate existing properties and to acquire new properties is critical to the continued growth of our business and revenues and to remain competitive. We may not be able to fund capital improvements for our existing hotels or acquisitions of new hotels solely from cash provided from our operating activities because we must distribute annually at least 90% of our REIT taxable income to maintain our qualification as a REIT and we are subject to tax on any retained income and gains. As a result, our ability to fund capital expenditures, acquisitions or hotel redevelopment through retained earnings may be restricted. Consequently, we may have to draw down on our senior unsecured revolving credit facility, enter into new unsecured loans or rely upon the availability of new financing arrangements or equity capital to fund capital improvements and acquisitions. Our ability to access additional capital could also be limited by the terms of our senior unsecured revolving credit facility, which restricts our ability to incur debt under certain circumstances.

If we are forced to spend larger amounts of cash from operating activities than anticipated to operate, maintain or renovate existing properties, then our ability to use cash for other purposes, including acquisitions of new properties, could be limited and our profits could be reduced. Similarly, if we cannot access the capital we need to fund our operations or implement our growth strategy, we may need to postpone or cancel planned renovations or acquisitions, which could impair our ability to compete effectively and harm our business and relationship with certain operators and/or brands.

Many real estate costs and certain hotel operating costs are fixed, even if revenue from our hotels decreases.

Many costs, such as real estate taxes, insurance premiums, maintenance costs and certain hotel operating costs generally are more fixed than variable and as a result, are not reduced even when a hotel is not fully occupied, room rates decrease or other circumstances cause a reduction in revenues. Thus, our profits are generally more significantly affected by economic downturns and declines in revenues. If we are unable to offset these costs with sufficient revenues across our portfolio, it could materially and adversely affect our results of operations and profitability.

Operating expenses may increase in the future, which may cause our cash flow and our operating results to decrease.

Operating expenses, such as expenses for fuel, utilities, labor, employee benefits, building materials, insurance and real estate taxes are not fixed and may increase in the future. Any increases would cause our cash flow and our operating results to decrease. If we are unable to offset these decreases with sufficient revenues across our portfolio, it could materially and adversely affect our results of operations and profitability and our ability to pay distributions could be materially and adversely affected.

The land underlying six of our hotels and/or meeting facilities is subject to a ground lease; if we are found to be in breach of a ground lease or are unable to renew a ground lease, we could be materially and adversely affected.

We lease the land underlying six of our hotels and/or meeting facilities from third parties as of December 31, 2017. Five of these hotels are subject to ground leases that cover all of the land underlying the respective hotel, and the sixth is subject to a ground lease that covers a portion of the land. Accordingly, we only own a long-term leasehold or similar interest in all or a portion of these six hotels. The average remaining term of the ground leases, assuming no renewal options are exercised, is approximately 47 years. Assuming all renewal options are exercised, the average remaining term is 65 years. If we are found to be in breach of a ground lease, we could lose the right to use the hotel. In addition, unless we can purchase a fee interest in the underlying land and improvements or extend the terms of these leases before their expiration, as to which no assurance can be

given, we will lose our right to operate these properties and our interest in the improvements upon expiration of the leases. Our ability to exercise any extension options relating to our ground leases is subject to the condition that we are not in default under the terms of the ground lease at the time that we exercise such options, and we can provide no assurances that we will be able to exercise any available options at such time. Furthermore, we can provide no assurances that we will be able to renew any ground lease upon its expiration. If we were to lose the right to use a hotel due to a breach or non-renewal of the ground lease, we would be unable to derive income from such hotel, which may materially and adversely affect our results of operations and financial condition.

We will not recognize any increase in the value of the land or improvements subject to our ground leases and may only receive a portion of compensation paid in any eminent domain proceeding with respect to the hotel.

Unless we purchase a fee interest in the land and improvements subject to our ground leases, we will not have any economic interest in the land or improvements at the expiration of our ground leases and therefore we will not share in any increase in value of the land or improvements beyond the term of a ground lease, notwithstanding our capital outlay to purchase our interest in the hotel or fund improvements thereon, and will lose our right to use the hotel. Furthermore, if the state or federal government seizes a hotel subject to a ground lease under its eminent domain power, we may only be entitled to a portion of any compensation awarded for the seizure.

We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ or may employ unionized labor, which could increase our operating costs, reduce the flexibility of our hotel managers to adjust the size of the workforce at our hotels and could materially and adversely affect our revenues and profitability.

We have entered into management agreements with third-party hotel managers to operate our hotels. Our hotel managers are responsible for hiring and maintaining the labor force at each of our hotels. Although we do not employ or manage employees at our hotels, we are subject to many of the costs and risks generally associated with the hotel labor force. Increased labor costs due to factors like minimum wage initiatives and additional taxes or requirements to incur additional employee benefits costs, including the requirements of the Affordable Care Act, may adversely impact our operating costs. Labor costs can be particularly challenging at our hotels with unionized labor.

From time to time, strikes, lockouts, boycotts, public demonstrations or other negative actions and publicity may disrupt hotel operations at any of our hotels, negatively impact our reputation or the reputation of our brands, cause us to lose guests, or harm relationships with the labor forces at our hotels. We also may incur increased legal costs and indirect labor costs as a result of contract disputes or other events. Additionally, hotels where our managers have collective bargaining agreements with employees could be affected more significantly by labor force activities than others. The resolution of labor disputes or new or re-negotiated labor contracts could lead to increased labor costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. Furthermore, labor agreements may limit the ability of our hotel managers to reduce the size of hotel workforces during an economic downturn because collective bargaining agreements are negotiated between the hotel managers and labor unions. We do not have the ability to control the outcome of these negotiations.

Additional hotels or additional departments within our hotels or groups of employees may become subject to additional collective bargaining agreements in the future. Additionally, hotels we currently own or may own in the future could be subject to collective bargaining agreements due to various factors including, but not limited to, consolidation of third party hotel managers. Potential changes in the federal regulatory scheme could make it easier for unions to organize groups of our third-party hotel managers' employees. If such changes take effect, more hotel personnel could be subject to increased organizational efforts, which could potentially lead to disruptions or require more of our management's time to address unionization issues. Negotiations of collective bargaining agreements, attempts by labor organizations to organize additional hotels, departments within our hotels or groups of employees or changes in labor laws could disrupt our operations, increase our labor costs or interfere with the ability of our management to focus on executing our business strategies.

Uninsured and underinsured losses at our hotels could materially and adversely affect our revenues and profitability.

We intend to maintain comprehensive insurance on each of our current hotels and any hotels that we acquire, including liability, fire and extended coverage, of the type and amount we believe are customarily obtained for or by hotel owners. There are no assurances that coverage will be available at reasonable rates. Various types of catastrophic losses, like windstorms, earthquakes and floods, and losses from foreign and domestic terrorist activities may not be insurable or may not be economically insurable. Even when insurable, these policies may have high deductibles and/or high premiums. Lenders may require such insurance at our sole cost. Our failure to obtain such insurance could constitute a default under loan agreements, and/or our lenders may force us to obtain such insurance at unfavorable rates, which could materially and adversely affect our profitability and revenues.

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

In addition, insurance risks associated with potential terrorism acts could sharply increase the premiums we pay for coverage against property and casualty claims. With the enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007, United States insurers cannot exclude conventional, chemical, biological, nuclear and radiation terrorism losses. These insurers must make terrorism insurance available under their property and casualty insurance policies; however, this legislation does not regulate the pricing of such insurance. In many cases, mortgage lenders insist that commercial property owners purchase coverage against terrorism as a condition of providing mortgage loans. Such insurance policies may not be available at a reasonable cost, which could inhibit our ability to finance or refinance our hotels. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. We may not have adequate coverage for such losses, which could materially and adversely affect our revenues and profitability as well as limit or slow our future growth.

We could incur significant, material costs related to government regulation and litigation with respect to environmental matters, which could materially and adversely affect our revenues and profitability as well as limit or slow our future growth.

Our hotels are subject to various U.S. federal, state and local environmental laws that impose liability for contamination. Under these laws, governmental entities have the authority to require us, as the current owner of a hotel, to perform or pay for the clean-up of contamination (including hazardous substances, asbestos and asbestos-containing materials, waste or petroleum products) at, on, under or emanating from the hotel and to pay for natural resource damages arising from such contamination. Such laws often impose liability without regard to whether the owner or operator or other responsible party knew of, or caused such contamination, and the liability may be joint and several. Because these laws also impose liability on persons who owned a property at the time it became contaminated, it is possible we could incur cleanup costs or other environmental liabilities even after we sell hotels. Contamination at, on, under or emanating from our hotels also may expose us to liability to private parties for costs of remediation and/or personal injury or property damage. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. If contamination is discovered on our properties, environmental laws also may impose restrictions on the manner in which the properties may be used or businesses may be operated, and these restrictions may require substantial expenditures. Moreover, environmental contamination can affect the value of a property and, therefore, an owner's ability to borrow funds using the property as collateral or to sell the property on favorable terms or at all. Furthermore, persons who sent waste to a waste disposal facility, such as a landfill or an incinerator, may be liable for costs associated with cleanup of that facility.

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

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

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other

reactions. As a result, the presence of significant mold or other airborne contaminants at any of our hotels could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability to third parties if property damage or personal injury occurs.

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

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

Under the Americans with Disabilities Act of 1990 and the Accessibility Guidelines promulgated thereunder, which we refer to collectively as the ADA, all public accommodations must meet various federal requirements related to access and use by disabled persons. Compliance with the ADA's requirements could require removal of access barriers, and non-compliance could result in the U.S. government imposing fines or in private litigants winning damages.

Our hotels also are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements would require significant unanticipated expenditures that would affect our cash flow and results of operations. If we incur substantial costs to comply with the ADA or other safety regulations and requirements, it could materially and adversely affect our revenues and profitability.

We may be subject to unknown or contingent liabilities related to recently acquired hotels and the hotels that we may acquire in the future or hotels recently divested or that we may divest in the future, which could materially and adversely affect our revenues and profitability growth.

Our recently acquired or divested hotels, and the hotels that we may acquire or divest in the future, may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the sellers or for which we may be liable to the buyers. In general, the representations and warranties provided under the transaction agreements related to the sale or purchase of the hotels we acquire or divest may survive for a defined period of time after the completion of the transactions. Furthermore, indemnification under such agreements may be limited and subject to various materiality thresholds, a significant deductible, or an aggregate cap on losses. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties or that we will not be obligated to reimburse the buyers for their losses. In addition, the total amount of costs and expenses that may be incurred with respect to the unknown or contingent liabilities may exceed our expectations, and we may experience other unanticipated adverse effects, all of which could materially and adversely affect our results of operations and profitability.

The acquisition and/or sale of a hotel or a portfolio of hotels is typically subject to contingencies, risks and uncertainties, any of which may cause us to be unsuccessful in completing the acquisition and/or disposition.

We may not be successful in completing the acquisitions and/or disposition of a hotel or a portfolio of hotels, which may negatively impact our business strategy. Hotel acquisitions and sales are typically subject to customary risks and uncertainties. In addition, there may be contingencies related to, among other items, financing, franchise agreements, ground leases and other agreements. There may also be issues related to a property's title or conditions that could impact the marketability of a property that we acquire or seek to divest, which could result in additional expenditures to correct. As such, we can offer no assurances as to whether any closing conditions will be satisfied on a timely basis or at all, or whether the closing of an acquisition and/or a sale will occur for these or any other reasons.

Adverse judgments or settlements resulting from legal proceedings in which we may be involved in the normal course of our business could reduce our profits or limit our ability to operate our business.

In the normal course of our business, we are involved in various legal proceedings. Our third-party managers, whom we indemnify for certain legal costs resulting from management of our hotels, may also be involved in various legal proceedings relating to the management of our hotels. The outcome of these proceedings cannot be predicted. If any of these proceedings

were to be determined adversely to us or our third-party managers or a settlement involving a payment of a material sum of money were to occur, it could materially and adversely affect our profits or ability to operate our business. Additionally, we could become the subject of future claims by third parties, including current or former third-party property owners, guests who use our properties, our employees, our investors or regulators. Any significant adverse judgments or settlements would reduce our profits and could limit our ability to operate our business. Further, we may incur costs related to claims for which we have appropriate third party indemnity, but such third parties fail to fulfill their contractual obligations.

Market disruptions may adversely impact many aspects of our operating results and operating condition.

During the global economic downturn that began in 2008, the domestic financial markets experienced unusual volatility, uncertainty and a tightening of liquidity in both the debt and equity capital markets. Credit spreads for major sources of capital widened significantly during the U.S. credit crisis as investors demanded a higher risk premium. If there is volatility and weakness in the capital and credit markets, the availability of debt financing could decline. Our business may be affected by market and economic challenges experienced by the U.S. or global economy or real estate industry as a whole or by the local economic conditions in the markets in which our hotels are located, including the dislocations in the credit markets and general global economic recession. For the following and other reasons, we cannot assure you that we will be profitable or that we will realize growth in the value of our investments. Specifically, these conditions may have the following consequences:

- credit spreads for major sources of capital may widen if stockholders demand higher risk premiums or interest rates could increase, due to inflationary expectations, resulting in an increased cost for debt financing;
- our ability to borrow on terms and conditions that we find acceptable may be limited, which could result in our hotels generating lower overall economic returns and a reduced level of cash flow from what was anticipated at the time we acquired the asset, which could potentially impact our ability to make distributions to our stockholders, or pursue acquisition opportunities, among other things;
- the amount of capital that is available to finance hotels could diminish, which, in turn, could lead to a decline in hotel values generally, slow hotel transaction activity, and reduce the loan to value ratio upon which lenders are willing to lend;
- the value of certain of our hotels may decrease below the amounts we paid for them, which would limit our ability to dispose of hotels at attractive prices or to obtain debt financing secured by these hotels and could reduce our ability to finance our business;
- the value and liquidity of short-term investments, if any, could be reduced as a result of the dislocation of the markets for our short-term investments and increased volatility in market rates for these investments or other factors; and
- one or more counterparties to derivative financial instruments that we may enter into could default on their obligations to us, or could fail, increasing the risk that we may not realize the benefits of these instruments.

We are increasingly dependent on information technology, and potential cyber-attacks, security problems, or other disruptions present risks.

The third-party hotel management companies that operate our hotels rely on information technology networks and systems, including the Internet and cloud-based storage systems, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data. We have limited ability to require our third-party management companies to implement new or enhanced cyber-security platforms. They may purchase some of their information technology from vendors, on whom our and their systems will depend, and the third-party hotel managers will rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential operator and other customer information, including personally identifiable information. We will depend upon the secure transmission of this information over public networks. Our third-party hotel management companies' networks and storage applications have already been, according to publicly released statements, and in the future may continue to be subject to unauthorized access by hackers or others through cyber-attacks, which are rapidly evolving and becoming increasingly sophisticated, or by other means, or may be breached due to operator error, malfeasance or other system disruptions. In some cases, it will be difficult to anticipate or immediately detect such incidents and the damage caused thereby. Any significant breakdown, invasion, destruction, interruption or leakage of our third-party hotel managers' systems could harm us, and we may be financially responsible for certain damages arising out of the harm such events cause to third parties pursuant to our management agreements. As a result, such incidents could have a material impact on our business and adversely affect our financial condition and results of operations. Certain of our third-party hotel management companies have publicly released statements

disclosing cyber-attacks on their systems, some of which have impacted our hotels, but these known cyber-attacks did not have a material adverse effect on the Company's results of operations.

At our corporate headquarters, the Company is continuously working to maintain secure information technology systems and provide ongoing employee awareness training around phishing, malware, and other cyber risks to ensure that the Company is protected, to the greatest extent possible, against cyber risks and security breaches.

Changes in distribution channels, including the increasing use of intermediaries by consumers and companies may adversely affect our profitability.

Our rooms are booked through a variety of distribution channels, including hotel websites, travel agents, internet travel intermediaries and meeting procurement firms. If bookings shift to higher cost distribution channels, including internet travel intermediaries and meeting procurement firms, it could materially impact our profits. Additionally, as intermediary bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from our brands and management companies. Many of these internet travel intermediaries are viewed as offering hotel rooms in a commodity-like manner, by increasing the importance of price and general indicators of quality (such as "three-star downtown hotel") at the expense of brand identification. It is possible that consumers and companies will develop brand loyalties to their reservations systems and multi-brand representation rather than to the brands under which our properties are operated. Although most of the business for our hotels is expected to be derived from traditional channels, if the amount of sales made through the intermediaries increases significantly, room revenues may be lower than expected, and/or expenses may be higher which would adversely affect our profitability.

Risks Related to Our Relationship with InvenTrust and the Separation

Our historical financial results as a subsidiary of InvenTrust may not be representative of our results as a separate, stand-alone company.

The historical financial information prior to our spin-off that we have included in this Annual Report has been derived from InvenTrust's consolidated financial statements and does not necessarily reflect what our financial position, results of operations or cash flows would have been had we been a separate, stand-alone company during the periods presented. Although InvenTrust did account for our company as a subsidiary, InvenTrust did not account for us, and we were not operated, as a separate, stand-alone company for the historical periods presented. The historical costs and expenses reflected in our combined consolidated financial statements include an allocation for certain corporate functions historically provided by InvenTrust including general corporate expenses, employee benefits and incentives, and interest expense. These allocations were based on what we and InvenTrust considered to be reasonable reflections of the historical utilization levels of these services required in support of our business. The historical information does not necessarily indicate what our results of operations, financial position, cash flows or costs and expenses will be in the future.

Potential indemnification liabilities to InvenTrust pursuant to the Separation and Distribution Agreement could materially adversely affect our operations.

The Separation and Distribution Agreement with InvenTrust provides for, among other things, the allocation between us and InvenTrust of InvenTrust's assets, liabilities and obligations attributable to periods prior to, at and after the separation, and provisions governing our relationships with InvenTrust following the separation and distribution. Among other things, the Separation and Distribution Agreement provides indemnification obligations designed to make us financially responsible for all liabilities that may exist relating to the "Xenia Business", which consists of the business, operations and activities relating primarily to our portfolio and any other hotels previously owned by Xenia or InvenTrust prior to the separation, other than the Suburban Select Service Portfolio, whether incurred prior to, at or after the separation and distribution. With respect to the Suburban Select Service Portfolio, notwithstanding the foregoing, we have agreed to assume the first \$8 million of liabilities (including any related fees and expenses) incurred following the distribution relating to, arising out of or resulting from the ownership, operation or sale of the Suburban Select Service Portfolio and that relate to, arise out of or result from a claim or demand that is made against Xenia or InvenTrust by any person who is not a party or an affiliate of a party to the Separation and Distribution Agreement, other than liabilities arising from the breach or alleged breach by InvenTrust of certain fundamental representations made by InvenTrust to the third party purchasers of the Suburban Select Service Portfolio. We have also agreed to assume and indemnify InvenTrust for certain tax liabilities attributable to the Suburban Select Service Portfolio. As part of our working capital at the time of distribution, InvenTrust left us with cash estimated to be sufficient to satisfy such tax obligations. As a result, we may be responsible for substantial liabilities under the Separation and Distribution Agreement.

In connection with our separation from InvenTrust, InvenTrust has agreed to indemnify us for certain pre-distribution liabilities and liabilities related to InvenTrust assets. However, there can be no assurance that these indemnities will be sufficient to insure us against the full amount of such liabilities, or that InvenTrust's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the Separation and Distribution Agreement, InvenTrust has agreed to indemnify us for certain liabilities related to InvenTrust assets. However, third parties could seek to hold us responsible for any of the liabilities that InvenTrust agrees to retain, and there can be no assurance that InvenTrust will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from InvenTrust any amounts for which we are held liable, such indemnification may be insufficient to fully offset the financial impact of such liabilities and/or we may be temporarily required to bear these losses while seeking recovery from InvenTrust.

Risks Related to Debt Financing

Volatility in the financial markets and challenging economic conditions could adversely affect our ability to secure debt financing on attractive terms and our ability to service any future indebtedness that we may incur.

The domestic and international commercial real estate debt markets could become very volatile as a result of, among other things, the tightening of underwriting standards by lenders and credit rating agencies. This could result in less availability of credit and increasing costs for what is available. If the overall cost of borrowing increases, either by increases in the index rates or by increases in lender spreads, the increased costs may result in existing assets or future acquisitions generating lower overall economic returns and potentially reducing future cash flow available for distribution. If these disruptions in the debt markets were to persist, our ability to borrow monies to finance the purchase of, or other activities related to, real estate assets could be negatively impacted. If we are unable to borrow monies on terms and conditions that we find acceptable, we likely will have to reduce the number of properties we can purchase, and the return on the properties we do purchase may be lower. In addition, we may find it difficult, costly or impossible to refinance indebtedness which is maturing.

Further, economic conditions could negatively impact commercial real estate fundamentals and result in declining values in our real estate portfolio and in the collateral securing any loan investments we may make, which could have various negative impacts. Specifically, the value of collateral securing any loan investment we may make could decrease below the outstanding principal amounts of such loans, requiring us to pledge more collateral.

Our organizational documents have no limitation on the amount of indebtedness we may incur. As a result, we may become highly leveraged in the future, which could materially and adversely affect us.

Our business strategy contemplates the use of both non-recourse secured and unsecured debt to finance long-term growth. In addition, our organizational documents contain no limitations on the amount of debt that we may incur, and our Board of Directors may change our financing policy at any time without stockholder notice or approval. As a result, we may be able to incur substantial additional debt, including secured debt, in the future. Incurring debt could subject us to many risks, including the risks that:

- our cash flows from operations may be insufficient to make required payments of principal and interest;
- our debt and resulting maturities may increase our vulnerability to adverse economic and industry conditions;
- we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing cash available for distribution to our stockholders, funds available for operations and capital expenditures, future business opportunities or other purposes;
- the terms of any refinancing may not be in the same amount or on terms as favorable as the terms of the existing debt being refinanced;
- we may be obligated to repay the debt pursuant to guarantee obligations; and
- the use of leverage could adversely affect our ability to raise capital from other sources or to make distributions to our stockholders and could adversely affect the market price of our common stock.

If we violate covenants in future agreements relating to indebtedness that we may incur, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on

attractive terms, if at all. In addition, indebtedness agreements may require that we meet certain covenant tests in order to make distributions to our stockholders.

If we are unable to repay or refinance our existing debt, we may be unable to sustain or increase distributions to our stockholders and our share price may be adversely affected.

Our existing and future debt may subject us to many risks, including the risks that:

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

If we do not have sufficient funds to repay our debt at maturity, it may be necessary to refinance this debt through additional debt financing, or private or public offerings of debt or equity securities. Alternatively, we may need to sell the underlying hotel or, in certain instances, the lender may foreclose. Adverse economic conditions could cause the terms on which we borrow or refinance to be unfavorable. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of hotels on disadvantageous terms or at times which may not permit us to receive an attractive return on our investments, potentially resulting in losses adversely affecting cash flow from operating activities.

Borrowings may reduce the funds available for distribution and increase the risk of loss since defaults may cause us to lose the properties securing the loans.

We have acquired properties by borrowing monies and we may, in some instances, acquire properties by assuming existing financing. We may borrow money to finance a portion of the purchase price of assets we acquire. We may also borrow money for other purposes to, among other things, satisfy the requirement that we distribute at least 90% of our REIT taxable income, subject to certain adjustments, or as is otherwise necessary or advisable to assure that we continue to qualify as a REIT for U.S. federal income tax purposes. Over the long term, however, payments required on any amounts we borrow reduce the funds available for, among other things, acquisitions, capital expenditures for existing properties or distributions to our stockholders because cash otherwise available for these purposes is used to pay principal and interest on this debt.

If there is a shortfall between the cash flow from a property and the cash flow needed to service mortgage debt on a property, then the amount of cash flow from operations available for distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In such a case, we could lose the property securing the loan that is in default, thus reducing the value of our investment. For tax purposes, a foreclosure is treated as a sale of the property or properties for a purchase price equal to the outstanding balance of the debt secured by the property or properties. If the outstanding balance of the debt exceeds our tax basis in the property or properties, we would recognize taxable gain on the foreclosure action even though we would not receive any cash proceeds. We also may fully or partially guarantee any monies that subsidiaries borrow to purchase or operate properties. In these cases, we will likely be responsible to the lender for repaying the loans if the subsidiary is unable to do so. If any mortgage contains cross-collateralization or cross-default provisions, more than one property may be affected by a default.

If we are unable to borrow at favorable rates, we may not be able to acquire new properties.

If we are unable to borrow money at favorable rates, we may be unable to acquire additional real estate assets or refinance existing loans at maturity. Further, we may enter into loan agreements or other credit arrangements that require us to pay interest on amounts we borrow at variable or "adjustable" rates. Increases in interest rates will increase our interest costs. If interest rates are higher when we refinance our loans, our expenses will increase, thereby reducing our cash flow and the amount available for distribution to you. Further, during periods of rising interest rates, we may be forced to sell one or more of our properties in order to repay existing loans, which may not permit us to maximize the return on the particular properties being sold.

Interest-only indebtedness may increase our risk of default and ultimately may reduce our funds available for distribution to our stockholders.

We have obtained, and may continue to enter into, mortgage indebtedness that does not require us to pay principal for all or a portion of the life of the debt instrument. During the period when no principal payments are required, the amount of each scheduled payment is less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan is not reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal required during this period. After the interest-only period, we may be required either to make scheduled payments of principal and interest or to make a lump-sum or "balloon" payment at or prior to maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan if we do not have funds available or are unable to refinance the obligation.

Existing and future debt agreements contain or may contain restrictions that limit our flexibility in operating our business.

The mortgages on our existing hotels, and hotels that we may acquire in the future, likely will contain customary covenants such as, but not limited to, those that limit our ability, without the prior consent of the lender, to further mortgage the applicable hotel or to discontinue insurance coverage. In addition, such loans contain negative covenants that, among other things, preclude certain changes of control, and/or changes in the hotel brand or manager of a collateralized property without lender consent, inhibit our ability to incur additional indebtedness or, under certain circumstances, restrict cash flow necessary to make distributions to our stockholders. These loans also often have debt service coverage ratio requirements that could limit our ability to borrow additional funds.

In addition, in connection with our mortgage agreements we may enter into lockbox and cash management agreements pursuant to which under certain situations substantially all of the income generated by our hotel properties will be deposited directly into lockbox accounts and then swept into cash management accounts for the benefit of our lenders and from which cash will be distributed to us only after funding of certain items, which may include payment of principal and interest on our debt, insurance and tax reserves or escrows and other expenses. As a result, we may be forced to borrow additional funds in order to make distributions to our stockholders (including, potentially, to make distributions necessary to allow us to maintain our qualification as a REIT for U.S. federal income tax purposes).

The credit agreements governing our senior unsecured revolving credit facility and our unsecured term loans contain customary covenants with which we must comply, which limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, our ability to incur additional indebtedness, incur liens on assets, enter into new types of businesses, engage in mergers, liquidations or consolidations, sell assets, make restricted payments (including the payment of dividends and other distributions) after the occurrence and during the continuance of a default or event of default, enter into negative pledges or limitations on the ability of subsidiaries to make certain distributions or to guarantee the indebtedness under the credit agreement, engage in certain transactions with affiliates, enter into sale and leaseback transactions, enter into speculative hedging transactions, change our fiscal year and make certain payments and prepayments with respect to subordinated debt. The credit agreements also contain financial covenants relating to our maximum total leverage ratio, maximum secured leverage ratio, maximum secured recourse leverage ratio, minimum fixed charge coverage ratio, minimum consolidated tangible net worth, minimum unsecured interest coverage ratio and setting a minimum number of unencumbered properties we must own and a minimum value for such unencumbered properties. Any other credit facility or secured loans that we enter into may place additional restrictions on us and may require us to meet certain financial ratios and tests. Our continued ability to borrow under the revolving credit facility and any other credit facility that we may obtain will be subject to compliance with these covenants and our ability to meet these covenants will be adversely affected if U.S. lodging fundamentals do not continue to improve when and to the extent that we expect. In addition, our failure to comply with these covenants, as well as our inability to make required payments under the credit agreement or any future debt agreement, could cause an event of default under the credit agreement, which, if not waived, could result in the termination of the financing commitments under the credit agreement and the acceleration of the maturity of the outstanding indebtedness thereunder, or could cause an event of default under such future debt agreement, which could result in the acceleration of the debt and require us to repay such debt with capital obtained from other sources, which may not be available to us or may be available only on unattractive terms. Furthermore, if we default on secured debt, lenders can take possession of the hotel or hotels securing such debt. In addition, the credit agreements contain, and any future debt agreements may contain, cross-default provisions with respect to certain other recourse and non-recourse indebtedness and contain certain other events of default which would similarly, in each case, give the lenders under the credit agreements the right to terminate such financing commitments and accelerate the maturity of such indebtedness under the credit agreements or give the lenders under such other agreement the right to declare a default on its debt and to enforce remedies, including acceleration of the maturity of such debt upon the occurrence of a default under such other indebtedness. If we default on our credit agreements or any other debt agreements, it could materially and adversely affect us.

We may be unable to satisfy our debt obligations upon a change of control.

Under the documents that govern our indebtedness, if we experience a change of control, we could be required to incur certain penalties, fees and other expenses, which may include repayment of the entire principal balance of some of our outstanding indebtedness plus additional fees and interest. We might not have sufficient funds to repay such amounts. Any of these events could have a material adverse impact on our liquidity, business, results of operations and financial condition.

Covenants applicable to current or future debt could restrict our ability to make distributions to our stockholders and, as a result, we may be unable to make distributions necessary to qualify as a REIT, which could materially and adversely affect us and the market price of our common stock.

We intend to continue to operate in a manner so as to qualify as a REIT for U.S. federal income tax purposes. In order to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding net capital gain, each year to our stockholders. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our stockholders in a calendar year is less than a minimum amount specified under the Code. If, as a result of covenants applicable to our current or future debt, we are restricted from making distributions to our stockholders, we may be unable to make distributions necessary for us to avoid U.S. federal corporate income and excise taxes and maintain our qualification as a REIT, which could materially and adversely affect us.

Increases in interest rates could increase the amount of our debt payments and adversely affect our ability to make distributions to our stockholders.

We have borrowed money, which bears interest at variable rates, and therefore are exposed to increases in costs in a rising interest rate environment. Increases in interest rates would increase our interest expense on any variable rate debt, as well as any debt that must be refinanced at higher interest rates at the time of maturity. Our future earnings and cash flows could be adversely affected due to the increased requirement to service our debt and could reduce the amount we are able to distribute to our stockholders. As of December 31, 2017, approximately \$371.6 million, or 28%, of the total debt outstanding bore interest at variable rates which was not hedged by interest rate protection agreements.

We may be contractually obligated to purchase property even if we are unable to secure financing for the acquisition.

We may finance all or a portion of the purchase price for properties that we acquire. However, to ensure that our offers are as competitive as possible, we do not expect to enter into contracts to purchase property that include financing contingencies. Thus, we may be contractually obligated to purchase a property even if we are unable to secure financing for the acquisition. In this event, we may choose to close on the property by using cash on hand, which would result in less cash available for our operations and distributions to stockholders. Alternatively, we may choose not to close on the acquisition of the property and default on the purchase contract. If we default on any purchase contract, we could lose our earnest money and become subject to liquidated or other contractual damages and remedies.

To hedge against interest rate fluctuations, we may use derivative financial instruments that may be costly and ineffective.

To the extent consistent with maintaining our qualification as a REIT, from time to time, we may use derivative financial instruments to hedge exposures to changes in interest rates on loans secured by our assets. Derivative instruments may include interest rate swap contracts, interest rate cap or floor contracts, futures or forward contracts, options or repurchase agreements. Our actual hedging decisions will be determined in light of the facts and circumstances existing at the time of the hedge and may differ from our currently anticipated hedging strategy. There is no assurance that our hedging strategy will achieve our objectives. We may be subject to costs, such as transaction fees or breakage costs, if we terminate these arrangements.

To the extent that we use derivative financial instruments to hedge against interest rate fluctuations, we will be exposed to credit risk, basis risk and legal enforceability risks. In this context, credit risk is the failure of the counterparty to perform under the terms of the derivative contract. If the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. If the fair value of a derivative contract is negative, we owe the counterparty, which creates a risk that we may not be able to pay such amounts. Basis risk occurs when the index upon which the contract is based is more or less variable than the index upon which the hedged asset or liability is based, thereby making the hedge less effective. Finally, legal enforceability risks encompass general contractual risks including the risk that the counterparty will breach the terms of, or fail to perform its obligations under, the derivative contract, increasing the risk that we may not realize the benefits of these instruments. There is a risk that counterparties could fail, shut down, file for bankruptcy or be unable to pay out contracts. The failure of a counterparty that holds collateral that we post in connection with an interest rate swap agreement could result in the loss of that collateral.

There can be no assurance that the direct or indirect effects of the Dodd-Frank Wall Street Reform and Consumer Protection Act will not have an adverse effect on our interest rate hedging activities.

Title VII of the Dodd-Frank Act contains a sweeping overhaul of the regulation of privately negotiated derivatives. The provisions of Title VII became effective on July 16, 2011 or, with respect to particular provisions, on such other date specified in the Dodd-Frank Act or by subsequent rulemaking. Pursuant to the regulatory framework established by Title VII of the Dodd-Frank Act, the Commodity Futures Trading Commission, or the CFTC, has been granted broad regulatory authority over "swaps," which term has been defined in the Dodd-Frank Act and related CFTC rules to include interest rate derivatives such as the ones we may use in our interest rate hedging activities. While the full impact of the Dodd-Frank Act on our interest rate hedging activities cannot be fully assessed until all final implementing rules and regulations are promulgated, the requirements of Title VII may affect our ability to enter into hedging or other risk management transactions, may increase our costs in entering into such transactions, and/or may result in us entering into such transactions on less favorable terms than prior to effectiveness of the Dodd-Frank Act. For example, subject to an exception for end-users of swaps upon which we may seek to rely, we may be required to clear certain interest rate hedging transactions by submitting them to a derivatives clearing organization. In addition, to the extent we are required to clear any such transactions, we will be required to, among other things, post margin in connection with such transactions. The occurrence of any of the foregoing events may have an adverse effect on our business and our stockholders' return.

Risks Related to Our Status as REIT

Failure to remain qualified as a REIT, would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our stockholders.

We believe that we are qualified to be taxed as a REIT for U.S. federal income tax purposes for our taxable year ended December 31, 2017, and we intend to continue operating in such a manner. However, we cannot assure you that we will remain qualified as a REIT or that we will not be required to rely on a REIT "savings clause". If we were to rely on a REIT "savings clause", we would have to pay a penalty tax, which could be material.

If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distributions to our stockholders because:

- we would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;
- we could be subject to the U.S. federal alternative minimum tax for taxable years prior to 2018 and possibly increased state and local taxes; and
- unless we are entitled to relief under certain U.S. federal income tax laws, we could not re-elect REIT status for the four taxable years following the year in which we failed to qualify as a REIT.

In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our common stock.

If InvenTrust failed to qualify as a REIT in its 2011 through 2015 taxable years, we would be prevented from electing to qualify as a REIT.

We believe that from the time of our formation until January 5, 2015, we were treated as a "qualified REIT subsidiary" of InvenTrust. Under applicable Treasury regulations, if InvenTrust failed to qualify as a REIT in any of its 2011 through 2015 taxable years, unless InvenTrust's failure was subject to relief under U.S. federal income tax laws, we would be prevented from electing to qualify as a REIT for the four taxable years following the year in which InvenTrust failed to qualify.

We and InvenTrust made a joint tax election, that among other things, caused us to have a short taxable year that ended on February 3, 2015 and if we failed to qualify as a REIT for that short taxable year, we would be liable for a material corporate income tax and would be precluded from qualifying as a REIT for the following four taxable years.

We and InvenTrust made a joint election under section 336(e) of the Code with respect to our spin-off from InvenTrust on February 3, 2015, which allowed us to significantly increase our tax basis in our assets. As a result of that election, among other things, we were deemed to sell all of our assets to a third party and liquidate on February 3, 2015, the date of the spin-off. The gain we recognized in that deemed sale that was attributable to the personal property at our hotels was not qualifying income for purposes of the 75% and 95% gross income tests applicable to REITs. Based on our valuation of our personal property, we believe that we satisfied the 75% and 95% gross income tests for our short taxable year that ended on February 3, 2015.

No complete assurance can be provided that the Internal Revenue Service ("IRS") would not disagree with our valuation of our personal property and our determination of the gain from the deemed sale of that property. If the IRS successfully asserted that we failed to satisfy one or more of the requirements for REIT qualification for our short taxable year ended on February 3, 2015, we would be able to maintain our REIT status only if we were able to qualify for a REIT "savings clause." We have been advised by counsel that, even if we failed the gross income tests as a result of the IRS successfully disagreeing with the valuation of our personal property, we will be able to qualify for a REIT "savings clause." To qualify for the REIT "savings clause," we would have to pay a penalty tax, which could be material. Moreover, an opinion of legal counsel reflects only the counsel's best judgment on a legal issue and is not binding on a court. Accordingly, no assurance can be provided that we would qualify for the REIT "savings clause" to maintain our qualification. If the IRS successfully disagreed with our valuation of our personal property and we did not qualify for the REIT "savings clause," we would be subject to corporate income tax on the deemed sale of our assets pursuant to the section 336(e) election, and that corporate income tax would be material. In addition, we would be precluded from electing REIT status for the four taxable years following that failure.

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

Even if we continue to qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, franchise, property and transfer taxes. In addition, our TRS, and any other TRS we form, will be subject to regular corporate U.S. federal, state and local taxes. Any of these taxes would decrease cash available for distributions to stockholders.

Failure to make required distributions would subject us to U.S. federal corporate income tax.

We intend to continue to operate in a manner so as to maintain our qualification as a REIT for U.S. federal income tax purposes. In order to continue to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, each year to our stockholders. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under the Code.

REIT distribution requirements could adversely affect our liquidity and may force us to borrow funds or sell assets during unfavorable market conditions.

To satisfy the REIT distribution requirements, we may need to borrow funds on a short-term basis or sell assets, even if the then-prevailing market conditions are not favorable for these borrowings or sales. Our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for U.S. federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt service or amortization payments. The insufficiency of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short- and long-term debt or sell equity securities in order to fund distributions required to maintain our qualification as a REIT.

The ownership of our TRS and our TRS lessees increases our overall tax liability.

Our TRS, and any other domestic TRS we form, will be subject to U.S. federal, state and local income tax on their taxable income, which will consist of the revenues from the hotels leased by our TRS lessees, net of the operating expenses for such hotels and rent payments to us. In certain circumstances the ability of our TRSs to deduct interest expense could be limited. Accordingly, although our ownership of our TRS lessees will allow us to participate in the operating income from our hotels in addition to receiving rent, that operating income will be fully subject to income tax. The after-tax net income of our TRS lessees is available for distribution to us.

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

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

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

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

Overall, no more than 20% (or 25% for the taxable years prior to 2018) of the value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the Code limits the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. The 100% tax would apply, for example, to the extent that we were found to have charged our TRS lessees rent in excess of an arm's-length rent. We will monitor the value of our investment in our TRS for the purpose of ensuring compliance with TRS ownership limitations and will structure our transactions with our TRS on terms that we believe are arm's length to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 20% (or 25%) TRS limitation or to avoid application of the 100% excise tax.

If the leases of our hotels to our TRS lessees are not respected as true leases for U.S. federal income tax purposes, we will fail to qualify as a REIT.

To maintain our qualification as a REIT, we must annually satisfy two gross income tests, under which specified percentages of our gross income must be derived from certain sources, such as "rents from real property." Rents paid to our Operating Partnership by our TRS lessees pursuant to the leases of our hotels will constitute substantially all of our gross income. In order for such rent to qualify as "rents from real property" for purposes of the gross income tests, the leases must be respected as true leases for U.S. federal income tax purposes and not be treated as service contracts, financing arrangements, joint ventures or some other type of arrangement. If our leases are not respected as true leases for U.S. federal income tax purposes, we will fail to qualify as a REIT.

If any of our current and future hotel management companies do not qualify as "eligible independent contractors," or if our hotels are not "qualified lodging facilities," we will fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. An exception is provided, however, for leases of "qualified lodging facilities" (as defined below) to a TRS so long as the hotels are managed by an "eligible independent contractor" and certain other requirements are satisfied. We expect to lease all or substantially all of our hotels to our TRS lessees and to engage hotel management companies that qualify as "eligible independent contractors." Among other requirements, in order to qualify as an eligible independent contractor, the hotel manager must not own, directly or through its stockholders, more than 35% of our outstanding shares, and no person or group of persons can own more than 35% of our outstanding shares and the shares (or ownership interest) of the hotel manager, taking into account certain ownership attribution rules. The ownership attribution rules that apply for purposes of these 35% thresholds are complex, and monitoring actual and constructive ownership of our shares by our hotel managers and their owners may not be practical. Accordingly, there can be no assurance that these ownership levels will not be exceeded.

In addition, for a hotel management company to qualify as an eligible independent contractor, such company or a related person must be actively engaged in the trade or business of operating "qualified lodging facilities" (as defined below) for one or more persons not related to the REIT or its TRSs at each time that such company enters into a hotel management contract with a TRS or its TRS lessee. We believe our current hotel managers operate qualified lodging facilities for certain persons who are not related to us or our TRS. However, no assurance can be provided that any of our current and future hotel managers will in fact comply with this requirement. Failure to comply with this requirement would require us to find other managers for future contracts, and, if we hired a management company without knowledge of the failure, it could jeopardize our status as a REIT.

Finally, each property with respect to which our TRS lessees pay rent must be a "qualified lodging facility." A "qualified lodging facility" is a hotel, motel or other establishment more than one-half of the dwelling units in which are used on a transient basis, including customary amenities and facilities, provided that no wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility. We believe that the hotels that are leased to our TRS lessees are qualified lodging facilities. Although we intend to monitor future acquisitions and improvements of properties, REIT provisions of the Code provide only limited guidance for making determinations under the requirements for qualified lodging facilities, and there can be no assurance that these requirements will be satisfied.

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

To maintain our qualification as a REIT, we must ensure that we meet the REIT gross income tests annually and that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities and qualified real estate

assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, no more than 25% of the value of our assets can consist of debt of publicly offered REITs (i.e., REITs that are required to file annual and period reports with the SEC under the Exchange Act) that is not secured by real property, and no more than 20% (or 25% for taxable years prior to 2018) of the value of our total assets can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate from our portfolio, or contribute to a TRS, otherwise attractive investments in order to maintain our qualification as a REIT. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders. In addition, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, and may be unable to pursue investments that would otherwise be advantageous to us in order to satisfy the source of income or asset diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make, and, in certain cases, maintain ownership of, certain attractive investments.

You may be restricted from acquiring or transferring certain amounts of our common stock.

The stock ownership restrictions of the Code for REITs and the 9.8% stock ownership limit in our charter may inhibit market activity in our capital stock and restrict our business combination opportunities.

In order to maintain our qualification as a REIT for each taxable year after our first taxable year as a REIT, five or fewer individuals, as defined in the Code, may not own, beneficially or constructively, more than 50% in value of our issued and outstanding capital stock at any time during the last half of a taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our capital stock under this requirement. Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of a taxable year for each taxable year after our first taxable year as a REIT. To help insure that we meet these tests, our charter restricts the acquisition and ownership of shares of our capital stock.

Our charter authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our Board of Directors (prospectively or retroactively), our charter prohibits any person from beneficially or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock. Our Board of Directors may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of 9.8% of the value of our outstanding shares would result in our failing to qualify as a REIT. These restrictions on transferability and ownership will not apply, however, if our Board of Directors determines that it is no longer in our best interest to continue to qualify as a REIT or that compliance is no longer required in order for us to qualify as a REIT.

We may pay taxable dividends in cash and our common stock, in which case stockholders may sell shares of our common stock to pay tax on such dividends, placing downward pressure on the market price of our common stock.

We may distribute taxable dividends that are payable in cash and common stock at the election of each stockholder. If we made a taxable dividend payable in cash and common stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, stockholders may be required to pay income tax with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the common stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock. If we made a taxable dividend payable in cash and our common stock and a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock. We do not currently intend to pay a taxable dividend in our common stock and cash.

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

The maximum U.S. federal tax rate applicable to "qualified dividend income" payable to U.S. stockholders that are taxed at individual rates is 20%. Dividends payable by REITs, however, are generally not eligible for the reduced rates on qualified dividend income. For taxable years beginning after December 31, 2017 and before January 1, 2026, under the recently enacted law informally known as the Tax Cuts and Jobs Act, or TCJA, non-corporate taxpayers may deduct up to 20% of certain pass-

through business income, including “qualified REIT dividends” (generally, dividends received by a REIT stockholder that are not designated as capital gain dividends or qualified dividend income), subject to certain limitations, resulting in an effective maximum U.S. federal income tax rate of 29.6% on such income. Although the reduced U.S. federal income tax rate applicable to qualified dividend income does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends and the reduced corporate tax rate (currently 21%) could cause certain non-corporate investors to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Code may limit our ability to hedge the risks inherent to our operations. Under current law, any income that we generate from derivatives or other transactions intended to hedge our interest rate risk with respect to borrowings made, or to be made, to acquire or carry real estate assets generally will not constitute gross income for purposes of the 75% and 95% income tests applicable to REITs. In addition, any income from certain other qualified hedging transactions would generally not constitute gross income for purposes of both the 75% and 95% income tests. However, we may be required to limit the use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than we would otherwise incur.

The ability of our Board of Directors to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders.

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

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

At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation, or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

Risks Related to Ownership of Our Common Stock and our Corporate Structure

The market price of our shares may fluctuate widely and there can be no assurance that the market for our stock will provide you with adequate liquidity.

Prior to our separation from InvenTrust there was no public market for our common stock, and we cannot predict the prices at which our common stock may trade in the future. The market price of our common stock may fluctuate widely, depending on many factors, some of which may be beyond our control, including:

- actual or anticipated differences in our operating results, liquidity, or financial condition;
- changes in our revenues, Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), Adjusted EBITDA ("Adjusted EBITDA"), Funds From Operations ("FFO"), Adjusted FFO ("Adjusted FFO"), or earnings estimates;
- publication of research reports about us, our hotels or the lodging or overall real estate industry;
- failure to meet analysts' revenue or earnings estimates;
- the extent of institutional investor interest in us;
- the reputation of REITs and real estate investments generally and the attractiveness of REIT equity securities in comparison to other equity securities, including securities issued by other real estate companies, and fixed income securities;
- additions and departures of key personnel;
- the performance and market valuations of other similar companies;

- strategic actions by us or our competitors, such as acquisitions or restructurings;
- fluctuations in the stock price and operating results of our competitors;
- the passage of legislation or other regulatory developments that adversely affect us or our industry;
- the realization of any of the other risk factors presented in this Annual Report;
- speculation in the press or investment community;
- changes in accounting principles;
- events beyond our control, such as terrorist acts, wars, travel-related health concerns and natural disasters; and
- general market and economic conditions, including factors unrelated to our operating performance.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock.

Significant sales of our common stock, or the perception that significant sales of such shares could occur, may cause the price of our common stock to decline significantly.

A large volume of sales of shares of our common stock could decrease the market price of our common stock and could impair our ability to raise additional capital through the sale of equity securities in the future. Even if a substantial number of sales of our shares are not affected, the mere perception of the possibility of these sales could depress the market price of our common stock and have a negative effect on our ability to raise capital in the future. In addition, anticipated downward pressure on our common stock price due to actual or anticipated sales of common stock from this market overhang could cause some institutions or individuals to engage in short sales of our common stock, which may itself cause the price of our common stock to decline.

Future sales or distributions of our common stock may negatively affect the market price of our common stock.

It is possible that some of our large stockholders will sell our common stock. Any disposition by significant stockholders of our common stock in the public market or the perception that such dispositions could occur could adversely affect prevailing market prices for our common stock.

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

We intend to pay regular quarterly distributions to holders of our common stock. We have established our distribution rate based upon our estimate of our annualized cash flow that will be available for distributions. All distributions will be made at the discretion of our Board of Directors and will depend on our historical and projected results of operations, Adjusted EBITDA, FFO, Adjusted FFO, liquidity and financial condition, REIT qualification, debt service requirements, capital expenditures and operating expenses, prohibitions and other restrictions under financing arrangements and applicable law and other factors as our Board of Directors may deem relevant from time to time. No assurance can be given that our projections will prove accurate or that any level of distributions will be made or sustained or achieve a market yield. We may not be able to make distributions in the future or may need to consider various funding sources to cover any shortfall, including borrowing under our senior unsecured revolving credit facility, selling certain of our assets or using a portion of the net proceeds we receive from future offerings of equity, equity-related or debt securities or declaring taxable share dividends. Any of the foregoing could cause the market price of our common stock to decline significantly.

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

In the future, we may issue debt or equity securities or incur other borrowings. Upon our liquidation, holders of our debt securities and other loans and preferred shares will receive a distribution of our available assets before common stockholders. If we incur debt in the future, our future interest costs could increase, and adversely affect our liquidity, FFO, Adjusted FFO and results of operations. We are not required to offer any additional equity securities to existing common stockholders on a preemptive basis. Therefore, additional common stock issuances, directly or through convertible or exchangeable securities

(including Operating Partnership Units), warrants or options, will dilute the holdings of our existing common stockholders and such issuances or the perception of such issuances may reduce the market price of our common stock. Because our decision to issue debt or equity securities or incur other borrowings in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. Thus, common stockholders bear the risk that our future issuances of debt or equity securities or our incurrence of other borrowings will negatively affect the market price of our common stock.

Your percentage ownership in us may be diluted in the future.

As with any publicly traded company, your percentage ownership in us may be diluted in the future because of equity issuances for acquisitions, capital market transactions or otherwise, including, without limitation, equity awards that may be granted to our directors, officers, employees and consultants. Our Board of Directors has approved an Incentive Award Plan (the "Plan"), which provides for the grant of cash and equity-based awards to our directors, officers, employees, and consultants. We reserved 7,000,000 shares of our common stock for issuance or transfer pursuant to awards under the Plan. For a more detailed description of the Plan, see "Part III-Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

If securities analysts do not publish research or reports about our business or if they downgrade our stock or our sector, our stock price and trading volume could decline.

The trading market for our common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, if one or more of the analysts who do cover us downgrade our stock or our industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our common stock could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, we could lose viability in the market, which in turn could cause our stock price or trading volume to decline.

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

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

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

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

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

Our charter authorizes us to obligate ourselves and our bylaws obligate us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to any present or former director or officer who is made or threatened to be made a party to the proceeding by reason of his or her service to us in that capacity. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist absent the current provisions in our charter and bylaws.

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of the Maryland General Corporation Law, or "MGCL", may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in our control under circumstances that otherwise could provide the

holders of our common stock with the opportunity to realize a premium over the then-prevailing market price of our common stock, including:

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

As permitted by Maryland law, we have elected, by resolution of our Board of Directors, to opt out of the business combination provisions of the MGCL, provided that such business combination has been approved by our Board of Directors (including a majority of directors who are not affiliated with the interested stockholder), and, pursuant to a provision in our bylaws, to exempt any acquisition of our stock from the control share provisions of the MGCL. However, our Board of Directors may by resolution elect to repeal the exemption from the business combination provisions of the MGCL and may by amendment to our bylaws opt into the control share provisions of the MGCL at any time in the future.

Our charter contains a provision whereby we elect to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our Board of Directors.

As a holding company with no direct operations, we rely on funds received from our Operating Partnership to pay liabilities.

As a holding company that conducts substantially all of our operations through our Operating Partnership, we rely on distributions from our Operating Partnership to pay any dividends we might declare on shares of our common stock. We also rely on distributions from our Operating Partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our Operating Partnership. In addition, because we are a holding company, your claims as stockholders will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our Operating Partnership and its subsidiaries will be able to satisfy the claims of our stockholders only after all of our and our Operating Partnership's and its subsidiaries' liabilities and obligations have been paid in full.

We own 98% of the Operating Partnership Units and the remaining 2% of the Operating Partnership Units are owned by the other limited partners comprised of our current and former executive officers and members of our Board of Directors. However, in connection with our future acquisition of properties or otherwise, we may issue Operating Partnership Units to third parties. Such issuances would reduce our ownership in our operating partnership. Because you will not directly own units of our Operating Partnership, you will not have any voting rights with respect to any such issuances or other partnership level activities of our Operating Partnership.

Our charter places limits on the amount of common stock that any person may own.

No more than 50% of the outstanding shares of our common stock may be beneficially owned, directly or indirectly, by five or fewer individuals at any time during the last half of each taxable year (other than our first taxable year for which an election to be a REIT was made). Unless exempted by our Board of Directors, prospectively or retroactively, our charter prohibits any person or group from owning more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock. These provisions may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction such as a merger, tender offer or sale of all or substantially all of our assets that might involve a premium price for holders of our common stock.

If anyone transfers shares in a way that would violate the ownership limit, or prevent us from maintaining our qualification as a REIT under the U.S. federal income tax laws, those shares instead will be transferred to a trust for the benefit of a charitable beneficiary and will be either redeemed by us or sold to a person whose ownership of the shares will not violate the ownership limit. If this transfer to a trust fails to prevent such a violation or our continued qualification as a REIT, then the initial intended

transfer shall be null and void from the outset. The intended transferee of those shares will be deemed never to have owned the shares. Anyone who acquires shares in violation of the ownership limit or the other restrictions on transfer in our charter bears the risk of suffering a financial loss when the shares are redeemed or sold if the market price of our shares falls between the date of purchase and the date of redemption or sale.

Our charter permits our Board of Directors to issue preferred stock on terms that may subordinate the rights of the holders of our current common stock or discourage a third party from acquiring us.

Our Board of Directors is permitted, subject to certain restrictions set forth in our charter, to authorize the issuance of up to 500,000,000 shares of common stock and 50,000,000 shares of preferred stock without stockholder approval. Further, our Board of Directors may classify or reclassify any unissued shares of common or preferred stock into other classes or series of stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, and terms or conditions of redemption of the stock and may amend our charter from time to time to increase or decrease the aggregate number of shares or the number of shares of any class or series that we have authority to issue without stockholder approval. Thus, our Board of Directors could authorize us to issue shares of preferred stock with terms and conditions that could subordinate the rights of the holders of our common stock or shares of preferred stock or common stock that could have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction such as a merger, tender offer or sale of all or substantially all of our assets, that might provide a premium price for holders of our common stock.

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

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

Conflicts of interest could arise in the future between the interests of our stockholders and the interests of any holders of Operating Partnership Units in our Operating Partnership, which may impede business decisions that could benefit our stockholders.

Conflicts of interest could arise as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any partner thereof, on the other. Our directors and officers who own interest in our Operating Partnership have duties to us under applicable Maryland law in connection with their management of our company. At the same time, XHR GP, Inc., our wholly-owned subsidiary, as general partner of our Operating Partnership, has fiduciary duties and obligations to our Operating Partnership and its limited partners under Delaware law and the partnership agreement of our Operating Partnership in connection with the management of our Operating Partnership. Our duties as general partner to our Operating Partnership and its partners may come into conflict with the duties of our directors and officers to our company. These conflicts may be resolved in a manner that is not in the best interests of our stockholders.

Certain provisions in the partnership agreement for our Operating Partnership may delay or prevent unsolicited acquisitions of us.

Provisions in the partnership agreement for our Operating Partnership may delay or make more difficult unsolicited acquisitions of us or changes in our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or a change in our control, although some stockholders might consider such proposals, if made, desirable.

Our Board of Directors may change our investment policies without stockholder approval, which could alter the nature of your investment.

Our investment policies may change over time. The methods of implementing our investment policies may also vary, as new investment techniques are developed. Our investment policies, the methods for implementing them, and our other objectives, policies and procedures may be altered by a majority of the directors without the approval of our stockholders. As a result, the nature of your investment could change without your consent. A change in our investment strategy may, among other things, increase our exposure to interest rate risk, default risk and commercial real property market fluctuations, all of which could materially and adversely affect our ability to achieve our investment objectives.

Our Board of Directors may approve very broad investment guidelines and has approved financing guidelines for us and may not always review or approve each investment or financing decision made by our senior management team.

Our Board of Directors may authorize our senior management team to follow broad investment guidelines and has approved financing guidelines, in which case, we expect that our senior management team will have latitude in determining the assets that are proper investments for us, as well as the individual investment decisions, and how we finance such investments. Our senior management team may make investments with lower rates of return than those anticipated under current market conditions and/or may make investments with greater risks to achieve those anticipated returns. We expect that our Board of Directors may not always approve each proposed investment or financing strategy by our senior management team.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease our headquarters located at 200 S. Orange Avenue, Suite 2700, Orlando, Florida 32801.

Hotel Properties

As of December 31, 2017, we owned a portfolio of 39 operating hotels, 37 of which are wholly owned, comprising 11,533 rooms, including a 75% ownership interest in two hotels owned through two consolidated real estate entities across 18 states and the District of Columbia. We believe our portfolio of hotels is geographically diverse as our management team has implemented and executed a strategy of acquiring premium full service and lifestyle hotels primarily in the Top 25 Markets and key leisure destinations in the U.S.

Our Brand Affiliations

Our portfolio of hotels primarily operates under premium brands, with approximately 82% of our rooms operating under Marriott, Hyatt or Kimpton brands. The following table sets forth our brand affiliations as of December 31, 2017 :

	Number of Hotels	Number of Rooms	Percentage of Total Rooms
Marriott			
Autograph Collection	5	587	5.1%
Marriott	7	2,596	22.5%
Renaissance	2	1,014	8.8%
Residence Inn	2	449	3.9%
Ritz-Carlton	1	365	3.2%
Westin	2	875	7.6%
Subtotal	19	5,886	51.1%
Hyatt			
Andaz	3	451	3.9%
Hyatt Centric	1	120	1.0%
Hyatt Regency	3	1,813	15.7%
Unbound Collection	1	119	1.0%
Subtotal	8	2,503	21.6%
Kimpton	7	1,124	9.8%
Aston	1	645	5.6%
Fairmont	1	545	4.7%
Hilton	1	300	2.6%
Loews	1	285	2.5%
Total branded	38	11,288	97.9%
Independent	1	245	2.1%
Total portfolio	39	11,533	100%

Our Hotels

The following table provides a list of our portfolio as of December 31, 2017 ⁽¹⁾:

Hotel	Rooms	Year Acquired	State	Brand Parent Company	Hotel Management Company ⁽²⁾	Chain Scale Segment ⁽³⁾
Andaz Napa ⁽⁴⁾	141	2013	CA	Hyatt	Hyatt	L
Andaz San Diego	159	2013	CA	Hyatt	Hyatt	L
Andaz Savannah ⁽⁴⁾	151	2013	GA	Hyatt	Hyatt	L
Aston Waikiki Beach Hotel ⁽⁵⁾⁽⁶⁾	645	2014	HI	Aston	Aston	U
Bohemian Hotel Celebration, an Autograph Collection Hotel	115	2013	FL	Marriott	Kessler	UU
Bohemian Hotel Savannah Riverfront, an Autograph Collection Hotel	75	2012	GA	Marriott	Kessler	UU
Canary Santa Barbara	97	2015	CA	Kimpton	Kimpton	UU
Fairmont Dallas	545	2011	TX	Fairmont	Fairmont	L
Grand Bohemian Hotel Charleston, an Autograph Collection Hotel ⁽⁴⁾⁽⁶⁾	50	N/A	SC	Marriott	Kessler	UU
Grand Bohemian Hotel Mountain Brook, an Autograph Collection Hotel ⁽⁴⁾⁽⁶⁾	100	N/A	AL	Marriott	Kessler	UU
Grand Bohemian Hotel Orlando, an Autograph Collection Hotel ⁽⁴⁾	247	2012	FL	Marriott	Kessler	UU
Hilton Garden Inn Washington DC Downtown	300	2008	DC	Hilton	Urgo	U
Hotel Commonwealth ⁽⁵⁾	245	2016	MA	Independent	Sage	I
Hotel Monaco Chicago ⁽⁴⁾	191	2013	IL	Kimpton	Kimpton	UU
Hotel Monaco Denver ⁽⁴⁾	189	2013	CO	Kimpton	Kimpton	UU
Hotel Monaco Salt Lake City	225	2013	UT	Kimpton	Kimpton	UU
Hotel Palomar Philadelphia ⁽⁴⁾	230	2015	PA	Kimpton	Kimpton	UU
Hyatt Centric Key West Resort & Spa	120	2013	FL	Hyatt	Hyatt	UU
Hyatt Regency Grand Cypress	815	2017	FL	Hyatt	Hyatt	UU
Hyatt Regency Santa Clara ⁽⁴⁾⁽⁵⁾	505	2013	CA	Hyatt	Hyatt	UU
Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch	493	2017	AZ	Hyatt	Hyatt	UU
Loews New Orleans Hotel ⁽⁴⁾	285	2013	LA	Loews	Loews	L
Lorien Hotel & Spa	107	2013	VA	Kimpton	Kimpton	UU
Marriott Charleston Town Center ⁽⁴⁾⁽⁵⁾	352	2011	WV	Marriott	Marriott	UU
Marriott Chicago at Medical District / UIC	113	2008	IL	Marriott	Davidson	UU
Marriott Dallas City Center ⁽⁴⁾	416	2010	TX	Marriott	Marriott	UU
Marriott Griffin Gate Resort & Spa	409	2012	KY	Marriott	Marriott	UU
Marriott Napa Valley Hotel & Spa	275	2011	CA	Marriott	Sage	UU
Marriott San Francisco Airport Waterfront ⁽⁴⁾	688	2012	CA	Marriott	Marriott	UU
Marriott Woodlands Waterway Hotel & Convention Center ⁽⁵⁾	343	2007	TX	Marriott	Marriott	UU
Renaissance Atlanta Waverly Hotel & Convention Center ⁽⁴⁾	522	2012	GA	Marriott	Renaissance	UU
Renaissance Austin Hotel	492	2012	TX	Marriott	Renaissance	UU
Residence Inn Boston Cambridge ⁽⁴⁾	221	2008	MA	Marriott	Residence Inn	U
Residence Inn Denver City Center	228	2013	CO	Marriott	Sage	U
The Ritz-Carlton, Pentagon City ⁽⁵⁾	365	2017	VA	Marriott	Marriott	L
RiverPlace Hotel	85	2015	OR	Kimpton	Kimpton	UU
Royal Palms Resort & Spa	119	2017	AZ	Hyatt	Hyatt	L
Westin Galleria Houston ⁽⁴⁾	469	2013	TX	Marriott	Westin	UU
Westin Oaks Houston at the Galleria ⁽⁴⁾	406	2013	TX	Marriott	Westin	UU

(1) Includes only the hotels in our portfolio as of December 31, 2017. See "Basis of Presentation."

(2) "Aston" refers to an affiliate of Aqua-Aston Hospitality; "Davidson" refers to Davidson Hotel Company LLC; "Fairmont" refers to Fairmont Hotels & Resorts (U.S.) Inc.; "Hyatt" refers to Hyatt Corporation; "Kessler" refers to Kessler Collection Management, LLC; "Kimpton" refers to Kimpton Hotel & Restaurant Group, LLC; "Loews" refers to Loews New Orleans Hotel Corp.; "Marriott" refers to Marriott Hotel Services, Inc.; "Renaissance" refers to Renaissance Hotel Operating Company; "Residence Inn" refers to Residence Inn by Marriott, LLC.; "Sage" refers to affiliates of Sage Hospitality Resources, LLC; "Urgo" refers to Urgo Hotels LP; and "Westin" refers to Westin Operator, LLC.

(3) "L" refers to Luxury; "UU" refers to Upper Upscale; "U" refers to Upscale; "I" refers to Independent.

- (4) This property is subject to mortgage debt at December 31, 2017 .
- (5) This hotel is subject to a ground lease that covers all or part of the land underlying the hotel. See "Part I-Item 2. Properties - Our Principal Agreements- Ground Leases" for more information.
- (6) The Company owns a 75% interest in the hotel, which is consolidated as a variable interest entity in our financial statements.

Our Principal Agreements

Hotel Management and Franchise Agreements

In order to maintain our qualification as a REIT, we cannot directly or indirectly operate any of our hotels. We lease each of our 39 hotels to TRS lessees, which in turn engage property managers to manage our hotels. Each of our hotels is operated pursuant to a hotel management agreement with an independent hotel management company. Approximately 23% of our hotels (based on the number owned as of December 31, 2017), which we refer to as "franchised hotels" are also operated under distinct franchise agreements, a few of which are with an affiliate of the hotel's management company. Approximately 74% of our hotels (based on the number owned as of December 31, 2017) receive the benefit pursuant to the hotel's management agreement, which we refer to as "brand-managed hotels."

Below is a general overview of the management and franchise agreements for our hotels, summarizing the principal terms found in each type of agreement.

Management Agreements for Brand-Managed Hotels

Pursuant to our management agreements for brand-managed hotels, the management company controls the day-to-day operations of each hotel, and we are granted limited approval rights with respect to certain of the management company's actions, including entering into long-term or high value contracts, engaging in certain actions relating to legal proceedings, approving the operating budget, making certain capital expenditures and approving the hiring of certain management personnel.

We are provided with a variety of services and benefits, including the right to use the name, marks and system of operation of a brand affiliated with the management company, as well as centralized reservation systems, national advertising, marketing programs and publicity designed to increase brand awareness, training of personnel and payroll and accounting services.

Of our brand-managed hotels, approximately 48% of our hotels (by room count as of December 31, 2017) are managed by Marriott, approximately 26% are managed by Hyatt, approximately 11% are managed by Kimpton, and the rest are managed by management companies affiliated with a variety of other brands.

Term

The majority of our management agreements for brand-managed hotels contain an initial term of between 20 to 30 years, and have an average remaining term of approximately 11 years, assuming no renewal options are exercised by the management company. These agreements generally allow for one or more renewal periods at the option of the management company. Including the exercise of all renewal options the average remaining term of our management agreements is approximately 25 years.

Fees

Our management agreements for brand-managed hotels typically contain a two-tiered fee structure, wherein the management company receives a base management fee and, if certain financial thresholds are met or exceeded, an incentive management fee. The base management fee is typically 3.0% of gross hotel revenues or receipts, but ranges from 2.0% to 7.0%, the highest of which also include fees for additional non-management services. The incentive management fees range from 10% to 35% of net operating income (or other similar metric, as defined in the management agreement) remaining after deducting a priority return typically equal to 10% to 11% of our total capital investment in the hotel. We also pay certain accounting services fees to the management companies in a majority of the agreements. Many management agreements also require the maintenance of a capital reserve fund ranging between 3% and 5% of hotel revenues to be used for capital expenditures to maintain the quality of the hotels.

Termination Events

Performance Termination

Most of our management agreements for our brand-managed hotels align our interests with those of the management company by providing us with a right to terminate the agreement if the management company fails to achieve certain criteria relating to the performance of the hotel. We generally may initiate a performance termination if, during any two consecutive year period, (i) the hotel fails to achieve a specified amount of operating profit, and (ii) certain operating metrics of the hotel, as compared to a competitive set of hotels in the relevant local market as agreed between the parties, fail to exceed a specified threshold as set forth in the applicable management agreement. In substantially all of the management agreements for brand-managed hotels, the management company has a right to avoid a performance termination by paying an amount equal to the amount by which the operating profit for the two-year period was less than the performance termination threshold, as set forth in the applicable management agreement.

Early Termination and Liquidated Damages

Subject to certain qualifications, notice requirements and applicable cure periods, the management agreements for our brand-managed hotels are generally terminable by either party upon a material casualty or condemnation of the hotel or the occurrence of certain customary events of default, including, among others: the bankruptcy or insolvency of either party; the failure of either party to make a payment when due, and failure to cure such non-payment after due notice; or breach by either party of covenants or obligations under the management agreement.

Additionally, the management company typically has the right to terminate the management agreement in certain situations, including the occurrence of certain actions with respect to the mortgage or our interference with the management company's ability to operate the hotel by failing to approve required capital improvements or expenditures or by failing to complete or commence required repairs after damage or destruction to the hotel. Most of our agreements do not require payment of liquidated damages in the event of an early termination; however, our Marriott brand-managed hotels require us to establish a reserve fund out of gross revenues to be used in the event of a termination. The fund is to be used to reimburse the management company for all costs and expenses incurred by the management company that relate to (i) the operation of the hotel prior to termination but that accrue after termination, (ii) the management company terminating its employees and/or (iii) the payment of any pending or contingent claims, depending on the agreement.

Sale of a Hotel

Our management agreements for our brand-managed hotels generally provide that we cannot sell a hotel to a person who: (i) does not have sufficient financial resources, (ii) is of bad moral character, (iii) is a competitor, or (iv) is a specially designated national or blocked person, as set forth in the applicable management agreement. Under most agreements, we will default if we proceed with a sale without the management company's consent and the assignment of the hotel's management agreement. Some of the agreements provide that our sale or transfer of the hotel to an affiliate does not require us to obtain the consent of the management company.

Management Agreements for Franchised Hotels

Our franchised hotels are managed by various third party management companies, which are either independent or are affiliated with a hotel's brand. As in our management agreements for brand-managed hotels, the management company controls the day-to-day operations of each hotel, and we are granted limited approval rights with respect to certain of the management company's actions, including entering into long-term or high value contracts, engaging in certain actions relating to legal proceedings, approving the operating budget, making certain capital expenditures and the hiring of certain management personnel.

Term

Our management agreements for franchised hotels generally contain initial terms between seven and 15 years with an average remaining initial term of approximately six years. Almost all of these agreements either do not contemplate a renewal or extension of the initial term or cannot be extended without our consent, and the rest may be extended at the option of the management company if certain conditions are met. Assuming all renewal or extension options are exercised, the average remaining term is approximately seven years.

Fees

Generally, the management agreements for franchised hotels contain a two-tiered fee structure in which the management company receives a base management fee and, if certain financial thresholds are met or exceeded, an incentive management

fee, each calculated on a per hotel basis. The base management fees range from 2% to 3% of gross hotel revenue, with some base fees increasing over time. Almost all of the incentive management fees range from 15% to 30% of net operating income (or other similar metric, as defined in the management agreement) remaining after deducting a priority return typically equal to 9% to 11% of our total capital investment in the hotel. We also pay certain accounting services fees to the management companies under a majority of the agreements.

Termination Events

Performance Termination

As with our management agreements for brand-managed hotels, most of the management agreements for franchised hotels provide us with a right to terminate the agreement if the management company fails to achieve certain criteria relating to the performance of the hotel. Generally, we may initiate a performance termination if, during any two consecutive year period, (i) the hotel fails to achieve a specified amount of operating profit, and (ii) certain operating metrics of the hotel, as compared to a competitive set of hotels in the relevant local market as agreed between the parties, fail to exceed a specified threshold as set forth in the applicable management agreement. In some of the management agreements for franchised hotels, the management company has a right, which can usually be exercised no more than once per hotel, to avoid a performance termination by paying an amount specified in the applicable management agreement.

Early Termination and Liquidated Damages

Subject to certain qualifications, notice requirements and applicable cure periods, the management agreements for franchised hotels are generally terminable by either party upon a material casualty or condemnation of the hotel or the occurrence of certain customary events of default, including, among others: the bankruptcy or insolvency of either party; a breach by either party of covenants or obligations under the management agreement, including a failure by us to provide required operating funds or our failure to make a payment when due and failure to cure such non-payment after due notice; a default by either party under the corresponding franchise agreement; a failure of either party to maintain a license for the sale of alcoholic beverages; and a failure by either party to maintain insurance policies required under the management agreement.

In the event that a management company elects to terminate a management agreement due to certain events of default by us, the management company generally may recover a termination fee, as liquidated damages, as set forth in the applicable management agreement. Several of the management agreements for franchised hotels grant us a right to terminate without cause upon notice to the management company. In some instances, such termination requires the payment of a termination fee.

Sale of a Hotel

Under a majority of the management agreements for franchised hotels, in order to sell a hotel, we must terminate the management agreement and pay a fee to the management company. However, in some cases, we may avoid such fees if the new owner is either assigned the agreement or enters into a new agreement with the management company.

Franchise Agreements

Our franchised hotels operate under franchise agreements with Hilton and Marriott. Pursuant to our franchise agreements, we are granted rights to use the franchisor's name, marks and system in the operation of our hotels. Franchisors also provide us with a variety of services and benefits, including centralized reservation systems, national advertising, marketing programs and publicity designed to increase brand awareness, training of personnel and maintenance of operational quality at hotels across the brand system. In return, our TRS lessees, as the franchisees, are required to operate franchised hotels consistent with the applicable brand standards. The franchise agreements generally specify management, operational, record-keeping, accounting, reporting and marketing standards and procedures with which our TRS lessees must comply, and ensure consistency across the brand by outlining standards for guest services, products, signage and furniture, fixtures and equipment, among other things. To ensure our compliance, most of the franchise agreements specify that we must make the hotel available for quality inspections by the franchisor. We are also required to participate in the applicable loyalty rewards program for each brand.

Term

A majority of our franchise agreements contain an initial term of 15 to 20 years, with an average remaining initial term of approximately 10 years. Almost all of our franchise agreements do not contemplate any renewals or extensions of the initial term.

Fees

Substantially all of our franchise agreements require that we pay a royalty fee ranging between 2% and 6% of the gross room revenue of the applicable hotel and, for certain full service hotels, an additional fee ranging between 2% and 3% on gross food and beverage revenue. We must also pay marketing, reservation or other program fees ranging between 1% and 2.5% of the gross room revenue. In addition, under substantially all of our franchise agreements, the franchisor has the right to require that we renovate guest rooms and public facilities from time to time to comply with then-current brand standards. Under certain agreements, such expenditures are mandated at set periods, with at least some level of expenditure required every five to six years. Many franchise agreements also require the maintenance of a capital reserve fund ranging between 3% and 4% of hotel revenues to be used for capital expenditures to maintain the quality of the hotels.

Termination Events

Our franchise agreements provide for termination at the applicable franchisor's option upon the occurrence of certain events, including, among others: the failure to maintain brand standards, the failure to pay royalties and fees or to perform other obligations under the franchise license; bankruptcy; and abandonment of the franchise or a change of control, and in the event of such termination, we are required to pay liquidated damages.

Guarantee and Franchisor Rights

The TRS lessee that is the franchisee is responsible for making all payments to the franchisor under the applicable franchise agreement; however, Xenia Hotels & Resorts, Inc., XHR LP and/or the corresponding property-owning subsidiary generally guarantee the TRS lessee's obligations under the franchise agreements. In addition, some of the franchise agreements require that we provide the franchisor with a right of first offer or right of first refusal in the event of certain sales or transfers of a hotel, and almost all of our agreements provide the franchisor the right to approve any change in the hotel's management company.

TRS Leases

In order for us to maintain our qualification as a REIT, neither our company nor any of our subsidiaries, including the Operating Partnership, may directly or indirectly operate our hotels. Subsidiaries of our Operating Partnership, as lessors, lease our hotels to our TRS lessees, which, in turn, are parties to the existing hotel management agreements with third-party hotel management companies for each our hotels.

Ground Leases

The following table summarizes the remaining primary term, renewal rights, purchase rights and monthly base rent as of December 31, 2017 associated with land underlying our hotels and meeting facilities that we lease from third parties:

Property	Current Lease Term Expiration	Renewal Rights / Purchase Rights	Current Monthly Minimum or Base Rent ⁽¹⁾	Base Rent Increases at Renewal	Lease Type
Ground lease: Entire Property					
Aston Waikiki Beach Hotel	December 31, 2057	No renewal rights ⁽²⁾	\$196,286 ⁽³⁾	Not applicable	Triple Net
Hyatt Regency Santa Clara	April 30, 2035	4 x 10 years, 1 x 9 years ⁽⁴⁾	\$62,013	No increase unless lessee exercises its option to expand at which time base rent will be increased by \$800 for each additional hotel room in excess of 500	Triple Net
Marriott Charleston Town Center	December 11, 2032	4 x 10 years	\$5,000	No increase unless hotel is expanded beyond 356 guest rooms, at which time rent shall increase on a pro rata basis ⁽⁵⁾	Triple Net
Hotel Commonwealth	December 19, 2087	None	\$0.83	Not applicable	Triple Net
The Ritz-Carlton, Pentagon City	May 7, 2040	2 x 25 years	\$53,375	Fair market rent adjustment at commencement of lease renewal	Triple Net
Ground lease: Partial Property					
Convention Center at Marriott Woodlands Waterway Hotel & Convention Center	June 30, 2100	No renewal rights ⁽⁶⁾	\$10,541 ⁽⁷⁾	Not applicable	Triple Net

(1) In addition to minimum rent, the Company may owe percentage rent. In particular, Hyatt Regency Santa Clara incurs percentage rent based on a percentage of rooms revenue and ballroom receipts, which has exceeded the minimum base rent for the years ended December 31, 2017, 2016 and 2015. Marriott Charleston Town Center, per the amendment signed in December 2017, incurs supplemental rent equal to the greater of 0.5% of annual gross revenues or \$85 thousand. The Ritz-Carlton, Pentagon City incurs the greater of minimum base rent or five percent (5%) of guest room revenues, which has exceeded minimum base rent for the year ended December 31, 2017.

(2) The Company has a right of first refusal to purchase the property, which must be exercised within 30 days of receiving the third party's terms from the landlord.

(3) For and during the period from January 1, 2006 to December 31, 2029, the Minimum Rent for each year is adjusted based on a calculation tied to the Consumer Price Index. From January 1, 2030 through the remainder of the lease terminating on December 31, 2057, the minimum rent will be redetermined each ten-year period. The monthly minimum or base rent in this chart is for the period from January 1, 2017 through December 31, 2017.

(4) The Company has a right of first refusal to purchase all or a portion of certain areas covered by the two separate leases.

(5) If the hotel is increased from 356 to 500 rooms, the new annual base rent will increase to \$85 thousand.

(6) The Company has a right of first refusal to purchase the property, which must be exercised within 60 days of receiving the third party's terms from the landlord.

(7) The base rent for each year is adjusted based on a calculation tied to the Consumer Price Index. The monthly minimum or base rent in this chart is for the period from January 1, 2017 through December 31, 2017.

Item 3. Legal Proceedings

We are involved in various claims and lawsuits arising in the normal course of business, including proceedings involving tort and other general liability claims, workers' compensation and other employee claims and claims related to our ownership of certain hotel properties. Most occurrences involving liability, claims of negligence and employees are covered by insurance with solvent insurance carriers. We recognize a liability when we believe the loss is probable and reasonably estimable. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, have a material effect on our combined consolidated financial position, results of operations or liquidity.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

The following tables sets forth, for the period indicated, the high and low closing prices per share and the cash dividends declared:

	2017			2016		
	High	Low	Dividend	High	Low	Dividend
First Quarter	\$19.58	\$16.47	\$0.275	\$16.19	\$12.73	\$0.275
Second Quarter	\$20.02	\$16.65	\$0.275	\$16.81	\$14.60	\$0.275
Third Quarter	\$21.19	\$19.31	\$0.275	\$17.96	\$15.01	\$0.275
Fourth Quarter	\$22.57	\$20.95	\$0.275	\$19.62	\$14.98	\$0.275

The closing price per share of our common stock on December 29, 2017, as reported by the NYSE, was \$21.59. On February 26, 2018, the closing stock price of our common stock was \$19.81.

Shareholder Information

As of February 23, 2018, there were 15,125 holders of record of our outstanding common stock. This stockholder figure does not include a substantially greater number of "street name" holders, or beneficial holders, of our common stock whose shares are held by bank, brokers and other financial institutions. Also at February 23, 2018 there were thirteen holders (other than our company) of our Operating Partnership Units comprising certain of our current and former executive officers and members of our Board of Directors. A majority of the Operating Partnership Units are currently unvested. Subject to certain restrictions, our Operating Partnership Units are redeemable for cash or, at our election, for our common shares.

In order to comply with certain requirements related to our qualification as a REIT, our charter, subject to certain exceptions, contains restrictions on the number of shares of our stock that a person may own. Our charter provides that no person may beneficially or constructively own more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock.

Dividends

We anticipate making regular quarterly distributions to stockholders. To maintain our qualification as a REIT, we must distribute to our stockholders an amount at least equal to:

- 90% of our REIT taxable income, determined before the deduction for dividends paid and excluding any net capital gain (which does not necessarily equal net income as calculated in accordance with Generally Accepted Accounting Principles ("GAAP")); plus
- 90% of the excess of our net income from foreclosure property over the tax imposed on such income by the Code; less
- any excess non-cash income (as determined under the Code).

Distributions made by us will be authorized and determined by our Board of Directors, in its sole discretion, out of legally available funds, and will be dependent upon a number of factors, including our actual and projected results of operations, financial condition, cash flows and liquidity, our qualification as a REIT and other tax considerations, capital expenditures, and other obligations, debt covenants, contractual prohibitions or other limitations under applicable law and other such matters our Board of Directors may deem relevant from time to time. We cannot assure you that our distribution policy will remain the same in the future, or that any estimated distributions will be made or sustained.

Our ability to make distributions to our stockholders will depend upon the performance of our asset portfolio. Distributions will be made in cash to the extent cash is available for distribution. We may not be able to generate sufficient cash flows to pay distributions to our stockholders. To the extent that our cash available for distribution is less than the amount required to be distributed under the REIT provisions of the Code, we may consider various funding sources to cover any shortfall, including borrowing under our senior unsecured revolving credit facility, selling certain of our assets or using a portion of the net

proceeds we receive from future offerings of equity, equity-related or debt securities or declaring taxable common stock dividends.

The method used by common stockholders to receive distributions may affect the timing of the distributions. The Company treats all stockholders as constructively receiving distributions on the distribution date, regardless of the distribution method chosen by the stockholder. To change the method used to receive distributions the stockholder will fill out the Xenia Change of Distribution Election form found on the "Investor Relations" page of our website.

In addition, our charter allows us to issue preferred stock that could have a preference over our common stock as to distributions. In addition, our Board of Directors could change our distribution policy in the future.

The following tables set forth information regarding the declaration, payment and income tax characterization of distributions paid per share for the years ended December 31, 2017 and 2016 .

Common Stock

The Company paid the following dividends on common stock during the year ended December 31, 2017 ⁽¹⁾:

Dividend per Share/Unit	For the Quarter Ended	Record Date	Payable Date
\$0.275	March 31, 2017	March 31, 2017	April 14, 2017
\$0.275	June 30, 2017	June 30, 2017	July 14, 2017
\$0.275	September 30, 2017	September 29, 2017	October 13, 2017
\$0.275	December 31, 2017	December 29, 2017	January 12, 2018

(1) For income tax purposes, dividends paid per share on our common stock in 2017 were 96.2% taxable as ordinary income and 3.8% taxable as return of capital.

The Company paid the following dividends on common stock during the year ended December 31, 2016 ⁽²⁾:

Dividend per Share/Unit	For the Quarter Ended	Record Date	Payable Date
\$0.275	March 31, 2016	March 31, 2016	April 15, 2016
\$0.275	June 30, 2016	June 30, 2016	July 15, 2016
\$0.275	September 30, 2016	September 30, 2016	October 14, 2016
\$0.275	December 31, 2016	December 31, 2016	January 13, 2017

(2) For income tax purposes, dividends paid per share on our common stock in 2016 were 100% taxable as ordinary income.

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or Exchange Act, except that which we specifically incorporate by reference into such filing.

Total Return Performance

In November 2016, the Company's Board of Directors authorized the repurchase of up to an additional \$75 million of the Company's outstanding common shares. The Repurchase Program does not have an expiration date. The Company is not obligated to repurchase any dollar amount or any number of shares of common stock, and repurchases may be suspended or discontinued at any time.

For the years ended December 31, 2017 and 2016, 240,352 shares and 4,966,763 shares, respectively, had been repurchased under the Repurchase Program, at a weighted average price of \$17.07 and \$14.89 per share, respectively, for an aggregate purchase price of \$4.1 million and \$74.0 million, respectively. As of December 31, 2017, the Company had approximately \$96.9 million remaining under its share repurchase authorization.

Item 6. Selected Financial Data

You should read the following summary historical consolidated financial and operating data together with "Part II-Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," "Part I-Item 1. Business," "Part I-Item 2. Properties," and the consolidated financial statements and related notes included elsewhere in this Annual Report.

The following table shows our combined consolidated selected financial data relating to our combined consolidated historical financial condition and results of operations for the years ended December 31, 2017, 2016, 2015, 2014, and 2013 (in thousands, except per share amounts):

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Revenues:					
Room revenues	\$ 623,331	\$ 653,944	\$ 663,224	\$ 631,901	\$ 443,267
Food and beverage revenues	266,977	246,479	259,036	235,066	168,368
Other revenues	54,969	49,737	53,884	59,699	40,236
Total revenues	\$ 945,277	\$ 950,160	\$ 976,144	\$ 926,666	\$ 651,871
Expenses:					
Room expenses	142,561	146,050	148,492	140,128	96,444
Food and beverage expenses	173,285	161,699	167,840	158,243	114,011
Other direct expenses	14,438	12,848	17,984	28,556	21,110
Other indirect expenses	229,510	224,779	226,522	214,272	157,385
Management fees	43,459	47,605	49,818	52,104	37,683
Total hotel operating expenses	\$ 603,253	\$ 592,981	\$ 610,656	\$ 593,303	\$ 426,633
Depreciation and amortization	152,977	152,418	148,009	141,807	104,229
Real estate taxes, personal property taxes and insurance	44,310	46,248	49,717	44,625	29,763
Ground lease expense	5,848	5,447	5,204	5,541	1,923
General and administrative expenses	31,552	31,374	25,142	38,895	13,445
Business management fees	—	—	—	1,474	12,743
Acquisition transaction costs	1,578	154	5,046	1,192	2,275
Pre-opening expenses	—	—	1,411	—	—
Impairment and other losses	2,254	10,035	—	5,378	49,145
Separation and other start-up related expenses	—	—	26,887	—	—
Total expenses	\$ 841,772	\$ 838,657	\$ 872,072	\$ 832,215	\$ 640,156
Operating income	\$ 103,505	\$ 111,503	\$ 104,072	\$ 94,451	\$ 11,715
Gain on sale of investment properties	50,747	30,195	43,015	693	—
Other income (loss)	965	3,377	4,916	324	(1,113)
Interest expense	(46,294)	(48,113)	(50,816)	(57,427)	(52,792)
Loss on extinguishment of debt	(274)	(5,155)	(5,761)	(1,713)	—
Equity in losses and gain on consolidation of unconsolidated entity, net	—	—	—	4,216	(33)
Income (loss) before income taxes	\$ 108,649	\$ 91,807	\$ 95,426	\$ 40,544	\$ (42,223)
Income tax expense	(7,833)	(5,077)	(6,295)	(5,865)	(3,619)
Net income (loss) from continuing operations	\$ 100,816	\$ 86,730	\$ 89,131	\$ 34,679	\$ (45,842)
Net income (loss) from discontinued operations	—	—	(489)	75,120	(5,626)
Net income (loss)	\$ 100,816	\$ 86,730	\$ 88,642	\$ 109,799	\$ (51,468)
Non-controlling interests in consolidated entities	99	268	567	—	—
Non-controlling interests of common units in Operating Partnership	(2,053)	(1,143)	(451)	—	—
Less: Net (income) loss attributable to non-controlling interests	\$ (1,954)	\$ (875)	\$ 116	\$ —	\$ —
Net income (loss) attributable to the Company	\$ 98,862	\$ 85,855	\$ 88,758	\$ 109,799	\$ (51,468)
Distributions to preferred stockholders	—	—	(12)	—	—
Net income (loss) attributable to common stockholders	\$ 98,862	\$ 85,855	\$ 88,746	\$ 109,799	\$ (51,468)

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Basic and diluted earnings per share:					
Income (loss) from continuing operations available to common stockholders	\$ 0.92	\$ 0.79	\$ 0.79	\$ 0.31	\$ (0.40)
Income (loss) from discontinued operations available to common stockholders	—	—	—	0.66	(0.05)
Net income (loss) per share available to common stockholders - basic and diluted	\$ 0.92	\$ 0.79	\$ 0.79	\$ 0.97	\$ (0.45)
Weighted average number of common shares (basic)	106,767,108	108,012,708	111,989,686	113,397,997	113,397,997
Weighted average number of common shares (diluted)	107,019,152	108,142,998	112,138,223	113,397,997	113,397,997
Selected Balance Sheet Data as of December 31,					
Net investment properties, excluding assets held for sale ⁽¹⁾⁽²⁾⁽³⁾	\$ 2,690,855	\$ 2,443,589	\$ 2,414,799	\$ 2,449,260	\$ 2,511,646
Cash and cash equivalents	\$ 71,884	\$ 216,054	\$ 122,154	\$ 163,053	\$ 89,169
Dividends declared on common stock and units	\$ 118,369	\$ 119,270	\$ 93,576	—	—
Total assets ⁽¹⁾⁽²⁾⁽³⁾	\$ 3,115,308	\$ 2,860,345	\$ 3,005,944	\$ 2,949,076	\$ 3,756,658
Total debt, excluding held for sale ⁽²⁾⁽³⁾	\$ 1,322,593	\$ 1,077,132	\$ 1,094,536	\$ 1,197,563	\$ 1,280,220
Total equity	\$ 1,645,086	\$ 1,651,567	\$ 1,743,358	\$ 1,520,921	\$ 1,818,255
Other Financial Data:					
Adjusted EBITDA attributable to common stock and unit holders ⁽⁴⁾	\$ 270,286	\$ 287,317	\$ 293,010	\$ 241,348	\$ 165,476
Adjusted FFO attributable to common stock and unit holders ⁽⁴⁾	\$ 219,978	\$ 238,241	\$ 241,635	\$ 182,732	\$ 111,663

- (1) As of December 31, 2017, excludes the assets held for sale related to the Aston Waikiki Beach Hotel. As December 31, 2016, 2015, 2014, these assets were included in net investment properties and total assets.
- (2) As of December 31, 2015, excludes the assets held for sale and the liabilities associated with assets held for sale for the nine hotels sold during the year ended December 31, 2016. As of December 31, 2014 and 2013 these assets and related liabilities associated with held for sale assets were included in net investment properties, total assets, and total debt.
- (3) As of December 31, 2014, excludes the assets held for sale and the liabilities associated with assets held for sale for the Hilton University of Florida Conference Center Gainesville and the Hyatt Regency Orange County. As December 31, 2013, these assets and related liabilities associated with held for sale assets were included in net investment properties, total assets, and total debt.
- (4) See "Non-GAAP Financial Measures" below in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for a detailed description and reconciliation of Adjusted EBITDA and Adjusted FFO attributable to common stock and unit holders and a description of how these performance measures are useful to investors as key supplemental measures of our operating performance.

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

The following discussion and analysis should be read in conjunction with the combined consolidated financial statements and related notes included herein this Annual Report. This discussion contains forward-looking statements about our business. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors discussed in "Special Note Regarding Forward-Looking Statements" and "Part I-Item 1A. Risk Factors" contained in this Annual Report and in our other reports that we file from time to time with the SEC.

Overview

Xenia is a self-advised and self-administered REIT that invests primarily in premium full service and lifestyle hotels, with a focus on the Top 25 Markets as well as key leisure destinations in the U.S. As of December 31, 2017, we owned 39 hotels, 37 of which are wholly owned, comprising 11,533 rooms, across 18 states and the District of Columbia, including a majority interest in two hotels owned through two investments in real estate entities. Our hotels are primarily operated and/or licensed by industry leaders such as Marriott, Hyatt, Kimpton, Fairmont, Hilton, and Loews, as well as leading independent management companies.

We plan to grow our business through a differentiated acquisition strategy, aggressive asset management and capital investment in our properties. We primarily target markets and sub-markets with particular positive characteristics, such as multiple demand generators, favorable supply and demand dynamics and attractive projected room revenue per available room ("RevPAR") growth with a focus on the Top 25 Markets as well as key leisure destinations. We believe our focus on a broader range of markets allows us to evaluate a greater number of acquisition opportunities and thereby be highly selective in our pursuit of only those opportunities which best fit our investment criteria. We primarily own and pursue hotels in the premium full service and lifestyle hotel segments that are affiliated with premium leading brands, as we believe that these segments yield attractive risk-adjusted returns. Within these segments, we focus on hotels that will provide guests with a distinctive lodging experience, tailored to reflect local market environments rather than hotels that are heavily dependent on conventions and group business.

We also seek properties that exhibit an opportunity for us to enhance operating performance through aggressive asset management and targeted capital investment. While we do not operate our hotel properties, our asset management team and our executive management team monitor and work cooperatively with our hotel managers by conducting regular revenue, sales, and financial performance reviews and also perform in-depth on-site reviews focused on ongoing operating margin improvement initiatives. We interact frequently with our management companies and on-site management personnel, including conducting regular meetings with key executives of our management companies and brands. Through these efforts, we seek to enhance the guest experience, improve property efficiencies, lower costs, maximize revenues, and grow property operating margins which we expect will increase long-term returns to our stockholders.

Basis of Presentation

On February 3, 2015, Xenia was spun off from InvenTrust. Prior to the separation, we effectuated certain Reorganization Transactions which were designed to consolidate the ownership of our hotels into our Operating Partnership; consolidate our TRS lessees in our TRS; facilitate our separation from InvenTrust; and enable us to qualify as a REIT for federal income tax purposes. The accompanying combined consolidated financial statements prior to the spin-off have been "carved out" of InvenTrust's consolidated financial statements and reflect significant assumptions and allocations. The combined consolidated financial statements reflect our operations after giving effect to the Reorganization Transactions, the disposition of other hotels previously owned by us, and the spin-off, and include allocations of costs from certain corporate and shared functions provided to us by InvenTrust, as well as costs associated with participation by certain of our executives in InvenTrust's benefit plans. Corporate costs directly associated with our principal executive offices, personnel and other administrative costs are reflected as general and administrative expenses on the combined consolidated statements of operations and comprehensive income. Additionally, prior to the spin-off, InvenTrust allocated to us a portion of its corporate overhead costs based upon our percentage share of the average invested assets of InvenTrust, which is reflected in general and administrative expenses. Based on these presentation matters, these financials may not be comparable to prior periods.

We made a joint election with InvenTrust under section 336(e) of the Code with respect to our spin-off from InvenTrust. As a result of that election, the tax basis in our assets was stepped up to the fair market value as of the date of the spin-off. The increased tax basis in our assets increased the depreciation deductions we are allowed to claim over the useful life of these assets.

Separation from InvenTrust

As a result of the separation, we and InvenTrust operate separately, each as an independent company. In connection with and in order to effectuate the separation and distribution, we and InvenTrust entered into a Separation and Distribution Agreement. In addition, we entered into various other agreements with InvenTrust to effect the separation and provide a framework for our

relationship with InvenTrust post-separation, such as a Transition Services Agreement and an Employee Matters Agreement. These agreements provided for the allocation between us and InvenTrust of InvenTrust's assets, liabilities and obligations (including its properties, employees and tax-related assets and liabilities) attributable to periods prior to, at and after our separation from InvenTrust and governed certain relationships between us and InvenTrust after the separation. For more information regarding these agreements, see "Part III-Item 13. Certain Relationships and Related Transactions."

Market Outlook

The U.S. lodging industry continued growing at a moderate pace during 2017, which benefited from favorable macroeconomic factors. Lodging demand has historically exhibited a strong correlation to U.S. GDP growth, which grew at an average of approximately 2.3% during 2017 according to the U.S. Department of Commerce, compared to 1.5% growth in 2016. This growth was driven by an increase in consumer spending on goods and services, business investments and federal government spending coupled with a stable unemployment rate below 5%. This favorable macroeconomic environment was partially offset by the impact of new supply, which increased 1.8% during 2017, but increased demand in the second half of 2017 tempered the impact of new supply on RevPAR for the year. These factors combined led to an increase in industry RevPAR of 3.0% for 2017 compared to 2016, which was primarily driven by ADR growth of 2.1% and an increase in occupancy of 0.9% per industry reports.

We anticipate the favorable macroeconomic environment trends will continue into 2018 leading to sustained growth in the overall U.S. lodging industry and in our portfolio. Due to changes in our portfolio composition we expect an increase in net income during 2018 contributed by our four hotel acquisitions completed during 2017, which will be partially offset by the reduction in net income from the seven hotels sold. However, we anticipate the dispositions will have a net positive impact on certain key performance measures as these hotels had average RevPARs that were below the average for the remainder of our comparable portfolio.

New supply has continued to increase in several of our markets, which we anticipate will continue to grow at moderate levels in 2018. We have recently or soon will commence capital projects at several of our hotels to continue to enhance our portfolio. Renovations that were underway in the fourth quarter of 2017, or which are anticipated to start during early 2018, are expected to negatively impact RevPAR throughout 2018 with the benefit from such renovations anticipated in future years.

Several of the Company's hotels were impacted by natural disasters during the third and fourth quarters of 2017, including Hurricanes Harvey and Irma and the wildfires in California, which led to mudslides in early 2018. Several of our California hotels are expected to be impacted into 2018 as a result of these events in the region, which has resulted in lower visitation than normal in the affected areas. Although the Hyatt Centric Key West Resort & Spa did not sustain significant damage during Hurricane Irma, the Key West area had significant damage to its infrastructure. As a result, we anticipate the Key West market will continue to be impacted into 2018. We expect that our Houston-area hotels will continue to benefit into the first part of 2018 from favorable demand following Hurricane Harvey, which will be muted by a tough comparison to the Super Bowl LI in February 2017 and renovation disruption at both the Westin Galleria Houston and the Westin Oaks Houston at the Galleria.

Given inherent uncertainties regarding future results in the lodging industry, there can be no assurances that any increases in hotel revenues or earnings at our properties will occur for any number of reasons, including, but not limited to, slower than anticipated growth in the U.S. or global economy, changes in travel patterns for business and leisure, or volatility in the energy and/or technology industries. See "Part I-Item 1A. Risk Factors."

Significant Events

The following events were significant highlights during the year ended December 31, 2017 :

- In May 2017, the Company acquired the 815 -room Hyatt Regency Grand Cypress located in Orlando, Florida for a purchase price of \$205.5 million .
- During the second quarter of 2017, the Company sold six hotels for total consideration of \$193 million. Then in July 2017, the Company sold the Marriott West Des Moines for \$19 million.
- In the third quarter of 2017, several of our hotels were impacted by Hurricanes Harvey and Irma. The Company recorded a loss of \$950 thousand, net of estimated insurance recoveries, related to several of our properties that sustained damage from the hurricanes and expensed an additional \$1.3 million of hurricane-related repairs and cleanup costs all of which is included in impairment and other losses on the combined consolidated statement of operations and comprehensive income.
- In October 2017, the Company acquired the 493-room Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch located in Scottsdale, Arizona, and the 119-room Royal Palms Resort & Spa, part of The Unbound Collection by

Hyatt, located in Phoenix, Arizona for a combined purchase price of \$305 million. Also in October 2017, the Company acquired the 365-room The Ritz-Carlton, Pentagon City located in Arlington, Virginia for \$105 million.

- In addition to changes in our portfolio composition, we invested \$86.4 million during 2017 in capital expenditures which we believe will drive positive performance at these properties in the future. This included the following capital projects:
 - The completion of the guestroom renovation of Westin Galleria Houston, including the creation of 18 dedicated suites from 36 inferior guest rooms and substantial progress on a major lobby renovation, including the addition of a lobby bar. The property also commenced the transformation of the 24th floor meeting space including an upgrade of the primary meeting space and the addition of a new fitness center and concierge lounge.
 - Guestroom renovations at Andaz San Diego, Bohemian Hotel Celebration, and Bohemian Hotel Savannah.
 - Meeting space renovations at Marriott San Francisco Airport Waterfront, Loews New Orleans, Renaissance Atlanta Waverly Hotel, and Hyatt Regency Santa Clara.
 - The addition of one room to RiverPlace Hotel.
 - The commencement of guestroom renovations at seven properties including Westin Oaks at the Galleria, Hilton Garden Inn Washington D.C., Lorien Hotel & Spa, Hotel Monaco Denver, Residence Inn Denver City Center, Andaz Savannah, and Marriott Chicago at Medical District/UIC.
 - The commencement of a lobby and great room renovation at the Marriott San Francisco Airport Waterfront.
 - The commencement of significant enhancements to and reconcepting of the food and beverage outlets at Hotel Monaco Chicago and RiverPlace Hotel.
- During 2017, we completed several significant financing activities that allowed us to further reduce our interest rate risk exposure to 28% of outstanding total debt at December 31, 2017 from 47% at December 31, 2016. We achieved this by entering into various swaps to fix LIBOR on \$141 million of existing variable rate mortgage loans collateralized by our hotel properties. We also repaid three variable rate mortgage loans totaling \$127.9 million. In addition, the Company received \$340 million in proceeds from the funding of a new term loan and two new mortgage loans. We subsequently entered into various swaps to fix LIBOR for the new term loan.

Our Customers

We generate a significant portion of our revenue from the following broad customer groups: transient business, group business and contract business. Transient business broadly represents individual business or leisure travelers. Business travelers make up the majority of transient demand at our hotels. Therefore, we will be more affected by trends in business travel than trends in leisure demand. Group business represents clusters of guestrooms booked together, usually with a minimum of 10 rooms. Contract business refers to blocks of rooms sold to a specific company for an extended period of time at significantly discounted rates. Airline crews are typical generators of contract demand at some of our hotels. Additionally, contract rates may be utilized by hotels that are located in markets that are experiencing consistently lower levels of demand.

Our Revenues and Expenses

Revenues

Our revenues are derived from hotel operations and are composed of the following sources:

- Room revenues - Represents the sale of room rentals at our hotel properties and accounts for a substantial majority of our total revenue. Occupancy and ADR are the major drivers of room revenue. The business mix and distribution channel mix of the hotels are significant determinants of ADR.
- Food and beverage revenues - Occupancy 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 business through catering functions when compared to transient business, which may or may not utilize the hotel's food and beverage outlets).
- Other revenues - Represents ancillary revenue such as parking, resort fees, telephone and other guest services, and tenant leases. Occupancy and the nature of amenities at the property are the main drivers of other revenue.

Expenses

Our operating expenses consist of costs to provide hotel services and corporate-level expenses. The following are components of our expenses:

- Room expenses - These costs include housekeeping wages and payroll taxes, room supplies, laundry services and front desk costs. Similar to room revenue, occupancy is the major driver of room expense and as a result, room expense has a significant correlation to room revenue. These costs as a percentage of revenue can increase based on increases in salaries and wages, as well as on the level of service and amenities that are provided.
- Food and beverage expenses - These expenses primarily include food, beverage and associated labor costs. Occupancy and the type of customer staying at the hotel are major drivers of food and beverage expense (i.e., catered functions generally are more profitable than on-property food and beverage outlet sales), which correlates closely with food and beverage revenue.
- Other direct expenses - These expenses primarily include labor and other costs associated with other revenues, such as parking and other guest services.
- Other indirect expenses - These expenses primarily include hotel costs associated with general and administrative, state sales and excise taxes, sales and marketing, information technology and telecommunications, repairs and maintenance and utility costs.
- Management fees - Base management fees are computed as a percentage of gross revenue. The management fees also include incentive management fees, which are typically a percentage of net operating income (or similar measurement of hotel profitability) above an annual threshold based on our total capital investment in the hotel. Franchise fees are computed as a percentage of rooms revenue. See "Part I-Item 2. Our Principal Agreements" for a summary of key terms related to our management and franchise agreements.
- Depreciation and amortization expense - These are non-cash expenses that primarily consist of depreciation of fixed assets such as buildings, furniture, fixtures and equipment at our hotels, as well as certain corporate assets. Amortization expense primarily consists of amortization of acquired advance bookings and acquired leases, which are amortized over the life of the related term or lease.
- Real estate taxes, personal property taxes and insurance - Real estate taxes, personal property taxes and insurance includes the payments due in the respective jurisdictions where our hotels are located, partially offset by refunds from prior year real estate tax appeals, and payments due under insurance policies for our hotel portfolio.
- Ground lease expense - The ground lease expense represents the monthly base rent associated with land underlying our hotels and/or meeting facilities that we lease from third parties. It also includes the above and below market lease amortization for lease intangibles determined as part of the initial purchase price allocation at acquisition.
- General and administrative expenses - General and administrative expenses primarily consists of compensation expense for our corporate staff and personnel supporting our business, office administrative and related expenses, legal and professional fees, and other corporate costs. Corporate costs directly associated with Xenia's principal executive offices, personnel and other administrative costs are reflected as general and administrative expense on the combined consolidated financial statements.
- Acquisition transaction costs - Acquisition transaction costs typically consist of legal fees, other professional fees, transfer taxes and other direct costs associated with our pursuit and acquisitions of hotel investments. As a result, these costs will vary depending on our level of ongoing acquisition activity.
- Pre-opening expenses - Pre-opening expenses are related to grand opening costs for ground-up development projects that opened in 2015 and are costs that are not capitalized.
- Impairment and other losses - Our real estate, intangible assets and other long-lived assets are generally held for the long-term. We assess the carrying values of our long-lived assets and evaluate these assets for impairment as discussed in "Critical Accounting Policies and Estimates." These evaluations have, in the past, resulted in impairment losses for certain of these assets based on the specific facts and circumstances surrounding those assets and our estimates of the fair value of those assets. Based on economic conditions or other factors applicable to a specific property, we may be required to take additional impairment losses to reflect further declines in our asset and/or investment values. Additionally, from time to time we may record other losses related to property damage resulting from natural disasters and/or other disaster remediation costs.

- Separation and other startup related expenses - We incurred expenses related to our spin-off from InvenTrust in 2015. This included fees paid to unrelated third parties, the listing of our common stock on the NYSE, costs related to the tender offer and other startup costs incurred while transitioning to a stand-alone, publicly traded company.

Most categories of variable operating expenses, including labor costs such as housekeeping, fluctuate with changes in occupancy. Increases in occupancy are accompanied by increases in most categories of variable operating expenses, while increases in ADR typically only result in increases in limited categories of operating costs and expenses, such as management fees and franchise fees, which are based on hotel revenues. Thus, changes in ADR have a more significant impact on operating margins than changes in occupancy.

Factors that May Affect Results of Operations

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

- Demand and economic conditions - Consumer demand for lodging, especially business travel, is closely linked to the performance of the overall economy and is sensitive to business and personal discretionary spending levels. Declines in consumer demand due to adverse general economic conditions, risks affecting or reducing travel patterns, lower consumer confidence and adverse political conditions can lower the revenues and profitability of our hotel operations. As a result, changes in consumer demand and general business cycles can subject and have subjected our revenues to significant volatility. See "Part I-Item 1A. Risk Factors - Risks Relating to Our Business and Industry."
- Supply - New hotel room supply is an important factor that can affect the lodging industry's performance. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. The addition of new competitive hotels affects the ability of existing hotels to drive growth in RevPAR, and thus profits. New development is driven largely by construction costs, the availability of financing and expected performance of existing hotels.
- Third-party hotel managers - We depend on the performance of third-party hotel management companies that manage the operations of each of our hotels under long-term agreements. Our operating results could be materially and adversely affected if any of our third-party managers fail to provide quality services and amenities, or otherwise fail to manage our hotels in our best interest. We believe we have good relationships with our third-party managers and are committed to the continued growth and development of these relationships.
- Fixed nature of expenses - Many of the expenses associated with operating our hotels are relatively fixed. These expenses include certain personnel costs, rent, property taxes, insurance and utilities, as well as sales and marketing expenses. If we are unable to decrease these costs significantly or rapidly when demand for our hotels decreases, the resulting decline in our revenues can have an adverse effect on our net cash flow, margins and profits. This effect can be especially pronounced during periods of economic contraction or slow economic growth.
- Seasonality - The lodging industry is seasonal in nature, which can be expected to cause fluctuations in our hotel room revenues, occupancy levels, room rates, operating expenses and cash flows. The periods during which our hotels experience higher or lower levels of demand vary from property to property and depend upon location, type of property and competitive mix within the specific location. Based on historical results for our current portfolio, our revenues and operating income are highest during the first and second quarters followed by the third and fourth quarters, which we expect to be consistent from year to year for our current portfolio.
- Competition - The lodging industry is highly competitive. Our hotels compete with other hotels and alternative accommodations for guests in each of their markets based on a number of factors, including, among others, room rates, quality of accommodations, service levels and amenities, location, brand affiliation, reputation, and reservation systems. Competition is often specific to the individual markets in which our hotels are located and includes competition from existing and new hotels. We believe that hotels, such as those in our portfolio, will enjoy the competitive advantages associated with operating under nationally recognized brands.

Key Indicators of Operating Performance

We measure hotel results of operations and the operating performance of our business by evaluating financial and non-financial metrics such as RevPAR; ADR; Occupancy; EBITDA and Adjusted EBITDA; FFO and Adjusted FFO. We evaluate individual hotel and company-wide performance with comparisons to budgets, prior periods and competing properties. ADR, occupancy and RevPAR may be impacted by macroeconomic factors as well as regional and local economies and events. See "Non-GAAP

Financial Measures" for further discussion of the Company's use, definitions and limitations of EBITDA, FFO, Adjusted EBITDA and Adjusted FFO.

Critical Accounting Policies and Estimates

General

The preparation of consolidated financial statements in conformity with U.S. 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 consider the following policies critical because they require the most difficult, subjective and complex judgments and include estimates about matters that are inherently uncertain, involve various assumptions, require management judgment, and because they are important for understanding and evaluating our reported financial results. As a result, these accounting policies could materially affect our financial position, results of operations and related disclosures. We evaluate our estimates, assumptions and judgments on an ongoing basis, based on information that is then available to us, our historical experiences and various matters that we believe are reasonable and appropriate for consideration under the circumstances. Actual results may differ significantly from these estimates due to changes in judgments, assumptions and conditions as a result of unforeseen events or otherwise, which could have a material impact on financial position or results of operations. All of our significant accounting policies are disclosed in the notes to our consolidated financial statements in "Part IV. Exhibits and Financial Statements." The following represent certain critical accounting policies that require us to exercise our business judgment or make significant estimates:

Investment in Hotel Properties

Upon acquisition, we allocate the purchase price of our hotel properties based on the fair value of the acquired land, land improvements, building, furniture, fixtures and equipment and identifiable intangible assets or liabilities. Identifiable intangible assets or liabilities typically arise from contractual arrangements assumed in connection with the transaction, including terms that are above or below market compared to an estimated market agreement at the acquisition date. Any additional amounts are allocated to goodwill as required, based on the remaining purchase price in excess of the fair value of the tangible and intangible assets acquired and liabilities assumed. We expense acquisition costs as incurred. All costs related to finding, analyzing and negotiating a transaction are expensed as incurred, whether or not the acquisition is completed.

The allocation of the purchase price to elements of our acquired hotel properties is an area that requires judgment and significant estimates. Therefore, the amounts allocated to acquired assets and liabilities could be materially different than if that transaction had occurred on a different date or in a different location. At times estimates are determined based on limited data for comparable market transactions, such as discount rates used in the market or income valuation approach or the purchase involves land or a ground lease in a niche market. This could materially impact the allocation to identifiable assets and the related amortization over future periods if the value was assigned to another identifiable asset acquired.

Direct and indirect costs that are clearly related to the construction and improvements of investment properties are capitalized. Costs incurred for property taxes and insurance and interest costs are capitalized during periods in which activities necessary to get the property ready for its intended use are in progress. The Company also capitalizes project management salaries and benefits and travel expenses as these are costs directly related to the renovations and capital improvements of our hotel portfolio.

Our investments in hotel properties are carried at cost and depreciated using the straight-line method over estimated useful lives of 30 years for buildings and improvements, and 5 to 15 years for site improvements and furniture, fixtures and equipment. Intangible assets arising from contractual arrangements are typically amortized over the remaining life of the contract. Renovations, improvements and/or replacements at the hotel properties that improve or extend the life of the assets are capitalized and depreciated over their estimated useful lives, while repairs and maintenance are expensed as incurred. Furniture, fixtures and equipment under capital leases are carried at the present value of the minimum lease payments. Cost capitalization and the estimate of useful lives requires us to make subjective assessments of our properties for the purposes of determining the amount of depreciation expense to reflect each year with respect to the assets. These assessments may impact our results of operations.

Assets Held for Sale and Dispositions

We will classify a hotel as held for sale when a binding agreement to purchase the property has been signed under which the buyer has committed a significant amount of nonrefundable cash, no significant financing or other contingencies exist, and the sale is expected to close within one year. If these criteria are met, we will suspend depreciation and amortization of the hotel property and an impairment loss (if any), will be recognized if the fair value less costs to sell is lower than the carrying amount of the hotel. We will classify the loss, together with the related operating results, in continuing operations on the statements of operations and comprehensive income unless the sale represents a strategic shift and has, or will have, a major effect on the entity's results and operations, in which case it will be presented as discontinued operations, and we will classify the assets and related liabilities as held for sale on the balance sheet. The fair value of the assets and liabilities held for sale could change if the

sales agreement is amended prior to completing the closing conditions, and at times may lead to impairment or additional impairment that could be material to the financial statements.

The Company recognizes gain in full when real estate is sold, provided (a) the profit is determinable, that is, the collectability of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (b) the earnings process is virtually complete, that is, the seller is not obliged to perform significant activities after the sale to earn the profit.

Impairment

We review our investments in hotel properties including the related intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. Events or circumstances that may cause a review include, but are not limited to, when a hotel property experiences a current or projected loss from operations, when it becomes more likely than not that a hotel property will be sold before the end of its useful life, adverse changes in the demand for lodging at the properties due to declining national or local economic conditions and/or new hotel construction in markets where the hotels are located. When such conditions exist, we perform an analysis to determine if the estimated undiscounted future cash flows from operations and the proceeds from the ultimate disposition of a hotel exceed its carrying value. If it is determined that the estimated undiscounted future cash flows are less than the carrying amount of the asset, an adjustment to reduce the carrying amount to the related hotel's estimated fair market value is recorded and an impairment loss recognized. In the evaluation of impairment of our hotel properties, we make many assumptions and estimates including projected cash flows both from operations and eventual disposition, expected useful life and holding period, future required capital expenditures, and fair values, including consideration of capitalization rates, discount rates, and comparable selling prices. The valuation and possible subsequent impairment of investment properties is a significant estimate that can and does change based on our continuous process of analyzing each property and reviewing assumptions about uncertain inherent factors, as well as the economic condition of the property at a particular point in time.

The Company tests goodwill for impairment by making a qualitative assessment of whether it is more likely than not that the specific property's fair value is less than its carrying amount before application of the two-step goodwill impairment test. The two-step goodwill test is not performed for those assets where it is concluded that it is more likely than not that the fair value of a specific property is greater than its carrying amount. For those specific properties where this is not the case, the two step procedure detailed below is followed in order to determine the amount of goodwill impairment. In the first step, the Company compares the estimated fair value of each property with goodwill to the carrying value of the property's assets, including goodwill. The fair value is based on estimated future cash flow projections that utilize discount and capitalization rates, which are generally unobservable in the market place (Level 3 inputs), but approximate the inputs the Company believes would be utilized by market participants in assessing fair value. The estimates of future cash flows are based on a number of factors, including the historical operating results, known trends, and market/economic conditions. If the carrying amount of the property's assets, including goodwill, exceeds its estimated fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. In this second step, if the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment charge is recorded in an amount equal to that excess.

If we misjudge or estimate incorrectly or if future operating profitability, market or industry factors differ from our expectations, we may record an impairment charge which is inappropriate, fail to record a charge when we should have done so or the amount of such charges may be inaccurate.

Derivatives and Hedging Activities

In the normal course of business, the Company is exposed to the effects of interest rate changes. The Company limits the risks associated with interest rate changes by following established risk management policies and procedures which may include the use of derivative instruments. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Company assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract and are recorded on the balance sheet at fair value, with offsetting changes recorded to other comprehensive income (loss). The Company nets assets and liabilities when the right of offset exists. Ineffective portions of changes in the fair value of a cash flow hedge are recognized as interest expense. The Company incorporates credit valuation adjustments to reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

Consolidation

We evaluate our investments in limited liability companies and partnerships to determine whether such entities may be a variable interest entity ("VIE"). The criteria to determine whether or not an entity is a VIE is a multi-step process that requires significant judgment. If an entity is determined to be a VIE, we must then determine whether or not we are the primary

beneficiary. The determination of the primary beneficiary is not solely based on the economic interest but also includes an evaluation of qualitative factors that also requires significant judgment. If we conclude that we are the primary beneficiary of the VIE, we will consolidate the VIE in our financial statements.

The equity method of accounting is applied to entities in which we are not the primary beneficiary, or the entity is not a VIE and we do not have effective control, but can exercise influence over the entity with respect to its operations and major decisions.

Income Taxes

The Company has elected to be taxed as, and has operated in a manner that we believe will allow the Company to continue to qualify as, a REIT for federal income tax purposes. So long as the Company qualifies for taxation as a REIT, it generally will not be subject to federal income tax on taxable income that is currently distributed to its stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its REIT taxable income (subject to certain adjustments) to its stockholders. If the Company fails to qualify as a REIT in any taxable year, without the benefit of certain relief provisions, the Company will be subject to federal, state and local income tax on its taxable income at regular corporate tax rates and will not be eligible to re-elect REIT status during the four years following the failure. Even if the Company continues to qualify for taxation as a REIT, the Company may be subject to certain state and local taxes on its income, property or net worth and federal income and excise taxes on its undistributed income.

To maintain our qualification as a REIT, the Company cannot operate or manage its hotels. Accordingly, the Company, through its Operating Partnership, leases all of its hotels to subsidiaries of its TRS. The TRS is subject to federal, state and local income tax at regular corporate rates. Lease revenues at the Operating Partnership subsidiary landlords and lease expense from the TRS lessees are eliminated in consolidation for financial statement purposes.

The Company accounts for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

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 available evidence, including future reversal of existing taxable temporary differences, future projected taxable income and tax-planning strategies. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's analysis in determining the deferred tax asset valuation allowance involves management judgment and assumptions. Management evaluates the realizability of deferred tax assets quarterly by re-assessing the need for a valuation allowance.

In December 2017, the Tax Cuts and Jobs Act ("TCJA") was signed into law and introduced significant changes to the U.S. federal income tax code. The TCJA will lower our corporate tax rate from 35% to 21%, which will reduce our income tax expense in tax years beginning after January 1, 2018. For the year ended December 31, 2017, we evaluated our deferred tax assets using estimated future tax rates as prescribed in TCJA. Accordingly, the Company reflected this rate decrease in the calculation of deferred tax assets, liabilities and the valuation allowance for the year ended December 31, 2017. As a result, the Company recorded a one-time adjustment to our net deferred tax asset resulting in the recognition of \$0.6 million in deferred income tax expense for the year ended December 31, 2017.

Share-Based Compensation

The Company has adopted a share-based incentive plan that provides for the grant of stock options, stock awards, restricted stock units, performance units and other equity-based awards. Share-based compensation is measured at the estimated fair value of the award on the date of grant, adjusted for forfeitures, and recognized as an expense on a straight-line basis over the longest vesting period for each grant for the entire award. The determination of fair value of these awards is subjective and involves significant estimates and assumptions including expected volatility of the Company's shares, expected dividend yield, expected term and assumptions of whether certain of these awards will achieve parity with other Operating Partnership Units or achieve performance thresholds. Share-based compensation is included in general and administrative expenses in the accompanying combined consolidated statements of operations and comprehensive income and capitalized in building and other improvements in the consolidated balance sheets for certain employees that manage property developments, renovations and capital improvements.

Results of Operations

Overview

Our total portfolio RevPAR, which includes the results of hotels sold or acquired for the actual period of ownership by the Company, increased 3.9% to \$155.12 for the year ended December 31, 2017 compared to \$149.32 for the year ended December 31, 2016, respectively. The increase in our total portfolio RevPAR compared to prior year was driven by the moderate demand increase in the overall U.S. lodging industry and in our markets but was also attributable to changes in our portfolio composition. Since the first quarter of 2016, we have acquired four premium hotels and completed the disposition of 16 hotels with an average RevPAR significantly below that of the remainder of our portfolio, which contributed to increases in the overall portfolio metrics during 2017.

During 2017, several of our hotels were impacted by Hurricanes Harvey and Irma. Hyatt Centric Key West Resort & Spa closed on September 6, 2017 following the mandatory evacuation order in connection with Hurricane Irma. The property sustained limited wind damage and water intrusion from the storm and was able to re-open 91 of its 120 rooms by the end of September, with the remainder of rooms re-opened in October. All of our other hotels remained open and operating during the storms. As a result of property damage incurred during the storms, we recorded a loss of \$950 thousand, net of estimated insurance recoveries, related to several of our properties and expensed an additional \$1.3 million of hurricane-related repairs and cleanup costs across all impacted properties, all of which is included in impairment and other losses on the combined consolidated statement of operations and comprehensive income for the year ended December 31, 2017. As a result of the hurricane, RevPAR was down approximately 12% for Hyatt Centric Key West Resort & Spa compared to the fourth quarter of 2016. The Company maintains property and business interruption insurance at its hotels, and is currently assessing claims under such agreements.

During the fourth quarter of 2017, a series of wildfires in California impacted the Company's two Napa hotels and the Canary Santa Barbara. Andaz Napa remained open throughout the month of October, while Marriott Napa Valley Resort & Spa was closed to guests from October 9 through October 15, 2017. As a result of these wildfires, RevPAR was negatively impacted and decreased an average of 13% for our Napa-area hotels compared to the fourth quarter of 2016. While none of our hotels experienced direct fire damage, Xenia is currently evaluating the extent of smoke and other consequential damage at the properties, as well as business lost as a result of these fires, which could be covered by our business interruption insurance.

Our three Houston-area hotels faced headwinds in the first half of 2017, with the exception of Super Bowl LI in February 2017, driven by soft corporate demand and the addition of new supply in the market. Then in the third quarter of 2017, our Houston-area hotels had favorable group demand prior to Hurricane Harvey, which impacted Texas in late August. Our three Houston-area hotels remained open during and after the hurricane, and sustained limited property damage. These hotels benefited from increased demand driven by recovery and cleanup efforts coupled with less supply due to storm related hotel closures. On average our Houston-area hotels had an 0.9% increase in RevPAR for the year ended December 31, 2017 compared to 2016, which was driven by a 276 basis point increase in in occupancy offset by a decline in ADR of 3.1%. These gains from the hurricane aftermath were partially offset by disruption in revenues during the second half of 2017 due to guest room renovations at the both the Westin Galleria Houston and the Westin Oaks Houston at the Galleria.

Net income increased 16.2% for the year ended December 31, 2017 primarily due to a \$50.7 million gain on sale of investment properties related to the seven dispositions completed during 2017 compared to a \$30.2 million gain on sale on investment properties, net of a \$10.0 million impairment loss and \$3.3 million loss on debt extinguishment, for the nine properties sold during the year ended December 31, 2016. Additionally, the four acquisitions completed during 2017 contributed \$2.3 million in net operating income, which was offset by a \$14.0 million reduction in net operating income from the 16 properties sold since the beginning of 2016, a \$5.4 million reduction in net income attributed to our comparable properties, and a \$ 2.8 million increase in income tax expense.

Adjusted EBITDA attributable to common stock and unit holders for the year ended December 31, 2017 decreased 5.9% compared to 2016 and Adjusted FFO attributable to common stock and unit holders decreased 7.7% for the year ended December 31, 2017 compared to 2016. These decreases were primarily attributable to net asset sales in 2016 and 2017. Refer to "Non-GAAP Financial Measures" for the definition of these financial measures, a description of how they are useful to investors as key supplemental measures of our operating performance and the reconciliation of these non-GAAP financial measures to net income attributable to common stock and unit holders.

Portfolio Composition

As of December 31, 2017, the Company owned 39 lodging properties, 37 of which were wholly owned, with a total of 11,533 rooms. As of December 31, 2016, the Company owned 42 lodging properties, 40 of which were wholly owned, with a total of 10,911 rooms. As of December 31, 2015, the Company owned 50 lodging properties, 48 of which were wholly owned, with 12,548 rooms. The remaining two hotels, for all periods presented, are owned through individual investments in real estate

entities in which the Company has a 75% ownership interest in each investment. These two hotels include the Grand Bohemian Hotel Charleston, which opened on August 27, 2015, and the Grand Bohemian Hotel Mountain Brook, which opened on October 22, 2015.

The following represents the disposition details for the properties sold in the years ended December 31, 2017, 2016, and 2015 (in thousands, except rooms):

Property	Date	No. of Rooms	Gross Sale Price
Courtyard Birmingham Downtown at UAB ⁽¹⁾	04/2017	122	\$ 30,000
Courtyard Fort Worth Downtown/Blackstone, Courtyard Kansas City Country Club Plaza, Courtyard Pittsburgh Downtown, Hampton Inn & Suites Baltimore Inner Harbor, and Residence Inn Baltimore Inner Harbor ⁽¹⁾⁽²⁾	06/2017	812	163,000
Marriott West Des Moines ⁽¹⁾	07/2017	219	19,000
Total for the year ended December 31, 2017		1,153	\$ 212,000
Hilton University of Florida Conference Center Gainesville ⁽¹⁾	02/2016	248	\$ 36,000
DoubleTree by Hilton Washington DC ⁽¹⁾⁽³⁾	04/2016	220	65,000
Embassy Suites Baltimore North/Hunt Valley ⁽¹⁾⁽³⁾	05/2016	223	20,000
Marriott Atlanta Century Center/Emory Area & Hilton Phoenix Suites ⁽¹⁾⁽²⁾⁽³⁾	06/2016	513	50,750
Hilton St. Louis Downtown at the Arch ⁽¹⁾	12/2016	195	21,500
Hampton Inn & Suites Denver Downtown, Hilton Garden Inn Chicago North Shore/Evanston, and Homewood Suites by Hilton Houston Near the Galleria ⁽¹⁾⁽²⁾⁽³⁾	12/2016	488	97,000
Total for the year ended December 31, 2016		1,887	\$ 290,250
Hyatt Regency Orange County ⁽¹⁾	10/2015	656	\$ 137,000
Total for the year ended December 31, 2015		656	\$ 137,000

(1) Included in net income from continuing operations in the combined consolidated statements of operations and comprehensive income for the periods of ownership.

(2) The hotels were sold as part of a portfolio sales agreement.

(3) As part of the disposition of the hotel, the Company recognized an impairment loss on the statement of operations and comprehensive income in the consolidated financial statements during the year ended December 31, 2016.

The following represents our acquisitions activity for the years ended December 31, 2017, 2016, and 2015 (in thousands, except rooms):

Property	Location	Date	No. of Rooms	Purchase Price
Hyatt Regency Grand Cypress	Orlando, FL	5/2017	815	\$ 205,500
Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch ⁽¹⁾	Scottsdale, AZ	10/2017	493	220,000
Royal Palms Resort & Spa ⁽¹⁾	Phoenix, AZ	10/2017	119	85,000
The Ritz-Carlton, Pentagon City	Arlington, VA	10/2017	365	105,000
Total purchased in the year ended December 31, 2017			1,792	\$ 615,500
Hotel Commonwealth ⁽²⁾	Boston, MA	01/2016	245	\$ 136,000
Total purchased in the year ended December 31, 2016			245	\$ 136,000
Canary Santa Barbara ⁽¹⁾	Santa Barbara, CA	07/2015	97	\$ 80,000
Hotel Palomar Philadelphia ⁽¹⁾	Philadelphia, PA	07/2015	230	100,000
RiverPlace Hotel ⁽¹⁾	Portland, OR	07/2015	84	65,000
Total purchased in the year ended December 31, 2015			411	\$ 245,000

(1) The hotel was acquired as part of a portfolio acquisition.

(2) The hotel has a total of 245 -rooms, which includes a 96 -room hotel expansion that was completed in December 2015.

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

Operating Information

The following table sets forth certain operating information for the years ended December 31, 2017 and 2016 :

	Year Ended December 31,		Variance
	2017	2016	
Number of properties at January 1	42	50	(8)
Properties acquired	4	1	3
Properties disposed	(7)	(9)	(2)
Number of properties at December 31	39	42	(3)
Number of rooms at January 1	10,911	12,548	(1,637)
Rooms in properties acquired or added to portfolio upon completion of property improvements ⁽¹⁾	1,793	250	1,543
Rooms in properties disposed or combined during property improvements ⁽²⁾	(1,171)	(1,887)	716
Number of rooms at December 31	11,533	10,911	622
Portfolio Statistics:			
Occupancy ⁽³⁾	76.3%	75.6%	70 bps
ADR ⁽³⁾	\$ 203.39	\$ 197.44	3.0%
RevPAR ⁽³⁾	\$ 155.12	\$ 149.32	3.9%
Hotel operating income (in thousands) ⁽⁴⁾	\$ 342,025	\$ 357,179	(4.2)%

- (1) The rooms additions include the number of rooms acquired or the number of rooms put into operations upon the completion of construction or renovation. During the year ended December 31, 2017, the Company acquired four hotels with 1,792 rooms. In addition to the rooms added from the acquisitions, one room was added at RiverPlace Hotel upon completion of property improvements. During the year ended December 31, 2016, the Company acquired the 245-room Hotel Commonwealth and added three additional rooms to the Hyatt Regency Santa Clara and two additional rooms to Hyatt Centric Key West Resort & Spa upon completion of property improvements.
- (2) During the year ended December 31, 2017, the Company disposed of seven hotels with 1,153 rooms and continued the guestroom renovation at the Westin Galleria Houston, which included the conversion of 36 guestrooms into 18 suites, resulting in a reduction in our total room count.
- (3) For hotels acquired during the applicable period, only includes operating statistics since the date of acquisition. For hotels disposed of during the period, operating results and statistics are only included through the date of the respective disposition.
- (4) Hotel operating income represents the difference between total revenues and total hotel operating expenses.

Revenues

Revenues consists of room, food and beverage, and other revenues from our hotels, as follows (in thousands):

	Year Ended December 31,		Increase / (Decrease)	Variance
	2017	2016		
Revenues:				
Room revenues	\$ 623,331	\$ 653,944	\$ (30,613)	(4.7)%
Food and beverage revenues	266,977	246,479	20,498	8.3 %
Other revenues	54,969	49,737	5,232	10.5 %
Total revenues	\$ 945,277	\$ 950,160	\$ (4,883)	(0.5)%

Room revenues

Room revenues decreased by \$30.6 million , or 4.7% , to \$623.3 million for the year ended December 31, 2017 from \$653.9 million for the year ended December 31, 2016 . Our portfolio composition evolved during 2017 reflecting the completed acquisitions and dispositions and the timing of such transactions. The following amounts are the primary drivers of the changes year-over-year:

- \$71.5 million decrease attributed to the disposition of 16 hotels since the first quarter of 2016; and

- \$38.6 million increase contributed by the acquisition of four hotels during 2017 and the Hotel Commonwealth in January 2016.

Excluding the amounts above, rooms revenue increased \$2.3 million, or 0.4%, for the remainder of our comparable portfolio compared to 2016, which was attributed to an overall increase in demand offset by varying degrees of disruption in revenues from natural disasters impacting our properties during 2017 as well as from renovations at several of our hotels.

Food and beverage revenues

Food and beverage revenues increased by \$20.5 million, or 8.3%, to \$267.0 million for the year ended December 31, 2017 from \$246.5 million for the year ended December 31, 2016. While the Company had net asset sales since the beginning of 2016, the hotels acquired have significantly larger meeting facilities and event space that contributed higher banquet and catering revenue compared to the properties sold. The following amounts are the primary drivers of the changes year-over-year:

- \$30.1 million increase contributed by the acquisition of four hotels during 2017 and the Hotel Commonwealth in January 2016;
- \$3.0 million increase contributed by Fairmont Dallas which had strong banquet activity driven by in-house group business during 2017;
- \$8.9 million decrease was attributed to the disposition of 16 hotels since the first quarter of 2016; and
- \$1.9 million decrease was attributed to our Houston-area hotels. While our Houston-area hotels benefited from Super Bowl LI in February 2017, they also experienced soft corporate demand, the addition of new supply and renovation disruption during the first half of 2017. These unfavorable conditions were partially offset in the second half of 2017 due to increased demand and transient strength following Hurricane Harvey.

Excluding the amounts above, food and beverage revenues decreased \$1.8 million or 0.9% for the remainder of our comparable portfolio.

Other revenues

Other revenues increased by \$5.2 million, or 10.5%, to \$55.0 million for the year ended December 31, 2017 from \$49.7 million for the year ended December 31, 2016. While the Company had net asset sales since the beginning of 2016, the hotels acquired had more amenities compared to the properties sold. The following amounts are the primary drivers of the changes year-over-year:

- \$6.9 million increase contributed by the acquisition of four hotels during 2017, primarily due to resort fees, parking and spa revenue; and
- \$2.9 million decrease was attributed to the disposition of 16 hotels since the first quarter of 2016;

Excluding the amounts above, other revenues increased \$1.2 million or 2.8% for the remainder of our comparable portfolio.

Hotel Operating Expenses

Hotel operating expenses consist of the following (in thousands):

	Year Ended December 31,		Increase / (Decrease)	Variance
	2017	2016		
Hotel operating expenses:				
Room expenses	\$ 142,561	\$ 146,050	\$ (3,489)	(2.4)%
Food and beverage expenses	173,285	161,699	11,586	7.2 %
Other direct expenses	14,438	12,848	1,590	12.4 %
Other indirect expenses	229,510	224,779	4,731	2.1 %
Management and franchise fees	43,459	47,605	(4,146)	(8.7)%
Total hotel operating expenses	\$ 603,253	\$ 592,981	\$ 10,272	1.7 %

Total hotel operating expenses

Total hotel operating expenses increased \$10.3 million , or 1.7% , to \$603.3 million for the year ended December 31, 2017 from \$593.0 million for the year ended December 31, 2016 . Our portfolio composition evolved during 2017 reflecting the completed acquisitions and dispositions and the timing of such transactions. The following amounts are the primary drivers of changes year-over-year:

- \$55.3 million increase contributed by the acquisition of four hotels during 2017 and the Hotel Commonwealth in January 2016;
- \$49.4 million decrease attributed to the disposition of 16 hotels since the first quarter of 2016;
- \$1.8 million decrease attributed to our Houston-area hotels primarily due to a decrease in food and beverage revenues.

Excluding the amounts above, hotel operating expenses increased \$6.2 million, or 1.4%, for the remainder of our comparable portfolio driven by the increase in occupancy, higher labor costs and state sales and excise taxes.

Corporate and Other Expenses

Corporate and other expenses consist of the following (in thousands):

	Year Ended December 31,		Increase / (Decrease)	Variance
	2017	2016		
Depreciation and amortization	\$ 152,977	\$ 152,418	\$ 559	0.4 %
Real estate taxes, personal property taxes and insurance	44,310	46,248	(1,938)	(4.2)%
Ground lease expense	5,848	5,447	401	7.4 %
General and administrative expenses	31,552	31,374	178	0.6 %
Acquisition transaction costs	1,578	154	1,424	924.7 %
Impairment and other losses	2,254	10,035	(7,781)	(77.5)%
Total corporate and other expenses	\$ 238,519	\$ 245,676	\$ (7,157)	(2.9)%

Depreciation and amortization

Depreciation and amortization expense increased \$0.6 million , or 0.4% , to \$153.0 million for the year ended December 31, 2017 from \$152.4 million for the year ended December 31, 2016 . These increases were primarily contributed by the acquisition of four hotels during 2017 and capital expenditures during the period, offset by the disposition of 16 hotels since the first quarter of 2016.

Real estate taxes, personal property taxes and insurance

Real estate taxes, personal property taxes and insurance expense decreased \$1.9 million , or 4.2% , to \$44.3 million for the year ended December 31, 2017 from \$46.2 million for the year ended December 31, 2016 , of which \$5.6 million was attributable to the disposition of 16 hotels since the first quarter of 2016. This decrease was offset by an increase of \$3.4 million contributed by the acquisition of four hotels during 2017 and a \$0.3 million increase attributed to the remainder of the portfolio.

Ground lease expense

Ground lease expense increased \$0.4 million , or 7.4% , to \$5.8 million for the year ended December 31, 2017 from \$5.4 million for the year ended December 31, 2016 , primarily attributable to the acquisition of The Ritz-Carlton, Pentagon City in October 2017 , which is subject to a ground lease, offset by the disposition of two hotels with ground leases in second half of 2016.

General and administrative expenses

General and administrative expenses increased \$0.2 million , or 0.6% , to \$31.6 million for the year ended December 31, 2017 from \$31.4 million for the year ended December 31, 2016 , which was primarily attributable to increases in salaries, share-based compensation expense compared to 2016 offset by a decrease in non-recurring management transition and severance costs of \$3.1 million, which included accelerated share-based compensation, incurred during the first quarter of 2016.

Acquisition transaction costs

Acquisition transaction costs were \$1.6 million during the year ended December 31, 2017 . Typically, acquisition transaction costs consist of legal fees, other professional fees, transfer taxes and other direct costs associated with our pursuit of hotel investments. As a result, these costs vary with our level of ongoing acquisition activity. The primary increase during the year ended December 31, 2017 , was attributable to the acquisition of the four hotels in 2017. The acquisition costs for the year ended December 31, 2016 were attributable to the Hotel Commonwealth acquired in January 2016.

Impairment and other losses

During the year ended December 31, 2017 , the Company recorded a loss of \$950 thousand, net of estimated insurance recoveries, related to several of our properties that sustained damage from Hurricanes Harvey and Irma during the period. In addition, the Company expensed \$1.3 million of hurricane-related repairs and cleanup costs during the quarter.

During the year ended December 31, 2016 , the Company recorded an impairment of \$10.0 million related to three hotels that were sold during the year.

Results of Non-Operating Income and Expenses

Non-operating income and expenses consist of the following (in thousands):

	Year Ended December 31,		Increase / (Decrease)	Variance
	2017	2016		
Non-operating income and expenses:				
Gain on sale of investment properties	\$ 50,747	\$ 30,195	\$ 20,552	68.1 %
Other income	965	3,377	(2,412)	(71.4)%
Interest expense	(46,294)	(48,113)	(1,819)	(3.8)%
Loss on extinguishment of debt	(274)	(5,155)	(4,881)	(94.7)%
Income tax expense	(7,833)	(5,077)	2,756	54.3 %

Gain on sale of investment properties

The gain on sale of investment properties for the year ended December 31, 2017 related to the sale of seven hotels during the year. The gain on sale of investment properties for the year ended December 31, 2016 was related to the sale of six hotels during 2016.

Other income

Other income decreased \$2.4 million , or 71.4% , for the year ended December 31, 2017 . These decreases were primarily attributed to \$2.8 million received in 2016 that was non-recurring in 2017, which was related to settlements for contested hotel expenses and a favorable real estate tax appeal for a hotel that was sold prior to our spin-off. These reductions in income were offset by a net increase of \$0.4 million primarily due to higher interest income.

Interest expense

Interest expense decreased \$1.8 million , or 3.8% , to \$46.3 million for the year ended December 31, 2017 from \$48.1 million for the year ended December 31, 2016 . This was primarily driven by the timing of debt proceeds and repayments during 2016 and 2017 offset by an increase in the weighted average interest rate to 3.71% at December 31, 2017 from 3.24% at December 31, 2016.

Loss on extinguishment of debt

Loss on extinguishment of debt decreased by \$4.9 million , or 94.7% , to \$0.3 million for the year ended December 31, 2017 from \$5.2 million for the year ended December 31, 2016 . The loss in 2017 was attributable to the write off of unamortized loan costs for the repayment of three mortgage loans during the period. The loss in 2016 was attributable to early repayment fees and the write off of unamortized loan costs upon the early repayment of two mortgage loans.

Income tax expense

Income tax expense increased \$2.8 million , or 54.3% , to \$7.8 million for the year ended December 31, 2017 from \$5.1 million for the year ended December 31, 2016 . The change from prior year was primarily attributable to decreases in taxable income on the Company's TRS from the 16 dispositions since the first quarter of 2016, which was offset by the taxable income contributed by the four acquisitions during 2017, an increase in the effective tax rate in 2017 compared to 2016 and a one-time adjustment to our net deferred tax asset that resulted in the recognition of \$0.6 million in deferred income tax expense due to the TCJA signed into law in December 2017.

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

Operating information

	Year Ended December 31,		Variance
	2016	2015	
Number of properties at January 1	50	46	4
Properties acquired or added to portfolio upon completion of construction ⁽¹⁾	1	5	(4)
Properties disposed	(9)	(1)	(8)
Number of properties at December 31	42	50	(8)
Number of rooms at January 1	12,548	12,636	(88)
Rooms in properties acquired or added to portfolio upon completion of construction ⁽¹⁾⁽²⁾	250	568	(318)
Rooms in properties disposed	(1,887)	(656)	(1,231)
Number of rooms at December 31	10,911	12,548	(1,637)

Portfolio Statistics:

Occupancy ⁽¹⁾⁽³⁾⁽⁴⁾	75.6%	76.2%	(60) bps
Average Daily Rate (ADR) ⁽¹⁾⁽³⁾⁽⁴⁾	\$197.44	\$187.04	5.6%
Revenue Per Available Room (RevPAR) ⁽¹⁾⁽³⁾⁽⁴⁾	\$149.32	\$142.59	4.7%
Hotel operating income (in thousands) ⁽⁵⁾	\$357,179	\$365,488	(2.3)%

- (1) The results for the year ended December 31, 2015, include the consolidated operating results of the Grand Bohemian Hotel Charleston that opened on August 27, 2015 and the Grand Bohemian Hotel Mountain Brook that opened on October 22, 2015.
- (2) The rooms additions include total number of rooms acquired and total number of rooms put into operations upon the completion of construction or upon completion of property improvements.
- (3) For hotels acquired during the applicable period, only includes operating statistics since the date of acquisition. For hotels disposed of during the period, operating results and statistics are only included through the date of the respective disposition.
- (4) Does not include hotel statistics for hotel dispositions classified as discontinued operations.
- (5) Hotel operating income represents the difference between total revenues and total hotel operating expenses.

Revenues

Revenues consists of room, food and beverage, and other departmental revenues from our hotels, as follows (in thousands):

	Year Ended December 31,		Increase/(Decrease)	Variance
	2016	2015		
Revenues:				
Room revenues	\$ 653,944	\$ 663,224	\$ (9,280)	(1.4)%
Food and beverage revenues	246,479	259,036	(12,557)	(4.8)%
Other revenues	49,737	53,884	(4,147)	(7.7)%
Total revenues	\$ 950,160	\$ 976,144	\$ (25,984)	(2.7)%

Room revenues

Room revenues decreased by \$9.3 million , or 1.4% , to \$653.9 million for the year ended December 31, 2016 from \$663.2 million for the year ended December 31, 2015 , of which \$56.7 million was attributed to the disposition of ten hotels since October 2015, \$11.2 million was attributed to our three Houston-area hotels that have been negatively impacted by the volatility in the energy markets and new supply and \$0.2 million was attributed to the remainder of our portfolio. These decreases were offset by increases of \$48.5 million contributed by the acquisition of the Hotel Commonwealth in January 2016, the two hotel developments that began operations in the third and fourth quarter of 2015 and the three hotels acquired in July 2015. An additional net increase of \$10.3 million was contributed by several of our California hotels that were positively impacted by increased business levels resulting from their recent renovations, which was partially offset by renovation disruption at the Marriott Napa Valley Hotel & Spa during the first half of this year.

Food and beverage revenues

Food and beverage revenues increased by \$12.6 million , or 4.8% , to \$246.5 million for the year ended December 31, 2016 from \$259.0 million for the year ended December 31, 2015 , of which \$22.1 million was attributed to the disposition of ten hotels since October 2015 and \$4.5 million attributed to our three Houston-area hotels. The remainder of the portfolio was down \$5.9 million compared to 2015, which was attributed to renovation disruption in the first half of 2016 at Marriott Napa Valley Hotel & Spa, the City of Santa Clara imposed moratorium on selling convention center space during 2015, which led to soft banquet and catering demand, and less citywide compression in certain markets, including New Orleans and Chicago. These decreases were offset by increases of \$19.9 million contributed by the acquisition of the Hotel Commonwealth in January 2016, the two hotel developments that began operations in the third and fourth quarter of 2015 and the three hotels acquired in July 2015.

Other revenues

Other revenues decreased by \$4.1 million , or 7.7% , to \$49.7 million for the year ended December 31, 2016 from \$53.9 million for the year ended December 31, 2015 , of which \$3.1 million of the decrease was attributable to the disposition of ten hotels since October 2015, \$2.0 million was attributed to our Houston-area hotels and an overall net decrease of \$2.0 million attributed to the remainder of our portfolio. These decreases were offset by an increase of \$3.0 million contributed by the acquisition of the Hotel Commonwealth in January 2016, the two hotel developments that began operations in the third and fourth quarter of 2015 and the three hotels acquired in July 2015.

Hotel Operating Expenses

Hotel operating expenses consist of the following (in thousands):

	Year Ended December 31,		Increase/(Decrease)	Variance
	2016	2015		
Hotel operating expenses:				
Room expenses	\$ 146,050	\$ 148,492	\$ (2,442)	(1.6)%
Food and beverage expenses	161,699	167,840	(6,141)	(3.7)%
Other direct expenses	12,848	17,984	(5,136)	(28.6)%
Other indirect expenses	224,779	226,522	(1,743)	(0.8)%
Management fees	47,605	49,818	(2,213)	(4.4)%
Total hotel operating expenses	\$ 592,981	\$ 610,656	\$ (17,675)	(2.9)%

Hotel operating expenses

Total hotel operating expenses decreased \$17.7 million , or 2.9% , to \$593.0 million for the year ended December 31, 2016 from \$610.7 million for the year ended December 31, 2015 , of which \$8.7 million was attributable to renovation disruption at the Marriott Napa Valley Hotel & Spa in the first half of this year and the Houston-area hotels as well as an overall net decrease of \$3.0 million attributable to the remainder of our portfolio. Additional decreases of \$55.2 million were attributed to the disposition of ten hotels since October 2015. These decreases were offset by increases of \$45.1 million primarily attributable to the acquisition of the Hotel Commonwealth in January 2016, the two hotel developments that began operations in the third and fourth quarter of 2015 and the three hotels acquired in July 2015. An additional \$4.1 million of increases was attributable to several of our California hotels that were positively impacted by increased business levels resulting from their recent renovations, particularly as compared to the first half of 2015 when business was impacted by the disruption created by the renovations.

Corporate and Other Expenses

Corporate and other expenses consist of the following (in thousands):

	Year Ended December 31,		Increase/(Decrease)	Variance
	2016	2015		
Depreciation and amortization	\$ 152,418	\$ 148,009	\$ 4,409	3.0 %
Real estate taxes, personal property taxes and insurance	46,248	49,717	(3,469)	(7.0)%
Ground lease expense	5,447	5,204	243	4.7 %
General and administrative expenses	31,374	25,142	6,232	24.8 %
Acquisition transaction costs	154	5,046	(4,892)	(96.9)%
Pre-opening expenses	—	1,411	(1,411)	(100.0)%
Impairment and other losses	10,035	—	10,035	100.0 %
Separation and other start-up related expenses	—	26,887	(26,887)	(100.0)%
Total corporate and other expenses	\$ 245,676	\$ 261,416	\$ (15,740)	(6.0)%

Depreciation and amortization

Depreciation and amortization expense increased \$4.4 million , or 3.0% , to \$152.4 million for the year ended December 31, 2016 from \$148.0 million for the year ended December 31, 2015 , of which \$13.8 million of the increase was attributable to the acquisition of the Hotel Commonwealth in January 2016, the two hotel developments that began operations in the third and fourth quarter of 2015 and the three hotels acquired in July 2015 . The remaining \$2.1 million increase is the result of capital expenditures to improve our properties. These increases were offset by decreases of \$11.5 million attributed to the sale of ten hotels since October 2015.

Real estate taxes, personal property taxes, and insurance

Real estate taxes, personal property taxes and insurance expense decreased \$3.5 million , or 7.0% , to \$46.2 million for the year ended December 31, 2016 from \$49.7 million for the year ended December 31, 2015 , of which \$3.9 million was attributable to the sale of ten hotels since October 2015 offset by \$3.1 million in increases from the acquisition of the Hotel Commonwealth in January 2016, the two hotel developments that began operations in the third and fourth quarter of 2015, and the three hotels acquired in July 2015 . The remaining decrease of \$2.7 million was primarily attributable to a decrease in real estate taxes as a result of tax appeals and refunds and from property and casualty insurance for the remainder of our hotel portfolio.

Ground lease expense

Ground lease expense increased \$0.2 million , or 4.7% , to \$5.4 million for the year ended December 31, 2016 from \$5.2 million for the year ended December 31, 2015 , primarily attributable to the acquisition of the Hotel Commonwealth, which is subject to a ground lease, in January 2016, offset by the disposition of two hotels with ground leases later in 2016.

General and administrative expenses

General and administrative expenses increased \$6.2 million , or 24.8% , to \$31.4 million for the year ended December 31, 2016 from \$25.1 million for the year ended December 31, 2015 , of which \$3.1 million of the increase was primarily attributable to non-recurring management transition and severance costs incurred during the first quarter of 2016. The remaining increase was primarily due to salaries, stock compensation and employment related expenses as well as costs related to the corporate office space leased in 2016.

Acquisition transaction costs

Acquisition transaction costs were \$0.2 million during the year ended December 31, 2016 . Typically, acquisition transaction costs consist of legal fees, other professional fees, transfer taxes and other direct costs associated with our pursuit of hotel investments. As a result, these costs vary with our level of ongoing acquisition activity. The primary decrease during the year ended December 31, 2016 was attributable to the acquisition of three hotels in 2015 compared to one hotel in 2016.

Pre-opening expense

Pre-opening expenses were \$1.4 million during the year ended December 31, 2015, which related to opening costs for our two development projects, the Grand Bohemian Hotel Charleston and the Grand Bohemian Hotel Mountain Brook, which opened to the public in August and October 2015, respectively.

Impairment and other losses

During the year ended December 31, 2016, a provision for asset impairment of \$10.0 million was recorded on three hotels which were identified to have a reduction in their expected hold period when they met the held for sale criteria, and were written down to their estimated fair value, less costs to sell. The hotels were subsequently sold in April, May and June 2016, respectively. There were no asset impairments recorded for the year ended December 31, 2015.

Separation and other start-up related expenses

The \$26.9 million in separation and other start-up related expenses for the year ended December 31, 2015 related to fees paid to unrelated third parties attributable to one-time costs incurred related to our spin-off from InvenTrust, the listing of our Common Stock on the NYSE, costs related to start-up costs incurred while transitioning to a stand-alone, publicly-traded company and costs related to the repurchase of shares of our Common Stock in a modified “Dutch Auction” self-tender offer (the “Tender Offer”) that commenced in conjunction with the listing of the Company's Common Stock on the NYSE.

Results of Non-Operating Income and Expenses

Hotel non-operating income and expenses consist of the following (in thousands):

	Year Ended December 31,		Increase/(Decrease)	Variance
	2016	2015		
Gain on sale of investment properties	\$ 30,195	\$ 43,015	\$ (12,820)	(29.8)%
Other income	3,377	4,916	(1,539)	(31.3)%
Interest expense	(48,113)	(50,816)	2,703	5.3 %
Loss on extinguishment of debt	(5,155)	(5,761)	606	10.5 %
Income tax expense	(5,077)	(6,295)	(1,218)	19.3 %
Net loss from discontinued operations	—	(489)	489	(100)%

Gain on sale of investment properties

Gain on sale of investment properties for the year ended December 31, 2016 was primarily related to the sale of one hotel in February, one hotel sold in June 2016, and four hotels sold in the fourth quarter of 2016. The gain for the year ended December 31, 2015 was from the sale of one hotel in October 2015.

Other income

Other income decreased \$1.5 million, or 31.3%, to \$3.4 million for the year ended December 31, 2016 from \$4.9 million for the year ended December 31, 2015, which was primarily attributable to the \$4.8 million involuntary loss and business interruption insurance recoveries for the August 2014 Napa earthquake that was received in 2015, management termination fees net of guaranty income of \$0.2 million and the write-off of intangibles assets of \$0.3 million. The 2015 non-recurring recovery income and expenses were offset by \$1.9 million received during the year ended December 31, 2016 for settlement of contested hotel expenses and \$0.9 million for a favorable settlement of a real estate tax appeal related to a hotel that was sold prior to our spin-off.

Interest expense

Interest expense decreased \$2.7 million, or 5.3%, to \$48.1 million for the year ended December 31, 2016 from \$50.8 million for the year ended December 31, 2015, which was attributable to repayments of debt during the year resulting in a lower weighted average interest rate of 3.24% at December 31, 2016 compared to 3.51% at December 31, 2015.

Loss on extinguishment of debt

Loss on extinguishment of debt decreased by \$0.6 million, or 10.5%, to \$5.2 million for the year ended December 31, 2016 from \$5.8 million for the year ended December 31, 2015. During the year ended December 31, 2016, the Company elected the early repayment option under the terms of two loans and incurred termination penalties and wrote-off the remaining unamortized loan costs for the repayment of seven loans in 2016. During the year ended December 31, 2015, the loss on extinguishment of debt was primarily the result of the prepayment penalties and other costs associated with the repayment of seven mortgage loans.

Income tax expense

Income tax expense decreased \$1.2 million, or 19.3%, to \$5.1 million for the year ended December 31, 2016 from \$6.3 million for the year ended December 31, 2015. This decrease was primarily attributable to the \$1.9 million income tax expense associated with transferring a hotel between entities in connection with electing REIT status offset by the utilization of federal net operating loss ("NOL") carry forwards in 2015. These NOLs were fully utilized during 2015 and were no longer available to offset current taxable income in 2016.

Non-GAAP Financial Measures

We consider the following non-GAAP financial measures useful to investors as key supplemental measures of our operating performance: EBITDA, Adjusted EBITDA, FFO and Adjusted FFO. These non-GAAP financial measures should be considered along with, but not as alternatives to, net income or loss, operating profit, cash from operations, or any other operating performance measure as prescribed per GAAP.

EBITDA and Adjusted EBITDA

EBITDA is a commonly used measure of performance in many industries and is defined as net income or loss (calculated in accordance with GAAP) excluding interest expense, provision for income taxes (including income taxes applicable to sale of assets) and depreciation and amortization. We consider EBITDA useful to an investor regarding our results of operations, 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, even though EBITDA does not represent an amount that accrues directly to common stockholders. In addition, EBITDA is used as one measure in determining the value of hotel acquisitions and dispositions and along with FFO and Adjusted FFO, it is used by management in the annual budget process for compensation programs. We present EBITDA attributable to common stock and unit holders, which includes our Operating Partnership Units because our Operating Partnership Units may be redeemed for common stock. We believe it is meaningful for the investor to understand EBITDA attributable to all common stock and Operating Partnership Units.

We further adjust EBITDA for certain additional items such as hotel property acquisitions and pursuit costs, amortization of share-based compensation, equity investment adjustments, the cumulative effect of changes in accounting principles, impairment of real estate assets, operating results from properties sold and other items we believe do not represent recurring operations and are not indicative of the performance of our underlying hotel property entities. We believe Adjusted EBITDA provides investors with another performance measure in evaluating and facilitating comparison of operating performance between periods and between REITs that report similar measures.

FFO and Adjusted FFO

We calculate FFO in accordance with standards established by the National Association of Real Estate Investment Trusts (NAREIT), which defines FFO as net income or loss (calculated in accordance with GAAP), excluding real estate-related depreciation, amortization and impairments, gains (losses) from sales of real estate, the cumulative effect of changes in accounting principles, similar adjustments for unconsolidated partnerships and consolidated variable interest entities, and items classified by GAAP as extraordinary. 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 industry investors consider presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. We believe that the presentation of FFO provides useful supplemental information to investors regarding our operating performance by excluding the effect of real estate depreciation and amortization, gains (losses) from sales for real estate, impairments of real estate assets, extraordinary items and the portion of these items related to unconsolidated entities, all of which are based on historical cost accounting and which may be of lesser significance in evaluating current performance. We believe that the presentation of FFO can facilitate comparisons of operating performance between periods and between REITs, even though FFO does not represent an amount that accrues directly to common stockholders. 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 stock and unit holders, which includes our Operating Partnership Units because our Operating Partnership Units may be redeemed for common stock. We believe it is meaningful for the investor to understand FFO attributable to all common stock and Operating Partnership Units.

We further adjust FFO for certain additional items that are not in NAREIT's definition of FFO such as hotel property acquisition and pursuit costs, amortization of debt origination costs and share-based compensation, operating results from properties that are sold and other items we believe do not represent recurring operations. We believe that Adjusted FFO provides investors with useful supplemental information that may facilitate comparisons of ongoing operating performance between periods and between REITs that make similar adjustments to FFO and is beneficial to investors' complete understanding of our operating performance.

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

	Year Ended December 31,		
	2017	2016	2015
Net income	\$ 100,816	\$ 86,730	\$ 88,642
Adjustments:			
Interest expense	46,294	48,113	50,816
Income tax expense	7,833	5,077	6,295
Depreciation and amortization related to investment properties	152,544	152,274	148,009
Non-controlling interests in consolidated real estate entities	99	268	567
Adjustments related to non-controlling interests in consolidated real estate entities	(1,323)	(1,259)	(270)
EBITDA attributable to common stock and unit holders	\$ 306,263	\$ 291,203	\$ 294,059
Reconciliation to Adjusted EBITDA			
Impairment and other losses ⁽¹⁾	2,254	10,035	—
Gain on sale of investment property	(50,747)	(30,195)	(43,015)
Loss on extinguishment of debt	274	5,155	5,761
Acquisition transaction costs	1,578	154	5,046
Amortization of share-based compensation expense	9,930	8,968	6,102
Amortization of above and below market ground leases and straight-line rent expense	734	944	380
Pre-opening expenses, net of adjustment related to non-controlling interests ⁽²⁾	—	—	1,058
Management transition and severance expenses	—	1,991	—
Spin-off related expenses ⁽³⁾	—	—	26,887
Other non-recurring expenses ⁽⁴⁾	—	(938)	(3,268)
Adjusted EBITDA attributable to common stock and unit holders ⁽⁵⁾	\$ 270,286	\$ 287,317	\$ 293,010

- (1) During the year ended December 31, 2017, Hurricanes Harvey and Irma impacted several of the Company's hotels. The Company recorded a loss of \$950 thousand, which represents damage sustained during the storms, net of estimated insurance recoveries, and expensed \$1.3 million of hurricane-related repairs and cleanup costs. These amounts are included in impairment and other losses on the condensed consolidated statement of operations for year ended December 31, 2017.
- (2) For the year ended December 31, 2015, the pre-opening expenses related to the Grand Bohemian Hotel Charleston and Grand Bohemian Hotel Mountain Brook, which opened in August and October 2015, respectively.
- (3) For the year ended December 31, 2015, spin-off related expenses include one-time costs related to the listing of our common stock on the NYSE, such as legal and other professional fees, costs related to the Tender Offer, and other start-up costs incurred while transitioning to a stand-alone, publicly-traded company.
- (4) Other non-recurring expenses represents business interruption insurance recoveries received during the year ended December 31, 2015 that was related to 2014, which was prior to our spin-off, and management termination fees net of guaranty income.
- (5) Net debt to Adjusted EBITDA is defined as (i) the total principal balance of debt as of December 31, 2017, which is \$1.3 billion per Note 7 of the combined consolidated financial statements included in "Part IV - Item 15. Exhibits and Financial Statements," (ii) less, cash and cash equivalents of \$71.9 million as of December 31, 2017, (iii) divided by Adjusted EBITDA attributable to common stock and unit holders of \$270.3 million for the year ended December 31, 2017, which equals 4.7x.

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

	Year Ended December 31,		
	2017	2016	2015
Net income	\$ 100,816	\$ 86,730	\$ 88,642
Adjustments:			
Depreciation and amortization related to investment properties	152,544	152,274	148,009
Impairment and other losses ⁽¹⁾	950	10,035	—
Gain on sale of investment property	(50,747)	(30,195)	(43,015)
Non-controlling interests in consolidated real estate entities	99	268	567
Adjustments related to non-controlling interests in consolidated real estate entities	(902)	(897)	(197)
FFO attributable to the Company	\$ 202,760	\$ 218,215	\$ 194,006
Distribution to preferred shareholders	—	—	(12)
FFO attributable to common stock and unit holders	\$ 202,760	\$ 218,215	\$ 193,994
<u>Reconciliation to Adjusted FFO</u>			
Loss on extinguishment of debt	274	5,155	5,761
Acquisition transaction costs	1,578	154	5,046
Loan related costs, net of adjustment related to non-controlling interests ⁽²⁾	2,833	3,752	3,775
Amortization of share-based compensation expense	9,930	8,968	6,102
Amortization of above and below market ground leases and straight-line rent expense	734	944	380
Pre-opening expenses, net of adjustments related to non-controlling interests ⁽³⁾	—	—	1,058
Non-recurring taxes ⁽⁴⁾	565	—	1,900
Management transition and severance expenses	—	1,991	—
Spin-off related expenses ⁽⁵⁾	—	—	26,887
Other non-recurring expenses ⁽⁶⁾	1,304	(938)	(3,268)
Adjusted FFO attributable to common stock and unit holders	\$ 219,978	\$ 238,241	\$ 241,635

- (1) During the year ended December 31, 2017, Hurricanes Harvey and Irma impacted several of the Company's hotels. The Company recorded a loss of \$950 thousand, which represents damage sustained during the storms, net of estimated insurance recoveries. This amount is included in impairment and other losses on the condensed consolidated statement of operations for year ended December 31, 2017.
- (2) Loan related costs included amortization of debt discounts, premiums and deferred loan origination costs.
- (3) For the year ended December 31, 2015, the pre-opening expenses related to the Grand Bohemian Hotel Charleston and Grand Bohemian Hotel Mountain Brook, which opened in August and October 2015, respectively.
- (4) The TCJA introduced many significant changes to the U.S. federal income tax code, including a significant reduction in our future estimated tax rates. For the year ended December 31, 2017, we recorded a one-time adjustment to our net deferred tax asset resulting in the recognition of deferred income tax expense. For the year ended December 31, 2015, the Company recognized income tax expense of \$6.3 million, of which \$1.9 million related to a gain on the transfer of a hotel between legal entities resulting in a more optimal structure in connection with the Company's intention to elect to be taxed as a REIT.
- (5) For the year ended December 31, 2015, spin-off related expenses include one-time costs related to the listing of our common stock on the NYSE, such as legal and other professional fees, costs related to the Tender Offer, and other start-up costs incurred while transitioning to a stand-alone, publicly-traded company.
- (6) Other non-recurring expenses represents hurricane-related repairs and cleanup costs of \$1.3 million for the year ended December 31, 2017; adjustments related to hotels sold prior to our spin-off during the years ended December 31, 2016 and 2015; and business interruption insurance recoveries received during the year ended December 31, 2015 that was related to 2014, which was prior to our spin-off, and management termination fees net of guaranty income.

Use and Limitations of Non-GAAP Financial Measures

EBITDA, Adjusted EBITDA, FFO, and Adjusted FFO do not represent cash generated from operating activities under GAAP and should not be considered as alternatives to net income or loss, operating profit, cash flows from operations or any other operating performance measure prescribed by GAAP. Although we present and use EBITDA, Adjusted EBITDA, FFO and Adjusted FFO because we believe they are useful to investors in evaluating and facilitating comparisons of our operating performance between periods and between REITs that report similar measures, the use of these non-GAAP measures has certain limitations as analytical tools. These non-GAAP financial measures are not measures of our liquidity, nor are they indicative of funds available to fund our cash needs, including our ability to fund capital expenditures, contractual commitments, working capital, service debt or make cash distributions. These measurements do not reflect cash expenditures for long-term assets and other items that we have incurred and will incur. These non-GAAP financial measures may include funds that may not be available for management's discretionary use due to functional requirements to conserve funds for capital expenditures, property acquisitions, and other commitments and uncertainties. These non-GAAP financial measures as presented may not be comparable to non-GAAP financial measures as calculated by other real estate companies.

We compensate for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our reconciliations to the most comparable GAAP financial measures, and our combined consolidated statements of operations and comprehensive income, include interest expense, and other excluded items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measures. These non-GAAP financial measures reflect additional ways of viewing our operations that we believe, when viewed with our GAAP results and the reconciliations to the corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business than could be obtained absent this disclosure. We strongly encourage investors to review our financial information in its entirety and not to rely on a single financial measure.

Liquidity and Capital Resources

We expect to meet our short-term liquidity requirements from cash on hand, cash flows from operations, borrowings under our unsecured revolving credit facility, use of our unencumbered asset base, and the ability to refinance or extend our maturing debt as or before it comes due. The objectives of our cash management policy are to maintain the availability of liquidity and minimize operational costs. Further, we have an investment policy that is focused on the preservation of capital and maximizing the return on new and existing investments.

On a long term basis, our objectives are to maximize revenue and profits generated by our existing properties and acquired hotels, to further enhance the value of our portfolio and produce an attractive current yield, as well as, to generate sustainable and predictable cash flow from our operations to distribute to our stockholders. To the extent we are able to successfully improve the performance of our portfolio, we believe this will result in increased operating cash flows. Additionally, we may meet our long-term liquidity requirements through additional borrowings, the issuance of equity and debt securities, and/or proceeds from the sales of hotels.

We may, from time to time, seek to retire or purchase additional amounts of our outstanding equity through cash purchases and/or exchanges for other securities in open market purchases, privately negotiated transactions or otherwise, including pursuant to a Rule 10b5-1 plan. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. In December 2015, the Company's Board of Directors authorized the Repurchase Program. Then in November 2016, the Company's Board of Directors authorized the repurchase of up to an additional \$75 million of the Company's outstanding common shares for a total of \$175 million. The Repurchase Program does not have an expiration date. The Company is not obligated to repurchase any dollar amount or any number of shares of common stock, and repurchases may be suspended or discontinued at any time.

During the year ended December 31, 2017, 240,352 shares had been repurchased under the Repurchase Program, at a weighted average price of \$17.07 per share, for an aggregate purchase price of \$4.1 million. During the year ended December 31, 2016, 4,966,763 shares were been repurchased under the Repurchase Program, at a weighted average price of \$14.89 per share, for an aggregate purchase price of \$ 74.0 million. As of December 31, 2017, the Company had approximately \$96.9 million remaining under its share repurchase authorization.

As of December 31, 2017, we had \$71.9 million of consolidated cash and cash equivalents and \$58.5 million of restricted cash and escrows. The restricted cash as of December 31, 2017 primarily consists of \$46.6 million related to lodging furniture, fixtures and equipment reserves as required per the terms of our management and franchise agreements, cash held in restricted escrows of \$4.5 million primarily for real estate taxes and insurance escrows and \$7.4 million in deposits made for capital projects.

Credit facility

Effective February 3, 2015, we entered into a \$400 million unsecured revolving credit facility with a syndicate of banks. The revolving credit facility includes an uncommitted accordion feature which, subject to certain conditions, allows us to increase the aggregate availability by up to an additional \$350 million. The initial maturity of the revolving credit facility is February 2019, with a one-year extension option.

During the second quarter of 2017, we made draws totaling \$80 million to fund a portion of the purchase price for the acquisition of Hyatt Regency Grand Cypress, which was later repaid during the second quarter. During the fourth quarter, the Company drew down \$40 million, which was used to fund a portion of the purchase price for the acquisition of The Ritz-Carlton, Pentagon City in October 2017. As of December 31, 2017, the outstanding balance under the revolving credit facility was \$40 million.

Interest is paid on the periodic advances under the unsecured revolving credit facility at varying rates, based upon either LIBOR or the alternate base rate, plus an additional margin amount. The interest rate depends upon our leverage ratio pursuant to the provisions of the credit facility agreement. Our credit facility requires an unused commitment fee ranging from 0.2% to 0.30% on the unused portion of the available borrowing amount, which totaled approximately \$1.2 million for the year ended December 31, 2017. The facility also contains customary covenants and restrictions for similar type facilities and, as of December 31, 2017, we were in compliance with these requirements.

In January 2018, the Company entered into an amended and restated unsecured revolving credit facility with a syndicate of bank lenders. The amendment upsized the credit facility from \$400 million to \$500 million and extended the maturity an additional three years to February 2022, with two additional six-month extension options. The credit facility's interest rate is now based on a pricing grid with a range of 150 to 225 basis points over LIBOR as determined by the Company's leverage ratio, a reduction from the previous pricing grid which ranged from 150 to 245 basis points over LIBOR. Also in January 2018, the Company repaid the \$40 million balance that was outstanding as of December 31, 2017.

Unsecured Term Loans and Hotel Mortgages

As of December 31, 2017, our outstanding total debt was \$1.3 billion and had a weighted average interest rate of 3.71%.

In September 2017, we entered into a 7-year senior unsecured term loan totaling \$125 million with a variable interest based on the Company's leverage ratio. The senior unsecured term loan was funded in September 2017, with proceeds used to fund a portion of the acquisition of Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch and Royal Palms Resort & Spa. The new term loan also includes an accordion option that allows the Company to request additional lender commitments of up to \$125 million.

In December 2017, we entered into an amended and restated unsecured term loan agreement to reprice the \$125 million term loan that matures in October 2022. The term loan now bears an interest rate based on a pricing grid with a range of 145 to 220 basis points over LIBOR as determined by the Company's leverage ratio, a reduction of 25 to 35 basis points from the previous leverage-based grid.

During the year ended December 31, 2017, we obtained two new mortgage loans totaling \$215.0 million collateralized by the Marriott San Francisco Waterfront and the Renaissance Atlanta Waverly Hotel & Convention Center, respectively, and repaid three variable rates loans totaling \$127.9 million.

As of December 31, 2017, the outstanding hotel level mortgage debt was \$ 865.1 million, which had a weighted average interest rate of 4.01% and a weighted average debt maturity of 5.2 years, including available extension options. Approximately, 72% of our outstanding debt is either a fixed rate or hedged. We continuously monitor and evaluate the level of floating rate debt exposure that we have and will continue to use interest rate hedges to limit it as we determine appropriate. See "Part II Item. 7 Derivative Instruments" for more information related to our hedging policy and transaction activity.

In January 2018, the Company entered into a new \$65 million mortgage loan collateralized by The Ritz-Carlton, Pentagon City. The loan matures in January 2025 and bears an interest rate of LIBOR plus 210 basis points. The Company used the proceeds from this loan to repay the outstanding balance on its senior unsecured credit facility, as discussed above, and for general corporate purposes.

Borrowings

Debt as of December 31, 2017 and December 31, 2016 consisted of the following (dollars in thousands):

	Rate Type ⁽¹⁾	Rate ⁽²⁾	Maturity Date	Balance Outstanding as of	
				December 31, 2017	December 31, 2016
Mortgage Loans					
Fairmont Dallas	Variable	—	4/10/2018	\$ —	\$ 55,498
Residence Inn Denver City Center	Variable	—	4/17/2018	—	45,210
Bohemian Hotel Savannah Riverfront	Variable	—	12/17/2018	—	27,480
Andaz Savannah	Variable	3.57%	1/14/2019	21,500	21,500
Hotel Monaco Denver	Fixed ⁽³⁾	2.98%	1/17/2019	41,000	41,000
Hotel Monaco Chicago	Variable	3.82%	1/17/2019	18,344	21,644
Loews New Orleans Hotel	Variable	3.92%	2/22/2019	37,500	37,500
Andaz Napa	Fixed ⁽³⁾	2.99%	3/21/2019	38,000	38,000
Westin Galleria Houston & Westin Oaks Houston at The Galleria	Variable	4.07%	5/1/2019	110,000	110,000
Marriott Charleston Town Center	Fixed	3.85%	7/1/2020	15,908	16,403
Grand Bohemian Hotel Charleston (VIE)	Variable	4.07%	11/10/2020	19,026	19,628
Grand Bohemian Hotel Mountain Brook (VIE)	Variable	4.07%	12/27/2020	25,229	25,899
Marriott Dallas City Center	Fixed ⁽³⁾	4.05%	1/3/2022	51,000	51,000
Hyatt Regency Santa Clara	Fixed ⁽³⁾	3.81%	1/3/2022	90,000	90,000
Hotel Palomar Philadelphia	Fixed ⁽³⁾	4.14%	1/13/2023	59,750	60,000
Renaissance Atlanta Waverly Hotel & Convention Center	Variable	3.67%	8/14/2024	100,000	—
Residence Inn Boston Cambridge	Fixed	4.48%	11/1/2025	62,833	63,000
Grand Bohemian Hotel Orlando	Fixed	4.53%	3/1/2026	60,000	60,000
Marriott San Francisco Airport Waterfront	Fixed	4.63%	5/1/2027	115,000	—
Total Mortgage Loans		4.01% ⁽²⁾		\$ 865,090	\$ 783,762
Mortgage Loan Discounts ⁽⁴⁾				(255)	(319)
Unamortized Deferred Financing Costs, net				(7,242)	(6,311)
Senior Unsecured Credit Facility	Variable	3.07%	2/3/2019	40,000	—
Unsecured Term Loan \$175M	Fixed ⁽⁵⁾	2.74%	2/15/2021	175,000	175,000
Unsecured Term Loan \$125M	Fixed ⁽⁵⁾	3.28%	10/22/2022	125,000	125,000
Unsecured Term Loan \$125M	Fixed ⁽⁵⁾	3.62%	9/13/2024	125,000	—
Debt, net of loan discounts and unamortized deferred financing costs		3.71% ⁽²⁾		\$ 1,322,593	\$ 1,077,132

(1) Variable index is one month LIBOR as of December 31, 2017 .

(2) Represents the weighted average interest rate as of December 31, 2017 .

(3) The Company entered into interest rate swap agreements to fix the interest rate of the variable rate mortgage loans through maturity.

(4) Loan discounts recognized upon modification, net of the accumulated amortization.

(5) LIBOR has been fixed for either a portion of or the entire term of the loan. The spread may vary, as it is determined by the Company's leverage ratio.

Capital Expenditures and Reserve Funds

We maintain each of our properties in good repair and condition and in conformity with applicable laws and regulations, franchise agreements and management agreements. Routine capital expenditures are administered by the property management companies. However, we have approval rights over the capital expenditures as part of the annual budget process for each of our properties. From time to time, certain of our hotels may be undergoing renovations as a result of our decision to upgrade portions of the hotels, such as guest rooms, public space, meeting space and/or restaurants, in order to better compete with other hotels in our markets. In addition, upon the acquisition of a hotel we often are required to complete a property improvement plan in order to bring the hotel up to the respective brand standards. If permitted by the terms of the management agreement, funding for a renovation will first come from the furniture, fixtures and equipment reserves. We are obligated to maintain

reserve funds with respect to certain agreements with our hotel management companies, franchisors and lenders to provide funds, generally 3% to 5% of hotel revenues, sufficient to cover the cost of certain capital improvements to the hotels and to periodically replace and update furniture, fixtures and equipment. Certain of the agreements require that we reserve this cash in separate accounts. To the extent that the furniture, fixtures and equipment reserves are not available or adequate to cover the cost of the renovation, we may fund a portion of the renovation with cash on hand, borrowings from our unsecured revolving credit facility and/or other sources of available liquidity. As of December 31, 2017 and 2016, we held a total of \$46.6 million and \$58.6 million, respectively, of furniture, fixtures and equipment reserves. We have been and will continue to be prudent with respect to our capital spending, taking into account our cash flows from operations.

During the year ended December 31, 2017, we made cash payments totaling \$86.4 million for capital expenditures. Our total capital expenditures in 2016 were \$58.8 million.

Sources and Uses of Cash

Our principal sources of cash are cash flows from operations and borrowings under debt financings including draws on our revolving credit facility. We may also obtain cash in the future from various types of equity offerings or the sale of our hotels. Our principal uses of cash are asset acquisitions, capital investments, routine debt service and debt repayments, operating costs, corporate expenses and dividends. We may also elect to use cash to buy back our common stock in the future under the Repurchase Program.

Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016

The table below presents summary cash flow information for the combined consolidated statements of cash flows (in thousands):

	Year Ended December 31,	
	2017	2016
Net cash provided by operating activities	\$ 212,814	\$ 229,443
Net cash (used in) provided by investing activities	(487,558)	100,777
Net cash flows used in financing activities	118,121	(242,944)
Increase (decrease) in cash and cash equivalents	\$ (156,623)	\$ 87,276
Cash and cash equivalents and restricted cash, at beginning of period	287,027	199,751
Cash and cash equivalents and restricted cash, at end of period	\$ 130,404	\$ 287,027

Operating

- Cash provided by operating activities was \$212.8 million and \$229.4 million for the year ended December 31, 2017 and 2016, respectively. Cash provided by operating activities for the year ended December 31, 2017 decreased primarily due to (i) a reduction in net operating income from the disposition of 16 hotels since the beginning of 2016 offset by net operating income from the five hotels acquired, (ii) increases in general and administrative expenses attributed to employee related expenses, offset by (iii) a reduction in cash interest payments attributed to the timing of 2016 and 2017 debt repayments and new borrowings.

Investing

- Cash used in investing activities during the year ended December 31, 2017 was \$487.6 million compared to cash provided by investing activities of \$100.8 million during 2016. Cash used in investing activities for the year ended December 31, 2017 was primarily due to (i) the acquisition of four hotels during 2017 for a combined cost of \$605.5 million and (ii) \$86.4 million in capital improvements at our hotel properties, offset by (iii) \$204.4 million in proceeds from the disposition of seven hotels during 2017. Cash provided by investing activities for the year ended December 31, 2016 was primarily due to proceeds of \$275.6 million from the sale of nine hotels in the year ended December 31, 2016, which was offset by cash used in investing activities for (i) \$58.8 million in capital improvements at our hotel properties and (ii) the acquisition of the Hotel Commonwealth for \$116.0 million.

Financing

- Cash provided by financing activities was \$118.1 million and cash used in financing activities was \$242.9 million for the year ended December 31, 2017, and 2016, respectively. Cash provided by financing activities for the year ended December 31, 2017 was primarily comprised of (i) proceeds of \$215 million from the funding of mortgage debt, (ii) the funding of the \$125 million term loan, and (iii) net draws on the senior unsecured credit facility of \$40.0 million, offset by (iv) the repayment of mortgage debt totaling \$127.9 million and principal payments of \$5.8 million, (v) \$6.0

million used to repurchase common shares, of which \$4.1 million was under the Repurchase Program and \$1.9 million was used to redeem shares of common stock to satisfy employee withholding requirements in connection with stock compensation vesting, (vi) the payment of \$118.4 million in dividends to common stockholders and Operating Partnership Unit holders and (vii) payment of \$3.2 million in loan costs attributable to the 2017 financing transactions. Cash used in financing activities for the year ended December 31, 2016 was primarily comprised of (i) cash used for mortgage principal payments of \$7.6 million, (ii) the payoff of \$276.9 million in mortgage loans, (iii) \$74.0 million used to repurchase common shares under the Repurchase Program, (iv) the payment of \$115.1 million in dividends to common stockholders and Operating Partnership Unit holders, (v) the prepayment penalties of \$4.8 million due to the early termination of mortgage loans, which was partially offset (vi) by proceeds from mortgage debt of \$112.0 million and the \$125 million funding of the term loan in January 2016.

Contractual Obligations

The table below presents, on a combined consolidated basis, obligations and commitments to make future payments under debt obligations (including interest) and lease agreements as of December 31, 2017 (in thousands):

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt maturities ⁽¹⁾	\$ 1,535,653	\$ 54,272	\$ 415,182	\$ 511,617	\$ 554,582
Senior unsecured credit facility ⁽¹⁾⁽²⁾	\$ 40,216	—	40,216	—	—
Ground leases	\$ 137,381	3,976	7,952	7,952	117,501
Corporate office lease	\$ 4,935	401	835	882	2,817
Total	\$ 1,718,185	\$ 58,649	\$ 464,185	\$ 520,451	\$ 674,900

(1) Includes principal and interest payments, for both variable and fixed rate loans. The variable rate interest payments were calculated based upon the variable rate spread plus 1 month LIBOR as of December 31, 2017.

(2) In January 2018, the Company repaid the outstanding balance of \$40 million on the senior unsecured credit facility.

Off-Balance Sheet Arrangements

As of December 31, 2017, we have no off-balance sheet arrangements.

Derivative Instruments

In the normal course of business, we are exposed to the effects of interest rate changes. We may enter into derivative instruments including interest rate swaps, caps and collars to manage or hedge interest rate risk in accordance with the criteria of the hedging policy approved by our Board of Directors. Derivative instruments are subject to fair value reporting at each reporting date and the increase or decrease in fair value is recorded in net income (loss) or accumulated other comprehensive income (loss), based on the applicable hedge accounting guidance. We anticipate that our interest rate hedges will be highly effective because the terms of the derivative instruments exactly match the terms of the related hedged debt agreements. As such, the pending changes in the fair value of these derivatives are expected to be reflected in other comprehensive income (loss) in our combined consolidated financial statements. Derivatives expose the Company to credit risk in the event of non-performance by the counterparties under the terms of the interest rate hedge agreements. The Company believes it minimizes the credit risk by transacting with major creditworthy financial institutions.

As of December 31, 2017, we had various interest rate swaps with an aggregate notional amount of \$705.0 million. These swaps fix the variable rate for six of our hotel mortgage loans through maturity and fix LIBOR for the entire term of our three unsecured term loans. The unsecured term loan spreads may vary, as they are determined by the Company's leverage ratio.

We have designated these pay-fixed, receive-floating interest rate swap derivatives as cash flow hedges. For the year ended December 31, 2017, there was \$10.7 million in unrealized gains recorded in accumulated other comprehensive income. For the year ended December 31, 2016, there was \$5.0 million in unrealized gains recorded in accumulated other comprehensive income.

Inflation

We rely on the performance of our hotels to increase revenues in order to keep pace with inflation. Generally, our hotel operators possess the ability to adjust room rates daily, except for group or corporate rates contractually committed to in

advance, although competitive pressures may limit the ability of our operators to raise rates faster than inflation or even at the same rate.

Seasonality

Demand in the lodging industry is affected by recurring seasonal patterns which are greatly influenced by overall economic cycles, the geographic locations of the hotels and the customer mix at the hotels. Generally, we expect our revenues and operating income to be the highest during the first and second quarters of the year followed by the third and fourth quarters based on our current portfolio composition assuming a stable macroeconomic environment.

New Accounting Pronouncements Not Yet Implemented

See Note 2 to the accompanying consolidated financial statements included herein this Annual Report for additional information related to recently issued accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

We are subject to market risk associated with changes in interest rates both in terms of variable-rate debt and the price of new fixed-rate debt upon maturity of existing debt and for acquisitions. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. If market rates of interest on all of the variable rate debt as of December 31, 2017 permanently increased or decreased by 1%, the increase or decrease in interest expense on the variable rate debt would decrease or increase future earnings and cash flows by approximately \$3.3 million per annum. If market rates of interest on all of the variable rate debt as of December 31, 2016 permanently increased or decreased by 1%, the increase or decrease in interest expense on the variable rate debt would decrease or increase future earnings and cash flows by approximately \$5.1 million per annum. The decrease from prior period was driven by the management's efforts to repay or refinance floating rate debt with fixed rate debt and the entering into interest rate swap agreements to fix interest rates for the term of loans to hedge against future increases in interest rates.

With regard to our variable rate financing, we assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. We maintain risk management control systems to monitor interest rate cash flow risk attributable to both of our outstanding or forecasted debt obligations as well as our potential offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on our future cash flows.

We monitor interest rate risk using a variety of techniques, including periodically evaluating fixed interest rate quotes on variable rate debt and the costs associated with converting the debt to fixed rate debt. Also, existing fixed and variable rate loans that are scheduled to mature in the near term are evaluated for possible early refinancing or extension due to consideration given to current interest rates. We have taken significant steps in reducing our variable rate debt exposure by paying off property-level mortgage debt subject to floating rates and entering into various interest rate swap agreements to hedge the interest rate exposure risk. Refer to Note 7 in the combined consolidated financial statements included herein this Annual Report, for our mortgage debt principal amounts and weighted average interest rates by year and expected maturity to evaluate the expected cash flows and sensitivity to interest rate changes. Refer to Note 8 in the combined consolidated financial statements included herein this Annual Report for more information on our interest rate swap derivatives.

We may continue to use derivative instruments to hedge exposures to changes in interest rates on loans secured by our properties. To the extent we do, we are exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. We maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties' financial condition, including their credit ratings, and entering into agreements with counterparties based on established credit limit policies. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The following table provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations outstanding as of December 31, 2017, the following table presents principal repayments and related weighted-average interest rates by contractual maturity dates (in thousands):

	2018	2019	2020	2021	2022	Thereafter	Total	Fair Value
Maturing debt ⁽¹⁾:								
Fixed rate debt (mortgages and term loans) ⁽²⁾	\$3,342	\$82,610	\$19,379	\$180,146	\$271,339	\$401,675	\$958,491	\$975,303
Variable rate debt (mortgage loans)	1,093	188,426	42,080	—	512	99,488	331,599	328,247
Senior unsecured credit facility	—	40,000	—	—	—	—	40,000	40,101
Total	\$4,435	\$311,036	\$61,459	\$180,146	\$271,851	\$501,163	\$1,330,090	\$1,343,651
Weighted average interest rate on debt:								
Fixed rate debt (mortgages and term loans)	4.29%	3.04%	3.99%	2.79%	3.62%	4.21%	3.67%	3.71%
Variable rate debt (mortgage loans)	4.07%	3.96%	4.07%	—	3.67%	3.67%	3.89%	4.64%
Senior unsecured credit facility	—	3.07%	—	—	—	—	3.07%	3.19%

(1) The debt maturity excludes net mortgage discounts of \$0.3 million and unamortized deferred financing costs of \$7.2 million as of December 31, 2017.

(2) Includes all fixed rate debt, and all variable rate debt that was swapped to fixed rates as of December 31, 2017.

Item 8. Financial Statements and Supplementary Data

See Index to Financial Statements on page F-1.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure on Controls and Procedures

As required by Rules 13a-15(b) and 15d-15(b) under the Exchange Act, our management, including our Principal Executive Officer and our Principal Financial Officer has evaluated, as of December 31, 2017, the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and Rule 15d-15(e) of the Exchange Act. Based on that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures, as of December 31, 2017, were effective for the purpose of ensuring that information required to be disclosed by us in this Annual Report is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Exchange Act and is accumulated and communicated to management, including the principal executive officer and our principal financial officer as appropriate to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Act of 1934, as amended). The Company's internal controls over financial reporting are designed to provide reasonable assurance to the Company's management and Board of Directors regarding the fair representation of published financial statements.

Because of its inherent limitations, internal controls 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.

Based on management's assessment, the Company maintained, in all material respect, effective internal controls over financial reporting as of December 31, 2017 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework (2013)*.

Independent Registered Public Accounting Firm's Report on Internal Control Over Financial Reporting

KPMG LLP, an independent registered public accounting firm, has audited the Company's combined consolidated financial statements included in this Annual Report on Form 10-K and, as part of its audit, has issued its report, included herein on page F-3, on the effectiveness of our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There has been no change in our internal controls over financial reporting during the fourth quarter of ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Additional Material U.S. Federal Income Tax Consequences

The following is a summary of certain additional material U.S. federal income tax consequences with respect to the ownership of our securities. This summary supplements and should be read together with "Material U.S. Federal Income Tax Consequences" in the prospectus dated September 8, 2017 and filed as part of our registration statement on Form S-3 (No. 333-220400).

Recent U.S. Federal Income Tax Legislation

The recently passed tax law informally known as the Tax Cuts and Jobs Act ("TCJA") made many significant changes to the U.S. federal income tax laws applicable to businesses and their owners, including REITs and their stockholders. Pursuant to this legislation, as of January 1, 2018, (1) the federal income tax rate applicable to corporations is reduced to 21%, (2) the highest marginal individual income tax rate is reduced to 37%, (3) the corporate alternative minimum tax is repealed, and (4) the backup withholding rate for U.S. stockholders is reduced to 24%. In addition, individuals, estates and trusts may deduct

up to 20% of certain pass-through income, including ordinary REIT dividends that are not “capital gain dividends” or “qualified dividend income,” subject to complex limitations. For taxpayers qualifying for the full deduction, the effective maximum tax rate on ordinary REIT dividends would be 29.6% (through taxable years ending in 2025). The maximum rate of withholding with respect to our distributions to non-U.S. stockholders that are treated as attributable to gains from the sale or exchange of U.S. real property interests (“USPRIs”) is also reduced from 35% to 21%. The deduction of net interest expense is limited for all businesses; provided that certain businesses, including real estate businesses, may elect not to be subject to such limitations and instead to depreciate their real property related assets over longer depreciable lives. To the extent that a TRS has interest expense that exceeds its interest income, the net interest expense limitation could potentially apply to such TRS. The reduced corporate tax rate will apply to our TRSs.

Technical corrections or other amendments to the TCJA or administrative guidance interpreting the TCJA may be forthcoming at any time. We cannot predict the long-term effect of the TCJA or any future law changes on REITs and their stockholders. We urge you to consult your tax advisors regarding the impact of this legislation on the purchase, ownership and sale of our securities.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

Item 11. Executive Compensation

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

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

Except as set forth below, the information called for by this Item is contained in our definitive Proxy Statement for our 2018 Annual Meeting of Stockholders, and is incorporated herein by reference.

Securities Authorized for Issuance Under Equity Compensation Plan

The following table sets forth information regarding securities authorized for issuance under our equity compensation plan, which includes the 2014 Share Unit Plan and 2015 Incentive Award Plan as of December 31, 2017 :

Plan Category	(a)	(b)	(c)
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights ⁽¹⁾	Weighted-Average Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plan (Excluding Securities Reflected in Column (a)) ⁽²⁾
Equity compensation plans approved by security holders:			
Xenia Hotels & Resorts, Inc. 2014 Share Unit Plan ⁽³⁾	48,682	\$ 20.25	—
Xenia Hotels & Resorts, Inc., XHR Holding, Inc. and XHR LP 2015 Incentive Award Plan	1,926,375	\$ 9.31	4,553,949
Equity compensation plans not approved by security holders	—	—	—

(1) Represents (i) 48,682 shares underlying awards of "annual share units" and "contingency share units" outstanding under the Xenia Hotels & Resorts, Inc. 2014 Share Unit Plan (the "Share Unit Plan"), and (ii) 264,302 shares underlying awards of restricted stock units and 1,662,073 LTIP Units (as defined in the Xenia Hotels & Resorts, Inc., XHR Holding, Inc. and XHR LP 2015 Incentive Award Plan) outstanding under the 2015 Incentive Award Plan, in each case, as of December 31, 2017 .

(2) Includes shares of common stock available for future grants under the 2015 Incentive Award Plan as of December 31, 2017 .

(3) On January 9, 2015, in connection with our separation from InvenTrust, the 2014 Share Unit Plan was terminated. No new share unit awards will be made under the 2014 Share Unit Plan, and the 2014 Share Unit Plan will continue to be maintained only with respect to awards outstanding as of the termination of the 2014 Share Unit Plan.

See Note 13 to the accompanying combined consolidated financial statements included herein this Annual Report for additional information regarding these compensation plans.

Item 13. Certain Relationships and Related Transactions

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

Item 14. Principal Accounting Fees and Services.

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) List of documents filed as a part of this Annual Report on Form 10-K:

1) Financial Statements.

Report of Independent Registered Public Accounting Firm

The combined consolidated financial statements of the Company are set forth under "Part II - Item 8. Consolidated Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

2) Financial Statement Schedules. The following financial statement schedule is filed herein on pages F-38 through F-41:

Schedule III - Real Estate and Accumulated Depreciation for Xenia Hotels & Resorts, Inc.

All other schedules are omitted because they are not applicable or the required information is included in the combined consolidated financial statements or notes thereto.

3) Exhibits. The following exhibits are filed (or incorporated by reference herein) as a part of this Annual Report on Form 10-K.

Exhibit Number	Exhibit Description
<u>2.1</u>	Separation and Distribution Agreement by and between Inland American Real Estate Trust, Inc. (n/k/a InvenTrust Properties Corp.) and Xenia Hotels & Resorts, Inc., dated as of January 20, 2015 (incorporated by reference to Exhibit 2.1 to the Company's Periodic Report on Form 8-K (File No. 001-36594) filed on January 23, 2015)
<u>2.2</u> * ++	Purchase and Sale Agreement dated as of October 3, 2017, among Gainey Drive Associates, HC Royal Palms, L.L.C. and XHR Acquisitions, LLC
<u>3.1</u>	Articles of Restatement of Xenia Hotels & Resorts, Inc., as filed on November 10, 2015 with the Maryland Department of Assessments and Taxation (incorporated by reference to Exhibit 3.2 to the Company's quarterly report on Form 10-Q (File No. 001-36594) filed on November 12, 2015)
<u>3.2</u>	Articles Supplementary of Xenia Hotels and Resorts, Inc., as filed on November 10, 2015 with the Maryland Department of Assessments and Taxation (incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q (File No. 001-36594) filed on November 12, 2015)
<u>3.3</u>	Articles Supplementary of Xenia Hotels and Resorts, Inc., as filed on March 15, 2017 with the Maryland Department of Assessments and Taxation (incorporated by reference to Exhibit 3.1 to the Company's Periodic Report on Form 8-K (File No. 001-36594) filed on March 15, 2017)
<u>3.4</u>	Amended and Restated Bylaws of Xenia Hotels & Resorts, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Periodic Report on Form 8-K (File No. 001-36594) filed on February 9, 2015)
<u>10.1</u>	Fourth Amended and Restated Agreement of Limited Partnership of XHR LP, dated as of November 10, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-36594) filed on November 12, 2015)
<u>10.2</u>	Amended and Restated Revolving Credit Agreement, dated as of January 11, 2018, among XHR LP, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36594) filed on January 12, 2018)
<u>10.3</u>	Amended and Restated Parent Guaranty, dated as of January 11, 2018, by Xenia Hotels & Resorts, Inc. for the benefit of JPMorgan Chase Bank, N.A., as administrative agent for the lenders (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-36594) filed on January 12, 2018)
<u>10.4</u> *	Amended and Restated Subsidiary Guaranty, dated as of January 11, 2018, by certain subsidiaries of XHR LP for the benefit of JPMorgan Chase Bank, N.A., as administrative agent for the lenders
<u>10.5</u> +	The Xenia Hotels & Resorts, Inc. 2014 Share Unit Plan (incorporated by reference to Exhibit 10.8 to Amendment No. 2 to the Company's Registration Statement on Form 10 (File No. 001-36594) filed on November 25, 2014)
<u>10.6</u> +	Form of Xenia Hotels & Resorts, Inc. Share Unit Award Agreement (Annual Award) (incorporated by reference to Exhibit 10.9 to Amendment No. 2 to the Company's Registration Statement on Form 10 (File No. 001-36594) filed on November 25, 2014)
<u>10.7</u> +	Form of Xenia Hotels & Resorts, Inc. Share Unit Award Agreement (Contingency) (incorporated by reference to Exhibit 10.10 to Amendment No. 2 to the Company's Registration Statement on Form 10 (File No. 001-36594) filed on November 25, 2014)
<u>10.8</u> +	Xenia Hotels & Resorts, Inc., XHR Holding, Inc. and XHR LP 2015 Incentive Award Plan (incorporated by reference to Exhibit 10.14 to Amendment No. 3 to the Company's Registration Statement on Form 10 (File No. 001-36594) filed on January 9, 2015)
<u>10.9</u> +	First Amendment to Xenia Hotels & Resorts, Inc., XHR Holding, Inc. and XHR LP 2015 Incentive Award Plan (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K (File No. 001-36594) filed on February 28, 2017)
<u>10.10</u> +	Form of Stock Payment Award Grant Notice and Agreement (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (File No. 001-36594) filed on February 9, 2015)
<u>10.11</u> +	Form of Class A Performance LTIP Unit Agreement (2015) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-36594) filed on May 7, 2015)

<u>10.12</u> +	Form of Class A Performance LTIP Unit Agreement (2016) (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-36594) filed on May 11, 2016)
<u>10.13</u> +	Form of Class A Performance LTIP Unit Agreement (2017) (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K (File No. 001-36594) filed on February 28, 2017)
<u>10.14</u> +	Form of Time-Based LTIP Unit Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-36594) filed on May 7, 2015)
<u>10.15</u> +	Form of Time-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-36594) filed on May 11, 2016)
<u>10.16</u> +	Xenia Hotels & Resorts, Inc. Director Compensation Program, as Amended and Restated, dated as of February 24, 2017 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K (File No. 001-36594) filed on February 28, 2017)
<u>10.17</u> +*	Xenia Hotels & Resorts, Inc. Director Compensation Program, as Amended and Restated, dated as of February 21, 2018
<u>10.18</u> +*	Form of LTIP Unit Agreement (Non-Employee Directors)
<u>10.19</u> +	Form of Indemnification Agreement entered into between Xenia Hotels & Resorts, Inc. and each of its directors and executive officers (incorporated by reference to Exhibit 10.15 to Amendment No. 3 to the Company's Registration Statement on Form 10 (File No. 001-36594) filed on January 9, 2015)
<u>10.20</u> +	Form of Severance Agreement (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 001-36594) filed on May 7, 2015)
<u>21.1</u> *	Subsidiaries of Xenia Hotels & Resorts, Inc.
<u>23.1</u> *	Consent of KPMG LLP
<u>31.1</u> *	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>31.2</u> *	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>32.1</u> *	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

+ Management contract or compensatory plan

++ Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementally copies of any of the omitted schedules and exhibits upon request by the Securities and Exchange Commission; provided, however, that the Company may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.

Item 16. Summary of Form 10-K Disclosures

None.

SIGNATURES

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

XENIA HOTELS & RESORTS, INC.

By:	<u>/s/ MARCEL VERBAAS</u> Marcel Verbaas Chairman and Chief Executive Officer
Date:	February 27, 2018

Pursuant to the requirements of the Securities 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.

	<u>Signature</u>	<u>Title</u>	<u>Date</u>
By:	<u>/s/ MARCEL VERBAAS</u>	Chairman and Chief Executive Officer (principal executive officer)	February 27, 2018
Name:	Marcel Verbaas		
By:	<u>/s/ ATISH SHAH</u>	Executive Vice President, Chief Financial Officer and Treasurer (principal financial officer)	February 27, 2018
Name:	Atish Shah		
By:	<u>/s/ JOSEPH T. JOHNSON</u>	Senior Vice President and Chief Accounting Officer (principal accounting officer)	February 27, 2018
Name:	Joseph T. Johnson		
By:	<u>/s/ JEFFREY H. DONAHUE</u>	Lead Director	February 27, 2018
Name:	Jeffrey H. Donahue		
By:	<u>/s/ JOHN H. ALSCHULER, JR.</u>	Director	February 27, 2018
Name:	John H. Alschuler, Jr.		
By:	<u>/s/ KEITH E. BASS</u>	Director	February 27, 2018
Name:	Keith E. Bass		
By:	<u>/s/ THOMAS M. GARTLAND</u>	Director	February 27, 2018
Name:	Thomas M. Gartland		
By:	<u>/s/ BEVERLY K. GOULET</u>	Director	February 27, 2018
Name:	Beverly K. Goulet		
By:	<u>/s/ DENNIS D. OKLAK</u>	Director	February 27, 2018
Name:	Dennis D. Oklak		
By:	<u>/s/ MARY ELIZABETH McCORMICK</u>	Director	February 27, 2018
Name:	Mary Elizabeth McCormick		

XENIA HOTELS & RESORTS, INC.
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Xenia Hotels & Resorts, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Xenia Hotels & Resorts, Inc. and subsidiaries (the “Company”) as of December 31, 2017 and 2016, the related combined consolidated statements of operations and comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement schedule III (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 27, 2018 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits 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. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company’s auditor since 2014.

Orlando, Florida
February 27, 2018
Certified Public Accountants

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Xenia Hotels & Resorts, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Xenia Hotels & Resorts, Inc.'s and subsidiaries (the "Company") internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement schedule III (collectively, the "consolidated financial statements"), and our report dated February 27, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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/ KPMG LLP

Orlando, Florida
February 27, 2018
Certified Public Accountants

XENIA HOTELS & RESORTS, INC.
Consolidated Balance Sheets
As of December 31, 2017 and 2016
(Dollar amounts in thousands, except per share data)

	December 31, 2017	December 31, 2016
Assets		
Investment properties:		
Land	\$ 440,930	\$ 331,502
Buildings and other improvements	2,878,375	2,732,062
Total	\$ 3,319,305	\$ 3,063,564
Less: accumulated depreciation	(628,450)	(619,975)
Net investment properties	\$ 2,690,855	\$ 2,443,589
Cash and cash equivalents	71,884	216,054
Restricted cash and escrows	58,520	70,973
Accounts and rents receivable, net of allowance for doubtful accounts	35,865	22,998
Intangible assets, net of accumulated amortization (Note 6)	68,000	76,912
Deferred tax assets (Note 10)	1,163	1,562
Other assets	36,349	28,257
Assets held for sale (Note 4)	152,672	—
Total assets (including \$70,269 and \$74,440, respectively, related to consolidated variable interest entities - Note 5)	\$ 3,115,308	\$ 2,860,345
Liabilities		
Debt, net of loan discounts and unamortized deferred financing costs (Note 7)	\$ 1,322,593	\$ 1,077,132
Accounts payable and accrued expenses	77,005	71,955
Distributions payable	29,930	29,881
Other liabilities	40,694	29,810
Total liabilities (including \$46,637 and \$47,828, respectively, related to consolidated variable interest entities - Note 5)	\$ 1,470,222	\$ 1,208,778
Commitments and contingencies		
Stockholders' equity		
Common stock, \$0.01 par value, 500,000,000 shares authorized, 106,735,336 and 106,794,788 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively	1,068	1,068
Additional paid in capital	1,924,124	1,925,554
Accumulated other comprehensive income	10,677	5,009
Accumulated distributions in excess of net earnings	(320,964)	(302,034)
Total Company stockholders' equity	\$ 1,614,905	\$ 1,629,597
Non-controlling interests	30,181	21,970
Total equity	\$ 1,645,086	\$ 1,651,567
Total liabilities and equity	\$ 3,115,308	\$ 2,860,345

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

XENIA HOTELS & RESORTS, INC.
Combined Consolidated Statements of Operations and Comprehensive Income
For the Years Ended December 31, 2017 , 2016 and 2015
(Dollar amounts in thousands, except per share data)

	Year Ended December 31,		
	2017	2016	2015
Revenues:			
Rooms revenues	\$ 623,331	\$ 653,944	\$ 663,224
Food and beverage revenues	266,977	246,479	259,036
Other revenues	54,969	49,737	53,884
Total revenues	\$ 945,277	\$ 950,160	\$ 976,144
Expenses:			
Rooms expenses	142,561	146,050	148,492
Food and beverage expenses	173,285	161,699	167,840
Other direct expenses	14,438	12,848	17,984
Other indirect expenses	229,510	224,779	226,522
Management and franchise fees	43,459	47,605	49,818
Total hotel operating expenses	\$ 603,253	\$ 592,981	\$ 610,656
Depreciation and amortization	152,977	152,418	148,009
Real estate taxes, personal property taxes and insurance	44,310	46,248	49,717
Ground lease expense	5,848	5,447	5,204
General and administrative expenses	31,552	31,374	25,142
Acquisition transaction costs	1,578	154	5,046
Pre-opening expenses	—	—	1,411
Impairment and other losses	2,254	10,035	—
Separation and other start-up related expenses	—	—	26,887
Total expenses	\$ 841,772	\$ 838,657	\$ 872,072
Operating income	\$ 103,505	\$ 111,503	\$ 104,072
Gain on sale of investment properties	50,747	30,195	43,015
Other income	965	3,377	4,916
Interest expense	(46,294)	(48,113)	(50,816)
Loss on extinguishment of debt	(274)	(5,155)	(5,761)
Net income before income taxes	\$ 108,649	\$ 91,807	\$ 95,426
Income tax expense	(7,833)	(5,077)	(6,295)
Net income from continuing operations	\$ 100,816	\$ 86,730	\$ 89,131
Net loss from discontinued operations	—	—	(489)
Net income	\$ 100,816	\$ 86,730	\$ 88,642
Non-controlling interests in consolidated real estate entities (Note 5)	99	268	567
Non-controlling interests of Common Units in Operating Partnership (Note 1)	(2,053)	(1,143)	(451)
Net (income) loss attributable to non-controlling interests	\$ (1,954)	\$ (875)	\$ 116
Net income attributable to the Company	\$ 98,862	\$ 85,855	\$ 88,758
Distributions to preferred stockholders	—	—	(12)
Net income attributable to common stockholders	\$ 98,862	\$ 85,855	\$ 88,746

XENIA HOTELS & RESORTS, INC.
Combined Consolidated Statements of Operations and Comprehensive Income - Continued
For the Years Ended December 31, 2017 , 2016 and 2015
(Dollar amounts in thousands, except per share data)

	Year Ended December 31,		
	2017	2016	2015
Basic and diluted earnings per share			
Income from continuing operations available to common stockholders	\$ 0.92	\$ 0.79	\$ 0.79
Income from discontinued operations available to common stockholders	—	—	—
Net income per share available to common stockholders (basic and diluted)	\$ 0.92	\$ 0.79	\$ 0.79
Weighted average number of common shares (basic)	106,767,108	108,012,708	111,989,686
Weighted average number of common shares (diluted)	107,019,152	108,142,998	112,138,223
Comprehensive Income:			
Net income	\$ 100,816	\$ 86,730	\$ 88,642
Other comprehensive income (loss):			
Unrealized (loss) gain on interest rate derivative instruments	3,388	(322)	1,543
Reclassification adjustment for amounts recognized in net income (interest expense)	2,396	3,833	—
	\$ 106,600	\$ 90,241	\$ 90,185
Comprehensive (income) loss attributable to non-controlling interests:			
Non-controlling interests in consolidated real estate entities (Note 5)	99	268	567
Non-controlling interests of Common Units in Operating Partnership (Note 1)	(2,169)	(1,188)	(451)
Comprehensive (income) loss attributable to non-controlling interests	\$ (2,070)	\$ (920)	\$ 116
Comprehensive income attributable to the Company	\$ 104,530	\$ 89,321	\$ 90,301

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

XENIA HOTELS & RESORTS, INC.
Combined Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2017 , 2016 and 2015
(Dollar amounts in thousands, except per share data)

	Preferred Stock		Common Stock		Additional paid in capital	Accumulated Other Comprehensive Income	Accumulated Distributions in Excess of Net Earnings	Non-controlling Interests			Total
	Shares	Amount	Shares	Amount				Operating Partnership	Consolidated Real Estate Entities	Total Non-controlling Interests	
Balance at December 31, 2014	—	\$ —	1,000	\$ —	\$ 1,781,427	\$ —	\$ (264,161)	\$ —	\$ 3,655	\$ 3,655	\$ 1,520,921
Net income (loss)	—	—	—	—	—	—	88,758	451	(567)	(116)	88,642
Issuance of preferred shares, net of issuance costs	125	—	—	—	102	—	—	—	—	—	102
Contributions from InvenTrust Properties Corp., net	—	—	—	—	249,767	—	—	—	—	—	249,767
Issuance of common shares in connection with separation from InvenTrust Properties Corp.	—	—	113,396,997	1,134	(1,134)	—	—	—	—	—	—
Repurchase of common shares, net	—	—	(1,759,344)	(17)	(36,929)	—	—	—	—	—	(36,946)
Dividends, common shares / units (\$0.84)	—	—	—	—	—	—	(93,576)	(102)	—	(102)	(93,678)
Dividends, preferred shares (\$92.36)	—	—	—	—	—	—	(12)	—	—	—	(12)
Share-based compensation	—	—	32,719	—	664	—	—	2,244	—	2,244	2,908
Redemption of preferred stock	(125)	—	—	—	(137)	—	—	—	—	—	(137)
Other comprehensive income	—	—	—	—	—	1,543	—	—	—	—	1,543
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	10,248	10,248	10,248
Balance at December 31, 2015	—	\$ —	111,671,372	\$ 1,117	\$ 1,993,760	\$ 1,543	\$ (268,991)	\$ 2,593	\$ 13,336	\$ 15,929	\$ 1,743,358
Net income (loss)	—	—	—	—	—	—	85,855	1,143	(268)	875	86,730
Repurchase of common shares, net	—	—	(4,966,763)	(50)	(73,926)	—	—	—	—	—	(73,976)
Dividends, common shares / units (\$1.10)	—	—	—	—	—	—	(118,898)	(372)	—	(372)	(119,270)
Share-based compensation	—	—	127,430	1	6,281	—	—	5,468	—	5,468	11,750
Shares redeemed to satisfy tax withholding on vested share based compensation	—	—	(37,251)	—	(561)	—	—	—	—	—	(561)
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	341	341	341
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(316)	(316)	(316)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—
Unrealized loss on interest rate derivative instruments	—	—	—	—	—	(317)	—	(5)	—	(5)	(322)
Reclassification adjustment for amounts recognized in net income	—	—	—	—	—	3,783	—	50	—	50	3,833
Balance at December 31, 2016	—	\$ —	106,794,788	\$ 1,068	\$ 1,925,554	\$ 5,009	\$ (302,034)	\$ 8,877	\$ 13,093	\$ 21,970	\$ 1,651,567
Net income	—	—	—	—	—	—	98,862	2,053	(99)	1,954	100,816
Repurchase of common shares, net	—	—	(240,352)	(2)	(4,101)	—	—	—	—	—	(4,103)
Dividends, common shares / units (\$1.10)	—	—	—	—	—	—	(117,792)	(577)	—	(577)	(118,369)
Share-based compensation	—	—	288,730	3	4,648	—	—	7,312	—	7,312	11,963
Shares redeemed to satisfy tax withholding on vested share based compensation	—	—	(107,830)	(1)	(1,977)	—	—	—	—	—	(1,978)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(594)	(594)	(594)
Other comprehensive income:	—	—	—	—	—	—	—	—	—	—	—
Unrealized gain on interest rate derivative instruments	—	—	—	—	—	3,320	—	68	—	68	3,388
Reclassification adjustment for amounts recognized in net income	—	—	—	—	—	2,348	—	48	—	48	2,396
Balance at December 31, 2017	—	\$ —	106,735,336	\$ 1,068	\$ 1,924,124	\$ 10,677	\$ (320,964)	\$ 17,781	\$ 12,400	\$ 30,181	\$ 1,645,086

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

XENIA HOTELS & RESORTS, INC.
Combined Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 , 2016 and 2015
(Dollar amounts in thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income	\$ 100,816	\$ 86,730	\$ 88,642
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	148,939	149,962	144,424
Amortization of above and below market leases and other lease intangibles	4,500	2,950	3,820
Amortization of debt premiums, discounts, and financing costs	2,848	3,755	3,756
Loss on extinguishment of debt	274	5,155	5,761
Gain on sale of investment property	(50,747)	(30,195)	(43,015)
Impairment and other losses	950	10,035	—
Share-based compensation expense	9,930	8,968	6,102
Changes in assets and liabilities:			
Accounts and rents receivable	(1,909)	1,470	(338)
Deferred costs and other assets	229	3,244	4,343
Accounts payable and accrued expenses	(11,035)	(8,192)	(6,425)
Other liabilities	8,019	(4,439)	(14,032)
Net cash provided by operating activities	\$ 212,814	\$ 229,443	\$ 193,038
Cash flows from investing activities:			
Purchase of investment properties	(605,510)	(116,000)	(245,260)
Capital expenditures and tenant improvements	(86,401)	(58,823)	(54,146)
Investment in development projects	—	—	(36,063)
Proceeds from sale of investment properties	204,353	275,600	133,412
Deposits for acquisition of hotel properties	—	—	(20,000)
Other assets	—	—	1,068
Net cash (used in) provided by investing activities	\$ (487,558)	\$ 100,777	\$ (220,989)
Cash flows from financing activities:			
Distribution to InvenTrust Properties Corp.	—	—	(23,505)
Contribution from InvenTrust Properties Corp.	—	—	176,805
Proceeds from mortgage debt and notes payable	215,000	111,968	64,723
Payoffs of mortgage debt	(127,876)	(276,903)	(300,894)
Principal payments of mortgage debt	(5,796)	(7,580)	(8,239)
Prepayment penalties and defeasance	—	(4,813)	(5,267)
Payment of loan fees and deposits	(3,207)	(974)	(6,819)
Proceeds from revolving line of credit draws	120,000	10,000	127,000
Payments on revolving line of credit	(80,000)	(10,000)	(127,000)
Proceeds from unsecured term loan	125,000	125,000	175,000
Contributions from non-controlling interests	—	341	10,248
Proceeds from issuance of preferred shares, net of offering costs	—	—	102
Redemption of preferred shares	—	—	(137)
Repurchase of common shares	(4,103)	(73,976)	(36,946)
Dividends, common shares/units	(118,442)	(115,130)	(67,706)
Shares redeemed to satisfy tax withholding on vested share based compensation	(1,861)	(561)	—
Dividends, preferred shares	—	—	(12)
Distributions paid to non-controlling interests	(594)	(316)	—
Net cash provided by (used in) financing activities	\$ 118,121	\$ (242,944)	\$ (22,647)
Net (decrease) increase in cash and cash equivalents and restricted cash	(156,623)	87,276	(50,598)
Cash and cash equivalents and restricted cash, at beginning of year	287,027	199,751	250,349
Cash and cash equivalents and restricted cash, at end of year	\$ 130,404	\$ 287,027	\$ 199,751

XENIA HOTELS & RESORTS, INC.
Combined Consolidated Statements of Cash Flows - Continued
For the Years Ended December 31, 2017 , 2016 and 2015
(Dollar amounts in thousands)

	Year Ended December 31,		
	2017	2016	2015
Supplemental disclosure of cash flow information:			
The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets to the amount shown in the combined consolidated statements of cash flows:			
Cash and cash equivalents	\$ 71,884	\$ 216,054	\$ 122,154
Restricted cash	58,520	70,973	77,597
Total cash and cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 130,404</u>	<u>\$ 287,027</u>	<u>\$ 199,751</u>
The following represent cash paid during the periods presented for the following:			
Cash paid for interest, net of capitalized interest	\$ 42,888	\$ 44,567	\$ 47,054
Cash paid for income taxes	4,663	7,863	4,459
Supplemental schedule of non-cash investing and financing activities:			
Accrued capital expenditures	\$ 764	\$ 4,838	\$ 2,568
Assumption of unsecured line of credit facility by InvenTrust Properties Corp.	—	—	(96,020)
Non-cash net distributions to InvenTrust Properties Corp.	—	—	(413)
Change in fair value of designated interest rate swaps	3,388	(322)	1,543

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

XENIA HOTELS & RESORTS, INC.
Notes to Combined Consolidated Financial Statements
December 31, 2017

1. Organization

Xenia Hotels & Resorts, Inc. (the "Company" or "Xenia") is a Maryland corporation that invests primarily in premium full service and lifestyle hotels in Top 25 lodging markets as well as key leisure destinations in the United States ("U.S."). Prior to February 3, 2015, Xenia was a wholly owned subsidiary of InvenTrust Properties Corp. ("InvenTrust" formerly known as Inland American Real Estate Trust, Inc.), its former parent.

On February 3, 2015, Xenia was spun off from InvenTrust through a taxable pro rata distribution by InvenTrust of 95% of the outstanding common stock, \$0.01 par value per share (the "Common Stock"), of Xenia to holders of record of InvenTrust's common stock as of the close of business on January 20, 2015 (the "Record Date"). Each holder of record of InvenTrust's common stock received one share of Common Stock for every eight shares of InvenTrust's common stock held at the close of business on the Record Date (the "Distribution"). In lieu of fractional shares, stockholders of InvenTrust received cash. On February 4, 2015, Xenia's Common Stock began trading on the New York Stock Exchange ("NYSE") under the ticker symbol "XHR." As a result of the Distribution, the Company became a stand-alone, publicly-traded company. Xenia operates as a real estate investment trust ("REIT") for U.S. federal income tax purposes.

Substantially all of the Company's assets are held by, and all the operations are conducted through XHR LP (the "Operating Partnership"). XHR GP, Inc. is the sole general partner of XHR LP and is wholly owned by the Company. As of December 31, 2017, the Company collectively owned 98% of the common limited partnership units issued by the Operating Partnership ("Operating Partnership Units"). The remaining 2% of the Operating Partnership Units are owned by the other limited partners comprised of certain of our current and former executive officers and members of our Board of Directors and includes unvested long-term incentive plan ("LTIP") partnership units. LTIP partnership units may or may not vest based on the passage of time and meeting certain market-based performance objectives. To qualify as a REIT, the Company cannot operate or manage its hotels. Therefore, the Operating Partnership and its subsidiaries lease the hotel properties to XHR Holding Inc. (collectively with its subsidiaries, "XHR Holding"), the Company's taxable REIT subsidiary ("TRS"), which engages third-party eligible independent operators to manage the hotels.

As of December 31, 2017, the Company owned 39 lodging properties, 37 of which were wholly owned, with a total of 11,533 rooms (unaudited). As of December 31, 2016, the Company owned 42 lodging properties, 40 of which were wholly owned, with a total of 10,911 rooms (unaudited). As of December 31, 2015, the Company owned 50 lodging properties, 48 of which were wholly owned, with 12,548 rooms (unaudited). The remaining two hotels for all periods are owned through individual investments in real estate entities in which the Company has a 75% ownership interest in each investment.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying combined consolidated financial statements include the accounts of the Company, the Operating Partnership, XHR Holding, as well as all wholly owned subsidiaries and consolidated real estate investments. The Company's subsidiaries and real estate investments generally consist of limited liability companies ("LLCs"), limited partnerships ("LPs") and the TRS. The effects of all inter-company transactions have been eliminated.

As described in Note 1, on February 3, 2015, Xenia was spun off from InvenTrust. Prior to the separation, the Company effectuated certain reorganization transactions which were designed to consolidate the ownership of its hotels into its Operating Partnership, consolidate its TRS lessees in its TRS, facilitate its separation from InvenTrust, and enable the Company to qualify as a REIT for U.S. federal income tax purposes. The accompanying combined consolidated financial statements prior to the spin-off have been "carved out" of InvenTrust's consolidated financial statements and reflect significant assumptions and allocations. The combined consolidated financial statements reflect the operations of the Company after giving effect to the reorganization transactions, the disposition of other hotels previously owned by the Company, and the spin-off, and include allocations of costs from certain corporate and shared functions provided to the Company by InvenTrust, as well as costs associated with participation by certain of the Company's executives and employees in InvenTrust's benefit plans. Corporate costs directly associated with the Company's principal executive offices, personnel and other administrative costs are reflected as general and administrative expenses on the combined consolidated statements of operations and comprehensive income. Additionally, prior to the spin-off, InvenTrust allocated to the Company a portion of its corporate overhead costs based upon the Company's percentage share of the average invested assets of InvenTrust, which is reflected in general and administrative

expenses. The general and administrative expenses for the period from January 1, 2015 to February 3, 2015 include costs related to the reorganization transactions and spin off that are non-recurring in nature.

Each property maintains its own books and financial records and each entity's assets are not available to satisfy the liabilities of other affiliated entities, except as otherwise disclosed in Note 7 .

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past, current and expected economic conditions. Actual results could differ from these estimates.

Risks and Uncertainties

The Company had a geographical concentration risk in Houston, Texas for the years ended December 31, 2017 , 2016 and 2015 where 10% , 11% and 13% of the revenues of the Company were generated, respectively. For the years ended December 31, 2017 the Company owned three hotels and in the years ended December 31, 2016 and 2015 the Company owned four hotels in Houston, TX, respectively. To the extent that there are adverse changes in this market, or the industry sectors that operate in this market, our business and operating results could be negatively impacted.

The state of the overall economy can significantly impact hotel operational performance and thus, impact the Company's financial position. Should any of our hotels experience a significant decline in operational performance, it may affect the Company's ability to make distributions to our stockholders and service debt or meet other financial obligations.

Reclassifications

Certain prior year amounts in these financial statements have been reclassified to conform to the presentation for the year ended December 31, 2017 .

Consolidation

The Company evaluates its investments in partially owned entities to determine whether such entities may be a variable interest entity ("VIE") or voting interest entities. If the entity is determined to be a VIE, the determination of whether the Company is the primary beneficiary must then be made. The primary beneficiary determination is based on a qualitative assessment as to whether the entity has (i) power to direct significant activities of the VIE and (ii) an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The Company will consolidate a VIE if it is deemed to be the primary beneficiary. The equity method of accounting is applied to entities in which the Company is not the primary beneficiary or the entity is not a VIE and the Company does not have effective control, but can exercise influence over the entity with respect to its operations and major decisions.

The Operating Partnership is a VIE. The Company's significant asset is its investment in the Operating Partnership, as described in Note 1, and consequently, substantially all of the Company's assets and liabilities represent those assets and liabilities of the Operating Partnership.

Non-controlling Interests

The Company's combined consolidated financial statements include entities in which the Company has a controlling financial interest. Non-controlling interest is the portion of equity in a subsidiary not attributable, directly or indirectly, to a consolidating parent. Such non-controlling interests are reported on the consolidated balance sheets within equity, separately from the Company's equity. On the combined consolidated statements of operations and comprehensive income, revenues, expenses and net income or loss from less-than-wholly-owned consolidated subsidiaries are reported at the consolidated amounts, including both the amounts attributable to the Company and non-controlling interests. Income or loss is allocated to non-controlling interests based on their weighted average ownership percentage for the applicable period. The combined consolidated statement of equity includes beginning balances, activity for the period and ending balances for stockholders' equity, non-controlling interests and total equity.

However, if the Company's non-controlling interests are redeemable for cash or other assets at the option of the holder, not solely within the control of the issuer, they must be classified outside of permanent equity. The Company makes this

determination based on terms in applicable agreements, specifically in relation to redemption provisions. Additionally, with respect to non-controlling interests for which the Company has a choice to settle the contract by delivery of its own shares, the Company evaluates whether the Company controls the actions or events necessary to issue the maximum number of shares that could be required to be delivered under share settlement of the contract. As of December 31, 2017, all share-based payments awards are included in permanent equity.

As of December 31, 2017, the consolidated results of the Company include the following ownership interests held by owners other than the Company: (i) the Operating Partnership Units in the Operating Partnership held by certain current and former members of the Company's executive officers and Board of Directors and (ii) the outside ownership interest in our two investments in real estate entities.

Revenue Recognition

Revenue consists of amounts derived from hotel operations, including the sales of rooms, food and beverage and other ancillary amenities. Revenue is recognized when rooms are occupied and services have been rendered. Cash received prior to guest arrival is recorded as an advance from the guest and recognized as revenue at the time of occupancy. Sales, use, occupancy, and similar taxes are collected and presented on a net basis (excluded from revenues) in the accompanying combined consolidated statements of operations and comprehensive income. For retail operations, rental revenue is recognized on a straight-line basis over the lives of the retail leases. These revenue sources are affected by conditions impacting the travel and hospitality industry as well as competition from other hotels and businesses in similar markets.

Cash and Cash Equivalents

The Company considers all demand deposits, money market accounts and investments in certificates of deposit and repurchase agreements purchased with a maturity of three months or less, at the date of purchase, to be cash equivalents. The Company maintains its cash and cash equivalents at financial institutions. The combined account balances at one or more institutions periodically exceed the Federal Depositary Insurance Corporation ("FDIC") insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. The Company believes that the risk is not significant as the Company does not anticipate the financial institutions' non-performance.

Restricted Cash and Escrows

The restricted cash as of December 31, 2017 primarily consists of \$46.6 million related to lodging furniture, fixtures and equipment reserves as required per the terms of our management and franchise agreements, \$7.4 million in deposits made for capital projects and \$4.5 million held in restricted escrows primarily for real estate taxes and insurance.

The restricted cash as of December 31, 2016 primarily consists of \$58.6 million related to lodging furniture, fixtures and equipment reserves as required per the terms of our management and franchise agreements, \$5.1 million in disposition related escrows, \$3.7 million in deposits made for capital projects, and \$3.6 million cash held in restricted escrows for real estate taxes and insurance.

Capitalization and Depreciation

Real estate is reflected at cost less accumulated depreciation. Ordinary repairs and maintenance are expensed as incurred.

Direct and indirect costs that are clearly related to the construction and improvements of investment properties are capitalized. Interest and costs incurred for property taxes and insurance are capitalized during periods in which activities necessary to get the property ready for its intended use are in progress. The Company capitalizes project management compensation-related costs and travel expenses as these are costs directly related to the renovations and capital improvements of our hotel portfolio, which included \$2.7 million and \$2.1 million for years ended December 31, 2017 and 2016.

Depreciation expense is computed using the straight line method. Investment properties are depreciated based upon estimated useful lives of 30 years for building and improvements and 5 to 15 years for furniture, fixtures and equipment and site improvements.

Acquisition of Real Estate

The Company allocates the purchase price of each acquired business (as defined in the accounting guidance related to business combinations, Financial Accounting Standards Board ("FASB") and Accounting Standard Codification ("ASC") 805, Business Combinations) between tangible and intangible assets at full fair value on the acquisition date. Such tangible and intangible assets include land, building and improvements, furniture and fixtures, inventory, acquired above market and below market leases, in-place lease value (if applicable), advanced bookings, customer relationships, and any assumed financing that is determined to be above or below market terms. Any additional amounts are allocated to goodwill as required, based on the remaining purchase price in excess of the fair value of the tangible and intangible assets acquired and liabilities assumed. Acquisition-date fair values of assets and assumed liabilities are determined based on replacement costs, appraised values, and estimated fair values using methods similar to those used by independent appraisers and that use appropriate discount and/or capitalization rates and available market information. The allocation of the purchase price is an area that requires judgment and significant estimates.

The Company determines whether any financing assumed is above or below market based upon comparison to similar financing terms for similar investment properties. The Company allocates a portion of the purchase price to the estimated acquired in-place lease costs, based on estimated lease execution costs for similar leases as well as lost rent payments during assumed lease up period when calculating as if vacant fair values for properties acquired with space leases to third party tenants, which is typically retail or restaurant space. The Company also evaluates each acquired lease, including ground leases, based upon current market rates at the acquisition date and considers various factors including geographical location, size and location of leased land or retail space in determining whether the acquired lease is above or below market. After an acquired lease is determined to be above or below market, the Company allocates a portion of the purchase price to such above or below market lease intangible based upon the present value of the difference between the contractual lease rate and the estimated market rate. For leases with fixed rate renewals, renewal periods are included in the calculation of above or below market in-place lease values. The determination of the discount rate used in the present value calculation is based upon the "risk free rate" and current interest rates. This discount rate is a significant factor in determining the market valuation which requires judgment of subjective factors such as market knowledge, economics, demographics, location, visibility, age and physical condition of the property.

The Company expenses acquisition costs of all acquired businesses as incurred. This includes all costs related to finding, analyzing and negotiating a transaction, whether or not the acquisition is completed.

Goodwill

The excess of the cost of an acquired entity (i.e. those that met the definition of an acquired business), over the net of the fair values assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. Goodwill is recognized and allocated to specific properties. The Company tests goodwill for impairment annually or more frequently if events or changes in circumstances indicate impairment.

In accordance with FASB ASC 350, Intangibles - Goodwill and Other, the Company tests goodwill for impairment by making a qualitative assessment of whether it is more likely than not that the specific property's fair value is less than its carrying amount before application of the two-step goodwill impairment test. The two-step goodwill test is not performed for those assets where it is concluded that it is not more likely than not that the fair value of a specific property is greater than its carrying amount. For those specific properties where this is not the case, the two step procedure detailed below is followed in order to determine the amount of goodwill impairment.

In the first step, the estimated fair value of each property with goodwill is compared to the carrying value of the property's assets, including goodwill. The fair value is based on estimated future cash flow projections that utilize discount and capitalization rates, which are generally unobservable in the market place (Level 3 inputs), but approximate the inputs the Company believes would be utilized by market participants in assessing fair value. The estimates of future cash flows are based on a number of factors, including the historical operating results, known trends, and market/economic conditions. If the carrying amount of the property's assets, including goodwill, exceeds its estimated fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. In this second step, if the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment charge is recorded in an amount equal to that excess. As of December 31, 2017 and 2016, the Company had goodwill of \$39.8 million and \$42.1 million, respectively, which is included in intangible assets, net of accumulated amortization on the consolidated balance sheets. The Company tested goodwill for impairment as of December 31, 2017, 2016, and 2015 and recorded no impairment to goodwill in any of the years then ended.

Impairment

The Company assesses the carrying values of the respective long-lived assets, whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable, such as a reduction in the expected holding period of the asset or a change in demand for lodging at the Company's hotels. If it is determined that the carrying value is not recoverable because the undiscounted cash flows do not exceed carrying value, the Company records an impairment loss to the extent that the carrying value exceeds fair value. The valuation and possible subsequent impairment of investment properties is a significant estimate that can and does change based on the Company's continuous process of analyzing each property and reviewing assumptions about uncertain inherent factors, as well as the economic condition of the property at a particular point in time.

The use of projected future cash flows and related holding period is based on assumptions that are consistent with the estimates of future expectations and the strategic plan the Company uses to manage its underlying business. However, assumptions and estimates about future cash flows and capitalization rates are complex and subjective. Changes in economic and operating conditions and the Company's ultimate investment intent that occur subsequent to the impairment analyses could impact these assumptions and result in future impairment charges of the real estate properties.

Involuntary Conversion

During 2017, two major hurricanes impacted several of the Company's lodging properties. The Company recorded a loss of \$950 thousand, net of insurance recoveries, for the year ended December 31, 2017, which represented the historical cost net of accumulated depreciation of the properties and equipment written off for damage sustained during the hurricanes. Any amount expected to be received above the recorded loss will be treated as a gain and will not be recorded until contingencies are resolved. Additionally, the Company expensed \$1.3 million of hurricane-related repairs and cleanup costs across all impacted properties for the year ended December 31, 2017, which is included in impairment and other losses on the consolidated statements of operations for the year then ended.

The Company may be entitled to business interruption proceeds for certain properties, however, it will not record an insurance recovery receivable for these losses until a final settlement has been reached with the insurance company. Any insurance proceeds received in excess of insurance deductibles will be accounted for as a gain. During the year ended December 31, 2017, the Company recognized \$0.4 million of business insurance recovery proceeds which is included in other income on the combined consolidated statement of operations and comprehensive income for the year then ended. As of December 31, 2017, the insurance recovery receivable of \$0.4 million was included in other assets on the consolidated balance sheet.

On August 24, 2014, Napa, California experienced a 6.0 magnitude earthquake that impacted two of the Company's lodging properties. The Company recorded business interruption insurance recoveries related to the earthquake of \$6.2 million during the year ended December 31, 2015, upon collection of the insurance proceeds. This was included in other income on the combined consolidated statement of operations and comprehensive income for the year ended December 31, 2015.

Investment Properties Held for Sale

In determining whether to classify an investment property as held for sale, the Company considers whether: (i) management has committed to a plan to sell the investment property; (ii) the investment property is available for immediate sale, in its present condition; (iii) the Company is actively marketing the investment property for sale at a price that is reasonable in relation to its fair value; (iv) the Company has initiated a program to locate a buyer; (v) the Company believes that the sale of the investment property is probable; (vi) the Company has received a significant non-refundable deposit for the purchase of the property; (vii) actions required for the Company to complete the plan indicate that it is unlikely that any significant changes will be made to the plan.

If all of the above criteria are met, the Company classifies the investment property as held for sale. On the day that these criteria are met, the Company suspends depreciation and amortization on the investment properties held for sale. The investment properties, other assets and liabilities associated with those investment properties that are held for sale are classified separately on the consolidated balance sheet for the most recent reporting period, and are presented at the lesser of the carrying value or fair value, less costs to sell.

Additionally, if the sale constitutes a strategic shift with a major effect on operations, as defined in Accounting Standards Update ("ASU") No. 2014-08 Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

("ASU 2014-08"), the operations for the investment properties held for sale are classified on the consolidated statements of operations and comprehensive income as discontinued operations for all periods presented.

Disposition of Real Estate

The Company accounts for dispositions in accordance with FASB ASC 360-20, Real Estate Sales. The Company recognizes gain in full when real estate is sold, provided (a) the profit is determinable, that is, the collectability of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (b) the earnings process is virtually complete, that is, the seller is not obliged to perform significant activities after the sale to earn the profit and the buyer has paid a significant non-refundable deposit. Prior to 2014, the Company recorded all dispositions as discontinued operations for the applicable periods presented. Upon the adoption of ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, the Company records a disposition as discontinued operations only if it represents a strategic shift and has (or will have) a major effect on the Company's results and operations.

Deferred Financing Costs

Financing costs related to senior unsecured credit facility and long-term debt are recorded at cost and are amortized as interest expense on a straight-line basis, which approximates the effective interest method, over the life of the related debt instrument, unless there is a significant modification to the debt instrument. The balance of unamortized deferred financing costs related to the line of credit is included in other assets and unamortized deferred financing costs related to long-term debt are presented as a reduction in debt, net of loan discounts and unamortized deferred financing costs on the consolidated balance sheet. Deferred financing costs related to the line of credit were \$3.1 million at December 31, 2017 and 2016, which was offset by accumulated amortization of \$2.2 million and \$1.5 million, respectively. Deferred financing costs related to long-term debt were \$13.2 million and \$12.5 million at December 31, 2017 and 2016, respectively, which was offset by accumulated amortization of \$6.0 million and \$6.2 million, respectively.

Derivatives and Hedging Activities

In the normal course of business, the Company is exposed to the effects of interest rate changes. The Company limits the risks associated with interest rate changes by following established risk management policies and procedures which may include the use of derivative instruments. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Company assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items. Instruments that meet these hedging criteria are formally designated as hedges at the inception of the derivative contract and are recorded on the balance sheet at fair value, with offsetting changes recorded to other comprehensive income (loss). The Company nets assets and liabilities when the right of offset exists. Ineffective portions of changes in the fair value of a cash flow hedge are recognized as interest expense. The Company incorporates credit valuation adjustments to reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

Comprehensive Income

The purpose of reporting comprehensive income is to report a measure of all changes in equity of an entity that result from recognized transactions and other economic events of the period other than transactions with owners in their capacity as owners. Comprehensive income consists of all components of income, including other comprehensive income, which is excluded from net income. For the years ended December 31, 2017, 2016, and 2015, comprehensive income was \$104.5 million, \$89.3 million and \$90.3 million, respectively. As of December 31, 2017, 2016, and 2015, the Company's accumulated other comprehensive income was \$10.7 million, \$5.0 million and \$1.5 million, respectively.

Income Taxes

The Company has elected to be taxed as, and has operated in a manner that management believes will allow it to continue to qualify as, a REIT under the Internal Revenue Code of 1986, as amended, (the "Code") for federal income tax purposes. As long as the Company qualifies for taxation as a REIT, it generally will not be subject to federal income tax on taxable income that is currently distributed to its stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its REIT taxable income (subject to certain adjustments) to its stockholders. If the Company fails to qualify as a REIT in any taxable year, without the benefit of certain relief provisions, the Company will be subject to federal, state and local income tax on its taxable income at regular corporate tax rates and will not

be eligible to re-elect REIT status for the four years following the failure. Even if the Company qualifies for taxation as a REIT, the Company also may be subject to certain federal, state, and local taxes on its income and assets, including (1) alternative minimum taxes (on tax years prior to January 1, 2018), (2) taxes on any undistributed income, (3) taxes related to its TRS, (4) certain state or local income taxes, (5) franchise taxes, (6) property taxes, and (7) transfer taxes. It is the Company's current intention to adhere to these requirements and maintain the Company's qualification for taxation as a REIT.

To continue to qualify as a REIT, the Company cannot operate or manage its hotels. Accordingly, the Company, through its Operating Partnership, leases all of its hotels to subsidiaries of its TRS. The TRS is subject to federal, state and local income tax at regular corporate rates. The Company has elected to treat certain of its consolidated subsidiaries, and may in the future elect to treat newly formed subsidiaries, as TRSs pursuant to the Code. TRSs may participate in non-real estate related activities and/or perform non-customary services for tenants and are subject to federal and state income tax at regular corporate tax rates. Lease revenue at the Operating Partnership and lease expense from the TRS subsidiaries are eliminated in consolidation for financial statement purposes.

The Company accounts for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

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 available evidence, including future reversal of existing taxable temporary differences, future projected taxable income and tax-planning strategies. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's analysis in determining the deferred tax asset valuation allowance involves management judgment and assumptions.

Share-Based Compensation

The Company has adopted a share-based incentive plan that provides for the grant of stock options, stock awards, restricted stock units, Operating Partnership Units and other equity-based awards. Share-based compensation is measured at the estimated fair value of the award on the date of grant, adjusted for forfeitures, and recognized as an expense on a straight-line basis over the longest vesting period for each grant for the entire award. The determination of fair value of these awards is subjective and involves significant estimates and assumptions including expected volatility of the Company's shares, expected dividend yield, expected term and assumptions of whether certain of these awards will achieve performance thresholds. Share-based compensation is included in general and administrative expenses in the accompanying consolidated statements of operations and comprehensive income and capitalized in building and other improvements in the consolidated balance sheets for certain employees that manage property developments, renovations and capital improvements.

Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing the net income available to common stockholders by the weighted-average number of common shares outstanding for the period, excluding the weighted average number of unvested share-based compensation awards outstanding during the period. Diluted EPS is calculated by dividing net income available to common stockholders, by the weighted average number of common shares outstanding during the period plus the effect of any dilutive securities. Any anti-dilutive securities are excluded from the diluted earnings per-share calculation.

Segment Information

We allocate resources and assess operating performance based on individual hotels and consider each one of our hotels to be an operating segment. All of our individual operating segments meet the aggregation criteria. All of our other real estate investment activities are immaterial and meet the aggregation criteria, and thus, we report one segment: investment in hotel properties.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASC Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaces most existing revenue recognition guidance in U.S. GAAP when it becomes effective, although it will not affect the accounting for lease related revenues. The new standard is effective for the Company on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Company concluded there

will be no significant change to our current revenue recognition policies or the amount or timing of recognition. The Company adopted ASC Topic 606 on January 1, 2018 using the modified retrospective transition method. Additionally, the Company has concluded the disposition of real estate assets, including hotels, will qualify as a sale of a non-financial asset in future transactions. Historically, hotel dispositions have been cash sales that required no contingencies for future involvement in the hotel's operations and, therefore, the Company does not expect ASC Topic 606 to have a material impact on its recognition of hotel sales subsequent to adoption.

In February 2016, the FASB issued ASU 2016-02, Leases, which replaces ASC Topic 840, Leases, and requires most lessee leases to be recorded on the Company's balance sheet as either operating or financing leases with a right of use asset and a corresponding lease liability measured at present value. Operating leases will be recognized on the income statement on a straight-line basis as lease expense and financing leases will be accounted for similar to the accounting for amortizing debt. Leases with terms of less than 12 months will continue to be accounted for as they are under the current standard. The new standard is effective for the Company on January 1, 2019, with early adoption permitted. The Company is creating an inventory of its leases and is analyzing its current ground lease obligations. The Company is currently evaluating the impact that ASU No. 2016-02 will have on its consolidated financial statements, and, other than the inclusion of operating leases on the Company's balance sheet, such effects have not yet been determined. The Company anticipates adopting the standard on January 1, 2019 using the modified retrospective method.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Award Payment Accounting, which simplifies various aspects of how share-based payments are accounted for and presented in the financial statements. This standard requires companies to record all of the tax effects related to share-based payments through the income statement, allows companies to elect an accounting policy to either estimate the share-based award forfeitures (and expense) or account for forfeitures (and expense) as they occur, and allows companies to withhold up to the maximum individual statutory tax rate of the shares upon settlement of an award without causing the award to be classified as liability. The Company adopted this standard on January 1, 2017 and it did not have a material impact on the Company's financial position, results of operations or cash flows.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which changes the way certain cash receipts and cash payments are presented and classified on the statement of cash flows in order to reduce diversity in practice across all industries. The standard clarifies classification for debt prepayment or debt extinguishment costs, proceeds from the settlement of insurance claims, and contingent consideration payments made after business combination among other things. The new standard is effective for the Company on January 1, 2018, however, early adoption is permitted. The Company early adopted the standard for the year ended December 31, 2017 and for all interim periods included during the period. ASU 2016-15 did not have a significant impact on the Company's consolidated financial statements and related disclosures. However, certain amounts on the Company's consolidated statements of cash flows for the years ended December 31, 2016 and 2015 were reclassified to conform historical presentation to the year ended December 31, 2017.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which enhances the presentation requirements of restricted cash. The standard aims to unify presentation and minimize the diversity in practice. These presentation changes include increased disclosures surrounding the restrictions on cash and the inclusion of the restricted cash balance in the reconciliation completed at the end of the statement of cash flows. The new standard is effective for the Company on January 1, 2018. The Company early adopted ASU 2016-18 during the year ended December 31, 2017 and for all interim periods during the period. As a result, amounts included in restricted cash on our consolidated balance sheets are included with cash and cash equivalents on the consolidated statement of cash flows for the year ended December 31, 2017. The Company reclassified the consolidated statements of cash flows for the years ended December 31, 2016 and 2015 to reflect the adoption of ASU 2016-18. The adoption of ASU 2016-18 had no impact on the Company's consolidated balance sheet.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The guidance is intended to assist entities with evaluating whether a set of transferred assets and activities is a business. Under the new guidance, an entity first determines whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set is not a business. If the threshold is not met, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The new standard is effective for the Company on January 1, 2018. The Company anticipates that most future acquisitions will be accounted for as asset acquisitions rather than business combinations. This would require the Company to capitalize future acquisition costs as part of the purchase price allocation, rather than expensing these costs as we have historically.

Also in January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment. The guidance is intended to simplify the accounting for goodwill impairment and removes Step 2 of the goodwill impairment test under the current guidance, which requires a hypothetical purchase price allocation. A goodwill impairment under ASU 2017-04 will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. The new standard is effective for the Company on January 1, 2020, however, early adoption is permitted. The Company does not expect the adoption of ASU 2017-04 to have a material impact on its consolidated financial statements and related disclosures.

In February 2017, the FASB issued ASU 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. The guidance aims at better clarifying the scope of asset derecognition and adds further guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with non-customers. The new standard is effective for the Company on January 1, 2018. The Company anticipates upon adoption most dispositions of real estate assets will be accounted for under ASU 2017-05, as most future acquisitions are not expected to meet the definition of a business under ASU 2017-01.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting. The guidance is intended to clarify when certain changes to terms or conditions of share-based payment awards must be accounted for as modifications but does not change the accounting for modifications. The new standard is to be applied prospectively to awards modified on or after the adoption date and will be effective for the Company on January 1, 2018. The Company does not expect the adoption of ASU 2017-09 to have a material impact on its consolidated financial statements and related disclosures.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities. The purpose of this updated guidance is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. The transition guidance provides companies with the option of early adopting the new standard using a modified retrospective transition method in any interim period after issuance of the update, or alternatively requires adoption for fiscal years beginning after December 15, 2018. This adoption method will require the Company to recognize the cumulative effect of initially applying the ASU 2017-12 as an adjustment to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the update. The Company continues to assess all potential impacts of the standard, but does not anticipate adoption will have a material impact on its consolidated financial statements and related disclosures.

3 . Investment Properties

In May 2017 , the Company acquired the 815 -room (unaudited) Hyatt Regency Grand Cypress located in Orlando, Florida for a purchase price of \$205.5 million , plus customary closing costs. The acquisition was funded with cash on hand.

In October 2017, the Company acquired the 493 -room (unaudited) Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch located in Scottsdale, Arizona and the 119 -room (unaudited) Royal Palms Resort and Spa affiliated with The Unbound Collection by Hyatt, located in Phoenix, Arizona, for cash consideration of \$305 million , plus customary closing costs. The acquisition was funded with cash on hand and proceeds from the term and mortgage loans that were entered into during the third quarter of 2017. In connection with the closing of the transaction, wholly owned subsidiaries of the Company entered into two individual management agreements with Hyatt to continue to manage the hotels.

Also in October 2017, the Company acquired the 365 -room (unaudited) The Ritz-Carlton, Pentagon City located in Arlington, Virginia for a purchase price of \$105 million , plus customary closing costs. The acquisition was funded with cash on hand and proceeds drawn from the senior unsecured credit facility. In connection with the closing of the transaction, a wholly owned subsidiary of the Company entered into a management agreement with an affiliate of Marriott International, Inc. The Ritz-Carlton, Pentagon City is subject to a long-term ground lease that expires in 2040, with two additional 25-year extension options, which was assumed by the Company as part of the hotel's acquisition.

In January 2016, the Company acquired the Hotel Commonwealth located in Boston, Massachusetts for a purchase price of \$136 million , plus customary closing costs. The source of funding was proceeds from the \$125 million term loan entered into

by the Company, and a \$20 million escrow deposit applied to the purchase price at closing. The hotel has a total of 245 -rooms (unaudited), which includes a 96 -room (unaudited) hotel expansion that was completed in December 2015. The Hotel Commonwealth is subject to a long-term ground lease, which expires in 2087, and was assumed by the Company as part of the hotel's acquisition.

The Company accounted for the hotels acquired during the years ended December 31, 2017 and 2016 as business combinations, and as a result expensed acquisition transaction costs of \$1.8 million and \$0.1 million , respectively, which is included in the combined consolidated statements of operations and comprehensive income for the years then ended.

The Company recorded the identifiable assets and liabilities, including intangibles, acquired in the business combination at the acquisition date fair value using significant other observable inputs (Level 3). The following reflects the purchase price allocation for the four hotels acquired during the year ended December 31, 2017 and the hotel acquired during the year ended December 31, 2016 (in thousands) :

	December 31, 2017	December 31, 2016
Land	\$ 122,991	\$ —
Building and improvements	425,075	103,847
Furniture, fixtures, and equipment	57,760	10,238
Intangibles and other assets ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	9,674	21,915
Total purchase price	<u>\$ 615,500</u>	<u>\$ 136,000</u>

- (1) As part of the purchase price allocation for the Hyatt Regency Grand Cypress, the Company allocated \$3.5 million to advanced bookings that will be amortized over approximately 3.5 years and allocated \$0.1 million to lease intangibles that will be amortized over a weighted average of seven years.
- (2) As part of the purchase price allocation for the Hyatt Regency Scottsdale Resort & Spa at Gainey Ranch and Royal Palms Resort and Spa, the Company allocated \$2.8 million and \$0.6 million , respectively, to advanced bookings that will be amortized over approximately 3.25 and 2.25 years, respectively.
- (3) As part of the purchase price allocation for The Ritz-Carlton, Pentagon City, the Company allocated \$0.9 million to a below market lease intangible that will be amortized on a straight-line basis over the remaining term of the underlying ground lease, which expires in 2040, not including the two 25-year extension options, and allocated \$0.4 million to advanced bookings that will be amortized over approximately 3.25 years.
- (4) As part of the purchase price allocation for the Hotel Commonwealth, the Company allocated \$21.7 million to a below market lease intangible that will be amortized on a straight-line basis over the remaining term of the underlying ground lease, which expires in 2087.

The revenues and net income attributable to the four hotels acquired during the year ended December 31, 2017 were approximately \$73.6 million and \$3.1 million , respectively, for the year December 31, 2017 and are included in the Company's combined consolidated statements of operations and comprehensive income . The revenues and net income attributable to the one hotel acquired in 2016 were approximately \$25.7 million and \$4.2 million , respectively, for the year December 31, 2016 and are included in the Company's combined consolidated statements of operations and comprehensive income.

The following unaudited pro forma financial information presents the results of operations as if the 2017 and 2016 acquisitions had taken place on January 1, 2016 . The unaudited pro forma financial information is not necessarily indicative of what actual results of operations of the Company would have been, nor does it purport to represent the results of operations for future periods. The unaudited proforma financial information is as follows (in thousands, except per share and per share data):

	Year Ended December 31,	
	2017	2016
Revenue	\$ 1,082,097	\$ 1,149,555
Net income attributable to common stockholders ⁽¹⁾	\$ 113,981	\$ 94,769
Net income per share attributable to common stockholders - basic and diluted	\$ 1.07	\$ 0.88
Weighted average number of common shares - basic	106,767,108	108,012,708
Weighted average number of common shares - diluted	107,019,152	108,142,998

- (1) The pro forma results above exclude acquisition costs of \$1.8 million and \$0.1 million for the years ended December 31, 2017 and 2016 , respectively.

4 . Disposed Properties

The following represents the disposition details for the properties sold during the years ended December 31, 2017 , 2016 , and 2015 (in thousands, except rooms):

Property	Date	Rooms (unaudited)	Gross Sale Price	Net Proceeds	Gain on Sale/ (Impairment)
Courtyard Birmingham Downtown at UAB ⁽¹⁾	04/2017	122	\$ 30,000	\$ 29,176	\$ 12,972
Courtyard Fort Worth Downtown/Blackstone, Courtyard Kansas City Country Club Plaza, Courtyard Pittsburgh Downtown, Hampton Inn & Suites Baltimore Inner Harbor, and Residence Inn Baltimore Inner Harbor ⁽²⁾	06/2017	812	163,000	157,675	36,121
Marriott West Des Moines	07/2017	219	19,000	18,014	1,654
Total for the year ended December 31, 2017		1,153	\$ 212,000	\$ 204,865	\$ 50,747
Hilton University of Florida Conference Center Gainesville	02/2016	248	\$ 36,000	\$ 32,055 ⁽³⁾	\$ 649
DoubleTree by Hilton Washington DC	04/2016	220	65,000	63,550	(96)
Embassy Suites Baltimore North/Hunt Valley	05/2016	223	20,000	19,459	(8,036)
Marriott Atlanta Century Center/Emory Area & Hilton Phoenix Suites ⁽²⁾	06/2016	513	50,750	50,048	(1,903)
Hilton St. Louis Downtown at the Arch	12/2016	195	21,500	20,896	252
Hampton Inn & Suites Denver Downtown, Hilton Garden Inn Chicago North Shore/Evanston, and Homewood Suites by Hilton Houston Near the Galleria ⁽²⁾	12/2016	488	97,000	92,653	29,152
Total for the year ended December 31, 2016		1,887	\$ 290,250	\$ 278,661	\$ 20,018
Hyatt Regency Orange County	10/2015	656	\$ 137,000	\$ 132,995 ⁽⁴⁾	\$ 43,178
Total for the year ended December 31, 2015		656	\$ 137,000	\$ 132,995	\$ 43,178

(1) As part of the disposition in April 2017, the Company derecognized \$2.3 million of goodwill related to Courtyard Birmingham at UAB that was included in intangible assets, net of accumulated amortization on the consolidated balance sheet as of December 31, 2016.

(2) The hotels were sold as part of a portfolio sales agreement.

(3) The Company was entitled to net proceeds at closing of \$32.1 million , and in conjunction with the sale repaid the \$27.8 million outstanding property level mortgage.

(4) The Company received net proceeds of \$70.6 million , after paying off the \$61.9 million outstanding property level mortgage at the time of the sale, and retained the \$5.9 million balance in the hotel's capital expenditure reserve account.

Assets Held for Sale

In December 2017, the Company entered into a sales agreement to sell the Aston Waikiki Beach Hotel located in Honolulu, HI for \$200 million , excluding closing costs. The sale is expected to close in the first quarter of 2018. The operating results for the years ended December 31, 2017, 2016, and 2015 are included in the Company's consolidated financial statements as part of continuing operations as it did not represent a strategic shift or have a major effect on the Company's results of operations. The assets of the hotel are included in assets held for sale at their respective net book values on the accompanying consolidated balance sheets as of December 31, 2017 .

The major classes of assets classified as held for sale as of December 31, 2017 are as follows (in thousands):

	December 31, 2017
Building and other improvements	176,824
Less accumulated depreciation	(32,975)
Net investment properties	\$ 143,849
Intangible assets, net	8,823
Total assets held for sale	\$ 152,672

5. Investment in Real Estate Entities

The Company has ownership interests of 75% in the Grand Bohemian Hotel Charleston and the Grand Bohemian Hotel Mountain Brook. These entities are considered VIE's as defined in FASB ASC 810, Consolidation, because the entities do not have enough equity to finance their activities without additional subordinated financial support. The Company determined that it has the power to direct the activities of the VIE's that most significantly impact the VIE's economic performance, as well as the obligation to absorb losses of the VIE's that could potentially be significant to the VIE, or the right to receive benefits from the VIE's that could potentially be significant to the VIE. As such, the Company has a controlling financial interest and is considered the primary beneficiary of each of these entities. Therefore, these entities are consolidated by the Company.

The following are the liabilities of the consolidated VIE's, which are non-recourse to the Company, and the assets that can be used to settle those obligations (in thousands):

	December 31, 2017	December 31, 2016
Net investment properties	\$ 67,687	\$ 71,157
Other assets	2,582	3,283
Total assets	\$ 70,269	\$ 74,440
Mortgages payable	(44,074)	(45,287)
Other liabilities	(2,563)	(2,541)
Total liabilities	\$ (46,637)	\$ (47,828)
Net assets	\$ 23,632	\$ 26,612

All operations of the two hotels from the date of their respective opening were consolidated in the accompanying combined consolidated statement of operations and comprehensive income, with a corresponding allocation for non-controlling interests.

6. Intangible Assets and Goodwill

The following table summarizes the Company's identified intangible assets, intangible liabilities and goodwill as of December 31, 2017 and 2016 (in thousands):

	December 31, 2017	December 31, 2016
Intangible assets:		
Acquired in-place lease intangibles	\$ 583	\$ 2,247
Acquired above market lease costs	—	405
Acquired below market ground lease	25,625	36,208
Advance bookings	5,253	263
Accumulated amortization	(3,286)	(4,324)
Net intangible assets	\$ 28,175	\$ 34,799
Goodwill	39,825	42,113
Total intangible assets, net	\$ 68,000	\$ 76,912
Intangible liabilities:		
Acquired below market lease costs	\$ (4,257)	\$ (4,477)
Accumulated amortization	822	791
Intangible liabilities, net	\$ (3,435)	\$ (3,686)

The portion of the purchase price allocated to acquired above market lease costs and acquired below market lease costs are amortized on a straight line basis over the life of the related lease, including the respective renewal period for below market lease costs with fixed rate renewals, as an adjustment to other revenues. Amortization pertaining to the above market lease is applied as a reduction to other revenues. Amortization pertaining to the below market lease costs is applied as an increase to other revenues. The portion of the purchase price allocated to acquired in-place lease intangibles is amortized on a straight line basis over the life of the related lease and is recorded as amortization expense. The portion of the purchase price allocated to acquired below market ground lease is amortized on a straight line basis over the life of the related lease and is recorded as

ground lease expense. The portion of the purchase price allocated to advance bookings is amortized on a straight line basis over the estimated life and is recorded as depreciation and amortization.

The following table summarizes the amortization related to intangibles for the years ended December 31, 2017 and 2016 (in thousands):

	Years Ended December 31,	
	2017	2016
Amortization of above and below market lease intangibles:		
Acquired above market lease costs	\$ (33)	\$ (102)
Acquired below market lease costs	249	254
Other revenues increase attributable to amortization	\$ 216	\$ 152
Acquired in-place lease intangibles	\$ 475	\$ 608
Acquired below market ground lease	\$ 633	\$ 647
Advance bookings	\$ 3,430	\$ 1,699

The following table presents the amortization during the next five years and thereafter related to intangible assets and liabilities at December 31, 2017 (in thousands):

	2018	2019	2020	2021	2022	Thereafter	Total
Amortization of above and below market lease intangibles:							
Acquired below market lease costs	\$ 194	\$ 194	\$ 194	\$ 194	\$ 194	\$ 2,465	\$ 3,435
Other revenues increase attributable to amortization	\$ 194	\$ 194	\$ 194	\$ 194	\$ 194	\$ 2,465	\$ 3,435
Acquired in-place lease intangibles	\$ 73	\$ 63	\$ 8	\$ 8	\$ 8	\$ 10	\$ 170
Acquired below market ground lease	442	442	442	442	442	21,789	23,999
Advance bookings	3,169	724	113	—	—	—	4,006

7. Debt

Debt as of December 31, 2017 and 2016 consisted of the following (dollar amounts in thousands):

				Balance Outstanding as of	
	Rate Type ⁽¹⁾	Rate ⁽²⁾	Maturity Date	December 31, 2017	December 31, 2016
Mortgage Loans					
Fairmont Dallas	Variable	—	4/10/2018	\$ — ⁽³⁾	\$ 55,498
Residence Inn Denver City Center	Variable	—	4/17/2018	— ⁽³⁾	45,210
Bohemian Hotel Savannah Riverfront	Variable	—	12/17/2018	— ⁽³⁾	27,480
Andaz Savannah	Variable	3.57%	1/14/2019	21,500	21,500
Hotel Monaco Denver	Fixed ⁽⁴⁾	2.98%	1/17/2019	41,000	41,000
Hotel Monaco Chicago ⁽⁵⁾	Variable	3.82%	1/17/2019	18,344	21,644
Loews New Orleans Hotel	Variable	3.92%	2/22/2019	37,500	37,500
Andaz Napa	Fixed ⁽⁴⁾	2.99%	3/21/2019	38,000	38,000
Westin Galleria Houston & Westin Oaks Houston at The Galleria	Variable	4.07%	5/1/2019	110,000	110,000
Marriott Charleston Town Center	Fixed	3.85%	7/1/2020	15,908	16,403
Grand Bohemian Hotel Charleston (VIE)	Variable	4.07%	11/10/2020	19,026	19,628
Grand Bohemian Hotel Mountain Brook (VIE)	Variable	4.07%	12/27/2020	25,229	25,899
Marriott Dallas City Center	Fixed ⁽⁴⁾	4.05%	1/3/2022	51,000	51,000
Hyatt Regency Santa Clara	Fixed ⁽⁴⁾	3.81%	1/3/2022	90,000	90,000
Hotel Palomar Philadelphia	Fixed ⁽⁴⁾	4.14%	1/13/2023	59,750	60,000
Renaissance Atlanta Waverly Hotel & Convention Center	Variable	3.67%	8/14/2024	100,000	—
Residence Inn Boston Cambridge	Fixed	4.48%	11/1/2025	62,833	63,000
Grand Bohemian Hotel Orlando	Fixed	4.53%	3/1/2026	60,000	60,000
Marriott San Francisco Airport Waterfront	Fixed	4.63%	5/1/2027	115,000	—
Total Mortgage Loans		4.01% ⁽²⁾		\$ 865,090	\$ 783,762
Mortgage Loan Discounts ⁽⁶⁾	—	—	—	(255)	(319)
Unamortized Deferred Financing Costs, net	—	—	—	(7,242)	(6,311)
Senior Unsecured Credit Facility	Variable	3.07%	2/3/2019	40,000	—
Unsecured Term Loan \$175M	Fixed ⁽⁷⁾	2.74%	2/15/2021	175,000	175,000
Unsecured Term Loan \$125M	Fixed ⁽⁷⁾	3.28%	10/22/2022	125,000	125,000
Unsecured Term Loan \$125M	Fixed ⁽⁷⁾	3.62%	9/13/2024	125,000	—
Debt, net of loan discounts and unamortized deferred financing costs		3.71% ⁽²⁾		\$ 1,322,593	\$ 1,077,132

(1) Variable index is one month LIBOR as of December 31, 2017 .

(2) Represents the weighted average interest rate as of December 31, 2017 .

(3) During the year ended December 31, 2017, the Company elected its prepayment option per the terms of the mortgage loan agreement and repaid the outstanding balance.

(4) The Company entered into interest rate swap agreements to fix the interest rate of the variable rate mortgage loans through maturity.

(5) During the years ended December 31, 2017 and 2016 , the Company made additional principal payments of \$3.3 million and \$4.4 million , respectively, to comply with covenant requirements under the terms of the mortgage loan.

(6) Loan discounts recognized upon modification, net of the accumulated amortization.

(7) LIBOR has been fixed for a portion of or the entire term of the loan. The spread may vary, as it is determined by the Company's leverage ratio.

In connection with repaying mortgage loans during the years ended December 31, 2017 and 2016 , the Company incurred prepayment and extinguishment fees of approximately \$0.3 million and \$5.0 million , respectively, which is included in the loss on extinguishment of debt in the accompanying combined consolidated statements of operations and comprehensive income for

the period then ended. The loss from extinguishment of debt also represents the write-off of any unamortized deferred financing costs incurred when the original agreements were executed and termination penalty payments.

Debt outstanding as of December 31, 2017 and December 31, 2016 was \$1,290 million and \$1,084 million and had a weighted average interest rate of 3.73% and 3.24% per annum, respectively. The following table shows scheduled debt maturities for the next five years and thereafter (in thousands):

	As of December 31, 2017	Weighted average interest rate
2018	\$ 4,435	4.24%
2019	271,036	3.68%
2020	61,459	4.05%
2021	180,146	2.79%
2022	271,851	3.62%
Thereafter	501,163	4.11%
Total Debt	\$ 1,290,090	3.73%
Total Mortgage Discounts, net	(255)	—
Unamortized Deferred Financing Costs, net	(7,242)	—
Senior unsecured credit facility	40,000	3.07%
Debt, net of loan discounts and unamortized deferred financing costs	\$ 1,322,593	3.71%

Certain loans have options to extend the maturity dates if exercised by the Company, subject to being compliant with certain covenants and the prepayment of an extension fee. We expect to repay, refinance, or extend our maturing debt as they become due.

Senior Unsecured Credit Facility

In February 2015, the Company entered into a \$400 million senior unsecured credit facility with a syndicate of banks. The senior unsecured credit facility includes an uncommitted accordion feature which, subject to certain conditions, allows the Company to increase the aggregate availability by up to an additional \$350 million. Borrowings under the revolving credit facility bear interest based on LIBOR plus a margin ranging from 1.50% to 2.45% (or, at the Company's election upon achievement of an investment grade rating from Moody's Investor Services, Inc. or Standard & Poor's Rating Services, interest based on LIBOR plus a margin ranging from 0.875% to 1.50%). In addition, until such election, the Company is required to pay an unused commitment fee of up to 0.30% of the unused portion of the credit facility based on the average daily unused portion of the credit facility; thereafter, the Company is required to pay a facility fee ranging between 0.125% and 0.35% based on the Company's debt rating.

As of December 31, 2017, there was \$40 million outstanding balance on the senior unsecured facility. During the year ended December 31, 2017, the Company incurred unused commitment fees of \$1.2 million and interest expense of \$0.5 million. During the year ended December 31, 2016, the Company incurred unused commitment fees of \$1.2 million and no interest expense.

Financial Covenants

Our senior unsecured credit facility and unsecured term loan agreements contain a number of covenants that restrict our ability to incur debt in excess of calculated amounts, restrict our ability to make distributions under certain circumstances and generally require us to maintain certain financial ratios. Failure of the Company to comply with the financial covenants contained in its credit facilities, unsecured term loans and non-recourse secured mortgages could result from, among other things, changes in its results of operations, the incurrence of additional debt or changes in general economic conditions.

If the Company violates the financial covenants contained in any of its credit facility, unsecured term loans or mortgages described above, the Company may attempt to negotiate waivers of the violations or amend the terms of the applicable credit facilities, unsecured term loans or mortgages with the lenders thereunder; however, the Company can make no assurance that it would be successful in any such negotiations or that, if successful in obtaining waivers or amendments, such amendments or waivers would be on terms attractive to the Company. If a default under the credit facilities or unsecured term loans were to

occur, the Company would possibly have to refinance the debt through additional debt financing, private or public offerings of debt securities, or equity financings. If the Company is unable to refinance its debt on acceptable terms, including at maturity of the credit facility, unsecured term loans, or mortgages it may be forced to dispose of hotel properties on disadvantageous terms, potentially resulting in losses that reduce cash flow from operating activities. If, at the time of any refinancing, prevailing interest rates or other factors result in higher interest rates upon refinancing, increases in interest expense would lower the Company's cash flow, and, consequently, cash available for distribution to its stockholders.

A cash trap associated with a mortgage loan may limit the overall liquidity for the Company as cash from the hotel securing such mortgage would not be available for the Company to use. If the Company is unable to meet mortgage payment obligations, including the payment obligation upon maturity of the mortgage borrowing, the mortgage securing the specific property could be foreclosed upon by, or the property could be otherwise transferred to, the mortgagee with a consequent loss of income and asset value to the Company.

As of December 31, 2017, the Company is in compliance with all debt covenants, current on all loan payments and not otherwise in default under the credit facility, unsecured term loans or mortgage loans.

8. Derivatives

The Company primarily uses interest rate swaps as part of its interest rate risk management strategy. For derivative instruments designated as cash flow hedges, unrealized gains and losses on the effective portion are reported in accumulated other comprehensive income (loss), a component of stockholders' equity. Unrealized gains and losses on the ineffective portion of all designated hedges are recognized in earnings in the current period. At December 31, 2017, all derivative instruments were designated as cash flow hedges.

At December 31, 2017, the aggregate fair value of interest rate swap assets of \$10.8 million was included in other assets in the accompanying consolidated balance sheet. For the year ended December 31, 2017, the Company had an unrealized gain of \$3.4 million that is included in the combined consolidated statements of operations and comprehensive income. At December 31, 2016, the aggregate fair value of interest rate swap assets of \$5.1 million was included in other assets in the accompanying consolidated balance sheet. For the year ended December 31, 2016, the Company had an unrealized loss of \$0.3 million that is included in the combined consolidated statements of operations and comprehensive income.

The following table summarizes the terms of the derivative financial instruments held by the Company and the asset (liability) that has been recorded (in thousands) ⁽¹⁾ :

Hedged Debt	Type	Fixed Rate	Index	Effective Date	Maturity	Notional Amounts		Fair Value	
						December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
\$175M Term Loan	Swap	1.30%	1-Month LIBOR + 1.45%	10/22/2015	2/15/2021	\$ 50,000	\$ 50,000	\$ 1,134	\$ 767
\$175M Term Loan	Swap	1.29%	1-Month LIBOR + 1.45%	10/22/2015	2/15/2021	65,000	65,000	1,497	1,022
\$175M Term Loan	Swap	1.29%	1-Month LIBOR + 1.45%	10/22/2015	2/15/2021	60,000	60,000	1,379	940
\$125M Term Loan	Swap	1.83%	1-Month LIBOR + 1.45%	1/15/2016	10/22/2022	50,000	50,000	675	193
\$125M Term Loan	Swap	1.83%	1-Month LIBOR + 1.45%	1/15/2016	10/22/2022	25,000	25,000	334	88
\$125M Term Loan	Swap	1.84%	1-Month LIBOR + 1.45%	1/15/2016	10/22/2022	25,000	25,000	325	84
\$125M Term Loan	Swap	1.83%	1-Month LIBOR + 1.45%	1/15/2016	10/22/2022	25,000	25,000	330	80
Mortgage Debt	Swap	1.54%	1-Month LIBOR + 2.60%	1/13/2016	1/13/2023	60,000	60,000	1,630	1,200
Mortgage Debt	Swap	0.88%	1-Month LIBOR + 2.10%	9/1/2016	1/17/2019	41,000	41,000	386	327
Mortgage Debt	Swap	0.89%	1-Month LIBOR + 2.10%	9/1/2016	3/21/2019	38,000	38,000	428	354
Mortgage Debt	Swap	1.80%	1-Month LIBOR + 2.25%	3/1/2017	1/3/2022	51,000	—	588	—
Mortgage Debt	Swap	1.80%	1-Month LIBOR + 2.00%	3/1/2017	1/3/2022	45,000	—	521	—
Mortgage Debt	Swap	1.81%	1-Month LIBOR + 2.00%	3/1/2017	1/3/2022	45,000	—	493	—
\$125M Term Loan	Swap	1.92%	1-Month LIBOR + 1.70%	10/13/2017	10/12/2022	40,000	—	362	—
\$125M Term Loan	Swap	1.92%	1-Month LIBOR + 1.70%	10/13/2017	10/12/2022	40,000	—	358	—
\$125M Term Loan	Swap	1.92%	1-Month LIBOR + 1.70%	10/13/2017	10/12/2022	25,000	—	218	—
\$125M Term Loan	Swap	1.92%	1-Month LIBOR + 1.70%	10/13/2017	10/12/2022	20,000	—	180	—
						<u>\$ 705,000</u>	<u>\$ 439,000</u>	<u>\$ 10,838</u>	<u>5,055</u>

(1) There were no amounts recognized in earnings related to hedge ineffectiveness or amounts excluded from hedge ineffectiveness testing during the year ended December 31, 2017 and 2016 .

For the year ended December 31, 2017, the Company reclassified \$2.4 million from accumulated other comprehensive income to interest expense. The Company expects approximately \$1.4 million will be reclassified from accumulated other comprehensive income as a reduction to interest expense in the next 12 months.

9. Fair Value Measurements

In accordance with FASB ASC 820, Fair Value Measurement and Disclosures, the Company defines fair value based on the price that would be received upon sale of an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value. The fair value hierarchy consists of three broad levels, which are described below:

- Level 1 - Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2 - Observable inputs, other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company has estimated the fair value of its financial and non-financial instruments using available market information and valuation methodologies it believes to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts that would be realized upon disposition.

Recurring Measurements

For assets and liabilities measured at fair value on a recurring basis, quantitative disclosure of their fair value is as follows, which is netted as applicable per the terms of the respective master netting agreements (in thousands):

Description	Fair Value Measurement Date	
	December 31, 2017	December 31, 2016
	Significant Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 2)
<i>Assets</i>		
Interest rate swaps	\$ 10,838	\$ 5,055
Total	\$ 10,838	\$ 5,055

The fair value of each derivative instrument is based on a discounted cash flow analysis of the expected cash flows under each arrangement. This analysis reflects the contractual terms of the derivative instrument, including the period to maturity, and utilizes observable market-based inputs, including interest rate curves and implied volatilities, which are classified within level 2 of the fair value hierarchy. The Company also incorporates credit value adjustments to appropriately reflect each parties' nonperformance risk in the fair value measurement, which utilizes level 3 inputs such as estimates of current credit spreads. However, the Company has assessed that the credit valuation adjustments are not significant to the overall valuation of the derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified within level 2 of the fair value hierarchy.

Non-Recurring Measurements

Investment Properties

During the year ended December 31, 2016, the Company identified three hotel properties that had a reduction in their expected holding period and reviewed the probability of the assets' disposition. The Company recorded an impairment charge of \$10.0 million for the year ended December 31, 2016, based on the estimated fair value using purchase contracts and average selling costs. The properties were subsequently sold.

Financial Instruments Not Measured at Fair Value

The table below represents the fair value of financial instruments presented at carrying values in the combined consolidated financial statements as of December 31, 2017 and December 31, 2016 (in thousands):

	December 31, 2017		December 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Debt	\$ 1,289,835	\$ 1,303,550	\$ 1,083,443	\$ 1,074,820
Unsecured credit facility	40,000	40,101	—	—
Total	\$ 1,329,835	\$ 1,343,651	\$ 1,083,443	\$ 1,074,820

The Company estimates the fair value of its mortgages payable using a weighted average effective interest rate of 3.93% and 4.14% per annum as of December 31, 2017 and December 31, 2016, respectively. The assumptions reflect the terms currently available on similar borrowing terms to borrowers with credit profiles similar to the Company's. The Company has determined that its debt instrument valuations are classified in Level 2 of the fair value hierarchy.

At December 31, 2017 and 2016, the carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued expenses were representative of their fair values due to the short-term nature of these instruments and the recent acquisition of these items.

10 . Income Taxes

The Company elected to be taxed as, and has operated in a manner that management believes will allow the Company to continue to qualify as, a REIT under the Code for federal income tax purposes. So long as the Company qualifies as a REIT, it generally will not be subject to U.S. federal corporate income tax on the net taxable income that is currently distributed to its stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distributes at least 90% of its REIT taxable income (subject to certain adjustments) to its stockholders. If the Company fails to qualify as a REIT in any taxable year, without the benefit of certain relief provisions, the Company will be subject to federal, state and local income tax on its taxable income at regular corporate tax rates and will not be eligible to re-elect REIT status for the four years following the failure. Even if the Company continues to qualify for taxation as a REIT, the Company also may be subject to certain federal, state, and local taxes on its income and assets, including, (1) taxes on any undistributed income, (2) taxes related to its TRS, (3) certain state or local income taxes, (4) franchise taxes, (5) property taxes, (6) transfer taxes and (7) corporate alternative minimum tax (for tax years ending prior to January 1, 2018).

The Company has elected to treat certain of its consolidated subsidiaries, and may in the future elect to treat newly formed subsidiaries, as TRSs pursuant to the Code. TRSs may participate in non-real estate related activities and/or perform non-customary services for tenants and are subject to federal and state income tax at regular corporate tax rates. The Company's hotels are leased, through its Operating Partnership, to certain subsidiaries of the Company's TRS. Lease revenue at the Operating Partnership and lease expense from the TRS subsidiaries are eliminated in consolidation for financial statement purposes.

In December 2017, the Tax Cuts and Jobs Act ("TCJA") was signed into law and introduced significant changes to the U.S. federal income tax code. The TCJA reduced the corporate tax rate from 35% to 21%, which will lower our future corporate tax rate and related income tax expense for tax years beginning after December 31, 2017. Accordingly, the Company reflected this rate decrease in the calculation of deferred tax assets, liabilities and the valuation allowance for the year ended December 31, 2017. As a result, the Company recorded a one-time adjustment to our net deferred tax asset resulting in the recognition of \$0.6 million in deferred income tax expense for the year ended December 31, 2017.

For the year ended December 31, 2017 the Company recognized income tax expense of \$7.8 million, including the one-time deferred income tax expense of \$0.6 million, using an estimated federal and state statutory combined rate of 37.28%.

During the year ended December 31, 2016, the Company recognized income tax expense of \$5.1 million using an estimated federal and state statutory combined rate of 36.26%.

During the year ended December 31, 2015, the Company recognized income tax expense of \$6.3 million, of which \$1.9 million of the expense related to taxes on a gain on the transfer of a hotel resulting in a more optimal structure in connection with the Company's intention to elect to be taxed as a REIT. The Company's effective tax rate differed from the federal statutory rate predominately due to the dividends paid deduction, state income taxes, and changes to valuation allowances.

The provision for income taxes related to continuing operations consisted of the following:

	Years Ended December 31,		
	2017	2016	2015
Current:			
Federal	\$ (5,685)	\$ (3,139)	\$ (4,028)
State	(1,748)	(1,196)	(2,178)
Total current	\$ (7,433)	\$ (4,335)	\$ (6,206)
Deferred:			
Federal	\$ (411)	\$ (71)	\$ (471)
State	11	(671)	382
Total deferred	\$ (400)	\$ (742)	\$ (89)
Total tax provision	\$ (7,833)	\$ (5,077)	\$ (6,295)

Below is a reconciliation between the provision for income taxes and the amount computed by applying the federal statutory income tax rate to the income or loss for continuing operations before income taxes:

	Years Ended December 31,		
	2017	2016	2015
Provision for income taxes at statutory rate	\$ (38,027)	\$ (32,024)	\$ (33,393)
Tax benefit related to REIT operations	31,551	28,351	27,783
Income for which no federal tax benefit was recognized	(2)	(7)	(1,930)
Valuation allowances	—	(20)	2,752
Impact of rate change on deferred tax balances	(529)	(666)	—
State tax provision, net of federal	(1,109)	(986)	(1,706)
Other	283	275	199
Total tax provision	\$ (7,833)	\$ (5,077)	\$ (6,295)

Deferred tax assets and liabilities are included within deferred costs and other assets and other liabilities in the consolidated balance sheets, respectively, and are attributed to the activity of the Company's TRS. The components of the deferred tax assets and liabilities at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Net operating loss	\$ 3,049	\$ 4,501
Deferred income	1,007	1,414
Miscellaneous	108	89
Total deferred tax assets	\$ 4,164	\$ 6,004
Less: Valuation allowance	(3,001)	(4,442)
Net deferred tax assets	\$ 1,163	\$ 1,562

The Company's remaining U.S. federal net operating loss carryforwards were \$11.2 million as of December 31, 2017 and 2016, and are all subject to limitation. As such, the Company has established a valuation allowance against such amounts. The Company had state net operating loss carryforwards of \$25.2 million and \$26.1 million as of December 31, 2017 and 2016,

respectively, certain of which are subject to limitation. As such, the Company established a \$23.4 million valuation allowance as of December 31, 2017 and 2016 against these amounts.

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 available evidence, including future reversal of existing taxable temporary differences, future projected taxable income, and tax-planning strategies. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company has considered various factors, including future reversals of existing taxable temporary differences, projected future taxable income, and tax-planning strategies in making this assessment.

Based upon tax-planning strategies and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance of \$3.0 million, at December 31, 2017. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

During the year ended December 31, 2017 and 2016, the Company decreased the valuation allowance associated with certain deferred tax assets by \$1.4 million and increased \$20 thousand, respectively. All of the decrease during the year ended December 31, 2017 was made in connection with the change in the corporate income tax rate used to measure the deferred tax assets. The \$20 thousand increase for the year December 31, 2016 was generated by net operating losses.

Uncertain Tax Positions

The Company had no unrecognized tax benefits as of or during the three-year period ended December 31, 2017. The Company expects no significant increases or decreases in unrecognized tax benefits due to changes in tax positions within one year of December 31, 2017. The Company has no material interest or penalties relating to income taxes recognized in the combined consolidated statements of operations and comprehensive income for the years ended December 31, 2017, 2016, and 2015 or in the consolidated balance sheets as of December 31, 2017 and 2016. As of December 31, 2017, the Company's 2017, 2016, and 2015 tax years remain subject to examination by U.S. and various state tax jurisdictions.

11 . Stockholders' Equity

Common Shares

The Company is authorized to issue up to 500 million shares of its Common Stock, \$0.01 par value per share. On February 3, 2015, the Company spun off from InvenTrust, its former parent, through a taxable pro rata distribution by InvenTrust of 95% of the Common Stock as of the close of business on January 20, 2015. Each holder of record of InvenTrust's common stock received one share of Common Stock for every eight shares of InvenTrust's common stock held at the close of business on the Record Date. In lieu of fractional shares, stockholders of InvenTrust received cash. On February 4, 2015, Xenia's Common Stock began trading on the NYSE under the ticker symbol "XHR." As a result of the spin-off, the Company became a stand-alone, publicly-traded company.

On February 4, 2015, in conjunction with the listing of the Company's common stock on the NYSE, the Company commenced a modified "Dutch Auction" self-tender offer (the "Tender Offer") to purchase for cash up to \$125 million in value of shares of the Company's Common Stock at a price not greater than \$21.00 nor less than \$19.00 per share, net to the seller in cash, less any applicable withholding of taxes and without interest. The Tender Offer expired on March 5, 2015. As a result of the Tender Offer, the Company accepted for purchase 1,759,344 shares of its Common Stock at a purchase price of \$21.00 per share, for an aggregate purchase price of \$36.9 million (excluding fees and expenses relating to the Tender Offer), which was funded from cash on hand. The 1,759,344 shares of Common Stock accepted for purchase in the Tender Offer represented approximately 1.6% of the Company's Common Stock outstanding as of February 3, 2015, the last day prior to the commencement of the Tender Offer. Stockholders who properly tendered and did not properly withdraw shares of Common Stock in the Tender Offer at or below the final purchase price of \$21.00 per share had all of their tendered shares of Common Stock purchased by the Company at \$21.00 per share.

Dividends

The Company declared dividends of \$1.10 per common stock totaling \$117.8 million during the year ended December 31, 2017 and \$1.10 per common stock totaling \$118.9 million during the year ended December 31, 2016. For income tax purposes, dividends paid per share on our common stock during the year ended December 31, 2017 were 96.2% taxable as ordinary income and 3.8% taxable as a return of capital and for the year ended December 31, 2016 were 100% taxable as ordinary income.

Non-controlling Interest of Common Units in Operating Partnership

As of December 31, 2017, the Operating Partnership had 2,149,607 long-term incentive partnership units ("LTIP Units") outstanding, representing a 2.0% partnership interest held by the limited partners. Of the 2,149,607 LTIP Units outstanding at December 31, 2017, 487,534 units had vested. Only vested LTIP Units may be converted to common units of the Operating Partnership, which in turn can be tendered for redemption as described in the Note 13. As of December 31, 2016, the Operating Partnership had 1,378,573 LTIP Units outstanding, representing a 1.3% partnership interest held by the limited partners.

The Company declared dividends of \$1.10 per LTIP Unit totaling \$577 thousand during the year ended December 31, 2017 and \$1.10 per LTIP Unit totaling \$372 thousand during the year ended December 31, 2016. As of December 31, 2017 and 2016, the Company accrued \$146 thousand and \$97 thousand, respectively, in dividends related to the LTIP Units.

Stock Repurchase Program

In December 2015, the Company's Board of Directors authorized a share repurchase program (the "Repurchase Program") pursuant to which we are authorized to purchase up to \$100 million of the Company's outstanding common stock, par value \$0.01, per share, in the open market, in privately negotiated transactions or otherwise, including pursuant to Rule 10b5-1 plans. The Repurchase Program does not have an expiration date. The Company is not obligated to repurchase any dollar amount or any number of shares of common stock, and repurchases may be suspended or discontinued at any time. As of December 31, 2015, no shares were repurchased under the Repurchase Program.

In November 2016, the Company's Board of Directors authorized the repurchase of up to an additional \$75 million of the Company's outstanding common shares. Repurchases may be made in open market, in privately-negotiated transactions or by other means, including Rule 10b5-1 trading plans. This repurchase program may be suspended or discontinued at any time, and does not obligate the Company to acquire any particular amount of shares.

For the years ended December 31, 2017 and 2016, 240,352 shares and 4,966,763 shares, respectively, had been repurchased under the Repurchase Program, at a weighted average price of \$17.07 and \$14.89 per share, respectively, for an aggregate purchase price of \$4.1 million and \$74.0 million, respectively. As of December 31, 2017, the Company had approximately \$96.9 million remaining under its share repurchase authorization.

12 . Earnings Per Share

Basic earnings per common share is calculated by dividing income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is calculated by dividing income available to common stockholders by the weighted-average number of common shares outstanding during the period, plus any shares that could potentially be outstanding during the period. Any anti-dilutive shares have been excluded from the diluted earnings per share calculation.

Unvested share-based awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share pursuant to the two-class method. Accordingly, distributed and undistributed earnings attributable to unvested share-based compensation (participating securities) have been excluded, as applicable, from net income or loss available to common stockholders used in the basic and diluted earnings per share calculations.

Income allocated to non-controlling interest in the Operating Partnership has been excluded from the numerator and Operating Partnership Units and vested LTIP Units in the Operating Partnership have been omitted from the denominator for the purpose of computing diluted earnings per share since including these amounts in the numerator and denominator would have no impact.

The following table reconciles net income to basic and diluted EPS (in thousands, except share and per share data):

	Year Ended December 31,		
	2017	2016	2015
Numerator:			
Net income from continuing operations	\$ 100,816	\$ 86,730	\$ 89,131
Non-controlling interests in consolidated real estate entities (Note 5)	99	268	567
Non-controlling interests of Common Units in Operating Partnership (Note 1)	(2,053)	(1,143)	(451)
Dividends, preferred shares	—	—	(12)
Dividends paid on unvested share-based compensation	(593)	(473)	(132)
Net income from continuing operations available to common stockholders	\$ 98,269	\$ 85,382	\$ 89,103
Loss from discontinued operations, net of tax	—	—	(489)
Net income available to common stockholders	\$ 98,269	\$ 85,382	\$ 88,614
Denominator:			
Weighted average shares outstanding - Basic	106,767,108	108,012,708	111,989,686
Effect of dilutive share-based compensation	252,044	130,290	148,537
Weighted average shares outstanding - Diluted	107,019,152	108,142,998	112,138,223
Basic and diluted earnings per share:			
Income from continuing operations available to common stockholders	\$ 0.92	\$ 0.79	\$ 0.79
Income from discontinued operations available to common stockholders	—	—	—
Net income per share available to common stockholders - basic and diluted	\$ 0.92	\$ 0.79	\$ 0.79

13 . Share Based Compensation

2014 Share Unit Plan

On September 17, 2014, the board of directors of InvenTrust and the Company's Board of Directors adopted and ratified the Xenia Hotels & Resorts, Inc. 2014 Share Unit Plan (the "2014 Share Unit Plan"). The 2014 Share Unit Plan provided for the grant of notional "share unit" awards to eligible participants. The 2015 Incentive Award Plan, as defined below, replaced the 2014 Share Unit Plan in connection with the Company's separation from InvenTrust, and the 2014 Share Unit Plan was terminated in connection with the implementation of the 2015 Incentive Award Plan. Awards outstanding under the 2014 Share Unit Plan at the time of its termination remained outstanding in accordance with their terms, and the terms and conditions of the 2014 Share Unit Plan will continue to govern such awards.

During 2014, InvenTrust and the Company granted share units to certain members of management, the vesting of which was conditioned upon a triggering event, such as a listing or a change in control (the "2014 Share Unit Grants"). A triggering event occurred in February 2015 upon the completion of the spin-off of the Company. As of December 31, 2017, 48,682 of the 2014 Share Unit Grants were outstanding to certain members of management that will vest in 2018 based on continued employment.

2015 Incentive Award Plan

On January 9, 2015, the Company adopted, and InvenTrust as its sole common stockholder approved, the Company's 2015 Incentive Award Plan (the "2015 Incentive Award Plan") effective as of February 2, 2015 (the date prior to the date of the Company's separation from InvenTrust), under which the Company may grant cash and equity incentive awards to eligible service providers in order to attract, motivate and retain the talent for which the Company competes. The plan allows for the grant of both share-based awards relating to the Company's common stock and partnership units (i.e. LTIP Units) in the Operating Partnership.

In February 2015, the Board of Directors and certain members of management were granted 25,988 fully vested shares of Common Stock which had a weighted average grant date fair value of \$20.55 per share.

Restricted Stock Units Grants

Between May 5, 2015 and September 30, 2015, the Compensation Committee ("the Compensation Committee") of the Board of Directors of the Company granted share units to certain members of management (the "2015 Restricted Stock Units"). The 2015 Restricted Stock Units include 67,669 share units that are time-based and vest over a three-year period, and 17,032 share units that are performance based. Both the time-based and performance-based units are subject to continued employment and have a weighted average grant date fair value of \$20.18 per share.

In March 2016, the Compensation Committee of the Board of Directors of the Company granted share units to certain Company employees (the "2016 Restricted Stock Units"). The 2016 Restricted Stock Units include 104,079 restricted stock units that are time-based and vest over a three-year period and 51,782 restricted stock units that are performance-based. Both the time-based and performance-based units are subject to continued employment and have a weighted average grant date fair value of \$13.09 per share.

In April 2016, the Compensation Committee of the Board of Directors of the Company granted an additional 26,738 time-based 2016 Restricted Stock Units to a new executive, with a grant date fair value of \$15.34, with 50% of the time-based 2016 Restricted Stock Units vesting on February 4, 2017 and the remaining 50% vesting on February 4, 2018.

In February 2017, the Compensation Committee of the Board of Directors of the Company approved the grant of share units to certain company employees (the "2017 Restricted Stock Units"). The 2017 Restricted Stock Units include 82,829 restricted stock units that are time-based and vest over a three-year period and 44,858 restricted stock units that are performance-based and may vest after a three-year performance period. Both the time-based and performance-based are subject to continued employment and have weighted average grant date fair value of \$15.18 per share.

Each time-based Restricted Stock Unit will vest as follows, subject to the employee's continued service through each applicable vesting date: 33% on the first anniversary of the vesting commencement date of the award, 33% on the second anniversary of the vesting commencement date, and 34% on the third anniversary of the vesting commencement date.

Of the performance-based Restricted Stock Units, twenty-five percent (25%) are designated as absolute total stockholder return ("TSR") units (the "Absolute TSR Share Units"), and vest based on varying levels of the Company's TSR over the three-year performance period. The other seventy-five percent (75%) of the performance-based Restricted Stock Units are designated as relative TSR share units (the "Relative TSR Share Units") and vest based on the ranking of the Company's TSR as compared to a defined peer group over the three-year performance period.

LTIP Unit Grants

LTIP Units are a class of limited partnership units in the Operating Partnership. Initially the LTIP units do not have full parity with common units of the Operating Partnership with respect to liquidating distributions. However, upon the occurrence of certain events described in the Operating Partnership's partnership agreement, the LTIP units can over time achieve full parity with the common units for all purposes. If such parity is reached, vested LTIP units may be converted into an equal number of common units on a one for one basis at any time at the request of the LTIP unit holder or the general partner of the Operating Partnership. Common units are redeemable for cash based on the fair market value of an equivalent number of shares of the Company's Common Stock, or, at the election of the Company, an equal number of shares of the Company's Common Stock, each subject to adjustment in the event of stock splits, specified extraordinary distributions or similar events.

In May 2015, the Compensation Committee approved the issuance of 409,874 performance-based LTIP Units (the "2015 Class A LTIP Units") and 88,175 time-based LTIP Units (the "2015 Time-Based LTIP Units") of the Operating Partnership under the 2015 Incentive Award Plan that had a weighted average grant date fair value of \$14.10 per unit.

In June 2015, pursuant to the Director Compensation Program, as amended and restated as of May 29, 2015, the Company approved the issuance of an aggregate of 23,401 fully vested LTIP Units of the Operating Partnership under the 2015 Incentive Award Plan to the Company's seven non-employee directors upon election to our Board of Directors with a weighted average grant date fair value of \$22.44 per share

In March 2016, the Compensation Committee approved the issuance of 664,515 performance-based LTIP Units (the "2016 Class A LTIP Units") and 78,076 time-based LTIP Units (the "2016 Time-Based LTIP Units") of the Operating Partnership under the 2015 Incentive Award Plan that had a weighted average grant date fair value of \$7.86 per unit.

In April 2016, the Compensation Committee approved the issuance of 110,179 2016 Class A LTIP Units and 12,945 2016 Time-Based LTIP Units to a new executive that had an average grant date fair value of \$7.85 per unit.

In May 2016, pursuant to the Director Compensation Program, as amended and restated as of September 17, 2015, the Company approved the issuance of 33,894 fully vested LTIP Units of the Operating Partnership under the 2015 Incentive Award Plan to the Company's seven non-employee directors with a weighted average grant date fair value of \$15.49 .

In February 2017, the Compensation Committee approved the issuance of 715,001 performance-based LTIP Units (the "2017 Class A LTIP Units") and 86,210 time-based LTIP Units (the "2017 Time-Based LTIP Units") of the Operating Partnership under the 2015 Incentive Award Plan that had a weighted average grant date fair value of \$8.97 per unit.

Each award of Time-Based LTIP units will vest as follows, subject to the executive's continued service through each applicable vesting date: 33% on the first anniversary of the vesting commencement date of the award, 33% on the second anniversary of the vesting commencement date, and 34% on the third anniversary of the vesting commencement date.

A portion of each award of Class A LTIP Units is designated as a number of "base units." Twenty-five percent (25%) of the base units are designated as absolute TSR base units, and vest based on varying levels of the Company's TSR over the three-year performance period. The other seventy-five percent (75%) of the base units are designated as relative TSR base units and vest based on the ranking of the Company's TSR as compared to a defined peer group over the three-year performance period.

In May 2017, pursuant to the Director Compensation Program, as amended and restated as of February 24, 2017, the Company approved the issuance of 33,355 fully vested LTIP Units to the Company's seven non-employee directors with a weighted average grant date fair value of \$17.84 per unit.

LTIP Units (other than Class A LTIP Units that have not vested), whether vested or not, receive the same quarterly per-unit distributions as common units in the Operating Partnership, which equal the per-share distributions on the common stock of the Company. Class A LTIP Units that have not vested receive a quarterly per-unit distribution equal to 10% of the distribution paid on common units in the Operating Partnership.

The following is a summary of the non-vested incentive awards under the 2014 Share Unit Plan and the 2015 Incentive Award Plan as of December 31, 2017 and 2016 :

	2014 Share Unit Plan Share Units	2015 Incentive Award Plan Restricted Stock Units ⁽¹⁾	2015 Incentive Award Plan LTIP Units ⁽¹⁾	Total
Non-vested as of December 31, 2015	342,219	84,701	498,049	924,969
Granted	—	182,599	899,609	1,082,208
Vested ⁽²⁾	(98,450)	(29,148)	(95,559)	(223,157)
Expired	—	—	(42,486)	(42,486)
Forfeited	—	—	—	—
Non-vested as of December 31, 2016	243,769	238,152	1,259,613	1,741,534
Granted	—	127,687	834,566	962,253
Vested ⁽²⁾	(195,087)	(93,644)	(368,574)	(657,305)
Expired	—	(7,893)	(63,532)	(71,425)
Forfeited	—	—	—	—
Non-vested as of December 31, 2017	48,682	264,302	1,662,073	1,975,057
Vested as of December 31, 2017	302,514	122,792	487,534	912,840
Weighted average fair value of non-vested shares/units	\$ 20.25	\$ 14.60	\$ 8.47	\$ 9.58

(1) Includes Time-Based LTIP Units and Class A LTIP Units.

(2) During the year ended December 31, 2017 and 2016 , the Company redeemed 107,830 and 37,251 shares of common stock to satisfy federal and state tax withholding requirements on the vesting of Share Units and Restricted Stock Units under the 2014 Share Unit Plan and the 2015 Incentive Award Plan.

The fair value of the time-based awards is determined based on the closing price of the Company's common stock on the grant date and compensation expense is recognized on a straight-line basis over the vesting period. The grant date fair value of performance awards was determined based on a Monte Carlo simulation method with the following assumptions and compensation expense is recognized on a straight-line basis over the performance period:

Performance Award Grant Date	Percentage of Total Award	Grant Date Fair Value by Component	Volatility	Interest Rate	Dividend Yield
May 5, 2015					
Absolute TSR Restricted Stock Units	25%	\$6.57	26.83%	0.68% - 1.55%	6.02%
Relative TSR Restricted Stock Units	75%	\$10.44	26.83%	0.68% - 1.55%	6.02%
Absolute TSR Class A LTIPs	25%	\$6.64	26.83%	0.68% - 1.55%	6.02%
Relative TSR Class A LTIPs	75%	\$10.18	26.83%	0.68% - 1.55%	6.02%
March 17, 2016 and April 25, 2016					
Absolute TSR Restricted Stock Units	25%	\$6.88	31.42%	0.50% - 1.14%	7.12%
Relative TSR Restricted Stock Units	75%	\$8.85	31.42%	0.50% - 1.14%	7.12%
Absolute TSR Class A LTIPs	25%	\$7.06	31.42%	0.50% - 1.14%	7.12%
Relative TSR Class A LTIPs	75%	\$8.95	31.42%	0.50% - 1.14%	7.12%
February 23, 2017					
Absolute TSR Restricted Stock Units	25%	\$6.57	26.83%	0.68% - 1.55%	6.021%
Relative TSR Restricted Stock Units	75%	\$10.44	26.83%	0.68% - 1.55%	6.021%
Absolute TSR Class A LTIPs	25%	\$6.64	26.83%	0.68% - 1.55%	6.021%
Relative TSR Class A LTIPs	75%	\$10.18	26.83%	0.68% - 1.55%	6.021%

The absolute and relative stockholder returns are market conditions as defined by ASC 718, Compensation Stock Compensation. Market conditions include provisions wherein the vesting condition is met through the achievement of a specific value of the Company's common stock, which is total stockholder return, in this case. Market conditions differ from other performance awards under ASC 718 in that the probability of attaining the condition (and thus vesting in the shares) is reflected in the initial grant date fair value of the award. Accordingly, it is not appropriate to reconsider the probability of vesting in the award subsequent to the initial measurement of the award, nor is it appropriate to reverse any of the expense if the condition is not met.

Therefore, once the expense for these awards is measured, the expense must be recognized over the service period regardless of whether the target is met, or at what level the target is met. Expense may only be reversed if the holder of the instrument forfeits the award by leaving the employment of the Company prior to vesting.

For the year ended December 31, 2017 the Company recognized approximately \$9.3 million of share-based compensation expense (net of forfeitures) related to share units, restricted stock units, and LTIP Units provided to certain of its executive officers, and other members of management. In addition, during the year ended December 31, 2017 we recognized \$0.6 million that was provided to the Company's Board of Directors and capitalized approximately \$0.6 million related to restricted stock units provided to certain members of management that oversee development and capital projects on behalf of the Company. As of December 31, 2017, there was \$9.7 million of total unrecognized compensation costs related to non-vested restricted stock units, Class A LTIP Units and Time-Based LTIP Units issued under the 2014 Share Unit Plan and the 2015 Incentive Award Plan, as applicable, which are expected to be recognized over a remaining weighted-average period of 1.67 additional years.

For the year ended December 31, 2016, the Company recognized approximately \$9.5 million of share-based compensation expense (net of forfeitures) related to share units, restricted stock units, and LTIP Units provided to certain of its executive officers, and other members of management, which included \$1.2 million of accelerated share-based compensation expense related to management transition and severance agreements incurred during the year ended December 31, 2016. In addition, during the year ended December 31, 2016 we recognized \$0.5 million that was provided to the Company's Board of Directors and capitalized approximately \$0.6 million related to restricted stock units provided to certain members of management that oversee development and capital projects on behalf of the Company.

14 . Commitments and Contingencies

Certain leases and operating agreements require the Company to reserve funds relating to replacements and renewals of the hotels' furniture, fixtures and equipment. As of December 31, 2017 and December 31, 2016 , the Company had a balance of \$46.6 million and \$58.6 million , respectively, in reserves for such future improvements which is included in restricted cash and escrows on the consolidated balance sheets.

In September 2016, the Company commenced on the amended lease for its corporate office headquarters. The lease expires in September 2028, and requires the Company to make annual rental payments of approximately \$0.4 million which escalate over the term of lease.

The Company is subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of these matters cannot be predicted with certainty, management believes, based on currently available information, that the final outcome of such matters will not have a material adverse affect on the financial statements of the Company.

In addition, in connection with the Company's separation from InvenTrust, on August 8, 2014, the Company entered into an Indemnity Agreement, as amended, with InvenTrust pursuant to which InvenTrust has agreed to the fullest extent allowed by law or government regulation, to absolutely, irrevocably and unconditionally indemnify, defend and hold harmless the Company and its subsidiaries, directors, officers, agents, representatives and employees (in each case, in such person's respective capacity as such) and their respective heirs, executors, administrators, successors and assignees from and against all losses, including but not limited to "actions" (as defined in the Indemnity Agreement), arising from: (1) the non-public, formal, fact-finding investigation by the SEC as described in InvenTrust's public filings with the SEC (the "SEC Investigation"); (2) the three related demands (including the Derivative Lawsuit described below) received by InvenTrust ("Derivative Demands") from stockholders to conduct investigations regarding claims similar to the matters that are subject to the SEC Investigation and as described in InvenTrust' public filings with the SEC; (3) the derivative lawsuit filed on March 21, 2013 on behalf of InvenTrust by counsel for stockholders who made the first Derivative Demand (the "Derivative Lawsuit"); and (4) the investigation by the Special Litigation Committee of the board of directors of InvenTrust. In each case, regardless of when or where the loss took place, or whether any such loss, claim, accident, occurrence, event or happening is known or unknown, and regardless of whether such loss, claim, accident, occurrence, event or happening giving rise to the loss existed prior to, on or after February 3, 2015, the separation date or relates to, arises out of or results from actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to, on or after February 3, 2015, the separation date.

Ground Leases

The Company leases the land from third parties underlying five of its hotels and has a partial ground lease for the meeting facility at one hotel. The average remaining initial lease term at December 31, 2016 was approximately 47 years, and the average remaining lease term including available renewal rights under the terms of the lease agreements was approximately 65 years.

All of the Company's ground leases are accounted for as operating leases. For lease agreements with scheduled rent increases, we recognize the lease expense on a straight-line basis over the term of the lease. During the years ended December 31, 2017, 2016, and 2015 , we recognized ground lease expense of \$5.8 million , \$5.4 million , and \$5.2 million , respectively, which includes amortization of ground lease intangibles and variable rent payments, and is included in ground lease expense on the combined consolidated statements of operations and comprehensive income.

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

2018	\$	3,976
2019		3,976
2020		3,976
2021		3,976
2022		3,976
Thereafter		117,501
Total	\$	137,381

15 . Subsequent Events

In January 2018, the Company entered into a new \$65 million mortgage loan collateralized by The Ritz-Carlton, Pentagon City. The loan matures in January 2025 and bears an interest rate of LIBOR plus 210 basis points. The Company used the proceeds from this loan to repay the outstanding balance on its senior unsecured credit facility and for general corporate purposes.

Also in January 2018, the Company entered into an amended and restated unsecured revolving credit facility with a syndicate of bank lenders. The amendment upsized the credit facility from \$400 million to \$500 million and extended the maturity an additional three years to February 2022, with two additional six-month extension options. The credit facility's interest rate is now based on a pricing grid with a range of 150 to 225 basis points over LIBOR as determined by the Company's leverage ratio, a reduction from the previous pricing grid which ranged from 150 to 245 basis points over LIBOR.

In February 2018, the Company elected its prepayment option per the terms of the mortgage loan collateralized by the Hotel Monaco Chicago and repaid the remaining principal balance of \$18.3 million and the outstanding accrued interest.

16 . Quarterly Operating Results (unaudited)

The following represents the results of operations, for each quarterly period, during the years ended December 31, 2017 and 2016 (in thousands, except per share data):

	Year Ended December 31, 2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Total revenues	\$ 218,460	\$ 244,392	\$ 223,289	\$ 259,136	\$ 945,277
Net income	8,227	70,998	11,767	9,824	100,816
Net income attributable to non-controlling interests	(114)	(1,580)	(129)	(131)	(1,954)
Net income (loss) attributable to common stockholders	8,113	69,418	11,638	9,693	98,862
Net income (loss) per share available to common stockholders, basic and diluted	\$ 0.07	\$ 0.65	\$ 0.11	\$ 0.09	\$ 0.92

	Year Ended December 31, 2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Total revenues	\$ 235,035	\$ 261,378	\$ 233,946	\$ 219,801	\$ 950,160
Net income (loss) from continuing operations	(9,169)	26,141	20,431	49,327	86,730
Net income (loss) attributable to non-controlling interests	254	(373)	(189)	(567)	(875)
Net income (loss) attributable to common stockholders	(8,915)	25,768	20,242	48,760	85,855
Net income (loss) per share available to common stockholders, basic and diluted	\$ (0.08)	\$ 0.24	\$ 0.19	\$ 0.44	\$ 0.79

XENIA HOTELS & RESORTS, INC.
Schedule III
Real Estate and Accumulated Depreciation
(Dollar amounts in thousands)
December 31, 2017

Property	Encumbrance	Initial Cost (A)			Gross amount at which carried at end of period							Year of Original Construction	Date of Acquisition	Life on Which Depreciation in Latest Income Statement is Computed
		Land	Buildings and Improvements	Adjustments to Land Basis (C)	Adjustments to Basis (C)	Land and Improvements	Buildings and Improvements(D)	Total (D,E)	Accumulated Depreciation(D,F)					
Andaz Napa Valley Napa, CA	\$ 38,000	\$ 10,150	\$ 57,012	\$ —	\$ 1,223	\$ 10,150	\$ 58,235	\$ 68,385	\$ 16,488	2009	9/20/2013	5 - 30 years		
Andaz San Diego San Diego, CA	—	6,949	43,430	—	6,547	6,949	49,977	56,926	11,976	1914	3/4/2013	5 - 30 years		
Andaz Savannah Savannah, GA	21,500	2,680	36,212	—	2,234	2,680	38,446	41,126	6,972	2009	9/10/2013	5 - 30 years		
Bohemian Hotel Celebration, an Autograph Collection Hotel Celebration, FL	—	1,232	19,000	—	2,418	1,232	21,418	22,650	5,120	1999	2/6/2013	5 - 30 years		
Bohemian Hotel Savannah, an Autograph Collection Hotel Savannah, GA	—	2,300	24,240	—	1,808	2,300	26,048	28,348	8,313	2009	8/9/2012	5 - 30 years		
Canary Santa Barbara Santa Barbara, CA	—	22,361	57,822	—	1,125	22,361	58,947	81,308	6,586	2005	7/16/2015	5 - 30 years		
Fairmont Dallas Dallas, TX	—	8,700	60,634	—	19,123	8,700	79,757	88,457	33,016	1968	8/1/2011	5 - 30 years		
Grand Bohemian Hotel Charleston Charleston, SC	19,026	4,550	26,582	—	142	4,550	26,724	31,274	3,110	2015	8/27/2015	5 - 30 years		
Grand Bohemian Hotel Mountain Brook Birmingham, AL	25,229	2,000	42,246	—	398	2,000	42,644	44,644	4,902	2015	10/22/2015	5 - 30 years		
Grand Bohemian Hotel Orlando, an Autograph Collection Hotel Orlando, FL	60,000	7,739	75,510	—	3,400	7,739	78,910	86,649	20,055	2001	12/27/2012	5 - 30 years		
Hilton Garden Inn Washington DC Downtown Washington, DC	—	18,800	64,359	—	10,461	18,800	74,820	93,620	32,879	2000	2/8/2008	5 - 30 years		
Hotel Commonwealth Boston, MA	—	—	114,085	—	507	—	114,592	114,592	10,440	2003	1/15/2016	5 - 30 years		
Hotel Monaco Chicago Chicago, IL	18,344	15,056	40,841	—	3,452	15,056	44,293	59,349	10,303	1912	11/1/2013	5 - 30 years		
Hotel Monaco Denver Denver, CO	41,000	5,742	69,158	—	7,369	5,742	76,527	82,269	15,395	1917/1937	11/1/2013	5 - 30 years		
Hotel Monaco Salt Lake City Salt Lake City, UT	—	1,777	56,156	—	3,597	1,777	59,753	61,530	12,384	1924	11/1/2013	5 - 30 years		
Hotel Palomar Philadelphia Philadelphia, PA	59,750	9,060	90,909	—	1,282	9,060	92,191	101,251	10,803	1929	7/28/2015	5 - 30 years		

XENIA HOTELS & RESORTS, INC.
Schedule III
Real Estate and Accumulated Depreciation
(Dollar amounts in thousands)
December 31, 2017

[illegible]

Hotel & Convention Center Woodlands, TX	—	5,500	98,886	—	23,584	5,500	122,470	127,970	48,596	2002	11/21/2007	5 - 30 years
Renaissance Atlanta Waverly Hotel & Convention Center Atlanta, GA	100,000	6,834	90,792	—	14,720	6,834	105,512	112,346	31,215	1983	3/23/2012	5 - 30 years

XENIA HOTELS & RESORTS, INC.
Schedule III
Real Estate and Accumulated Depreciation
(Dollar amounts in thousands)
December 31, 2017

	Initial Cost (A)				Gross amount at which carried at end of period								Life on Which Depreciation in Latest Income Statement is Computed
Property	Encumbrance	Land	Buildings and Improvements	Adjustments to Land Basis (C)	Adjustments to Basis (C)	Land and Improvements	Buildings and Improvements(D)	Total (D,E)	Accumulated Depreciation(D,F)	Year of Original Construction	Date of Acquisition		
Renaissance Austin Hotel Austin, TX	\$ —	\$ 10,656	\$ 97,960	\$ —	\$ 13,999	\$ 10,656	\$ 111,959	\$ 122,615	\$ 34,084	1986	3/23/2012	5 - 30 years	
Residence Inn Boston Cambridge, MA	62,833	10,346	72,735	—	6,817	10,346	79,552	89,898	33,163	1999	2/8/2008	5 - 30 years	
Residence Inn Denver City Center Denver, CO	—	5,291	74,638	—	4,289	5,291	78,927	84,218	15,730	2006	4/17/2013	5 - 30 years	
Ritz-Carlton Pentagon City Arlington, Virginia	—	—	103,568	—	43	—	103,611	103,611	1,296	1990	10/4/2017	5 - 30 years	
RiverPlace Hotel Portland, OR	—	18,322	46,664	—	2,408	18,322	49,072	67,394	5,981	1985	7/16/2015	5 - 30 years	
Royal Palms Resort and Spa Scottsdale, AZ	—	33,912	50,205	—	754	33,912	50,959	84,871	741	1929	10/3/2017	5 - 30 years	
Westin Galleria Houston Houston, TX	60,000	7,842	112,850	—	30,912	7,842	143,762	151,604	26,911	1977	8/22/2013	5 - 30 years	
Westin Oaks Houston at the Galleria Houston, TX	50,000	4,262	96,090	—	12,110	4,262	108,200	112,462	22,643	1971	8/22/2013	5 - 30 years	
Totals	\$ 865,090	\$ 439,432	\$ 2,574,894	\$ 1,498	\$ 303,481	\$ 440,930	\$ 2,878,375	\$ 3,319,305	\$ 628,450				

Notes:

- (A) The initial cost to the Company represents the original purchase price of the property, including amounts incurred subsequent to acquisition which were contemplated at the time the property was acquired.
- (B) The aggregate cost of real estate owned at December 31, 2017 for federal income tax purposes was approximately \$3,567 million (unaudited).
- (C) Cost capitalized subsequent to acquisition includes payments under master lease agreements as well as additional tangible costs associated with investment properties, including any earn-out of tenant space. Impairment charges are recorded as a reduction in the basis.

XENIA HOTELS & RESORTS, INC.
Schedule III
Real Estate and Accumulated Depreciation
(Dollar amounts in thousands)
December 31, 2017

(D) Reconciliation of real estate owned (includes continuing operations and operations of assets classified as held for sale):

	2017	2016	2015
Balance at January 1	\$ 3,063,564	\$ 3,221,989	\$ 3,048,960
Acquisitions	605,826	114,085	245,138
Capital improvements	84,290	57,919	50,640
Reclasses of properties under development	—	—	75,378
Disposals and write-offs	(258,150)	(330,429)	(141,265)
Properties classified as held for sale	(176,225)	—	(56,862)
Balance at December 31	<u>\$ 3,319,305</u>	<u>\$ 3,063,564</u>	<u>\$ 3,221,989</u>

(E) Reconciliation of accumulated depreciation (includes continuing operations and operations of assets classified as held for sale):

	2017	2016	2015
Balance at January 1	\$ 619,975	\$ 580,285	\$ 505,986
Depreciation expense, continuing operations	139,726	143,212	142,530
Depreciation expense, properties classified as held for sale	8,808	—	1,893
Accumulated depreciation, properties classified as held for sale	(32,975)	—	(22,353)
Disposals and write-offs	(107,084)	(103,522)	(47,771)
Balance at December 31	<u>\$ 628,450</u>	<u>\$ 619,975</u>	<u>\$ 580,285</u>

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

Buildings and improvements	30 years
Tenant improvements	Life of the lease
Furniture, fixtures and equipment	5 - 15 years

PURCHASE AND SALE AGREEMENT

BY AND AMONG

**GAINNEY DRIVE ASSOCIATES,
an Arizona general partnership,**

**HC ROYAL PALMS, L.L.C.,
a Delaware limited liability company,**

AND

**XHR ACQUISITIONS, LLC,
a Delaware limited liability company**

DATED AS OF OCTOBER 3, 2017

**HYATT REGENCY SCOTTSDALE
7500 East Doubletree Ranch
Scottsdale, Arizona**

and

**ROYAL PALMS RESORT AND SPA
5200 E. Camelback Road
Phoenix, Arizona**

LIST OF EXHIBITS

Exhibit A-1	Description of HR Land
Exhibit A-2	Description of the RP Land
Exhibit B	New Management Agreement
Exhibit C	Form of Deed
Exhibit D	Form of Bill of Sale
Exhibit E	Assignment and Assumption of Leases and Contracts
Exhibit F	Assignment and Assumption of Intangibles
Exhibit G	Form of Trademark License Agreement

LIST OF SCHEDULES

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Schedule 2.1(g)	Tenant Leases
Schedule 2.1(h)	Equipment Leases
Schedule 2.1(k)	Intangible Property
Schedule 3.2	Allocation of Purchase Price
Schedule 4.1(b)	Due Diligence Deliveries
Schedule 5.1(c)	Consents and Approvals; No Conflicts
Schedule 5.1(d)	Title to Personal Property
Schedule 5.1(f)	Litigation
Schedule 5.1(l)	Material Contracts
Schedule 5.1(m)	Licenses and Permits
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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this “Agreement”) is made and entered into as of this 3rd day of October, 2017 (the “Effective Date”), by and among **GAINEY DRIVE ASSOCIATES**, an Arizona general partnership (“Gainey Seller”), **HC ROYAL PALMS, L.L.C.**, a Delaware limited liability company (“RP Seller”); the Gainey Seller and the RP Seller are collectively and individually as the context requires, referred to in this Agreement as “Seller”, jointly and severally, and **XHR ACQUISITIONS, LLC**, a Delaware limited liability company (“Purchaser”). (Seller and Purchaser are sometimes referred to herein individually as a “Party”, and collectively as the “Parties”.)

Recitals

WHEREAS, Seller is the owner of the Property (as defined herein) relating to the hotel facility located at 7500 East Doubletree Ranch, Scottsdale, Arizona, and commonly known as the Hyatt Regency Scottsdale (the “HR Hotel”) and the hotel facility located at 5200 E. Camelback Road Phoenix, Arizona, and commonly known as the Royal Palms Resort and Spa (the “RP Hotel”; the HR Hotel and the RP Hotel are collectively and individually, as the context requires, referred to in this Agreement as the “Hotel”).

WHEREAS, Seller desires to sell the Property to Purchaser, and Purchaser desires to purchase the Property from Seller, on the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser hereby agree as follows:

Article I

DEFINITIONS

Section 1.1 Definitions. In addition to the terms defined above in the introduction and recitals to this Agreement, the following terms when used in this Agreement shall have the meanings set forth in this Section 1.1.

“Accounts Receivable” means all amounts which Seller is entitled to receive from the operation of the Hotel, but are not paid as of the date preceding the Closing Date, including, without limitation, charges for the use or occupancy of any guest, conference, meeting or banquet rooms or other facilities at the Hotel, rents under Tenant Leases, any restaurant, bar or banquet services, or any other goods or services provided by or on behalf of Seller at the Hotel, including any credit card charges and checks which Seller has submitted for payment as of the Closing.

“Affiliate” means, with respect to the Person in question, any other Person that, directly or indirectly, controls, is controlled by or is under common control with, such Person. For the purposes of this definition, the term “control” means the possession, directly or indirectly, of the power to

direct or cause the direction of the management and policies of the Person in question, whether by the ownership of voting securities, contract or otherwise.

“ Agreement Information ” has the meaning set forth in Section 7.1(a) of this Agreement.

“ Anti-Money Laundering and Anti-Terrorism Laws ” has the meaning set forth in Section 5.1(i) of this Agreement.

“ Applicable Law ” means all statutes, laws, common law, rules, regulations, ordinances, codes or other legal requirements of any Governmental Authority, the New York Stock Exchange, Board of Fire Underwriters and similar quasi-governmental agencies or entities, and any judgment, injunction, order, directive, decree or other judicial or regulatory requirement of any court or Governmental Authority of competent jurisdiction affecting or relating to the Person or property in question.

“ Attic Stock ” has the meaning set forth in Section 2.1(l) of this Agreement.

“ Bookings ” has the meaning set forth in Section 2.1(m) of this Agreement.

“ Business Day ” means any day other than Saturday, Sunday or any federal legal holiday.

“ Casualty ” has the meaning set forth in Section 13.1(a) of this Agreement.

“ Closing ” has the meaning set forth in Section 9.1 of this Agreement.

“ Closing Date ” has the meaning set forth in Section 9.1 of this Agreement.

“ Closing Documents ” has the meaning set forth in Section 9.2 of this Agreement.

“ Closing Escrow ” has the meaning set forth in Section 9.2 of this Agreement.

“ Closing Escrow Agreement ” has the meaning set forth in Section 9.2 of this Agreement.

“ Code ” means the Internal Revenue Code of 1986, as amended from time to time, and any regulations, rulings and guidance issued by the Internal Revenue Service.

“ Condemnation ” has the meaning set forth in Section 13.2(a) of this Agreement.

“ Confidential Information ” has the meaning set forth in Section 7.1(a) of this Agreement.

“ Contracts ” means, collectively, the Equipment Leases, Cost Sharing Agreement and Operating Agreements.

“ Cost Sharing Agreement ” means that certain Cost Sharing Agreement by and among Hyatt Corporation, as agent of Seller, d/b/a Hyatt Regency Scottsdale, Hyatt Corporation, as agent of PV Scottsdale Hotel Owner SPE, LLC, d/b/a Andaz Scottsdale and Hyatt Corporation, as agent of HC Royal Palms, L.L.C., d/b/a Royal Palms Resort & Spa dated as of July 12, 2016.

“Cut-Off Time” has the meaning set forth in Section 10.1 of this Agreement.

“Deed” has the meaning set forth in Section 9.3(b) of this Agreement.

“Earnest Money” has the meaning set forth in Section 3.3(a) of this Agreement.

“Earnest Money Escrow” has the meaning set forth in Section 3.3(a) of this Agreement.

“Earnest Money Escrow Agreement” has the meaning set forth in Section 3.3(a) of this Agreement.

“Effective Date” has the meaning set forth in the first paragraph of this Agreement.

“Employees” means all employees who are employed full-time or part-time at the Hotel at the time in question.

“Employer” means Manager or any other employer entity, to the extent Manager is not the employer of the Employees.

“Environmental Laws” means any Applicable Laws regulating or relating to any Hazardous Materials including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq. (“CERCLA”), (ii) the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq. (“RCRA”), (iii) the Federal Water Pollution Control Act, 33 U.S.C. § 2601 et seq., (iv) the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., (v) the Clean Water Act, 33 U.S.C. § 1251 et seq., (vi) the Clean Air Act, 42 U.S.C. § 7401 et seq., (vii) the Hazardous Materials Transportation Act, 49 U.S.C. § 5101 et seq., (viii) the Safe Drinking Water Act, 42 U.S.C. § 803 et seq., (ix) the Oil Pollution Act of 1990, 33 U.S.C. § 2701 et seq., (x) the Emergency Planning and Community Right-To-Know Act of 1986, 42 U.S.C. § 11001 et seq., (xi) the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq. (to the extent it regulates exposure to Hazardous Materials), and similar state and local Applicable Law, as amended from time to time, and all regulations, rules and guidance issued pursuant thereto.

“Environmental Liabilities” means all liabilities or obligations of any kind or nature imposed on the Person in question pursuant to any Environmental Laws, including, without limitation, any (i) obligations to manage, control, contain, remove, remedy, respond to, clean up or abate any actual or potential release of Hazardous Materials or other pollution or contamination of any water, soil, sediment, air or other environmental media, whether or not located on the Real Property and whether or not arising from the operations or activities with respect to the Hotel, and (ii) liabilities or obligations with respect to the manufacture, generation, formulation, processing, use, treatment, handling, storage, disposal, distribution or transportation of any Hazardous Materials.

“Equipment Leases” has the meaning set forth in Section 2.1(h) of this Agreement.

“Escrow Agent” shall mean the Title Company.

“Exchange Agreement” has the meaning set forth in Section 3.5 of this Agreement.

“Exchange Party” has the meaning set forth in Section 3.5 of this Agreement.

“Excluded Property” has the meaning set forth in Section 2.2 of this Agreement.

“Existing Survey” has the meaning set forth in Section 4.2(b) of this Agreement.

“F&B” has the meaning set forth in Section 2.1(e) of this Agreement.

“FF&E” has the meaning set forth in Section 2.1(c) of this Agreement.

“Golf Agreement” means the Golf Course Utilization Agreement dated August 14, 1985 and recorded in the land records of Maricopa County, Arizona at Document Number 85-382848, as subsequently amended and modified from time to time.

“Government List” means any of (i) the two lists maintained by the United States Department of Commerce (Denied Persons and Entities), (ii) the list maintained by the United States Department of Treasury (Specially Designated Nationals and Blocked Persons), and (iii) the two lists maintained by the United States Department of State (Terrorist Organizations and Debarred Parties).

“Governmental Authority” means any federal, state or local government or other political subdivision thereof, including, without limitation, any agency or entity exercising executive, legislative, judicial, regulatory or administrative governmental powers or functions, in each case to the extent the same has jurisdiction over the Person or property in question.

“Guest Ledger” means any and all charges accrued to the open accounts of any guests or customers at the Hotel as of the Cut-Off Time for the use and occupancy of any guest, conference, meeting or banquet rooms or other facilities at the Hotel, any restaurant, bar or banquet services, or any other goods or services provided by or on behalf of Seller.

“Hazardous Materials” means any hazardous or toxic substances, materials or waste, whether solid, semisolid, liquid or gaseous, including, without limitation, asbestos, polychlorinated biphenyls, petroleum or petroleum by-products, (excluding any substances of kinds and amounts ordinarily used or stored in similar properties for purposes of cleaning or other maintenance or operations and otherwise in compliance with all Environmental Laws) and any other material or substance which is defined as a “hazardous substance”, “hazardous waste”, “toxic waste” or “toxic substance” under any Environmental Laws.

“Hotel” has the meaning set forth in the first Recital of this Agreement.

“HR Hotel Property” has the meaning set forth in Section 2.1 of this Agreement.

“HR Land” has the meaning set forth in Section 2.1(a) of this Agreement.

“HR Title Commitment” has the meaning set forth in Section 4.2 of this Agreement.

“Improvements” has the meaning set forth in Section 2.1(b) of this Agreement.

“Inspections” has the meaning set forth in Section 4.1(a) of this Agreement.

“Intangible Property” has the meaning set forth in Section 2.1(k) of this Agreement.

“Inventoried Baggage” has the meaning set forth in Section 11.3 of this Agreement.

“Inventoried Safe Deposit Box” has the meaning set forth in Section 11.2 of this Agreement.

“Knowledge” means (i) with respect to Seller, the actual (and not constructive) knowledge of Rob Mangiarelli, after due inquiry of the general manager of the Hotel, but otherwise without investigation or inquiry and expressly excluding the knowledge of any other shareholder, trustee, partner, member, director, officer, employee, agent or representative of Seller or any of its respective Affiliates, and (ii) with respect to Purchaser, (A) the actual (and not constructive) knowledge of Philip Wade, without investigation or inquiry and expressly excluding the knowledge of any other shareholder, trustee, partner, member, director, officer, manager, employee, agent or representative of Purchaser or its Affiliates, (B) any matter disclosed in any exhibits or schedules to this Agreement, (C) any matter disclosed in any Seller Due Diligence Materials that are posted on the virtual data room for the Hotel, (D) any matter disclosed in the Purchaser Due Diligence Reports or by the Inspections, and (E) any matter disclosed by Seller pursuant to an amendment to Seller’s representations, warranties or schedules in accordance with Section 5.2 of this Agreement.

“Licenses and Permits” has the meaning set forth in Section 2.1(j) of this Agreement.

“Liquor Licenses” means the liquor licenses for the Hotel, which are held in the name of Manager.

“Local Time” shall mean the time in the time zone in which the Hotel is located.

“Losses” means, with respect to the Person in question, any liability, damage, loss, cost or expense, including, without limitation, reasonable attorneys’ fees and expenses and court costs, incurred by such Person.

“Management Agreement” has the meaning set forth in Section 2.2(d) of this Agreement.

“Manager” means Hyatt Corporation, a Delaware corporation.

“Material Casualty” has the meaning set forth in Section 13.1(a) of this Agreement.

“Material Condemnation” has the meaning set forth in Section 13.2(a) of this Agreement.

“Material Contract” means any Contract requiring aggregate annual payments in excess of Twenty-Five Thousand Dollars (\$25,000) for any year during the term of such Contract and which cannot be terminated on ninety (90) days’ or less notice.

“National/Regional Operating Agreements” has the meaning set forth in Section 2.2(g) of this Agreement.

“New Management Agreement” shall mean a hotel management agreement in the form attached hereto as Exhibit E.

“Non-Inventoried Safe Deposit Boxes” has the meaning set forth in Section 11.2 of this Agreement.

“Notice” has the meaning set forth in Section 14.1(a) of this Agreement.

“Older Accounts Receivable” has the meaning set forth in Section 10.2(b) of this Agreement.

“Ongoing Capital Improvements” means those capital improvement projects described in Schedule 7.2(c) attached hereto.

“Operating Agreements” has the meaning set forth in Section 2.1(i) of this Agreement.

“Ordinary Course of Business” means the ordinary course of business consistent with Seller’s past custom and practices for the operation, maintenance and repair of the Hotel.

“Permitted Exceptions” has the meaning set forth in Section 4.2(c) of this Agreement.

“Person” means any natural person, corporation, general or limited partnership, limited liability company, association, joint venture, trust, estate, Governmental Authority or other legal entity, in each case whether in its own or a representative capacity.

“Personal Property” means the Property other than the Real Property.

“Property” has the meaning set forth in Section 2.1 of this Agreement.

“Proprietary Property” has the meaning set forth in Section 2.2(b) of this Agreement.

“Prorations” has the meaning set forth in Section 10.1 of this Agreement.

“Protected Marks” shall mean those logos, trademarks, trade names, copyrights, service marks and other intellectual property owned by Manager or any Affiliate thereof (other than Seller) (or otherwise used by Manager or any Affiliate thereof (other than Seller) in the operation of Manager hotels), whether or not used in connection with the operation of the Hotel.

“Protected Names” shall mean the names “Hyatt” and “Regency” and any other name that includes the word “Hyatt” (such as, for example and without limitation, “Hyatt Regency,” “Grand Hyatt,” “Park Hyatt,” “Hyatt Place,” “Hyatt House,” “Hyatt Ziva,” “Hyatt Centric,” “Hyatt Zilara,” or “World of Hyatt,”) either alone or in conjunction with another word or words, or any name or mark that is comprised of or confusingly similar to any of the foregoing, “Andaz,” “The Unbound Collection by Hyatt,” “Ziva,” “Zilara,” “Miraval,” “World of,” or any other name used in the operation of the hotels operated or managed by Manager or any Affiliate thereof (other than Seller). Under no circumstances shall the names “Royal Palms” and “T. Cook’s” be deemed to be Protected Names.

“Purchase Price” has the meaning set forth in Section 3.1 of this Agreement.

“Purchaser Closing Conditions” has the meaning set forth in Section 8.2 of this Agreement.

“Purchaser Default” has the meaning set forth in Section 12.2 of this Agreement.

“Purchaser Due Diligence Reports” has the meaning set forth in Section 4.1(c) of this Agreement.

“Purchaser Indemnitees” means Purchaser and its Affiliates, and each of their respective shareholders, members, partners, trustees, directors, officers, employees and agents, and the successors, assigns, heirs and legal representatives of each of the foregoing.

“Purchaser’s Inspectors” has the meaning set forth in Section 4.1(a) of this Agreement.

“Real Property” has the meaning set forth in Section 2.1(b) of this Agreement.

“Retail Merchandise” has the meaning set forth in Section 2.1(f) of this Agreement.

“Retained Liabilities” has the meaning set forth in Section 2.2(i) of this Agreement.

“RP Hotel Property” has the meaning set forth in Section 2.1 of this Agreement.

“RP Land” has the meaning set forth in Section 2.1(a) of this Agreement.

“RP Title Commitment” has the meaning set forth in Section 4.2 of this Agreement.

“Seller Closing Conditions” has the meaning set forth in Section 8.3 of this Agreement.

“Seller Cure Notice” has the meaning set forth in Section 4.2(d) of this Agreement.

“Seller Default” has the meaning set forth in Section 12.1 of this Agreement.

“Seller Due Diligence Materials” has the meaning set forth in Section 4.1(b) of this Agreement.

“Seller Indemnitees” means Seller, Manager, Employer and their respective Affiliates, and each of their respective shareholders, members, partners, trustees, directors, officers, employees and agents, and the successors, assigns, heirs and legal representatives of each of the foregoing.

“Seller’s Possession” means in the actual possession of any officer or employee of Seller, Manager or any of their Affiliates who has direct or supervisory responsibility for the operation of the Hotel; provided, however, that any reference in this Agreement to Seller’s Possession of any documents or materials expressly excludes the possession of any such documents or materials that are legally privileged or constitute attorney work product.

“Settlement Statement” has the meaning set forth in Section 11.1 of this Agreement.

“Supplies” has the meaning set forth in Section 2.1(d) of this Agreement.

“Survey” has the meaning set forth in Section 4.2(b) of this Agreement.

“Survey Defects” has the meaning set forth in Section 4.2(c) of this Agreement.

“Survival Period” has the meaning set forth in Section 5.4 of this Agreement.

“Tax-Free Exchange” has the meaning set forth in Section 3.5 of this Agreement.

“Taxes” means any federal, state, local or foreign, real property, personal property, sales, use, room, occupancy, excise, severance, stamp, payroll, employment, withholding, social security, unemployment, disability, vault, ad valorem, assessments, value added or other tax, assessments, levies, charges or fees of any kind whatsoever imposed on Seller or the Property or any portion thereof by any Governmental Authority, including, without limitation, any interest, penalty, or addition thereto, but expressly excluding any (i) federal, state, local or foreign income, capital gain, gross receipts, capital stock, franchise, profits, estate or gift tax, or (ii) transfer or similar taxes incurred with respect to the transaction contemplated in this Agreement all calculated based on the maximum discount available for timely payment thereof.

“Tenant Leases” has the meaning set forth in Section 2.1(g) of this Agreement.

“Terminated Contracts” means those Contracts set forth on Schedule 1.1 under the heading Terminated Contracts.

“Title Commitment” has the meaning set forth in Section 4.2(a) of this Agreement.

“Title Company” means First American Title Insurance Company, 30 North LaSalle Street, Suite 2700, Chicago, Illinois 60602; Attn: John E. Beckstedt Jr.; Email: jbeckstedt@firstam.com.

“Title Exceptions” has the meaning set forth in Section 4.2(c) of this Agreement.

“Title Objection Letter” has the meaning set forth in Section 4.2(c) of this Agreement.

“Title Policy” has the meaning set forth in Section 8.2(d) of this Agreement.

“Trade Payables” has the meaning set forth in Section 10.1(j) of this Agreement.

“Unpermitted Exceptions” has the meaning set forth in Section 4.2(c) of this Agreement.

“World of Hyatt® Program” shall mean Manager’s World of Hyatt® Program.

ARTICLE II

DESCRIPTION OF THE PROPERTY; EXCLUDED PROPERTY

Section 2.1 Description of the Property. Subject to the terms set forth in this Agreement, at the Closing, Seller shall sell, convey, transfer, assign and deliver to Purchaser, and Purchaser shall purchase and accept from Seller, all right, title and interest of Seller in and to the property and assets set forth in this Section 2.1, but expressly excluding the Excluded Property (collectively and individually, as the context requires, the “Property”; the portion of the Property attributable to the HR Hotel is referred to herein as the “HR Hotel Property”, and the portion of the Property attributable to the RP Hotel is referred to herein as the “RP Hotel Property”):

(a) Land. The land described in Exhibit A-1 with respect to the HR Hotel, together with all appurtenant easements and any other rights and interests appurtenant thereto (collectively, the “HR Land”), and the land described in Exhibit A-2 with respect to the RP Hotel, together with all appurtenant easements and any other rights and interests appurtenant thereto (collectively, the “RP Land”; the HR Land and the RP Land are collectively and individually, as the context requires, referred to in this Agreement as the “Land”);

(b) Improvements. All buildings, structures and improvements located on, under or affixed to the Land, including but not limited to the Hotel, and all fixtures on the Land which constitute real property under Applicable Law (the “Improvements”; the Land and the Improvements are referred to collectively herein as the “Real Property”);

(c) FF&E. All fixtures (other than those which constitute Improvements), furniture, furnishings, equipment, machinery, vehicles, appliances, computer hardware, art work and other items of tangible personal property which are located at the Hotel and used exclusively in the operation of the Hotel, or ordered for future use at the Hotel as of the Closing, other than the Supplies, F&B and Retail Merchandise (the “FF&E”);

(d) Supplies. All china, glassware, silverware; linens; uniforms; engineering, maintenance, cleaning and housekeeping supplies; matches and ashtrays; soap and other toiletries; stationery, menus and other printed materials; and all other similar materials and supplies, which are located at the Hotel or ordered for future use at the Hotel as of the Closing (the “Supplies”);

(e) Food and Beverage. All food and beverages which are located at the Hotel (whether opened or unopened), or ordered for future use at the Hotel as of the Closing, but expressly excluding any alcoholic beverages to the extent the sale or transfer of the same is not permitted under Applicable Law (the “F&B”);

(f) Retail Merchandise. All merchandise located at the Hotel, including, without limitation, any gift shop, pro shop or newsstand maintained by Seller or Manager, and held for sale to guests and customers of the Hotel, or ordered for future sale at the Hotel as of the Closing (the “Retail Merchandise”);

(g) Tenant Leases. All leases, subleases, licenses, concessions and similar agreements granting a real property interest to any other Person for the use or occupancy of any portion of the Real Property, other than the Management Agreement and Bookings, the same being set forth on Schedule 2.1(g), attached hereto (the “Tenant Leases”), together with all security deposits held by Seller thereunder, to the extent such Tenant Leases and security deposits are transferable;

(h) Equipment Leases. All leases and purchase money security agreements for any equipment, machinery, vehicles, furniture or other personal property located at the Hotel and used in the operation of the Hotel which are held by or on behalf of Seller (other than the Terminated Contracts), the same being set forth on Schedule 2.1(h), attached hereto (the “Equipment Leases”), together with all deposits made thereunder, to the extent such Equipment Leases and deposits are transferable;

(i) Operating Agreements. All maintenance, service and supply contracts, credit card service agreements, and all other contracts and agreements which are held by or on behalf of Seller in connection with the operation of the Hotel, including but not limited to the Golf Agreement, other than the Tenant Leases, Equipment Leases, Licenses and Permits, the National/Regional Operating Agreements, contracts and agreements for Bookings and the Terminated Contracts (the “Operating Agreements”), together with all deposits made or held by Seller thereunder, to the extent such Operating Agreements and deposits are transferable;

(j) Licenses and Permits. All licenses, permits, consents, authorizations, approvals, registrations and certificates of any Governmental Authority held by Seller and used in connection with the construction, ownership, occupancy or operation of the Hotel (excluding the Liquor Licenses) (the “Licenses and Permits”), together with any deposits made by Seller thereunder, to the extent such Licenses and Permits and deposits are transferable;

(k) Intangible Property. All of the following owned by, issued to or licensed to Seller and used in connection with the operation of the Hotel to the extent Seller’s rights and interests therein are transferable: warranties and guaranties held by Seller pursuant to any Contracts or with respect to any Improvements or Personal Property and all other intangible property associated with the Property or the Hotel (other than the Excluded Property), including but not limited to all intangible property set forth on Schedule 2.1(k) attached hereto and made a part hereof (the “Intangible Property”);

(l) Attic Stock. All FF&E in storage intended as replacement FF&E (the “Attic Stock”);

(m) Bookings. All bookings and reservations for guest, conference, meeting and banquet rooms or other facilities at the Hotel that are made before the Closing Date (the “Bookings”), together with all deposits held by Seller with respect thereto and any and all records related thereto that are necessary to honor such bookings in accordance with the terms of this Agreement;

(n) Books and Records. The financial books and records relating to the Property located at the Hotel to the extent not (i) proprietary to Seller or Manager, (ii) subject to any confidentiality restriction in favor of a third party other than Manager, (iii) subject to restriction on disclosure under Applicable Law (including any privacy laws or regulations) or (iv) subject to attorney client privilege (collectively, the “Books and Records”); and

(o) Accounts Receivable. That portion of all Accounts Receivable (including the Guest Ledger) as set forth in Section 10.2(a) and that portion of Accounts Receivable as set forth in Section 10.2(b) excluding the Older Accounts Receivable.

Section 2.2 Excluded Property. Notwithstanding anything to the contrary in Section 2.1, the property, assets, rights and interests set forth in this Section 2.2 (the “Excluded Property”) are excluded from the Property:

(a) Cash. Subject to Section 10.1(k) and except for deposits expressly included in Section 2.1, all cash on hand or on deposit in any house bank, operating account or other account maintained in connection with the ownership or operation of the Hotel including, without limitation, any FF&E/capital account or other reserve account held by or on behalf of Seller or Manager pursuant to the Management Agreement with Seller.

(b) Proprietary Property. (i) All software from time to time owned by, or leased or licensed on an exclusive basis to, Manager or Manager’s Affiliates (other than Seller), including, without limitation, any centralized system, including, without limitation, the reservation system, property management system and e-mail, internet and internal computer network systems (including, without limitation, revisions or enhancements to otherwise commercially available software) together with related source and object codes, (ii) the Protected Names and Protected Marks and all depictions thereof, either graphic or verbal, (iii) copyrighted materials, (iv) operating handbooks (including employee manuals, training materials, user manuals, and maintenance procedures), (v) operating policies and procedures, (vi) reporting and budgeting formats, (vii) Manager’s (or any Affiliate’s (other than Seller)) promotional materials, (viii) recipes, (ix) World of Hyatt® Program members and member information, (x) customer information and customer contact lists for guests, patrons and groups patronizing this Property (other than guest information necessary to honor Bookings in accordance with the terms of this Agreement), (xi) data and information on potential guests or groups, not otherwise guests or groups patronizing the Hotel, (xii) financial records of Manager, Seller and their respective Affiliates and all books and records of Manager, Seller or their respective Affiliates (excluding records and information necessary to honor Bookings in accordance with this Agreement, or otherwise relating to liabilities assumed by Purchaser in accordance with this Agreement), (xiii) information relating to other hotels leased, managed or operated by Manager, (xiv) information which Seller reasonably determines may not be disclosed by Seller or its Affiliates under applicable privacy or identity theft laws, (xv) information which is legally privileged or constitutes attorney work product, (xvi) materials or information which are subject to a confidentially agreement or to Applicable Law which prohibits the disclosure of such materials or information, (xvii) information or materials which constitute confidential internal assessments, reports, studies, memoranda, notes or other correspondence prepared by or on behalf of any employee of any Affiliate of Seller or Manager, including, without limitation,

Employee personnel files, and (xviii) signs and other fixtures and personal property at the Hotel which bear any of the Protected Marks or the Protected Names, ((i) through (xviii) above, hereinafter collectively referred to as the “Proprietary Property”). Notwithstanding the foregoing, after the Closing, certain of the Proprietary Property may continue to be utilized at the Hotel pursuant to and subject to the terms of the New Management Agreement.

(c) Third-Party Property. Any fixtures or personal property owned by (i) the lessor under any Equipment Leases, (ii) the supplier or vendor under any other Contracts, (iii) the tenant under any Tenant Leases, (iv) Manager, (v) any Employees, or (vi) any guests or customers of the Hotel.

(d) Management Agreement. With respect to the RP Hotel, that certain Hotel Management Agreement, by and between RP Seller and Manager, dated as of July 12, 2016 and, with respect to the HR Hotel, that certain Amended and Restated Hotel Management Agreement by and between Gainey Seller and Manager, dated as of January 1, 1999 (collectively, the “Management Agreement”), each of which shall be terminated by RP Seller and Gainey Seller, respectively, at the Closing.

(e) Insurance. Seller’s insurance relating to the Hotel, which shall be terminated by Seller as of the Closing.

(f) Telephone Exchange Numbers. Any and all direct dial telephone numbers for the Hotel (access to same being provided in accordance with the terms of the New Management Agreement).

(g) Contracts. All Operating Agreements pursuant to which goods, services, licenses or other items are provided to other hotels which are owned, leased or operated by any Affiliate of Seller or Manager, in addition to the Hotel (the “National/Regional Operating Agreements”), and the Terminated Contracts. Notwithstanding the foregoing, after the Closing, certain of the National/Regional Operating Agreements may continue to be utilized at the Hotel pursuant to and subject to the terms of the New Management Agreement.

(h) Liquor Licenses. Purchaser acknowledges that the Liquor Licenses are held by Manager, and that no action is required at Closing with respect to the Liquor Licenses.

(i) Retained Liabilities. The Property shall also expressly exclude the following, which shall be retained by Seller from and after the Closing: all liabilities for, and Purchaser shall not have any obligation or liability concerning: (a) any liabilities under the Management Agreement, Tenant Leases, Equipment Leases, Operating Agreements, and Licenses and Permits to the extent arising or accrued prior to the Cut-Off Time, including, without limitation, the liability for the payment of any amounts due and payable or accrued but not yet due or payable prior to the Cut-Off Time under the foregoing, (b) the payment of all Taxes due and payable or accrued but not yet paid prior to the Closing Date, (c) any claim for liability, penalties, personal injury or property damage to a Person which is based on any event which occurred (or failed to occur, in the case of a payment obligation) at the Real Property or in connection with the Hotel prior to the Closing Date (except (1) in the case of (a), (b) and (c) to the extent Purchaser received a credit therefor or otherwise

expressly assumed such liability and (2) in the case of (c), to the extent relating to the physical condition of the Property (including without limitation the environmental condition of the Real Property)) and (d) claims from Employees which pertain to any aspect of employment prior to the Cut-Off Time (collectively, the “Retained Liabilities”). For avoidance of doubt, the Retained Liabilities do not include any liabilities relating to the physical condition of the Property (including without limitation the environmental condition of the Real Property). Purchaser is not assuming any of the liabilities described in clause (c) of the definition of Retained Liabilities hereunder.

ARTICLE III

PURCHASE PRICE; EARNEST MONEY; LIKE-KIND EXCHANGE

Section 3.1 Purchase Price. The purchase price for the Property is Three Hundred and Five Million and no/100 Dollars (\$305,000,000) (the “Purchase Price”), which shall be adjusted at the Closing for the Prorations and the Accounts Receivable pursuant to Sections 10.1 and 10.2 respectively.

Section 3.2 Allocation of Purchase Price. The allocation of the Purchase Price as between each Property is set forth on Schedule 3.2 attached hereto. Seller and Purchaser shall use commercially reasonable efforts to agree upon a Purchase Price allocation among the Land, Improvements and Personal Property for federal, state and local tax purposes on or before the Closing. In the event that Seller and Purchaser are able to agree upon a Purchase Price allocation, such allocation shall be deemed to represent the Parties’ best judgment as to the fair market value of the Property. In such event, Seller and Purchaser shall file all federal, state and local tax returns, in accordance with the allocation agreed upon by the Parties, as the same may be adjusted pursuant to Sections 10.1 and 10.2. In the event the Parties fail to agree upon a Purchase Price allocation, Purchaser’s allocation shall be used for purposes of the payment of any transfer tax and/or sales tax due in connection with the conveyance of the Property at the Closing. Further, this Section shall not be subject to Section 11.1. This Section 3.2 shall survive the Closing.

Section 3.3 Intentionally omitted.

Section 3.4 Payment of Purchase Price. At the Closing, Purchaser shall pay to Escrow Agent, for disbursement to Seller, by wire transfer of immediately available funds an amount equal to the Purchase Price, plus or minus the Prorations (as the case may be) pursuant to Section 10.1, plus Accounts Receivable pursuant to Section 10.2 and less the Earnest Money disbursed to Seller. Purchaser shall cause the wire transfer of funds to be received by Escrow Agent no later than 12:00 p.m. (Eastern Time) on the day of the Closing (time is of the essence). Failure of Purchaser to cause the wire transfer of funds to be received by Seller by such time in accordance with this Section 3.4 shall be a default by Purchaser under this Agreement.

Section 3.5 Like-Kind Exchange. Notwithstanding anything to the contrary in this Agreement, Purchaser acknowledges and agrees that either Gainey Seller or RP Seller shall have the right at the Closing, in lieu of receiving the Purchase Price for the sale of the Property, to exchange the Property in a transaction intended to qualify as a tax-free exchange under Section 1031 of the Code (the “Tax-Free Exchange”). If either Seller elects to effect a Tax-Free Exchange pursuant to

this Section 3.5, such Seller shall provide written notice to Purchaser prior to the Closing, in which case such Seller shall enter into an exchange agreement and other exchange documents with a “qualified intermediary” (as defined in Treas. Reg. § 1.1031(k)-1(g)(4)) (the “Exchange Party”) pursuant to the Exchange Party’s standard form of such exchange documents (the “Exchange Agreement”), pursuant to which such Seller shall assign all of its right, title and interest under this Agreement to the Exchange Party; provided, however, that such assignment shall not relieve such Seller of any of its obligations under this Agreement. Purchaser shall execute and deliver such documents as may be required to complete the transactions contemplated by the Tax-Free Exchange which are in form and substance reasonably acceptable to Purchaser, and otherwise cooperate with such Seller at no material cost or expense to Purchaser in all reasonable respects to effect the Tax-Free Exchange. Purchaser agrees that if either Gainey Seller or RP Seller elects to effect a Tax-Free Exchange pursuant to this Section 3.5, the Earnest Money shall be deposited with or transferred to the Exchange Party pursuant to the Exchange Agreement, subject to the same terms applicable thereto under the Earnest Money Escrow Agreement. Notwithstanding the foregoing in this Section 3.5, the Tax-Free Exchange shall not diminish Purchaser’s rights, increase Purchaser’s obligations, nor serve to delay the Closing under this Agreement. Such Seller shall pay for all fees, costs and expenses in connection with the Tax-Free Exchange.

ARTICLE IV

DUE DILIGENCE; TITLE AND SURVEY

Section 4.1 Due Diligence.

(a) Due Diligence. As of the Effective Date, Purchaser has had the opportunity to (i) perform its due diligence review of the Property and all matters related thereto which Purchaser deems advisable, including, without limitation, with respect to engineering, environmental, title, survey, financial, operational and legal compliance matters, and (ii) through its employees, agents and representatives (“Purchaser’s Inspectors”), Purchaser has performed such examinations, tests, investigations and studies of the Property (the “Inspections”) as Purchaser reasonably deems advisable. With the exception of Purchaser’s Closing Conditions, Purchaser hereby waives any right to terminate this Agreement on account of the Inspections and subject to Purchaser’s Closing Conditions, the Earnest Money is non-refundable to Purchaser except as otherwise expressly provided in this Agreement.

(b) Seller's Due Diligence Materials. Purchaser acknowledges receipt of the due diligence materials set forth on Schedule 4.1(b) (all due diligence documents and materials provided by Seller to Purchaser pursuant to this Agreement, including, without limitation, those as set forth on Schedule 4.1(b)), are referred to collectively herein as the "Seller Due Diligence Materials").

(c) Purchaser's Due Diligence Reports. Subject to Section 7.1(b) hereof, if requested by Seller, Purchaser shall provide a copy to Seller of all studies, reports, and assessments prepared by any Person for or on behalf of Purchaser (other than any internal studies, reports and assessments prepared by any of Purchaser's employees, attorneys, investors, bankers or accountants) in connection with the Inspections (the "Purchaser Due Diligence Reports"), and if also requested by Seller, at Seller's cost and expense, Purchaser shall use commercially reasonable efforts to obtain an original of any such Purchaser Due Diligence Reports for Seller, together with a reliance letter from such Person in favor of Seller, in each case provided that Purchaser is not otherwise precluded by law or contract to do so. This Section 4.1(c) shall survive the termination of this Agreement and the Closing.

(d) Release and Indemnification. Purchaser shall, at its cost and expense, repair any damage to the Property or any other property owned by a Person other than Purchaser arising from or in connection with the Inspections, and restore the Property or such other third-party property to the same condition as existed prior to such Inspections. Purchaser hereby releases the Seller Indemnitees for any Losses incurred by any Purchaser Indemnitees arising from or in connection with the Inspections, except to the extent resulting from Seller's gross negligence or intentional misconduct. Purchaser shall indemnify the Seller Indemnitees from and against any Losses incurred by any Seller Indemnitees arising from or in connection with the Inspections, except to the extent resulting from Seller's gross negligence or intentional misconduct. Purchaser shall in no event be responsible under this Section 4.1(d) for any condition already existing on the Property at the time of the Inspections, except and only to the extent that Purchaser or the Inspections exacerbate such existing condition. This Section 4.1(d) shall survive the termination of this Agreement and the Closing.

(e) Liens. Purchaser shall not permit any mechanics' or materialmen's liens to be filed against the Real Property as a result of the Inspections or of any of Purchaser's Inspectors' activities on or with respect to the Real Property, including but not limited to, with respect to any labor or materials furnished to the Real Property at Purchaser's or Purchaser's Inspectors' insistence or request. If any such lien is filed against the Real Property, Purchaser shall cause the same to be promptly discharged of record and, to the extent not fully discharged of record, any such lien shall be a Permitted Exception to which Purchaser agrees to accept the conveyance of title to the Real Property for the purposes of this Agreement. If Purchaser fails to have any such lien removed of record within thirty (30) days following written notice from Seller, then Seller may cause the same to be removed of record and recover from Purchaser all out-of-pocket costs and expenses incurred by Seller in connection therewith. Purchaser shall indemnify, hold harmless and defend Seller,

Manager and the Real Property from and against any and all such liens. This Section 4.1(e) shall survive the termination of this Agreement.

(f) Compliance with Laws. Purchaser, at its own expense, shall comply (and shall cause each of Purchaser's Inspectors to comply) with all Applicable Laws with respect to the Inspections and with respect to their activities on or about the Real Property including, without limitation, those relating to health, safety, noise, environmental protection, waste disposal, water and air quality, and worker occupational health and safety, and shall furnish to Seller reasonable evidence of such compliance upon request.

(g) Insurance.

(i) With respect to any activities on or about the Real Property between the Effective Date and the Closing, Purchaser shall, at its expense, maintain and furnish or cause Purchaser's Inspectors to maintain and furnish evidence of insurance naming Seller and Manager as an additional insured thereunder, written through an insurance company licensed to do business in the state in which the Real Property is located having a rating of at least "A" by A.M. Best Company, evidencing current worker's compensation insurance meeting the legally mandated limits of coverage as well as commercial general liability insurance on an occurrence basis with coverage limits of not less than Two Million Dollars (\$2,000,000) combined single limit per occurrence for personal liability (including bodily injury and death) and not less than One Million Dollars (\$1,000,000) per occurrence for property damage and with endorsements (copies to be provided to Seller) providing that such coverages are primary and evidencing contractual liability insurance that covers Purchaser's indemnity obligations under this Agreement.

(ii) A properly completed certificate of insurance executed by an authorized representative of the insurer or insurers or a certified copy of the policy or policies, evidencing compliance with the above requirements and providing that not less than thirty (30) days prior written notice will be provided to Seller before any cancellation of coverage, shall be delivered to Seller prior to entry upon the Real Property by Purchaser or any of Purchaser's Inspectors.

Section 4.2 Title and Survey.

(a) Title Commitment. Purchaser acknowledges receipt of an ALTA owner's title insurance commitment from the Title Company with an effective date of August 2, 2017 for the portion of the Real Property that is part of the HR Hotel Property, together with a copy of all documents referenced therein (the "HR Title Commitment"), and an ALTA owner's title insurance commitment from the Title Company with an effective date of August 1, 2017 for the portion of the Real Property that is part of the RP Hotel Property, together with a copy of all documents referenced therein (the "RP Title Commitment"); the HR Title Commitment and the RP Title Commitment are collectively and individually, as the context requires, referred to herein as the "Title Commitment").

(b) Survey. Purchaser acknowledges receipt of the survey of the HR Hotel, prepared by Collar, Williams & White Engineering, Inc. dated July 22, 1987, which has been

prepared in accordance with the Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys (the “Existing HR Survey”), as updated by the survey prepared by Landco, L.P. and dated August 29, 2017, with the Minimum Standard Detail Requirements for ALTA/NSPS Land Title Surveys, certified to Seller, Purchaser and the Title Company (the “Updated HR Survey”; the Existing HR Survey and the Updated HR Survey are collectively and individually, as the context requires, referred to as the “HR Survey”). Purchaser acknowledges receipt of the survey of the RP Hotel, prepared by AEI Consultants dated May 27, 2016, which has been prepared in accordance with the Minimum Standard Detail Requirements for ALTA/NSPS Land Title Surveys (the “Existing RP Survey”), as updated by the survey prepared by Landco, L.P. and dated August 28, 2017, with the Minimum Standard Detail Requirements for ALTA/NSPS Land Title Surveys, certified to Seller, Purchaser and the Title Company (the “Updated RP Survey”; the Existing RP Survey and the Updated RP Survey are collectively and individually, as the context requires, referred to as the “RP Survey”; and the HR Survey and the RP Survey are collectively and individually, as the context requires, referred to as the “Survey”).

(c) Identification of Unpermitted Exceptions. Prior to the Effective Date, Purchaser provided written notice to Seller of Purchaser’s objections to the title to the Real Property and any survey defects not acceptable to Purchaser (the “Title Objection Letter”) disclosed in the Title Commitment (the “Title Exceptions”) or on the Survey (the “Survey Defects”). The Title Exceptions and Survey Defects set forth in the Title Objection Letter are referred to collectively herein as the “Unpermitted Exceptions”. All (i) real estate taxes and assessments not due and payable as of the Closing Date, (ii) Title Exceptions disclosed in the Title Commitment and all matters disclosed on the Survey, that are not objected to by Purchaser in any Title Objection Letter, or are otherwise deemed Permitted Exceptions pursuant to Section 4.2(d) of this Agreement, (iii) all Tenant Leases, and (iv) all liens and encumbrances created by Purchaser are referred to collectively herein as the “Permitted Exceptions”.

(d) Removal of Unpermitted Exceptions. Seller may elect, by delivering written notice to Purchaser (“Seller Cure Notice”) no later than three (3) Business Days after the Effective Date, to cure any Unpermitted Exceptions by removing such Unpermitted Exception from title or causing the Title Company to waive or commit to affirmatively insure over such Unpermitted Exception at any time prior to the Closing. Seller’s failure to deliver a Seller Cure Notice shall be deemed Seller’s election not to cure any Unpermitted Exceptions. If Seller elects or is deemed to have elected not to cure any Unpermitted Exception(s) Purchaser shall have the option, to be exercised by delivery of written notice to Seller no later than three (3) Business Days prior to the Closing, to (i) terminate this Agreement, in which case Escrow Agent shall promptly refund the Earnest Money to Purchaser upon Purchaser’s satisfaction of its obligations under Sections 4.1(c) and 7.1(b) and Seller and Purchaser shall have no further rights or obligations under this Agreement, except those which expressly survive such termination, or (ii) proceed to the Closing under this Agreement and accept title to the Real Property, subject to such uncured Unpermitted Exception(s) (which shall thereafter be deemed to be Permitted Exceptions), without any credit against the Purchase Price for any such uncured Unpermitted Exception(s). If Purchaser does not terminate this Agreement under clause (i) of the preceding sentence, Purchaser shall be deemed to have elected the option in clause (ii) of the preceding sentence. Seller shall have no obligation to cure any Unpermitted Exceptions, except that Seller shall, at or prior to the Closing: (a) cause to be removed

any mortgages, deeds of trust or other security interests for any financing incurred by Seller, (b) cause to be removed any mechanic's liens that first arise on title after the Effective Date for work performed at Seller's request and for which Purchaser has not received a credit under Article X; (c) cause to be removed any other monetary or financial liens of a liquidated amount not to exceed \$500,000 in the aggregate for all such liens, and (d) execute and deliver at the Closing all documents reasonably and customarily required by the Title Company in order to remove the "standard exceptions" in the owner's title insurance policy to be issued at the Closing, including, but not limited to, the mechanic's liens, possession, and unrecorded matters exceptions, and to insure the so-called "gap" between the effective date of the Title Commitment and the recordation of the Deed (subject to Seller's right hereunder to elect not to cure Title Exceptions and Survey Defects that are not Unpermitted Exceptions). For purposes of clauses (b) and (c) of the prior sentence, "cause to be removed" shall include bonding off.

Section 4.3 LIMITATION ON SELLER'S REPRESENTATIONS AND WARRANTIES. PURCHASER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT OR ANY CLOSING DOCUMENT, (I) THE PURCHASE OF THE PROPERTY SHALL BE ON AN "AS IS", "WHERE IS", "WITH ALL FAULTS BASIS", SUBJECT TO REASONABLE WEAR AND TEAR FROM THE DATE OF THIS AGREEMENT UNTIL THE CLOSING, AND (II) NONE OF SELLER, MANAGER, EMPLOYER OR ANY OF THEIR AFFILIATES, NOR ANY OF THEIR RESPECTIVE SHAREHOLDERS, MEMBERS, PARTNERS, TRUSTEES, DIRECTORS, OFFICERS, MANAGERS, EMPLOYEES, AGENTS OR REPRESENTATIVES, NOR ANY PERSON PURPORTING TO REPRESENT ANY OF THE FOREGOING, HAVE MADE ANY REPRESENTATION, WARRANTY, GUARANTY, PROMISE, PROJECTION OR PREDICTION WHATSOEVER WITH RESPECT TO THE HOTEL OR ANY ASPECT THEREOF OR THE PROPERTY OR ANY PORTION THEREOF, WRITTEN OR ORAL, EXPRESS OR IMPLIED, ARISING BY OPERATION OF LAW OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ANY REPRESENTATION OR WARRANTY AS TO (A) THE CONDITION, QUANTITY, QUALITY, USE, OCCUPANCY OR OPERATION OF THE PROPERTY OR ANY PORTION THEREOF, (B) THE PAST, PRESENT OR FUTURE REVENUES OR EXPENSES WITH RESPECT TO THE HOTEL, (C) THE COMPLIANCE OF THE PROPERTY OR ANY PORTION THEREOF OR THE OPERATION OF THE HOTEL WITH ANY ZONING REQUIREMENTS, BUILDING CODES OR OTHER APPLICABLE LAW, OR (D) THE ACCURACY OF ANY ENVIRONMENTAL REPORTS OR OTHER INFORMATION SET FORTH IN THE SELLER DUE DILIGENCE MATERIALS PROVIDED TO PURCHASER WHICH WERE PREPARED FOR OR ON BEHALF OF SELLER. PURCHASER ACKNOWLEDGES AND AGREES THAT PURCHASER IS NOT RELYING ON ANY STATEMENT MADE OR INFORMATION PROVIDED TO PURCHASER BY SELLER, MANAGER, EMPLOYER OR ANY OF THEIR AFFILIATES, OR ANY OF THEIR RESPECTIVE SHAREHOLDERS, MEMBERS, PARTNERS, TRUSTEES, DIRECTORS, MANAGERS, OFFICERS, EMPLOYEES, AGENTS OR REPRESENTATIVES, OR ANY PERSON PURPORTING TO REPRESENT ANY OF THE FOREGOING, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY MADE BY SELLER IN THIS AGREEMENT.

TO THE FULLEST EXTENT PERMITTED BY LAW, AND EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, PURCHASER (AND ANYONE CLAIMING BY, THROUGH OR UNDER PURCHASER) HEREBY FULLY AND IRREVOCABLY RELEASES SELLER, MANAGER AND ALL OF THEIR AFFILIATES, SHAREHOLDERS, MEMBERS, PARTNERS, TRUSTEES, DIRECTORS, OFFICERS, MANAGERS, EMPLOYEES, AGENTS AND REPRESENTATIVES (COLLECTIVELY, THE “RELEASED PARTIES”), FROM ANY AND ALL CLAIMS THAT PURCHASER MAY NOW OR HEREAFTER HAVE AGAINST THE RELEASED PARTIES FOR ANY LOSSES, WHETHER FORESEEN OR UNFORESEEN, ARISING FROM OR RELATED IN ANY WAY TO THE PROPERTY, INCLUDING WITHOUT LIMITATION, ALL ENVIRONMENTAL LIABILITIES (WHICH SHALL INCLUDE, WITHOUT LIMITATION, ALL LOSSES AND CLAIMS ARISING UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED, THE SUPERFUND AMENDMENTS AND REAUTHORIZATION ACT OF 1986, (42 U.S.C. SECTIONS 9601 ET SEQ.), THE RESOURCES CONSERVATION AND RECOVERY ACT OF 1976, (42 U.S.C. SECTIONS 6901 ET SEQ.), THE CLEAN WATER ACT, (33 U.S.C. SECTIONS 466 ET SEQ.), THE SAFE DRINKING WATER ACT, (14 U.S.C. SECTION 1401-1450), THE HAZARDOUS MATERIALS TRANSPORTATION ACT, (49 U.S.C. SECTIONS 1801 ET SEQ.), THE TOXIC SUBSTANCE CONTROL ACT, (15 U.S.C. SECTIONS 2601-2629), AND ANY OTHER FEDERAL, STATE OR LOCAL LAW OF SIMILAR EFFECT, AS WELL AS ANY AND ALL COMMON LAW CLAIMS), EXCEPT FOR CLAIMS AGAINST SELLER BASED UPON SELLER’S REPRESENTATIONS, WARRANTIES OR INDEMNITIES CONTAINED IN THIS AGREEMENT OR IN ANY DOCUMENTS OF CONVEYANCE DELIVERED BY SELLER TO PURCHASER IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH OF ITS EXPRESS TERMS AND PROVISIONS INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO UNKNOWN AND UNSUSPECTED LOSSES. WITH RESPECT TO THE RELEASE SET FORTH HEREIN RELATING TO UNKNOWN AND UNSUSPECTED LOSSES, PURCHASER HEREBY SPECIFICALLY ACKNOWLEDGES THAT SUCH RELEASE IS MADE WITH THE ADVICE OF COUNSEL AND WITH FULL KNOWLEDGE AND UNDERSTANDING OF THE CONSEQUENCES AND EFFECTS OF SUCH RELEASE AND THAT SUCH RELEASE IS A MATERIAL PART OF THIS AGREEMENT.

UPON CONSUMMATION OF THE CLOSING HEREUNDER, THE FOREGOING RELEASE SHALL BE DEEMED TO BE RESTATED AND MADE AGAIN ON THE CLOSING DATE. THE PROVISIONS OF THIS SECTION 4.3 ARE MATERIAL AND INCLUDED AS A MATERIAL PORTION OF THE CONSIDERATION GIVEN TO SELLER BY PURCHASER IN EXCHANGE FOR SELLER’S PERFORMANCE HEREUNDER. THE PROVISIONS CONTAINED IN THIS SECTION 4.3 SHALL NOT MERGE WITH THE TRANSFER OF TITLE AND SHALL SURVIVE THE CLOSING AND THE RECORDATION OF THE CONVEYANCE DOCUMENTS OR THE TERMINATION OF THIS AGREEMENT FOR ANY REASON.

Section 4.4 Reliance on the Title Policy. Notwithstanding anything contained in this Agreement to the contrary, with respect to all matters affecting title to the Real Property, and any liens or other encumbrances affecting the Real Property, Purchaser acknowledges and agrees that it is solely relying upon the Title Policy (except to the extent of any express representations and warranties by Seller in Section 5.1). If Purchaser has a claim under the Title Policy, the subject matter of which may also constitute a breach of any representation, warranty, or covenant made by Seller in this Agreement or in any Closing Document, Purchaser shall look first to the Title Policy for recovery on such claim, and Purchaser shall not assert any claim against Seller for a breach of a representation, warranty, or covenant with respect to such claim, unless Purchaser cannot recover from the Title Company for such claim. This Section shall survive the Closing.

ARTICLE V

SELLER'S REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties. To induce Purchaser to enter into this Agreement and to consummate the transaction contemplated herein, each Party comprising Seller hereby makes, jointly and severally, the representations and warranties in this Section 5.1, subject to the limitations set forth in Sections 4.3, 5.2 and 5.3, upon which Seller acknowledges and agrees that Purchaser is entitled to rely.

(a) Organization and Power. Each Party comprising Seller is duly formed or organized, validly existing and in good standing in the jurisdiction of its formation or organization, and is qualified to do business in the jurisdiction in which the Hotel is located, and has all requisite power and authority to own and operate the Hotel as currently owned and operated.

(b) Authority and Binding Obligation. (i) Seller has full power and authority to execute and deliver this Agreement and all documents now or hereafter to be executed and delivered by Seller under this Agreement, and to perform all obligations arising under this Agreement and such other documents, (ii) the execution by the undersigned on behalf of Seller, and the delivery and performance of this Agreement by Seller has been duly and validly authorized by all necessary action on the part of Seller, and (iii) this Agreement and such other documents now or hereafter to be executed and delivered by Seller under this Agreement, when executed and delivered, will each constitute the legal, valid and binding obligations of Seller enforceable against Seller in accordance with its terms, except to the extent Purchaser itself is in default hereunder.

(c) Consents and Approvals; No Conflicts. (i) No filing with, and no permit, authorization, consent or approval of, any Governmental Authority or other Person is necessary for the consummation by Seller of the transaction contemplated by this Agreement, except to the extent the failure to obtain such permit, authorization, consent or approval would not have a material adverse effect on the ownership or operation of the Hotel, and (ii) neither the execution and delivery of this Agreement by Seller, nor the consummation by Seller of the transaction contemplated under this Agreement, nor compliance by Seller with any of the terms of this Agreement will: (A) violate any provision of Seller's organizational or governing documents; (B) violate any Applicable Law to which Seller is subject; or (C) result in a violation or breach of, or constitute a default under any of the Material Contracts, except to the extent such violation, breach or default would not have a

material adverse effect on the ownership or operation of the Hotel, or (D) result in the creation or imposition of any lien or encumbrance on the Property or any portion thereof.

(d) Title to Personal Property. Except as set forth in Schedule 5.1(d), Seller has good and valid title to all tangible Personal Property (other than the Excluded Property), which in each case shall be free and clear of all liens and encumbrances as of the Closing.

(e) Condemnation. To Seller's Knowledge, no condemnation or eminent domain proceedings are pending or threatened against Seller or the Property or any portion thereof.

(f) Litigation. Except as set forth on Schedule 5.1(f), neither Seller nor Manager has (i) been served with any court filing in any litigation with respect to the Hotel in which Seller or Manager is named a party, or (ii) received written notice of any charge or complaint from any Governmental Authority or other Person pursuant to any administrative, arbitration or similar adjudicatory proceeding in which Seller is a named party with respect to the Hotel which has not been settled or dismissed.

(g) Finders and Investment Brokers. Seller has not dealt with any Person who has acted, directly or indirectly, as a broker, finder, financial adviser or in such other capacity for or on behalf of Seller in connection with the transaction contemplated by this Agreement in a manner which would entitle such Person to any fee or commission in connection with this Agreement or the transaction contemplated in this Agreement. Seller shall indemnify Purchaser Indemnitees from and against any Losses incurred by Purchaser Indemnitees as a result of any inaccuracy of the representation contained in this Section 5.1(g). The indemnity in this Section 5.1(g) shall survive the Closing or termination of this Agreement.

(h) Foreign Person. Seller is not a "foreign person" for purposes of the withholding provisions of Section 1445 of the Code.

(i) Anti-Terrorism Laws.

(i) None of Seller or, to Seller's Knowledge, its Affiliates, is in violation of any laws relating to terrorism, money laundering or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Action of 2001, Public Law 107-56 and Executive Order No. 13224 (Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism) (the "Executive Order") (collectively, the "Anti-Money Laundering and Anti-Terrorism Laws").

(ii) None of Seller or, to Seller's Knowledge, its Affiliates, is acting, directly or indirectly, on behalf of terrorists, terrorist organizations or narcotics traffickers, including those persons or entities that appear on the Annex to the Executive Order, or are included on any relevant lists maintained by the Office of Foreign Assets Control of U.S. Department of Treasury, U.S. Department of State, or other U.S. government agencies, all as may be amended from time to time.

(iii) None of Seller or, to Seller's Knowledge, its Affiliates in any capacity in connection with the sale or purchase of the Property (A) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person included in the lists set forth in the preceding paragraph; (B) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order; or (C) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Money Laundering and Anti-Terrorism Laws.

(iv) Seller understands and acknowledges that Purchaser may become subject to further anti-money laundering regulations, and agrees to execute instruments, provide information, or perform any other acts as may reasonably be requested by Purchaser, for the purpose of: (i) carrying out due diligence as may be required by Applicable Law to establish Seller's identity and source of funds; (ii) maintaining records of such identities and sources of funds, or verifications or certifications as to the same; and (iii) taking any other actions as may be required to comply with and remain in compliance with anti-money laundering regulations applicable to Seller.

Neither Seller, nor, to Seller's Knowledge, any person controlling or controlled by Seller, is a country, territory, individual or entity named on a Government List, and the monies used in connection with this Agreement and amounts committed with respect thereto, were not and are not derived from any activities that contravene any applicable anti-money laundering or anti-bribery laws and regulations (including funds being derived from any person, entity, country or territory on a Government List or engaged in any unlawful activity defined under Title 18 of the United States Code, Section 1956(c)(7)).

(j) Tenants. The only tenants of the Property, other than Hotel guests, are the tenants pursuant to the Tenant Leases described on Schedule 2.1(g) attached hereto, which sets forth a true and correct list of all of the Tenant Leases, and, except as specifically noted on Schedule 2.1(g), to Seller's Knowledge, all of the Tenant Leases are in full force and effect, and Seller has neither given nor received written notice of any violation of the Tenant Leases that remains uncured.

(k) Equipment Leases. Schedule 2.1(h) attached hereto sets forth a true and correct list of all of the Equipment Leases, and, except as specifically noted on Schedule 2.1(h), to Seller's Knowledge, all of the Equipment Leases are in full force and effect, and Seller has neither given nor received written notice of any violation of the Equipment Leases that remains uncured.

(l) Material Contracts. Schedule 5.1(l) attached hereto sets forth a true and correct list of all of the Material Contracts. If Seller has inadvertently and unintentionally omitted a Material Contract from Schedule 5.1(l), Purchaser hereby acknowledges and agrees that it shall not have any right to terminate this Agreement pursuant to the terms hereof, but shall not be obligated to assume such Material Contract. Except as specifically noted on Schedule 5.1(l), to Seller's Knowledge, all of the Material Contracts are in full force and effect, and Seller has neither given nor received written notice of any violation of any Material Contract that remains uncured.

(m) Licenses and Permits. Schedule 5.1(m) sets forth a true, correct, and complete list of the material Licenses and Permits utilized by Seller and/or Manager in connection with the

ownership and operation of the Hotel, and, except as specifically noted on Schedule 5.1(m), to Seller's Knowledge all of the Licenses and Permits are in full force and effect, and Seller has neither given nor received written notice of any violation of any of the Licenses and Permits that remains uncured.

(n) Third Party Rights. Subject to anything contained in the Title Commitment (and underlying documents), Seller has not entered into any agreements currently in effect pursuant to which Seller has granted any rights of first refusal to purchase all or any part of the Property, options to purchase all or any part of the Property or other rights whereby any individual or entity has the right to purchase all or any part of the Property which have not been waived as of the date hereof.

(o) Employees. Seller has not entered into (and Seller has not caused or requested that Manager enter into any, or approved the execution by Manager of, any), and to Seller's Knowledge there are no ~~any~~ collective bargaining agreements or other labor union contracts or agreements currently in effect with any union covering the Employees. Seller has no Employees. Further, to Seller's Knowledge, neither Seller nor Manager has been contacted by any labor union to demand recognition, negotiate with such labor union as the bargaining representative of Employees, and no agreements regarding a method of organizing any of the Employees are in effect.

(p) Notice from Governmental Authorities. Except as disclosed in the Title Commitment, as of the Effective Date, Seller has not received any written notice from any governmental or quasi-governmental agency or authority that any special assessments are pending, noted or levied against the Property.

(q) Casualty and Condemnation. Seller has received no written notice of any pending or threatened condemnation actions with respect to the Property that remain pending.

(r) Environmental Matters. Neither Seller nor Manager has received any written notice of, or has Knowledge of, a violation of any Environmental Law with respect to the Property which has not been cured or dismissed. With respect to Manager, "Knowledge" means the actual (and not constructive) knowledge of the general manager of the Hotel, and expressly excluding the knowledge of any other shareholder, trustee, partner, member, director, officer, employee, agent or representative of Manager or any of its respective Affiliates (other than Seller).

(s) Taxes. To Seller's Knowledge, except as set forth in Schedule 5.1(s), there are no outstanding or pending contests or disputes with respect to the amount or payment of any of the Taxes and all Taxes due and payable as of the Closing shall have been paid or will be paid by Seller at the Closing.

(t) Covenants, Conditions and Restrictions. Seller has not received nor delivered any written notices of default in connection with the Master Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements for The Gainey Ranch Community Association (the "Master Gainey Declaration") nor the Memorandum of Agreement (Covenants, Conditions, Restrictions and License) recorded March 14, 1997 as 97-0166999 of the official records and recorded as 97-0218555 of official records (collectively, the

“ CCRs ”) and, to Seller’s Knowledge, no defaults exist under the terms of the CCRs. To Seller’s Knowledge, Seller has paid all assessments of any kind or nature that are due and payable under the Master Gainey Declaration.

Section 5.2 Amendment to Representations, Warranties and Schedules. Notwithstanding anything to the contrary in this Agreement, Seller shall have the right to amend and supplement the representations and warranties contained in Section 5.1 of this Agreement and the schedules to this Agreement from time to time to the extent Seller did not have Knowledge as of the date of this Agreement of the matter being disclosed in such amendment or supplement or to the extent that facts regarding such matter changed subsequent to the making of the representation and warranty by providing a written copy of such amendment or supplement to Purchaser. No such amendment or supplement or the subject matter thereof shall be deemed a default by Seller under this Agreement. If such amendment or supplement contains a material modification to any representation or warranty contained in Section 5.1, Purchaser may elect, no later than three (3) Business Days after receipt of Seller’s notice, to proceed to the Closing notwithstanding such amendment or supplement or terminate this Agreement, in which case Escrow Agent shall promptly refund the Earnest Money to Purchaser, whereupon this Agreement shall be deemed cancelled and of no further force or effect, except for those provisions hereof that expressly survive the termination of this Agreement. If Purchaser does not make such election within such three (3) Business Day period, Purchaser shall be deemed to have elected to proceed to the Closing. Seller’s representations and warranties shall be deemed modified by any amendment or supplement delivered in accordance with this Section 5.2.

Section 5.3 Effect of Purchaser’s Knowledge. If Purchaser has Knowledge prior to the Closing of a breach of any representation or warranty made by Seller in this Agreement and Purchaser nevertheless elects to close this transaction, such representation or warranty by Seller with respect to such matter shall be deemed to be modified to reflect such Purchaser’s Knowledge.

Section 5.4 Survival. All representations and warranties of Seller under this Agreement shall survive the Closing and not merge into the Closing Documents for a period commencing on the Closing Date and expiring at 5:00 p.m. (Local Time) on the date which is six (6) months after the Closing Date (the “ Survival Period ”).

Section 5.5 Limitations on Liability. Notwithstanding anything to the contrary in this Agreement, Purchaser acknowledges and agrees that it shall have no claim against Seller for any Losses, including as a result of any breach of the representations and warranties contained in this Article V (and as may be updated pursuant to Section 5.2 hereof) (A) to the extent that the aggregate amount of all Losses incurred by Purchaser for which Purchaser would otherwise be entitled to indemnification (i) does not exceed an amount equal to \$50,000.00 (the “ Deductible ”), and if such Losses exceed the Deductible, Purchaser shall not be entitled to any amount up to the Deductible, and/or (ii) exceeds \$6,200,000.00 (the “ Cap ”) and (B) unless Purchaser has given Seller written notice claiming such breach, stating in reasonable detail the factual basis for such claim and providing supporting documentation for the claim, within the Survival Period. All liabilities and obligations under the representations and warranties of Seller contained in this Agreement shall lapse and be of no further force or effect after the last day of the Survival Period, except with respect to any matter contained in a claim notice described in item (ii) in the preceding sentence delivered on or before the last day of the Survival Period. Except for claims based on fraud, claims for breaches of representations and warranties contained in this Article V shall be the sole and exclusive remedy of Purchaser for post-Closing obligations of Seller.

(a) Effect of Taxes and Insurance. The amount of any Losses for which Purchaser is entitled under this Article V shall be net of any insurance proceeds received by Purchaser.

ARTICLE VI

PURCHASER'S REPRESENTATIONS AND WARRANTIES

Section 6.1 Representations and Warranties. To induce Seller to enter into this Agreement and to consummate the transaction contemplated hereby, Purchaser hereby makes the representations and warranties in this Section 6.1, subject to the limitation in Section 6.2, upon which Purchaser acknowledges and agrees that Seller is entitled to rely.

(a) Organization and Power. Purchaser is duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

(b) Authority and Binding Obligation. (i) Purchaser has full power and authority to execute and deliver this Agreement and all documents now or hereafter to be executed and delivered by Purchaser under this Agreement, and to perform all obligations arising under this Agreement and such other documents, (ii) the execution by the undersigned on behalf of Purchaser, and the delivery and performance of this Agreement by Purchaser has been duly and validly authorized by all necessary action on the part of Purchaser, and (iii) this Agreement and such other documents now or hereafter to be executed and delivered by Purchaser under this Agreement, when executed and delivered, will each constitute the legal, valid and binding obligations of Purchaser enforceable against Purchaser in accordance with its terms, except to the extent Seller itself is in default hereunder.

(c) Consents and Approvals; No Conflicts. (i) No filing with, and no permit, authorization, consent or approval of, any Governmental Authority or other Person is necessary for the consummation by Purchaser of its obligations under this Agreement, and (ii) neither the execution and delivery of this Agreement by Purchaser, nor the consummation by Purchaser of the transaction contemplated under this Agreement, nor compliance by Purchaser with any of the terms of this Agreement will: (A) violate any provision of the organizational or governing documents of Purchaser; (B) violate any Applicable Law to which Purchaser is subject; or (C) result in a violation or breach of or constitute a default under any contract, agreement or other instrument or obligation to which Purchaser is a party or by which any of Purchaser's properties are subject.

(d) Finders and Investment Brokers. Purchaser has not dealt with any Person who has acted, directly or indirectly, as a broker, finder, financial adviser or in such other capacity for or on behalf of Purchaser in connection with the transaction contemplated by this Agreement in any manner which would entitle such Person to any fee or commission in connection with this Agreement or the transaction contemplated in this Agreement. Purchaser shall indemnify Seller Indemnitees from and against any Losses incurred by Seller Indemnitees as a result of any inaccuracy of the representation contained in this Section 6.1(d). The indemnity in this Section 6.1(d) shall survive the Closing or termination of this Agreement.

(e) Anti-Terrorism Laws.

(i) None of Purchaser or, to Purchaser's Knowledge, its Affiliates, is in violation of any Anti-Money Laundering and Anti-Terrorism Laws.

(ii) None of Purchaser or, to Purchaser's Knowledge, its Affiliates, is acting, directly or indirectly, on behalf of terrorists, terrorist organizations or narcotics traffickers, including those persons or entities that appear on the Annex to the Executive Order, or are included on any relevant lists maintained by the Office of Foreign Assets Control of U.S. Department of Treasury, U.S. Department of State, or other U.S. government agencies, all as may be amended from time to time.

(iii) None of Purchaser or, to Purchaser's Knowledge, its Affiliates in any capacity in connection with the purchase of the Property (A) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person included in the lists set forth in the preceding paragraph; (B) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order; or (C) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Money Laundering and Anti-Terrorism Laws.

(iv) Purchaser understands and acknowledges that Seller may become subject to further anti-money laundering regulations, and agrees to execute instruments, provide information, or perform any other acts as may reasonably be requested by Seller, for the purpose of: (i) carrying out due diligence as may be required by Applicable Law to establish Purchaser's identity and source of funds; (ii) maintaining records of such identities and sources of funds, or verifications or certifications as to the same; and (iii) taking any other actions as may be required to comply with and remain in compliance with anti-money laundering regulations applicable to Purchaser.

(v) Neither Purchaser, nor any person controlling or controlled by Purchaser, is a country, territory, individual or entity named on a Government List, and the monies used in connection with this Agreement and amounts committed with respect thereto, were not and are not derived from any activities that contravene any applicable anti-money laundering or anti-bribery laws and regulations (including funds being derived from any person, entity, country or territory on a Government List or engaged in any unlawful activity defined under Title 18 of the United States Code, Section 1956(c)(7)).

(f) Financing. Purchaser acknowledges that Purchaser's obligations under this Agreement are not conditioned or contingent upon Purchaser obtaining financing from a third party or otherwise.

Section 6.2 Effect of Seller's Knowledge. If Seller has Knowledge prior to the Closing of a breach of any representation or warranty made by Purchaser in this Agreement and Seller nevertheless elects to close this transaction, such representation or warranty by Purchaser with respect to such matter shall be deemed to be modified to reflect such Seller's Knowledge.

Section 6.3 Survival. All representations and warranties of Purchaser under this Agreement shall survive the Closing and shall not merge into any of the Closing Documents for the Survival Period.

ARTICLE VII

COVENANTS

Section 7.1 Confidentiality.

(a) Disclosure of Confidential Information; Public Announcements. Purchaser and Seller shall keep confidential and not make any public announcement or disclose to any Person the existence or any terms of this Agreement (“Agreement Information”); provided, however, that either Purchaser or Seller shall be permitted to, following the Effective Date, make a public announcement of the existence of this Agreement to purchase the Property, the form and substance of which must be approved in advance and in writing by the other party, which approval shall not be unreasonably withheld, conditioned or delayed. Purchaser shall keep confidential any information disclosed by the Inspections or in the Seller Due Diligence Materials or Purchaser Due Diligence Reports, and any other documents, materials, data or other information with respect to the Hotel which is not generally known to the public together with the Agreement Information, (the “Confidential Information”); provided, however, that Purchaser shall be permitted to (i) disclose any Confidential Information to the extent required by court order or under Applicable Law, or (ii) disclose any Confidential Information to any Person on a “need-to-know” basis, such as their respective directors, officers, partners, members, employees, attorneys, accountants, engineers, surveyors, consultants, lenders, investors, managers, franchisors and such other Persons whose assistance is required to consummate the transactions contemplated in this Agreement; provided, however, that Purchaser shall (a) advise such Person of the confidential nature of such Confidential Information, and (b) use commercially reasonable efforts to cause such Person to maintain the confidentiality of such information. From and after the Closing, either Seller or Purchaser may issue a press release or make other public statements regarding the consummation of the Closing as such Party may desire. In such event, such party shall, at least three (3) Business Days prior to the issuance of same, deliver a copy of the proposed press release to the other party for its review and approval, not to be unreasonably withheld, conditioned or delayed. This Section 7.1(a) shall survive the termination of this Agreement but not the Closing.

(b) Return of Seller Due Diligence Materials. If this Agreement is terminated, (i) Purchaser promptly shall return all original Seller Due Diligence Materials provided by Seller to Purchaser, (ii) Purchaser shall destroy all copies and other reproductions made of any Seller Due Diligence Materials and certify to Seller in writing that Purchaser has completed such destruction, and (iii) upon Seller’s request, Purchaser shall promptly deliver to Seller copies of all third-party reports (without representation or warranty) prepared by or for Purchaser in connection with the Inspections, provided that, in each instance (a) if Seller terminated this Agreement or this Agreement is terminated due to a Seller Default, Seller shall reimburse Purchaser for Purchaser’s actual documented costs associated with obtaining such third party report(s), and (b) Purchaser is not otherwise precluded by law or contract to do so. This Section 7.1(b) shall survive termination of this Agreement.

(c) Communication with Employees. Purchaser shall not, through its employees, agents, representatives or any other Person, directly or indirectly, initiate or pursue any communication with any Employees or any Person representing any Employees involving any matter with respect to the Hotel, the Employees or this Agreement, other than the general manager of the Hotel without Seller's prior written consent in each case and instance, which may be withheld, in Seller's sole discretion, unless such communication is arranged by Seller.

Section 7.2 Operation of the Hotel Prior to Closing.

(a) Operation in Ordinary Course of Business. From the Effective Date until the Closing or earlier termination of this Agreement, Seller shall operate the Hotel in the Ordinary Course of Business, including, without limitation, (i) maintaining all existing insurance coverages related to the Hotel in the Ordinary Course of Business, (ii) maintaining the inventories of Supplies, F&B and Retail Merchandise in the Ordinary Course of Business, and (iii) performing maintenance and repairs for the Hotel in the Ordinary Course of Business; provided, however, that Seller shall be permitted to inform guests or prospective guests of the Hotel of the impending sale of the Hotel and shall be permitted to terminate the Terminated Contracts.

(b) Contracts. From the Effective Date until the Closing or earlier termination of this Agreement, Seller shall not (i) amend, modify, extend, renew or terminate any Material Contracts (other than the Terminated Contracts) or Licenses and Permits, in each case without Purchaser's prior written consent which shall not be unreasonably withheld, conditioned or delayed, except in the Ordinary Course of Business, nor (ii) enter into any new Material Contracts.

(c) Renovations. The Parties acknowledge that there are certain Ongoing Capital Improvements at the Property, including but not limited to the Hotel. Seller represents and warrants that it has paid \$5,724,403 towards such Ongoing Capital Improvements (and there will be no credit to Seller for such amount). Except for the amounts paid for by Seller as set forth in the preceding sentence, Purchaser shall assume all liabilities and obligations of Seller for the Ongoing Capital Improvements. For the avoidance of doubt, Purchaser's obligations pursuant to this Section 7.2(c) shall not be limited by the amounts set forth in Schedule 7.2(c).

Section 7.3 Licenses and Permits. To the extent applicable, Purchaser, at its cost and expense, shall be responsible for obtaining the transfer of all Licenses and Permits (to the extent transferable) or the issuance of new licenses and permits, including, without limitation, the Liquor Licenses. Purchaser, at its cost and expense, shall submit all necessary applications and other materials to the appropriate Governmental Authority and take such other actions to effect the transfer of Licenses and Permits or issuance of new licenses and permits as of the Closing, and Seller shall use commercially reasonable efforts (at no cost or expense to Seller other than any de minimis cost or expense or any cost or expense which Purchaser agrees in writing to reimburse) to cooperate with Purchaser to cause the Licenses and Permits to be transferred or new licenses and permits to be issued to Purchaser. Notwithstanding anything to the contrary in this Section 7.3, issuance of any Licenses and Permits shall not be a condition precedent to Purchaser's obligation to close the transaction contemplated under this Agreement.

Section 7.4 Bookings. Purchaser shall assume and honor all Bookings for any period on or after the Closing Date, including, without limitation, any Bookings by any Person in redemption of any gift certificates or any benefits accrued under the World of Hyatt® Program, any Bookings under any special promotions, employee Bookings, pre-paid Bookings or Bookings for which a deposit was made and for which Purchaser received a credit on the Closing Date. Purchaser shall be responsible for any and all refunds associated with any of the foregoing. Seller shall promptly reimburse Purchaser for any room nights redeemed by any Person pursuant to the World of Hyatt® Program on or after the Closing Date in accordance with the terms for such reimbursement as provided in the World of Hyatt® Program and shall promptly reimburse Purchaser for any payments for any Bookings paid for with gift certificates of Seller or any of its Affiliates in an amount equal to the amount received by Seller or its Affiliate for such gift certificate, or if no charge was made therefor, either 50% of the face amount thereof, or, if applicable, \$50 per room night for any free room gift certificates. This Section 7.4 shall survive the Closing.

Section 7.5 Tax Contests.

(a) Taxable Period Terminating Prior to Closing Date. Seller shall retain the right to commence, continue and settle any proceeding to contest any Taxes for any taxable period which terminates prior to the Closing Date, and shall be entitled to any refunds or abatements of Taxes awarded in such proceedings.

(b) Taxable Period Including the Closing Date. Seller shall have the right to commence, continue and settle any proceeding to contest any Taxes for any taxable period which includes the Closing Date. Notwithstanding the foregoing, if Purchaser desires to contest any Taxes for such taxable period and Seller has not commenced any proceeding to contest any such Taxes for such taxable period, Purchaser shall provide written notice requesting that Seller contest such Taxes. If Seller desires to contest such Taxes, Seller shall provide written notice to Purchaser within thirty (30) days after receipt of Purchaser's request confirming that Seller will contest such Taxes, in which case Seller shall proceed to contest such Taxes, and Purchaser shall not have the right to contest such Taxes. If Seller fails to provide such written notice confirming that Seller will contest such Taxes within such thirty (30) day period, Purchaser shall have the right to contest such Taxes. Any refunds or abatements awarded in such proceedings shall be used first to reimburse the Party contesting such Taxes for the reasonable costs and expenses incurred by such Party in contesting such Taxes, and the remainder of such refunds or abatements shall be prorated between Seller and Purchaser as of the Cut-Off Time, and the Party receiving such refunds or abatements promptly shall pay such prorated amount due to the other Party.

(c) Taxable Period Commencing On or After Closing Date. Purchaser shall have the right to commence, continue and settle any proceedings to contest Taxes for any taxable period which commences on or after the Closing Date, and shall be entitled to any refunds or abatements of Taxes awarded in such proceedings.

(d) Cooperation. Seller and Purchaser shall use commercially reasonable efforts to cooperate with the Party contesting the Taxes (at no cost or expense to the Party not contesting the Taxes other than any *de minimis* cost or expense or any cost or expense which the requesting

Party agrees in writing to reimburse) and to execute and deliver any documents and instruments reasonably requested by the Party contesting the Taxes in furtherance of the contest of such Taxes.

(e) Tax Clearance Certificate. If available in Arizona, Seller shall use commercially reasonable efforts to deliver or cause to be delivered to Purchaser in connection with the Closing or within sixty (60) days following the Closing, a Tax Clearance Certificate from the appropriate taxing authorities confirming that all sales taxes due and owing in connection with Hotel operations through the Closing have been paid by Seller.

(f) Survival. The provisions of this Section 7.5 shall survive the Closing.

Section 7.6 Notices and Filings. Seller shall have the right, at its sole cost and expense, to send an announcement to all guests and customers at the Hotel as of the Closing and all Persons who have Bookings at the Hotel as of the Closing, in form and substance reasonably acceptable to Purchaser, informing such Persons of the change in ownership and operation of the Hotel to Purchaser. Seller and Purchaser shall use commercially reasonable efforts to cooperate with each other (at no cost or expense to the Party whose cooperation is requested, other than any *de minimis* cost or expense or any cost or expense which the requesting Party agrees in writing to reimburse) to provide written notice to any Person under any Tenant Leases, Contracts, Licenses and Permits, and to effect any registrations or filings with any Governmental Authority or other Person, regarding the change in ownership or operation of the Hotel. This Section 7.6 shall survive the Closing.

Section 7.7 Access to Information. For a period of three (3) years following the Closing, Purchaser shall provide reasonable access to the officers, employees, agents and representatives of any Seller Indemnitees to the Books and Records conveyed and delivered by Seller to Purchaser at the Closing for any purpose deemed necessary or advisable by Seller, including, without limitation, to facilitate the preparation of any documents required to be filed by Seller under Applicable Law or the resolution of any audit, litigation or other proceeding, claim or charge made by any Person or insurance claim involving Seller or any of its Affiliates; provided, however, that (A) such Seller Indemnitees shall provide reasonable prior notice to Purchaser; (B) Purchaser shall not be required to provide such access during non-business hours; (C) Purchaser shall have the right to accompany the officer, employees, agents or representatives of such Seller Indemnitees in providing access to its books and records or the Property as provided in this Section 7.7. Purchaser, at its cost and expense, shall retain all Books and Records conveyed and delivered by Seller to Purchaser with respect to the Hotel and pertaining to the period prior to the Closing for a period of three (3) years after the Closing. This Section 7.7 shall survive the Closing.

Section 7.8 Further Assurances. From the date of this Agreement until the Closing or termination of this Agreement, Seller and Purchaser shall use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate the transaction contemplated in this Agreement, including, without limitation, (i) obtaining all necessary consents, approvals and authorizations required to be obtained from any Governmental Authority or other Person under this Agreement or Applicable Law, and (ii) effecting all registrations and filings required under this Agreement or Applicable Law. After the Closing, Seller and Purchaser shall use commercially reasonable efforts (at no cost or expense to such Party, other than any *de minimis* cost or expense or any cost or expense which the requesting

Party agrees in writing to reimburse) to further effect the transaction contemplated in this Agreement and to address any reasonable requests either may have in connection with any legal requirement, tax audit, tax return or other reporting obligations. This Section 7.8 shall survive the Closing.

Section 7.9 Re-Sale Number. At or prior to the Closing, Purchaser shall deliver its re-sale number to Seller in the form customarily used in the state in which the Real Property is located. If Purchaser does not deliver its re-sale number to Seller at or prior to the Closing, Purchaser shall pay to Seller at the Closing an amount sufficient to pay any sales tax due on any items held for re-sale.

Section 7.10 Estoppels. Purchaser acknowledges its receipt of an estoppel certificate, in acceptable form and substance, with respect to the Master Gainey Declaration.

Section 7.11 Liquor Licenses. The Parties have determined that Applicable Law permits Manager to hold the Liquor Licenses. Accordingly, Seller shall not, and shall not cause Manager to, take any action (or fail to take any action) to cause the Liquor Licenses to be revoked or terminated prior to or after Closing, and the Liquor Licenses shall be effective and unexpired as of Closing.

Section 7.12 Exclusivity. In addition, following the Effective Date and as long as this Agreement remains in effect, Purchaser shall have the exclusive right to purchase the Property and Seller shall not entertain any offers concerning, or engage in any discussions (including through a broker) with any other party with respect to, the sale of the Property.

ARTICLE VIII

CONDITIONS PRECEDENT

Section 8.1 Conditions Precedent to the Obligations of Both Seller and Purchaser. The respective obligations of Seller and Purchaser to close the transaction contemplated under this Agreement are subject to the requirement at or prior to the Closing Date that no preliminary or permanent injunction or other order, decree or ruling shall have been issued by a court of competent jurisdiction or by any Governmental Authority, and no Applicable Law shall have been enacted (or passed which upon enactment), would make illegal or invalid or otherwise prevent the consummation of the transaction contemplated under this Agreement.

Section 8.2 Additional Conditions to Purchaser's Obligations. Purchaser's obligations to close the transactions contemplated under this Agreement also are subject to the satisfaction at or prior to the Closing of the following conditions precedent (the "Purchaser Closing Conditions"):

(a) Seller's Deliveries. Seller shall have delivered to Purchaser or deposited with Escrow Agent in the Closing Escrow for the benefit of Purchaser, all of the Closing Documents and other items set forth in Section 9.3.

(b) Representations and Warranties. Each of Seller's representations and warranties made in this Agreement (as the same may be updated pursuant to Section 5.2) shall be

true and correct in all material respects as of the Closing (unless such representation or warranty is made expressly as of another date).

(c) Covenants and Obligations. Seller shall have performed in all material respects all of its covenants and obligations under this Agreement.

(d) Title Policy. The Title Company shall have committed to issue an owner's title insurance policy for each Property to Purchaser (which may be in the form of a pro-forma title policy or a mark-up of the Title Commitment) in accordance with the Title Commitment, insuring Purchaser's fee simple interest in the Real Property as of the Closing Date, subject only to the Permitted Exceptions (collectively and individually, as the context requires, the "Title Policy").

(e) New Management Agreement. Manager shall have delivered its executed counterparts of the New Management Agreement for each Hotel to the Escrow Agent.

(f) Reserved.

(g) Required Estoppel. Seller shall have delivered or caused to be delivered to Purchaser all of the Required Estoppel, which Required Estoppel shall not reveal any breaches, defaults or amounts that are due and payable that Seller has failed to pay.

The Purchaser Closing Conditions are for the benefit of Purchaser, and Purchaser shall have the right to waive any of The Purchaser Closing Conditions at or prior to the Closing.

Section 8.3 Additional Conditions to Seller's Obligations. Seller's obligations to close the transactions contemplated under this Agreement are subject to the satisfaction at or prior to the Closing of the following conditions precedent (the "Seller Closing Conditions"):

(a) Receipt of the Purchase Price. Purchaser shall have paid the Purchase Price to Seller pursuant to Section 3.4, and Escrow Agent shall have disbursed the Earnest Money to Seller.

(b) Purchaser's Deliveries. Purchaser shall have delivered to Seller or deposited with Escrow Agent in the Closing Escrow for the benefit of Seller, all of the Closing Documents and other items set forth in Section 9.4.

(c) Representations and Warranties. Each of the representations and warranties of Purchaser made in this Agreement shall be true and correct in all material respects as of the Closing (unless such representation or warranty is made expressly as of another date).

(d) Covenants and Obligations. Purchaser shall have performed in all material respects all of its covenants and obligations under this Agreement.

The Seller Closing Conditions are for the benefit of Seller, and Seller shall have the right to waive any of the Seller Closing Conditions at or prior to the Closing.

Section 8.4 Frustration or Failure of Closing Conditions. Seller and Purchaser may not rely on the failure of the Seller Closing Conditions or Purchaser Closing Conditions, respectively, if such failure was caused by such Party's failure to act in good faith or to use its commercially reasonable efforts to cause the Closing to occur. If any condition set forth in Section 8.1, 8.2 or 8.3 is not satisfied or waived on or before the Closing Date, then the party to this Agreement whose obligations are conditioned upon the satisfaction of such condition, so long as such party has acted in good faith and with due diligence in performing its obligations hereunder and cooperating with the other party in its performance hereunder, may (a) if such failure of condition constitutes a default under this Agreement, pursue its remedies under Article XII, or (b) if such failure of condition does not constitute a default under this Agreement, (i) terminate this Agreement by written notice delivered on or prior to the Closing Date, or (ii) with respect to any such condition, delay the Closing for a reasonable period of time not to exceed thirty (30) days to provide for the satisfaction of any of such unfulfilled conditions, where after such party shall either proceed to the Closing without abatement of the Purchase Price, or terminate this Agreement as contemplated by the foregoing item (b)(i). Upon termination of this Agreement pursuant to this Section 8.4, Escrow Agent shall promptly refund the Earnest Money to Purchaser and Seller and Purchaser shall have no further rights or obligations under this Agreement except those that expressly survive termination.

ARTICLE IX CLOSING

Section 9.1 Closing Date. The closing of the transaction contemplated under this Agreement (the "Closing") shall occur on or before October 3, 2017 (subject to extension pursuant to Section 8.4), or such other date as agreed to in writing between Seller and Purchaser (the date on which the Closing occurs is referred to herein as the "Closing Date"), at the offices of the Title Company or such other place as agreed to in writing between Seller and Purchaser.

Section 9.2 Closing Escrow. The Closing shall take place by means of a so-called "New York-style" escrow (the "Closing Escrow"). On or prior to the Closing Date, Seller and Purchaser shall enter into a closing escrow agreement with the Escrow Agent with respect to the Closing Escrow in form and substance reasonably acceptable to Seller, Purchaser and the Escrow Agent (the "Closing Escrow Agreement") pursuant to which (i) all of the documents required to be delivered by Seller and Purchaser pursuant to this Agreement (the "Closing Documents") shall be deposited with Escrow Agent; (ii) the balance of the Purchase Price to be paid by Purchaser pursuant to Section 3.4 shall be deposited with Escrow Agent; and (iii) at the Closing, the Closing Documents shall be delivered to Seller and Purchaser (as the case may be) and the Purchase Price delivered to Seller.

Section 9.3 Seller's Deliveries. At the Closing, Seller shall deliver or cause to be delivered to the Escrow Agent in the Closing Escrow for the benefit of Purchaser all of the (i) documents, each of which shall have been duly executed by Seller and acknowledged (if required), and (ii) other items, set forth in this Section 9.3, as follows:

(a) A certificate re-making the representations and warranties set forth in Section 5.1 as of the Closing Date, subject to the limitations contained in Sections 4.3, 5.2 and 5.3.

- (b) A special warranty deed for each Property in the form of Exhibit C attached hereto conveying the fee simple title in such Real Property to Purchaser free of all encumbrances except the Permitted Exceptions, duly authorized, executed and acknowledged by Seller (collectively, the “Deed”);
- (c) Two (2) counterparts of a Bill of Sale for each Property in the form of Exhibit D, transferring the FF&E, Supplies, Attic Stock, F&B, Retail Merchandise and Accounts Receivable to Purchaser, free and clear of all liens and encumbrances;
- (d) Two (2) counterparts of an Assignment and Assumption of Leases and Contracts for each Property in the form of Exhibit E, assigning the Tenant Leases, Equipment Leases and Operating Agreements to Purchaser, with the assumption by Purchaser of the liabilities and obligations thereunder from and after the Closing Date;
- (e) Two (2) counterparts of a General Assignment and Assumption Agreement for each Property in the form of Exhibit F, assigning the Licenses and Permits, Intangible Property and Bookings, with the assumption by Purchaser of the liabilities and obligations thereunder from and after the Closing Date, as well as an assumption by Purchaser of any obligations with respect to which Purchaser received a credit at the Closing;
- (f) A written agreement for each Hotel between the applicable Seller and Manager terminating the Management Agreement and all of Manager’s rights and obligations thereunder to manage or operate such Hotel;
- (g) A customary ALTA owner’s statement and gap undertaking, in form and substance reasonably acceptable to Seller and the Title Company, for the purpose of permitting the Title Company to delete the “mechanics’ lien,” “assessment and reassessment,” “parties in possession” and “gap” standard exceptions from the Title Policy;
- (h) Any required real estate transfer tax declaration or similar documents required in connection with any tax imposed by any Governmental Authority in connection with the transaction contemplated hereunder;
- (i) A FIRPTA affidavit for each Party comprising Seller in the form set forth in the regulations under Section 1445 of the Code;
- (j) To the extent not previously delivered to Purchaser, all originals (or copies if originals are not available) of the Leases, Contracts, Licenses and Permits, keys and lock combinations in Seller’s Possession, which shall be located at the Hotel on the Closing Date and deemed to be delivered to Purchaser upon delivery of possession of the Hotel;
- (k) The Settlement Statement prepared pursuant to Section 11.1;
- (l) Two (2) counterparts of the New Management Agreement for the HR Hotel and two (2) counterparts of the New Management Agreement for the RP Hotel each executed by Manager;

(m) The Required Estoppel; and

(n) Such other customary documents and instruments as may be reasonably requested by Purchaser or the Title Company in order to consummate or better effectuate the transaction contemplated in this Agreement.

Section 9.4 Purchaser's Deliveries. At the Closing, Purchaser shall deliver or cause to be delivered to the Escrow Agent in the Closing Escrow for the benefit of Seller all of the (i) documents, each of which shall have been duly executed by Purchaser and acknowledged (if required), and (ii) other items, set forth in this Section 9.4, other than the Purchase Price which shall be delivered to the Escrow Agent:

(a) A certificate re-making the representations and warranties set forth in Section 6.1 as of the Closing Date, subject to the limitations contained in Section 6.2;

(b) The Purchase Price to be paid by Purchaser pursuant to Section 3.4;

(c) A letter of direction to Escrow Agent directing Escrow Agent to disburse the Earnest Money to Seller;

(d) Two (2) counterparts of each of the documents and instruments to be delivered by Seller under Section 9.3 which require execution by Purchaser;

(e) Two (2) counterparts of the New Management Agreement for the HR Hotel and two (2) counterparts of the New Management Agreement for the RP Hotel each executed by Purchaser; and

(f) Such other customary documents and instruments as may be reasonably requested by Seller or the Title Company in order to consummate or better effectuate the transaction contemplated in this Agreement.

Section 9.5 Possession. Seller shall deliver the Property and possession of the Hotel to Purchaser upon the Closing, subject to the Permitted Exceptions.

ARTICLE X PRORATIONS; ACCOUNTS RECEIVABLE; TRANSACTION COSTS

Section 10.1 Prorations. The items of revenue and expense with respect to the Hotel set forth in this Section 10.1 shall be prorated between Seller and Purchaser (the “Prorations”), using a 365 day year, as of 11:59 p.m. (Local Time) on either the day preceding or two (2) days preceding the Closing Date, as mutually determined by the Parties, or such other time expressly provided in this Section 10.1 (the “Cut-Off Time”), so that the Closing Date is a day of income and expense for Purchaser. Purchaser shall receive a credit for any items of expense in this Section 10.1 to the extent the same are accrued or due and payable but unpaid as of the Cut-Off Time in which case Purchaser shall be obligated to pay such expense, and Seller shall receive a credit for any of the items of

expense in this Section 10.1 which have been paid prior to or at the Closing or will be paid by Seller after the Closing to the extent such payment relates to any period of time after the Cut-Off Time.

(a) Taxes. All Taxes, except as set forth in Section 10.3 of this Agreement, shall be prorated as of the Cut-Off Time between Purchaser and Seller on an accrual basis, regardless of when they are due and payable. If the amount of any such Taxes is not ascertainable on the Closing Date, the proration for such Taxes shall be based on the tax rates set forth in the most recent available bill and the latest assessed valuation of the Property; *provided, however*, that after the Closing, Seller and Purchaser shall reprorate the Taxes and pay any deficiency in the original proration to the other Party promptly upon receipt of the actual bill for the relevant taxable period, or, in the event such Taxes are contested, upon receipt of the final, determined amount. The obligations under this Section 10.1(a) shall survive the Closing.

(b) Tenant Leases. Any rents and other amounts prepaid, accrued or due and payable under the Tenant Leases shall be prorated as of the Cut-Off Time between Purchaser and Seller. Purchaser shall receive a credit for all security deposits held by Seller under the Tenant Leases which are transferred to Purchaser, and Purchaser thereafter shall be obligated to refund or apply such deposits in accordance with the terms of such Tenant Leases.

(c) Contracts. Any amounts prepaid, accrued or due and payable under the Contracts (other than for utilities which proration is addressed separately in Section 10.1(e)) shall be prorated as of the Cut-Off Time between Seller and Purchaser. Purchaser shall receive a credit for all deposits held by Seller under the Contracts which are transferred to Purchaser, and Purchaser thereafter shall be obligated to refund or apply such deposits in accordance with the terms of such Contracts. Seller shall receive a credit for all deposits made by Seller under the Contracts which are transferred to Purchaser or remain on deposit for the benefit of Purchaser.

(d) Licenses and Permits. All amounts prepaid, accrued or due and payable under any Licenses and Permits (other than utilities which are separately prorated under Section 10.1(e)) transferred to Purchaser shall be prorated as of the Cut-Off Time between Seller and Purchaser. Seller shall receive a credit for all deposits made by Seller under the Licenses and Permits which are transferred to Purchaser or which remain on deposit for the benefit of Purchaser.

(e) Utilities. All utility services shall be prorated as of the Cut-Off Time between Purchaser and Seller. To the extent possible, readings shall be obtained for all utilities as of the Cut-Off Time. If not possible, the cost of such utilities shall be prorated between Seller and Purchaser by estimating such cost on the basis of the most recent bill for such service; *provided, however*, that after the Closing, Seller and Purchaser shall reprorate the amount for such utilities and pay any deficiency in the original proration to the other Party promptly upon receipt of the actual bill for the relevant billing period. Seller shall receive a credit for all deposits transferred to Purchaser or which remain on deposit for the benefit of Purchaser with respect to such utility contracts, otherwise such deposits shall be refunded to Seller. The reproration obligation in this Section 10.1(e) shall survive the Closing.

(f) Deposits for Bookings. Purchaser shall receive a credit for all prepaid deposits for Bookings scheduled for accommodations or events on or after the Closing Date which Purchaser is obligated to honor pursuant to this Agreement, except to the extent such deposits are transferred to Purchaser.

(g) Reserved.

(h) Restaurants, Bars and Banquets. Seller shall close out the transactions in the restaurants and bars and any banquets in the Hotels that remain open after Cut-Off Time as of such time as such facilities are closed on the Closing Date and retain all monies collected as of such closing, and Purchaser shall be entitled to any monies collected from the restaurants and bars and any banquets thereafter.

(i) Vending Machines. Seller shall remove all monies from all vending machines, laundry machines, pay telephones and other coin-operated equipment as of the Cut-Off Time and shall retain all monies collected therefrom as of the Cut-Off Time, and Purchaser shall be entitled to any monies collected therefrom after the Cut-Off Time.

(j) Trade Payables. Except to the extent an adjustment or proration is made under another subsection of this Section 10.1, (i) Seller shall pay in full prior to the Closing all amounts payable to vendors or other suppliers of goods or services to the Hotel (the “Trade Payables”) which are due and payable as of the Closing Date for which goods or services have been delivered to the Hotel prior to the Closing, and (ii) Purchaser shall receive a credit for the amount of such Trade Payables which have accrued, but are not yet due and payable as of the Closing Date, and Purchaser shall pay all such Trade Payables accrued as of the Closing Date when such Trade Payables become due and payable up to the amount of such credit; provided, however, Seller and Purchaser shall reappropriate the amount of credit for any Trade Payables and pay any deficiency in the original proration to the other Party promptly upon receipt of the actual bill for such goods or services. Seller shall receive a credit for all advance payments or deposits made with respect to FF&E, Supplies, Attic Stock, F&B and Retail Merchandise, which has been ordered, but not delivered to the Hotel prior to the Closing Date and Purchaser shall pay the amounts which become due and payable for such FF&E, Supplies, Attic Stock, F&B and Retail Merchandise which were ordered prior to the Closing. The reappropriation obligation in this Section 10.1(j) shall survive the Closing.

(k) Cash. Seller shall receive a credit for all cash on hand or on deposit in any house bank at the Hotel which shall be transferred to Purchaser. Without limiting the foregoing, if any operating account, FF&E/capital account or other reserve account held by or on behalf of Seller or Manager is retained by Manager pursuant to the Management Agreement for the use and benefit of Purchaser, Seller shall receive a credit at the Closing equal to the amount so retained.

(l) Reserved.

(m) Other Adjustments and Prorations. All other items of income and expense as are customarily adjusted or prorated upon the sale and purchase of a hotel property similar to the

Hotel shall be adjusted and prorated between Seller and Purchaser accordingly, including any items included as current assets or liabilities not already addressed in this Section 10.1.

(n) Employment Expenses. Seller shall be responsible for all wages, salaries, benefits and other costs of employment of Employees payable or reimbursable to Manager pursuant to the Management Agreement with Seller relating to the period prior to the Cut-Off Time and Purchaser shall be responsible for all wages, salaries, benefits and other costs of hiring and employment of Employees relating to the period after the Cut-Off Time pursuant to the New Management Agreement between Purchaser and Manager to be executed and delivered at the Closing. At Closing, eighty five percent (85%) of all accrued vacation and one hundred percent (100%) of all earned vacation accrued by the Employees as of the Cut-Off Time shall be credited against the Purchase Price.

Section 10.2 Accounts Receivable.

(a) Guest Ledger. At the Closing, Seller shall receive a credit in an amount equal to all amounts charged to the Guest Ledger for all room nights up to and including the night during which the Cut-Off Time occurs and Purchaser shall be entitled to retain all deposits made and amounts collected for such Guest Ledger.

(b) Accounts Receivable (Other than Guest Ledger). At the Closing, Seller shall receive a credit for, and Purchaser shall purchase from Seller, all Accounts Receivable (other than the Guest Ledger which is addressed in Section 10.2(a)), that are less than ninety (90) days past due, and Purchaser shall be entitled to all amounts collected for such Accounts Receivable. Such credit shall equal the amount of the Accounts Receivable. Accounts Receivable that are past due for ninety (90) days or more are referred to as “Older Accounts Receivable”. Purchaser shall not be entitled to any amounts collected for Older Accounts Receivable. Purchaser shall cause Manager to cooperate with Seller in collecting the Older Accounts Receivable, at no cost or expense to Purchaser other than any de minimis cost and expense or any cost or expense which Seller agrees in writing to reimburse. If any Older Accounts Receivable (as so designated by the obligor) are paid to Purchaser after the Closing, Purchaser shall pay to Seller the amounts received by Purchaser within ten (10) days after receipt of such amounts, without any commission or deduction for Purchaser.

Section 10.3 Transaction Costs.

(a) Seller's Transaction Costs. In addition to the other costs and expenses to be paid by Seller set forth elsewhere in this Agreement, Seller shall pay for the following costs in connection with this transaction: (i) the cost and expense of each Title Commitment and the standard premium for each Title Policy (excluding extended coverage over the general exceptions and all endorsements); (ii) the fees and expenses of its own attorneys and accountants; (iii) the fees and expenses of removing any Unpermitted Exceptions which Seller elects to remove pursuant to Section 4.2(d); (iv) any sales and use tax due as a result of the purchase and sale of the Property and all other costs which are the responsibility under applicable law for Seller to pay; and (v) one-half (½) of the fees and expenses for the Escrow Agent.

(b) Purchaser's Transaction Costs. In addition to the other costs and expenses to be paid by Purchaser set forth elsewhere in this Agreement, Purchaser shall pay for the following costs in connection with this transaction: (i) the fees and expenses of its own attorneys and accountants; (ii) the fees and expenses incurred by Purchaser for Purchaser's Inspectors or otherwise in connection with the Inspections; (iii) the cost of any endorsements to each Title Policy (including extended coverage over the general exceptions); (iv) the cost of any update to each Existing Survey; (v) subject to Section 3.2 county and city documentary transfer taxes due and payable in connection with the conveyance of the Real Property from Seller to Purchaser, (vi) any recording charges payable in connection with the recordation of any of the Closing Documents and any sales or use tax payable in connection with the conveyance of the Personal Property; (vii) any mortgage tax, title insurance fees and expenses for title insurance policies, recording charges or other amounts payable in connection with any financing obtained by Purchaser; (viii) any sales and use tax due as a result of the purchase and sale of the Property and all other costs which are the responsibility under applicable law for Purchaser to pay; and (ix) one-half (½) of the fees and expenses for the Escrow Agent.

(c) Other Transaction Costs. All other fees, costs and expenses not expressly addressed in this Section 10.3 or elsewhere in this Agreement shall be allocated between Seller and Purchaser in accordance with applicable local custom for similar transactions.

ARTICLE XI

TRANSITION PROCEDURES

Section 11.1 Settlement Statement. On the day prior to the Closing, Seller and Purchaser, through their respective employees, agents or representatives, jointly shall make such examinations, audits and inventories of the Hotel as may be necessary to make the adjustments and Prorations to the Purchase Price as set forth in Sections 10.1 and 10.2 or any other provisions of this Agreement. Based upon such examinations, audits and inventories, Seller and Purchaser shall jointly prepare prior to the Closing a combined settlement statement (a) setting forth Seller's and Purchaser's best estimate of the amounts of the items to be adjusted and prorated under this Agreement and (b) disclosing all payments to be made to third parties out of the Closing Escrow (the "Settlement Statement"). The Settlement Statement shall be approved and executed by Seller and Purchaser, and shall be binding and conclusive on Seller and Purchaser with respect to the items set forth in the Settlement Statement. If, at any time within ninety (90) days after the Closing Date, either Seller or Purchaser discovers any items which should have been included in the Settlement Statement but were omitted therefrom, items which were incorrectly adjusted or prorated therein, or matters that were incapable of proration as of the Closing, such items shall be adjusted and prorated in the same manner as if their existence or such error had been known at the time of the preparation of the Settlement Statement, and the Party in whose favor such original error or omission was made shall refund such difference to the other Party promptly after the original error or omission is discovered. Purchaser shall give Seller access to Purchaser's books and records from and after the Closing Date for the purpose of making the adjustments contemplated by this Section 11.1. This Section 11.1 shall survive the Closing.

Section 11.2 Safe Deposit Boxes. Prior to the Closing, Seller shall notify or cause Manager to notify all guests or customers who are then using a safe deposit box at the Hotel advising them of the pending change in ownership and operation of the Hotel and requesting them to conduct an inventory and verify the contents of such safe deposit box. All inventories by such guests or customers shall be conducted under the joint supervision of representatives of Seller and Purchaser. Upon such inventory and verification, Seller shall deliver or cause Manager to deliver to Purchaser all keys, receipts and agreements for each such safe deposit box (and thereafter each such safe deposit box shall be deemed an "Inventoried Safe Deposit Box"), which, in the alternative and at the direction of Purchaser, may be retained by Manager pursuant to the New Management Agreement. If the Closing does not occur on the Closing Date for any reason whatsoever, Purchaser immediately shall return all keys, receipts and agreements to Seller for such Inventoried Safe Deposit Boxes. Upon the Closing, Seller shall deliver to Purchaser all keys in Seller's Possession for all safe deposit boxes not then in use, and a list of all safe deposit boxes which are then in use, but not yet inventoried by the depositor (the "Non-Inventoried Safe Deposit Boxes"), with the name and room number of such depositor. After the Closing, Seller and Purchaser shall make appropriate arrangements for guests and customers at the Hotel to inventory and verify the contents of the Non-Inventoried Safe Deposit Boxes, and upon such inventory and verification, Seller shall deliver to Purchaser all keys, receipt and agreements for such safe deposit box (and such safe deposit box thereafter shall constitute an Inventoried Safe Deposit Box). Purchaser shall be responsible for, and shall indemnify the Seller Indemnitees from and against any Losses incurred with respect to, any theft, loss or damage to the contents of any safe deposit box from and after the time such safe deposit box is deemed an Inventoried Safe Deposit Box pursuant to this Section 11.2. Seller shall be responsible for, and shall indemnify Purchaser Indemnitees from and against any Losses incurred, with respect to, any

theft, loss or damage to the contents of any safe deposit box prior to the time such safe deposit box is deemed an Inventoried Safe Deposit Box. This Section 11.2 shall survive the Closing.

Section 11.3 Baggage. On the Closing Date, representatives of Seller and Purchaser, including Manager, shall make a written inventory of all baggage, boxes and similar items checked in or left in the care of Seller at the Hotel, and Seller shall deliver to Purchaser the keys to any secured area in which such baggage and other items are stored (the “Inventoried Baggage”), which, in the alternative and at the direction of Purchaser, may be retained by Manager pursuant to the New Management Agreement. Purchaser shall be responsible for, and shall indemnify the Seller Indemnitees from and against any Losses incurred, with respect to any theft, loss or damage to any Inventoried Baggage from and after the time of such inventory, and any other baggage, boxes or similar items left in the care of Purchaser. Seller shall be responsible for, and shall indemnify Purchaser Indemnitees from and against any Losses incurred, with respect to any theft, loss or damage to any Inventoried Baggage prior to the time of such inventory, and any other baggage, boxes or similar items left in the care of Seller. This Section 11.3 shall survive the Closing.

Section 11.4 Removal of Proprietary Property. Seller, at its cost and expense, shall have the right to remove or abandon any Proprietary Property on or prior to the Closing Date; provided that Seller shall not remove any particular item or items of Proprietary Property to the extent that such removal would interrupt the operation of the Hotel under the New Management Agreement from and after the Closing. Notwithstanding the foregoing, after the Closing, certain of the Proprietary Property and any other supplies and other personal property located at the Hotel, or any signs and fixtures identifying the Hotel, that bear any of the Protected Marks or Protected Names, may be continued to be utilized by the Hotel pursuant to and subject to the terms of the New Management Agreement. This Section 11.4 shall survive the Closing.

ARTICLE XII

DEFAULT; FAILURE OF CLOSING CONDITIONS

Section 12.1 Seller’s Default. If (i) at any time prior to the Closing, Seller is in material breach or default of any of its covenants or obligations under this Agreement, which default is not caused by a Purchaser Default, or (ii) at the Closing, Seller has not satisfied one or more of the Purchaser Closing Conditions set forth in Sections 8.2(a), 8.2(b) or 8.2(c) (each, a “Seller Default”), and, if such Seller Default is the first Seller Default, Seller has not cured such Seller Default within three (3) Business Days after Seller’s receipt of written notice of such Seller Default from Purchaser, then Purchaser, as its sole and exclusive remedies for such Seller Default, may elect to (i) terminate this Agreement, in which case Escrow Agent shall refund the Earnest Money to Purchaser, and Seller shall reimburse Purchaser for its actual out of pocket due diligence expenses incurred in connection with this Agreement, including, without limitation, attorneys’ and consultants’ fees, up to a maximum of Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00) (collectively, the “Due Diligence Costs”) (all of which Due Diligence Costs shall be evidenced by written documentation reasonably satisfactory to Seller), and Seller and Purchaser shall thereafter have no further rights or obligations under this Agreement, except those which expressly survive such

termination; (ii) proceed to the Closing without any reduction in or setoff against the Purchase Price; or (iii) bring an action for specific performance; provided, however that any such action for specific performance shall be commenced no later than sixty (60) days after the date of the applicable Seller Default. If such action for specific performance is not timely commenced, Purchaser shall be deemed to have waived its right to bring an action for specific performance. If, however, Purchaser timely commences an action for specific performance and is unable to obtain specific performance, then, in addition to receiving a prompt refund of the Earnest Money, Purchaser shall be entitled to recover from Seller its Due Diligence Costs.

Section 12.2 Purchaser's Default. If (i) Purchaser has not deposited the Earnest Money within the time period provided in Section 3.3(a), (ii) at any time prior to the Closing, Purchaser is in material breach or default of its covenants or obligations under this Agreement, which breach or default is not caused by a Seller Default, or (iii) at the Closing, Purchaser has not satisfied any one or more Seller Closing Conditions to be satisfied by Purchaser at or prior to the Closing (each, a "Purchaser Default"), and, if such Purchaser Default is the first Purchaser Default, Purchaser has not cured such Purchaser Default within three (3) Business Days after Purchaser's receipt of written notice of such Purchaser Default from Seller, then Seller, as its sole and exclusive remedy, may elect to terminate this Agreement by providing written notice to Purchaser, in which case Purchaser shall cause Escrow Agent to disburse the Earnest Money to Seller within two (2) Business Days after such termination, and Seller and Purchaser shall have no further rights or obligations under this Agreement, except those which expressly survive such termination. Purchaser's obligation to cause Escrow Agent to disburse the Earnest Money to Seller shall survive such termination.

SELLER AND PURCHASER AGREE THAT IF THIS AGREEMENT IS TERMINATED PURSUANT TO THIS SECTION 12.2, THE DAMAGES THAT SELLER WOULD SUSTAIN AS A RESULT OF SUCH TERMINATION WOULD BE DIFFICULT IF NOT IMPOSSIBLE TO ASCERTAIN. ACCORDINGLY, SELLER AND PURCHASER AGREE THAT SELLER SHALL RETAIN THE EARNEST MONEY AS FULL AND COMPLETE LIQUIDATED DAMAGES AND AS SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH TERMINATION; PROVIDED, HOWEVER, THAT SELLER SHALL RETAIN ALL RIGHTS AND REMEDIES UNDER THIS AGREEMENT WITH RESPECT TO THOSE OBLIGATIONS WHICH EXPRESSLY SURVIVE SUCH TERMINATION. THE PAYMENT OF SUCH AMOUNT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER.

ARTICLE XIII

CASUALTY; CONDEMNATION

Section 13.1 Casualty.

(a) Material Casualty. If the Property or any portion thereof is damaged or destroyed by fire or any other casualty prior to the Closing (a "Casualty"), Seller shall give written notice of such Casualty to Purchaser promptly after the occurrence of such Casualty. If the amount of the repair, restoration or replacement required by a Casualty equals or exceeds five percent (5%) of the Purchase Price (a "Material Casualty") and the Casualty was not caused by Purchaser or

Purchaser's Inspectors, or their respective employees or agents, then Purchaser shall have the right, in its sole discretion, to (i) terminate this Agreement, in which case Escrow Agent shall refund the Earnest Money to Purchaser upon Purchaser's satisfaction of its obligations under Sections 4.1(d), 4.1(e) and 7.1(b) and Seller and Purchaser shall have no further rights or obligations under this Agreement, except those which expressly survive such termination, or (ii) proceed to the Closing, without terminating this Agreement, in which case Seller shall (A) credit the amount of the applicable insurance deductible against the Purchase Price, and (B) transfer and assign to Purchaser all of Seller's right, title and interest in and to all proceeds from all casualty and lost profits insurance policies maintained by Seller with respect to the Hotel, except those proceeds allocable to lost profits for the period prior to the Closing. Purchaser shall make an election under this Section 13.1(a) by giving written notice to Seller on or before ten (10) Business Days after Seller's delivery to Purchaser of written notice of such Casualty. If Purchaser fails to make an election under this Section 13.1(a) within such time period, Purchaser shall be conclusively deemed to have elected to proceed to the Closing pursuant to clause (ii) of this Section 13.1(a). If the Closing Date is scheduled to occur within Purchaser's ten (10) day election period, the Closing Date shall be extended until the tenth (10th) day after the expiration of such ten (10) Business Day election period.

(b) Non-Material Casualty. In the event of any (i) Casualty which is not a Material Casualty, or (ii) Material Casualty which is caused by Purchaser or Purchaser's Inspectors, or their respective employees or agents, then Purchaser shall not have the right to terminate this Agreement, but shall proceed to the Closing, in which case Seller shall (A) credit the amount of the applicable insurance deductible against the Purchase Price (except if such Casualty is caused by Purchaser or Purchaser's Inspectors), and (B) transfer and assign to Purchaser all of Seller's right, title and interest in and to all proceeds from all casualty and lost profits insurance policies maintained by Seller with respect to the Hotel, except those proceeds allocable to lost profits for the period prior to the Closing.

Section 13.2 Condemnation.

(a) Material Condemnation. If the event of any actual or threatened condemnation or taking pursuant to the power of eminent domain of all or any portion of the Real Property, or any proposed sale in lieu thereof (a "Condemnation"), Seller shall give written notice of such Condemnation to Purchaser as soon as possible after Seller receives notice of such Condemnation. If the Condemnation would (i) result in the loss of more than five percent (5%) of the Land or Improvements (computed on a square foot basis) or (ii) result in any material reduction or restriction in access to the Land or Improvements (a "Material Condemnation"), then Purchaser shall have the right, in its sole discretion, to (A) terminate this Agreement, in which case Escrow Agent shall refund the Earnest Money to Purchaser upon Purchaser's satisfaction of its obligations under Sections 4.1(d), 4.1(e) and 7.1(b) and Seller and Purchaser shall have no further rights or obligations under this Agreement, except those which expressly survive such termination, or (B) proceed to the Closing, without terminating this Agreement, in which case Seller shall assign to Purchaser all of Seller's right, title and interest in all proceeds and awards from such Condemnation. Purchaser shall make an election under this Section 13.2(a) by giving written notice to Seller within ten (10) Business Days after Seller's delivery to Purchaser of written notice of such Condemnation. If Purchaser fails to make an election under this Section 13.2(a) within such time period, Purchaser

shall be conclusively deemed to have elected to proceed to the Closing pursuant to clause (B) of this Section 13.2(a). If the Closing Date is scheduled to occur within Purchaser's ten (10) Business Day election period, the Closing Date shall be extended until the tenth (10th) day after the expiration of such ten (10) day election period.

(b) Non-Material Condemnation. In the event of any Condemnation of any Real Property other than a Material Condemnation, Purchaser shall not have the right to terminate this Agreement, but shall proceed to the Closing, in which case Seller shall assign to Purchaser all of Seller's right, title and interest in all proceeds and awards from such Condemnation.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

Section 14.1 Notices.

(a) Method of Delivery. All notices, requests, demands and other communications (each, a "Notice") required to be provided to the other Party pursuant to this Agreement shall be in writing and shall be delivered (i) in person, (ii) by certified U.S. mail, with postage prepaid and return receipt requested, (iii) by overnight courier service, or (iv) by email transmittal, with a verification copy sent on the same day by any of the methods set forth in clauses (i), (ii) and (iii), to the other Party to this Agreement at the following address or email address (or to such other address or email address as Seller or Purchaser may designate from time to time pursuant to Section 14.1(c)):

If to Seller: c/o Hyatt Corporation
150 N. Riverside Plaza
8th Floor
Chicago, Illinois 60606
Attn: Tiffany Leadbetter Donato
Telephone: (312) 780-5464
Email: tiffany.donato@hyatt.com

c/o Hyatt Corporation
150 N. Riverside Plaza
8th Floor
Chicago, Illinois 60606
Attn: Assistant General Counsel
Telephone: (312) 780-5467
Email: karrie.dowd@hyatt.com

With a further copy to: Goodwin Procter LLP
3 Embarcadero Center
San Francisco, California 94111
Attn: Teresa K. Goebel
Facsimile No.: (415) 677-9041
Email: tgoebel@goodwinlaw.com

If to Purchaser: XHR Acquisitions, LLC
200 South Orange Avenue, Suite 2700
Orlando, Florida 32801
Attn: Phil Wade
Telephone: (407) 246-8143
Email: pwade@xeniareit.com

and to:

Xenia Hotels & Resorts, Inc.
200 South Orange Avenue, Suite 2700
Orlando, Florida 32801
Attention: Taylor Kessel, Esq.
Telephone: (407) 246-8112
Email: tkessel@xeniareit.com

With a copy to: Kelley Drye & Warren LLP
3050 K Street, NW, Suite 400
Washington, DC 20007
Attn: Aaron D. Rosenfeld, Esq. and
Michael Kosmas, Esq.
Telephone: (202) 342-8605
Email: arosenfeld@kelleydrye.com and
mkosmas@kelleydrye.com

(b) Receipt of Notices. All Notices sent by Seller or Purchaser (or their respective counsel pursuant to Section 14.1(d)) under this Agreement shall be deemed to have been received by the Party to whom such Notice is sent upon (i) delivery to the address or email address of the

recipient Party, provided that such delivery is made prior to 5:00 p.m. (Local Time) on a Business Day, otherwise the following Business Day, or (ii) the attempted delivery of such Notice if (A) such recipient Party refuses delivery of such Notice, or (B) such recipient Party is no longer at such address or email address, and such recipient Party failed to provide the sending Party with its current address or email address pursuant to Section 14.1(c).

(c) Change of Address. Seller and Purchaser and their respective counsel shall have the right to change their respective address and/or email address for the purposes of this Section 14.1 by providing a Notice of such change in address and/or email address as required under this Section 14.1(c).

(d) Delivery by Party's Counsel. Seller and Purchaser agree that the attorney for such Party shall have the authority to deliver Notices on such Party's behalf to the other Party hereto.

Section 14.2 Time is of the Essence. Time is of the essence of this Agreement; provided, however, that notwithstanding anything to the contrary in this Agreement, if the time period for the performance of any covenant or obligation, satisfaction of any condition or delivery of any notice or item required under this Agreement shall expire on a day other than a Business Day, such time period shall be extended automatically to the next Business Day.

Section 14.3 Assignment. Purchaser shall not assign this Agreement or any interest therein to any Person, without the prior written consent of Seller, which consent may be withheld in Seller's sole discretion. Notwithstanding the foregoing, Purchaser may assign this agreement to any Affiliate without Seller's consent, provided such Affiliate shall assume in writing all of the obligations of Purchaser hereunder. No assignment of this Agreement by Purchaser shall relieve Purchaser of its obligations hereunder.

Section 14.4 Successors and Assigns; Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of Seller and Purchaser, and their respective successors and permitted assigns pursuant to Sections 3.5 and 14.3. Except for any Purchaser Indemnitee or Seller Indemnitee to the extent such Purchaser Indemnitee or Seller Indemnitee is expressly granted certain rights of defense and indemnification in this Agreement and for any successors and permitted assigns pursuant to Sections 3.5 and 14.3, this Agreement shall not confer any rights or remedies upon any third party.

Section 14.5 Prevailing Party. If any litigation or other court action, arbitration or similar adjudicatory proceeding is sought, taken, instituted or brought by Seller or Purchaser to enforce its rights under this Agreement, all fees, costs and expenses, including, without limitation, reasonable attorneys' fees and court costs, of the prevailing Party in such action, suit or proceeding shall be borne by the Party against whose interest the judgment or decision is rendered. This Section 14.5 shall survive the termination of this Agreement and the Closing.

Section 14.6 No Recordation. Neither this Agreement, nor any memorandum or other notice of this Agreement, shall be recorded without Seller's prior written consent, which consent may be withheld in Seller's sole discretion.

Section 14.7 Rules of Construction. The following rules shall apply to the construction and interpretation of this Agreement:

- (a) Singular words shall connote the plural as well as the singular, and plural words shall connote the singular as well as the plural, and the masculine shall include the feminine and the neuter.
- (b) All references in this Agreement to particular articles, sections, subsections or clauses (whether in upper or lower case) are references to articles, sections, subsections or clauses of this Agreement. All references in this Agreement to particular exhibits or schedules (whether in upper or lower case) are references to the exhibits and schedules attached to this Agreement, unless otherwise expressly stated or clearly apparent from the context of such reference.
- (c) The headings contained herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.
- (d) Each Party hereto and its counsel have reviewed and revised (or requested revisions of) this Agreement and have participated in the preparation of this Agreement, and therefore any usual rules of construction requiring that ambiguities are to be resolved against a particular Party shall not be applicable in the construction and interpretation of this Agreement or any exhibits hereto.
- (e) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms shall refer to this Agreement, and not solely to the provision in which such term is used.
- (f) The terms “include,” “including” and similar terms shall be construed as if followed by the phrase “without limitation.”

Section 14.8 Governing Law; Severability. This Agreement shall be governed by the laws of the State of in which the Real Property is located. If any term or provision of this Agreement is held to be or rendered invalid or unenforceable at any time in any jurisdiction, such term or provision shall not affect the validity or enforceability of any other terms or provisions of this Agreement, or the validity or enforceability of such affected terms or provisions at any other time or in any other jurisdiction.

Section 14.9 Recitals, Exhibits and Schedules. The recitals to this Agreement, and all exhibits and schedules (as amended and supplemented from time to time pursuant to Section 5.2) referred to in this Agreement are incorporated herein by such reference and made a part of this Agreement. Any matter disclosed in any schedule to this Agreement shall be deemed to be incorporated in all other schedules to this Agreement.

Section 14.10 Entire Agreement; Amendments to Agreement. This Agreement sets forth the entire understanding and agreement of the Parties hereto, and shall supersede any other agreements and understandings (written or oral) between Seller and Purchaser on or prior to the date of this Agreement with respect to the transaction contemplated in this Agreement. No

amendment or modification to any terms of this Agreement (other than amendments and supplements to the schedules made by Seller pursuant to Section 5.2), or cancellation of this Agreement, shall be valid unless in writing and executed and delivered by Seller and Purchaser.

Section 14.11 Facsimile or Electronic Transmission; Counterparts. Seller and Purchaser may deliver executed signature pages to this Agreement by facsimile or electronic transmission to the other Party, which facsimile or electronic copy shall be deemed to be an original executed signature page; provided, however, that such Party shall deliver an original signature page to the other Party promptly thereafter. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which counterparts together shall constitute one agreement with the same effect as if the Parties had signed the same signature page.

[Signatures on following pages]

IN WITNESS WHEREOF, Seller and Purchaser have caused this Agreement to be executed in their names by their respective duly authorized officers or representatives.

SELLER:

GAINEY DRIVE ASSOCIATES ,
an Arizona general partnership

By: Hyatt Partnership Interests, L.L.C.,
a Delaware limited liability company,
a general partner

By: /s/ JANET RILEY

Name: Janet Riley

Title: VP - Global Tax

By: Hyatt Equities, L.L.C.,
a Delaware limited liability company,
a general partner

By: /s/ JANET RILEY

Name: Janet Riley

Title: VP - Global Tax

HC ROYAL PALMS, L.L.C. ,
a Delaware limited liability company

By: /s/ JANET RILEY

Name: Janet Riley

Title: VP - Global Tax

PURCHASER:

XHR ACQUISITIONS, LLC ,
a Delaware limited liability company

By: /s/ PHILIP A. WADE
Name: Philip A. Wade
Title: Senior Vice President

AMENDED AND RESTATED SUBSIDIARY GUARANTY

THIS AMENDED AND RESTATED SUBSIDIARY GUARANTY (“Guaranty”) is executed as of January 11, 2018, by each of the parties that is a signatory to this Guaranty (together with any other entity that may hereafter become a party hereto as provided herein, individually, a “Guarantor” and, collectively, the “Guarantors”), for the benefit of JPMORGAN CHASE BANK, N.A. (“Administrative Agent”), in its capacity as the administrative agent for the Lenders under the Credit Agreement defined below, for the benefit of itself and such Lenders. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Credit Agreement defined below.

RECITALS

A. XHR LP, a Delaware limited partnership (“Borrower”), Administrative Agent and the Lenders have entered into that certain Amended and Restated Revolving Credit Agreement of even date herewith (the “Credit Agreement”), pursuant to which the Lenders have agreed to make available to Borrower Loans and certain other financial accommodations on the terms and conditions set forth in the Credit Agreement;

B. The Lenders are not willing to make the Loans, or otherwise extend credit, to Borrower unless each of the Guarantors unconditionally guarantees payment and performance to Administrative Agent, for the benefit of the Lenders, of the Obligations;

C. Each of the Guarantors is a subsidiary of Borrower, and each of the Guarantors will directly benefit from the Lenders’ making the Loans and other financial accommodations to Borrower; and

D. The Guarantor and the Administrative Agent are parties to a Subsidiary Guaranty dated as of February 3, 2015 (the “Existing Guaranty”).

AGREEMENT

NOW, THEREFORE, as an inducement to the Lenders to make the Loans and other financial accommodations to Borrower, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, each Guarantor party to the Existing Guaranty acknowledges and agrees with the Administrative Agent, for the benefit of the Lenders, that the Existing Guaranty is amended, restated, and superseded in its entirety pursuant to the terms hereof:

Section 1. Guaranty of Obligations. Each of the Guarantors hereby absolutely, irrevocably and unconditionally, and jointly and severally, guarantees to Administrative Agent, for the benefit of the Lenders the payment and performance of the Obligations as and when the same shall be due and payable, whether by lapse of time, by acceleration of maturity or otherwise. Each of the Guarantors hereby absolutely, irrevocably and unconditionally covenants and agrees that it

is liable, jointly and severally, for the Obligations as a primary obligor, and that each Guarantor shall fully perform each and every term and provision hereof. This Guaranty is a guaranty of payment and not of collection only. Neither Administrative Agent nor any Lender shall be required to exhaust any right or remedy or take any action against Borrower or any other person or entity. Each Guarantor agrees that, as between such Guarantor and Administrative Agent and the Lenders, the Obligations may be declared to be due and payable for the purposes of this Guaranty notwithstanding any stay, injunction or other prohibition which may prevent, delay or vitiate any declaration as regards Borrower and that in the event of a declaration or attempted declaration, the Obligations shall immediately become due and payable by each of the Guarantors for the purposes of this Guaranty. Without limiting the generality of the foregoing, each Guarantor, and by its acceptance of this Guaranty, Administrative Agent, for the benefit of the Lenders, hereby confirms that the parties intend that this Guaranty not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Law (as defined below), the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal, state or foreign law to the extent applicable to this Guaranty. In furtherance of that intention, the liabilities of each Guarantor under this Guaranty (the “Liabilities”) shall be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Person with respect to the Liabilities, result in the Liabilities of such Guarantor under this Guaranty not constituting a fraudulent transfer or conveyance. For purposes hereof, “Bankruptcy Law” means Title 11, U.S. Code, or any similar federal, state or foreign law for the relief of debtors. This paragraph with respect to the maximum liability of each Guarantor is intended solely to preserve the rights of the Administrative Agent, for the benefit of the Lenders, to the maximum extent not subject to avoidance under applicable law, and neither a Guarantor nor any other Person shall have any right or claim under this paragraph with respect to such maximum liability, except to the extent necessary so that the obligations of a Guarantor hereunder shall not be rendered voidable under applicable law. Each Guarantor agrees that the Obligations may at any time and from time to time exceed the maximum liability of such Guarantor without impairing this Guaranty or affecting the rights and remedies of the Administrative Agent on behalf of the Lenders, hereunder, *provided that*, nothing in this sentence shall be construed to increase such Guarantor's obligations hereunder beyond its maximum liability.

Section 2. Guaranty Absolute. Each Guarantor guarantees that the Obligations shall be paid strictly in accordance with the terms of the Loan Documents. The liability of each Guarantor under this Guaranty is absolute, irrevocable and unconditional irrespective of: (a) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from any of the terms of any Loan Document, including any increase or decrease in the rate of interest thereon; (b) any release or amendment or waiver of, or consent to departure from, or failure to act by Administrative Agent or the Lenders with respect to, or any impairment of any Lien on, any other guaranty or support document, or any exchange, release or non-perfection of, or failure to act by Administrative Agent or the Lenders with respect to, any collateral, for all or any of the Obligations; (c) any present or future law, regulation or order of any jurisdiction (whether of right or in fact) or of any agency thereof purporting to reduce, amend, restructure or otherwise affect any term of the Obligations or any Loan Document; (d) any change in the corporate existence, structure, or ownership of Borrower;

(e) without being limited by the foregoing, any lack of validity or enforceability of any Loan Document; and (f) any other setoff, recoupment, defense or counterclaim whatsoever (in any case, whether based on contract, tort or any other theory) with respect to the Loan Documents or the transactions contemplated thereby which might constitute a legal or equitable defense available to, or discharge of, Borrower or a guarantor, other than the payment in full of the Obligations (other than indemnities and other contingent obligations not then due and payable and as to which no claim has been made).

Section 3. Guaranty Irrevocable. This Guaranty is a continuing guaranty of the payment of all Obligations now or hereafter existing and shall remain in full force and effect until this Guaranty is terminated pursuant to Section 17 hereof.

Section 4. Waiver of Certain Rights and Notices. To the fullest extent not prohibited by applicable law, except as specifically provided herein, each Guarantor hereby waives and agrees not to assert or take advantage of (a) any right to require Administrative Agent or any Lender to proceed against or exhaust its recourse against Borrower, any other guarantor or endorser, or any security or collateral held by Administrative Agent (for the benefit of Lenders) at any time or to pursue any other remedy in its power before proceeding against such Guarantor hereunder; (b) the defense of the statute of limitations in any action hereunder; (c) any defense that may arise by reason of (i) the incapacity, lack of authority, death or disability of Borrower, any Guarantor or any other or others, (ii) the revocation or repudiation hereof by any Guarantor or the revocation or repudiation of any of the Loan Documents by Borrower or any other or others, (iii) the failure of Administrative Agent (on behalf of the Lenders) to file or enforce a claim against the estate (either in administration, bankruptcy or any other proceeding) of Borrower or any other or others, (iv) the unenforceability in whole or in part of any Loan Document, (v) Administrative Agent's election (on behalf of the Lenders), in any proceeding instituted under the federal Bankruptcy Code, of the application of Section 1111(b)(2) of the federal Bankruptcy Code, or (vi) any borrowing or grant of a security interest under Section 364 of the federal Bankruptcy Code; (d) presentment, demand for payment, protest, notice of discharge, notice of acceptance of this Guaranty, and indulgences and notices of any other kind whatsoever; (e) any defense based upon an election of remedies by Administrative Agent (on behalf of the Lenders) which destroys or otherwise impairs the subrogation rights of any Guarantor or the right of such Guarantor to proceed against Borrower for reimbursement, or both; (f) any defense based upon any taking, modification or release of any collateral or other guarantees, or any failure to perfect, or any impairment of, any Lien on, or the taking of or failure to take any other action with respect to, any collateral securing payment or performance of the Obligations; (g) any right to require marshaling of assets and liabilities, sale in inverse order of alienation, notice of acceptance of this Guaranty and of any obligations to which it applies or may apply; and (h) any rights or defenses based upon an offset by any Guarantor against any obligation now or hereafter owed to such Guarantor by Borrower; provided, however, that this Section 4 shall not constitute a waiver on the part of any Guarantor of any defense of payment. Each Guarantor shall remain liable hereunder to the extent set forth herein, notwithstanding any act, omission or thing which might otherwise operate as a legal or equitable discharge of such Guarantor, until the termination of this Guaranty under Section 3.

Section 5. Reinstatement. This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by the Lenders on the insolvency, bankruptcy or reorganization of Borrower or otherwise, all as though the payment had not been made, whether or not Administrative Agent is in possession of the Guaranty; provided, however, that no such reinstatement shall occur if this Guaranty has terminated pursuant to Section 17(b) hereof.

Section 6. Subrogation. No Guarantor shall exercise any rights which it may acquire by way of subrogation, by any payment made under this Guaranty or otherwise, until all the Obligations have been paid in full (other than indemnities and other contingent obligations not then due and payable and as to which no claim has been made) and the Commitments shall have expired or terminated. If any amount is paid to a Guarantor on account of subrogation rights under this Guaranty at any time when all the Obligations have not been paid in full, the amount shall be held in trust for the benefit of the Lenders and shall be promptly paid to Administrative Agent, for the benefit of the Lenders, to be credited and applied to the Obligations, whether matured or unmatured or absolute or contingent, in accordance with the terms of the Loan Documents. If any Guarantor makes payment to Administrative Agent, for the benefit of the Lenders, of all or any part of the Obligations and all the Obligations are paid in full and the Commitments shall have expired or terminated, Administrative Agent shall, at such Guarantor's request and expense, execute and deliver to such Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to such Guarantor of the interest in the Obligations resulting from such payment.

Section 7. Subordination. Without limiting Administrative Agent's rights under any other agreement, any liabilities owed by Borrower to a Guarantor in connection with any extension of credit or financial accommodation by such Guarantor to or for the account of Borrower, including but not limited to interest accruing at the agreed contract rate after the commencement of a bankruptcy or similar proceeding, are hereby subordinated to the Obligations, and such liabilities of Borrower to such Guarantor, if Administrative Agent and the Required Lenders so request after the occurrence and during the continuance of any Event of Default, shall be collected, enforced and received by such Guarantor as trustee for the Lenders and shall be paid over to Administrative Agent, for the benefit of the Lenders, on account of the Obligations but without reducing or affecting in any manner the liability of such Guarantor under the other provisions of this Guaranty.

Section 8. Certain Taxes. Each Guarantor further agrees that all payments to be made hereunder shall be made without setoff or counterclaim and free and clear of, and without deduction for, any taxes, levies, imposts, duties, charges, fees, deductions, withholdings or restrictions or conditions of any nature whatsoever now or hereafter imposed, levied, collected, withheld or assessed by any country or by any political subdivision or taxing authority thereof or therein as provided in Section 2.17 of the Credit Agreement.

Section 9. Representations and Warranties. Each Guarantor represents and warrants that:

(a) (i) except where the failure to do so, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, such Guarantor is duly organized, validly existing

and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to own or lease its properties and to carry on its business as now conducted and is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, (ii) the execution, delivery and performance of this Guaranty are within such Guarantor's corporate, limited liability company or other organizational powers and have been duly authorized by all necessary corporate, limited liability company or other organizational action, (iii) this Guaranty has been duly executed and delivered by such Guarantor and constitutes a legal, valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law, and (iv) the execution, delivery and performance of this Guaranty by such Guarantor (A) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (B) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of such Guarantor or any order, decree or judgment of any Governmental Authority, except for any violation of any applicable law or regulation or any violation of the charter, by-laws or other organizational documents of each Guarantor that would not reasonably be expected to have a Material Adverse Effect, (C) will not violate or result in a default under any indenture, agreement or other instrument binding upon such Guarantor or its assets, or give rise to a right thereunder to require any payment to be made by such Guarantor, in each case, except for any violation or default that would not reasonably be expected to have a Material Adverse Effect, and (D) will not result in the creation or imposition of any Lien on any asset of such Guarantor (other than Liens arising under the Loan Documents);

(b) in executing and delivering this Guaranty, such Guarantor has (i) without reliance on Administrative Agent or any Lender or any information received from Administrative Agent or any Lender and based upon such documents and information it deems appropriate, made an independent investigation of the transactions contemplated hereby and Borrower, Borrower's business, assets, operations, prospects and condition, financial or otherwise, and any circumstances which may bear upon such transactions, Borrower or the obligations and risks undertaken herein with respect to the Obligations; (ii) adequate means to obtain from Borrower on a continuing basis information concerning Borrower; (iii) full and complete access to the Loan Documents and any other documents executed in connection with the Loan Documents; and (iv) not relied and will not rely upon any representations or warranties of Administrative Agent or any Lender not embodied herein or any acts heretofore or hereafter taken by Administrative Agent or any Lender (including but not limited to any review by Administrative Agent or any Lender of the affairs of Borrower); and

(c) each representation and warranty in the Credit Agreement relating to such Guarantor is true and correct.

Section 10. Covenants. Each Guarantor will perform and comply with all covenants applicable to such Guarantor, or which Borrower is required to cause such Guarantor to comply with, under the terms of the Credit Agreement or any of the other Loan Documents as if the same were more fully set forth herein.

Section 11. Remedies Generally. The remedies provided in this Guaranty are cumulative and not exclusive of any remedies provided by law.

Section 12. Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, and to the extent permitted under Section 9.08 of the Credit Agreement, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Guarantor against any of and all the obligations of any Guarantor now or hereafter existing under this Guaranty held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Guaranty and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

Section 13. [Reserved].

Section 14. Amendments and Waivers. No amendment or waiver of any provision of this Guaranty, or consent to any departure by any Guarantor therefrom, shall in any event be effective unless it is in writing entered into by each Guarantor and the Administrative Agent (acting with the requisite consent of the Lenders as provided in the Credit Agreement), and then the waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of Administrative Agent to exercise, and no delay in exercising, any right under this Guaranty shall operate as a waiver or preclude any other or further exercise thereof or the exercise of any other right.

Section 15. Expenses. Each of the Guarantors shall reimburse Administrative Agent and the Lenders on demand for all out-of-pocket expenses incurred by Administrative Agent and the Lenders in connection with the performance or enforcement of this Guaranty, subject, in each case, to the terms and limitations set forth in Section 9.03 of the Credit Agreement. The obligations of the Guarantors under this Section shall survive the termination of this Guaranty.

Section 16. Assignment. The provisions of this Guaranty shall be binding upon, and shall inure to the benefit of each Guarantor, Administrative Agent, the Lenders and their respective permitted successors and assigns; provided that no Guarantor may assign or transfer its rights or obligations under this Guaranty without the prior written consent of the Administrative Agent and each Lender (and any attempted such assignment or transfer by any Guarantor without such consent shall be null and void). Without limiting the generality of the foregoing, Administrative Agent and each Lender may assign, sell participations in or otherwise transfer its rights under the Loan Documents to any other person or entity in accordance with the terms of the Credit Agreement, and the other person or entity shall then become vested with all the rights granted to Administrative Agent or such Lender, as applicable, in this Guaranty or otherwise.

Section 17. Termination. This Guaranty and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Guarantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party upon (a)

the payment in full of the obligations and other amounts payable under this Guaranty and the Loan Documents (other than indemnities and other contingent obligations not then due and payable and as to which no claim has been made) and the termination of all Commitments, or (b) the release of such Guarantor pursuant to Section 5.12(a) or Section 5.12(c) of the Credit Agreement; provided, however, Administrative Agent shall, at the request and expense of Borrower and without the need for any consent or approval by the Lenders, execute and deliver an instrument to evidence any such release pursuant to Section 5.12(a) or Section 5.12(c) of the Credit Agreement in a form reasonably acceptable to Borrower and Administrative Agent.

Section 18. Headings. The headings and captions in this Guaranty are for convenience of reference only, are not part of this Guaranty and shall not affect the construction of, or be taken into consideration in interpreting, this Guaranty.

Section 19. Notices. All notices or other communications hereunder shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy or email, as follows:

(a) if to any Guarantor, to it at c/o Xenia Hotels & Resorts, Inc., 200 South Orange Avenue, Suite 2700, Orlando, Florida 32801, Attention of Xenia Chief Financial Officer and Xenia General Counsel (Email: financenotices@xeniareit.com); and

(b) if to Administrative Agent, to JPMorgan Chase Bank, N.A., 10 S. Dearborn, Floor L2, Chicago, IL 60603, Fax: 312-385-7101, Email: cls.reb.chicago@jpmorgan.com, Attention of Kevin Berry, with a copy to JPMorgan Chase Bank, N.A., 10 S. Dearborn – 19th Floor, Chicago, IL 60603, Attention of Christian Lunt (Telecopy No. 312-325-5174; Email: Christian.c.lunt@jpmorgan.com).

Each Guarantor and Administrative Agent may change its address or telecopy number or email address for notices and other communications hereunder by notice to the other party. Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement).

Section 20. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Guaranty shall be construed in accordance with and governed by the law of the State of New York.

(b) Each Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County, Borough of Manhattan, and of the United States District Court for the Southern District

of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Guaranty, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guaranty shall affect any right that Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Guaranty against any Guarantor or its properties in the courts of any jurisdiction.

(c) Each Guarantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guaranty in any court referred to in subsection (b) above. Each of the parties hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each Guarantor irrevocably consents to service of process in the manner provided for notices herein. Nothing in this Guaranty will affect the right of any party to this Guaranty to serve process in any other manner permitted by law.

Section 21. Severability. Any provision of this Guaranty held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 22. ENTIRETY. THIS GUARANTY AND THE OTHER LOAN DOCUMENTS EXECUTED BY ANY GUARANTOR EMBODY THE FINAL, ENTIRE AGREEMENT OF SUCH GUARANTOR, ADMINISTRATIVE AGENT AND THE LENDERS WITH RESPECT TO THE SUBJECT MATTER HEREOF AND THEREOF AND SUPERSEDES ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. THIS GUARANTY AND THE OTHER LOAN DOCUMENTS EXECUTED BY EACH GUARANTOR ARE INTENDED BY EACH GUARANTOR, ADMINISTRATIVE AGENT AND THE LENDERS AS A FINAL AND COMPLETE EXPRESSION OF THE TERMS HEREOF AND THEREOF, AND NO COURSE OF DEALING AMONG ANY GUARANTOR, ADMINISTRATIVE AGENT AND THE LENDERS, NO COURSE OF PERFORMANCE, NO TRADE PRACTICES, AND NO EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OR OTHER EXTRINSIC EVIDENCE OF ANY NATURE SHALL BE USED TO CONTRADICT, VARY, SUPPLEMENT OR MODIFY ANY TERM OF THIS GUARANTY OR ANY OTHER LOAN DOCUMENT EXECUTED BY ANY GUARANTOR. THERE ARE NO ORAL AGREEMENTS BETWEEN ANY GUARANTOR, ADMINISTRATIVE AGENT AND THE LENDERS.

Section 23. WAIVER OF RIGHT TO TRIAL BY JURY. EACH GUARANTOR AND, BY ITS ACCEPTANCE HEREOF, ADMINISTRATIVE AGENT, ON BEHALF OF THE LENDERS, EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH GUARANTOR AND, BY ITS ACCEPTANCE HEREOF, ADMINISTRATIVE AGENT, ON BEHALF OF THE LENDERS, EACH (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND SUCH OTHER PARTY HAVE BEEN INDUCED TO EXECUTE OR ACCEPT THIS GUARANTY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 24. Additional Guarantors. Each Subsidiary of the Borrower that is required to become a party to this Guaranty pursuant to Section 5.11(a) of the Credit Agreement shall become a Guarantor for all purposes of this Guaranty upon execution and delivery by such Subsidiary of a Joinder Agreement in the form of Annex I hereto.

Section 25. Limitation of Liability. To the extent permitted by applicable law, no party hereto shall assert, and each party hereto waives, any claim against any other party hereto on any theory of liability for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Guaranty or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

Section 26. ECP RULES. Notwithstanding anything to the contrary herein or in any other Loan Document, each Guarantor hereunder shall not be deemed to be a guarantor of any Obligations with respect to Swap Agreements if such Guarantor is not an “Eligible Contract Participant” as defined in § 1(a)(18) of the Commodity Exchange Act and the applicable rules issued by the Commodity Futures Trading Commission and/or the Securities and Exchange Commission (collectively, and as now or hereafter in effect, “the ECP Rules”) to the extent that the providing of such guaranty by such Guarantor would violate the ECP Rules or any other applicable law or regulation.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF , each Guarantor has caused this Guaranty to be duly executed and delivered by its duly authorized officer as of the date first above written.

IA LODGING KEY WEST, L.L.C.
IA LODGING WAIKIKI BEACH, L.L.C.
IA URBAN HOTELS CHICAGO, L.L.C.
IA LODGING SALT LAKE CITY, L.L.C.
IA LODGING ALEXANDRIA KING, L.L.C.
IA LODGING NAPA SOLANO, L.L.C.
XHR BOSTON COMMONWEALTH LLC
XHR PORTLAND LLC
XHR SANTA BARBARA LLC
IA URBAN HOTELS WASHINGTON DC
FRANKLIN, L.L.C.
XHR ORLANDO CYPRESS LLC
XHR PHOENIX PALMS LLC
XHR SCOTTSDALE RANCH LLC

By: XHR LP, the sole member of each of the foregoing limited liability companies

By: XHR GP, Inc., its general partner

By: /s/ ATISH SHAH

Name: Atish Shah

Title: Executive Vice President

**IA LODGING AUSTIN ARBORETUM
LIMITED PARTNERSHIP** , as Guarantor

By: IA Lodging Austin Arboretum GP, L.L.C., its general partner
By: XHR LP, its sole member
By: XHR GP, Inc., its general partner

By: /s/ ATISH SHAH

Name: Atish Shah

Title: Executive Vice President

**IA LODGING WOODLANDS LIMITED
PARTNERSHIP** , as Guarantor

By: IA Lodging Woodlands GP, L.L.C., its general partner
By: XHR LP, its sole member
By: XHR GP, Inc., its general partner

By: /s/ ATISH SHAH

Name: Atish Shah

Title: Executive Vice President

Accepted and Agreed:

JPMORGAN CHASE BANK, N.A. , as
Administrative Agent

By: /s/ CHRISTIAN LUNT

Name: Christian Lunt

Title: Executive Director

[Signature Page to Amended and Restated Subsidiary Guaranty]

THIS JOINDER AGREEMENT (“Joinder Agreement”) dated as of _____, 201_, made by _____ (the “Additional Guarantor”), in favor of JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the “Administrative Agent”) for the banks and other financial institutions (the “Lenders”) parties to the Credit Agreement referred to below. All capitalized terms not defined herein shall have the meanings ascribed to them in such Credit Agreement.

WITNESSETH:

WHEREAS, XHR LP (the “Borrower”), the Lenders and the Administrative Agent have entered into an Amended and Restated Revolving Credit Agreement, dated as of January 11, 2018 (as amended, restated, extended, supplemented or otherwise modified from time to time, the “Credit Agreement”), pursuant to which the Lenders have made Loans and other financial accommodations available to the Borrower that will benefit the Borrower and its Subsidiaries (including the Guarantors);

WHEREAS, in connection with the Credit Agreement, certain Subsidiaries of the Borrower have entered into an Amended and Restated Subsidiary Guaranty, dated as of January 11, 2018 (as amended, restated, extended, supplemented or otherwise modified from time to time, the “Guaranty”) in favor of the Administrative Agent for the benefit of the Lenders, pursuant to which such Subsidiaries guaranteed the Obligations of the Borrower under the Credit Agreement;

WHEREAS, the Credit Agreement requires the Additional Guarantor to become a party to the Guaranty, and the Additional Guarantor’s failure to do so shall constitute a breach of the Credit Agreement; and

WHEREAS, the Additional Guarantor has agreed to execute and deliver this Joinder Agreement in order to become a party to the Guaranty;

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, IT IS AGREED:

1. Joinder to Guaranty. By executing and delivering this Joinder Agreement, the Additional Guarantor, as provided in Section 24 of the Guaranty, hereby becomes a party to the Guaranty as a Guarantor thereunder with the same force and effect as if originally named therein as a Guarantor, and, without limiting the generality of the foregoing, hereby expressly assumes and agrees to be bound by all obligations and liabilities of a Guarantor thereunder and shall jointly and severally guaranty the payment and performance of the Obligations as set forth therein. From and after the date hereof, all references in the Guaranty and the other Loan Documents to the “Subsidiary Guarantors” or the “Guarantors” shall include the Additional Guarantor for all purposes. The

Additional Guarantor hereby represents and warrants that each of the representations and warranties contained in Section 9 of the Guaranty is true and correct on and as the date hereof (after giving effect to this Joinder Agreement) as if made on and as of such date.

2. Governing Law. THIS JOINDER AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

[signature pages follow]

IN WITNESS WHEREOF, the undersigned has caused this Joinder Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GUARANTOR] , as Guarantor

By: _____
Name:
Title:

Accepted and Agreed:

JPMORGAN CHASE BANK, N.A. , as
Administrative Agent

By: _____
Name:
Title:

XENIA HOTELS & RESORTS, INC.
DIRECTOR COMPENSATION PROGRAM
(AS AMENDED AND RESTATED AS OF FEBRUARY 21, 2018)

This Xenia Hotels & Resorts, Inc. (the “Company”) Director Compensation Program (this “Program”) for non-employee directors of the Company (the “Directors”) shall be effective as of January 1, 2018 (the “Effective Date”).

Cash Compensation

Annual base retainers will be paid in the following amounts to Directors:

Director:	\$75,000
Chair of Audit Committee:	\$20,000
Chair of Compensation Committee:	\$17,500
Chair of Nominating and Governance Committee:	\$15,000
Non-Chair Audit Committee Member:	\$10,000
Non-Chair Compensation Committee Member:	\$5,000
Non-Chair Nominating and Corporate Governance Committee Member:	\$5,000
Lead Director (additional retainer):	\$45,000

All annual base retainers will be paid in cash quarterly in arrears promptly following the end of the applicable calendar quarter, but in no event more than thirty (30) days after the end of such quarter.

Equity Compensation

Initial Grant:	Each Director who is initially elected or appointed to serve on the board of directors of the Company (the “ <u>Board</u> ”) after the Effective Date shall be automatically granted on the effective date of such initial election or appointment shares of common stock of the Company (“ <u>Common Stock</u> ”) with a value equal to \$85,000 (the “ <u>Initial Grant</u> ”), <i>provided</i> , that if such initial election or appointment does not occur at an annual meeting of the Company’s stockholders, the value of the Initial Grant shall equal the product of (i) \$85,000 multiplied by (ii) a fraction, the numerator of which equals the number of full calendar months from the effective date of such election or appointment through the first anniversary of the most recent annual meeting of the Company’s stockholders and the denominator of which equals twelve.
Annual Grant:	Each Director who is serving on the Board as of the date of each annual meeting of the Company’s stockholders and who is re-elected as a Director at such annual meeting shall, on the date of such annual meeting, be automatically granted LTIP Units (as defined in the Third Amended and Restated Agreement of Limited Partnership of XHR LP, as amended or amended and restated from time to time) of XHR LP (“ <u>LTIP Units</u> ”) with a value of \$85,000 (the “ <u>Annual Grant</u> ”).

Each Initial Grant and Annual Grant shall be fully vested as of the applicable date of grant.

Election to Receive Common Stock:	With respect to each Annual Grant, a Director may elect in advance to receive an equivalent number of fully vested shares of Common Stock in lieu of LTIP Units. Such election must be made not later than December 31 of the calendar year preceding the year in which such Annual Grant is made, or, if such Director initially becomes a Director after such December 31 and prior to the next annual meeting, then the earlier of (x) the fifth (5 th) day following the effective date of such Director's initial election or appointment, or (y) the day immediately preceding the date of such Annual Grant (in any case, or such earlier date as may be established by the Board in its discretion).
Non-Accredited Investors:	Notwithstanding the foregoing, in the event that a Director does not qualify as an "accredited investor" within the meaning of Regulation D of the Securities Act of 1933, as amended, on the date of any grant of LTIP Units to such Director pursuant to this Program, then such Director shall not receive such grant of LTIP Units and in lieu thereof shall automatically be granted an equivalent number of fully vested shares of Common Stock.

Miscellaneous

For purposes of determining the number of LTIP Units or shares of Common Stock, as applicable, subject to each Initial Grant and each Annual Grant, the dollar value of such grant shall be divided by the market closing price of a share of Common Stock on the date of such grant (or, in the event that the date of grant is not a trading day, then on the immediately preceding trading day), and shall be rounded up to the nearest whole LTIP Unit or share of Common Stock, as applicable.

The grant of any LTIP Units or shares of Common Stock under this Program shall be subject to the applicable Company equity incentive plan under which the grant is made and, to the extent determined by the Company, the terms set forth in a written agreement in a form prescribed by the board of directors of the Company (the "Board") or a committee designated by the Board. The grant of any LTIP Units under this Program shall also be subject to the terms of the Third Amended and Restated Agreement of Limited Partnership of XHR LP, as amended or amended and restated from time to time.

Effectiveness, Amendment, Modification and Termination

This Program shall become effective as of the Effective Date, and as of the Effective Date shall replace and supersede all previous director compensation programs of the Company. This Program may be amended, modified or terminated by the Board at any time and from time to time in its sole discretion.

LTIP UNIT AGREEMENT (NON-EMPLOYEE DIRECTORS)

This LTIP Unit Agreement (this “*Agreement*”), dated as of <GRANT_DT> (the “*Grant Date*”), is made by and between Xenia Hotels & Resorts, Inc., a Maryland corporation (the “*Company*”), XHR LP, a Delaware limited partnership (the “*Partnership*”), and <PARTC_NAME> (the “*Participant*”).

WHEREAS, the Participant serves as a non-employee director on the Board of Directors of the Company (a “*Non-Employee Director*”);

WHEREAS, the Company, XHR Holding, Inc. and the Partnership maintain the Xenia Hotels & Resorts, Inc., XHR Holding, Inc. and XHR LP 2015 Incentive Award Plan (as amended from time to time, the “*Plan*”), and the Company maintains the Xenia Hotels & Resorts, Inc. Director Compensation Program, as amended and restated (the “*Program*”);

WHEREAS, the Company and the Partnership wish to carry out the Plan (the terms of which are hereby incorporated by reference and made a part of this Agreement) and the Program;

WHEREAS, Section 9.7 of the Plan provides for the issuance of LTIP Units to Eligible Individuals, including Non-Employee Directors, for the performance of services to or for the benefit of the Partnership in the Eligible Individual’s capacity as a partner of the Partnership;

WHEREAS, the Program provides for the grant of LTIP Units to Non-Employee Directors; and

WHEREAS, the Administrator has determined that it would be to the advantage and in the best interest of the Company to issue the Award (as defined below) to the Participant as an inducement to enter into or remain in the service of the Company, the Partnership or any Subsidiary, and as an additional incentive during such service, and has advised the Company thereof.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto do hereby agree as follows:

1. Issuance of Award. Pursuant to the Plan, in consideration of the Participant’s agreement to provide services to or for the benefit of the Partnership, the Partnership hereby (a) issues to the Participant an award of <LTIPS_GRANTED> LTIP Units (the “*Award*”) and (b) if not already a Partner, admits the Participant as a Partner of the Partnership on the terms and conditions set forth herein, in the Plan and in the Partnership Agreement. The Partnership and the Participant acknowledge and agree that the LTIP Units are hereby issued to the Participant for the performance of services to or for the benefit of the Partnership in his or her capacity as a Partner or in anticipation of the Participant becoming a Partner. Upon receipt of the Award, the Participant shall, automatically and without further action on his or her part, be deemed to be a party to, signatory of and bound by the Partnership Agreement. At the request of the Partnership, the Participant shall execute the Partnership Agreement or a joinder or counterpart signature page thereto. The Participant acknowledges that the Partnership may from time to time issue or cancel (or otherwise modify) LTIP Units in accordance with the terms of the Partnership Agreement. The Award shall have the rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption and conversion set forth herein, in the Plan and in the Partnership Agreement.

2. Definitions. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Plan and/or the Partnership Agreement, as applicable.

3. LTIP Units Subject to the Plan and the Partnership Agreement. The Award and the LTIP Units are subject to the terms of the Plan and the terms of the Partnership Agreement, including, without limitation, the restrictions on transfer of Units (including, without limitation, LTIP Units) set forth in Article 9.02 of the Partnership Agreement. Any permitted transferee of the Award or LTIP Units shall take such Award or LTIP Units subject to the terms of the Plan, this Agreement, and the Partnership Agreement. Any such permitted transferee must, upon the request of the Partnership, agree to be bound by the Plan, the Partnership Agreement, and this Agreement, and shall execute the same on request, and must agree to such other waivers, limitations, and restrictions as the Partnership or the Company may reasonably require. Any Transfer of the Award or LTIP Units which is not made in compliance with the Plan, the Partnership Agreement and this Agreement shall be null and void and of no effect.

4. Vesting. The Award shall be fully vested as of the Grant Date.

5. Covenants, Representations and Warranties. The Participant hereby represents, warrants, covenants, acknowledges and agrees on behalf of the Participant and his or her spouse, if applicable, that:

(a) Investment. The Participant is holding the Award and the LTIP Units for the Participant's own account, and not for the account of any other Person. The Participant is holding the Award and the LTIP Units for investment and not with a view to distribution or resale thereof except in compliance with applicable laws regulating securities.

(b) Relation to the Partnership. The Participant is presently a director of the Company, which owns all of the equity interests of the general partner of the Partnership, or is otherwise providing services to or for the benefit of the Partnership, and in such capacity has become personally familiar with the business of the Partnership.

(c) Access to Information. The Participant has had the opportunity to ask questions of, and to receive answers from, the Partnership with respect to the terms and conditions of the transactions contemplated hereby and with respect to the business, affairs, financial conditions, and results of operations of the Partnership.

(d) Registration. The Participant understands that the LTIP Units have not been registered under the Securities Act of 1933, as amended (the "**Securities Act**"), and the LTIP Units cannot be transferred by the Participant unless such transfer is registered under the Securities Act or an exemption from such registration is available. The Partnership has made no agreements, covenants or undertakings whatsoever to register the transfer of the LTIP Units under the Securities Act. The Partnership has made no representations, warranties, or covenants whatsoever as to whether any exemption from the Securities Act, including, without limitation, any exemption for limited sales in routine brokers' transactions pursuant to Rule 144 of the Securities Act, will be available. If an exemption under Rule 144 is available at all, it will not be available until at least six (6) months from issuance of the Award and then not unless the terms and conditions of Rule 144 have been satisfied.

(e) Public Trading. None of the Partnership's securities are presently publicly traded, and the Partnership has made no representations, covenants or agreements as to whether there will be a public market for any of its securities.

(f) Tax Advice. The Partnership has made no warranties or representations to the Participant with respect to the income tax consequences of the transactions contemplated by this Agreement, and the Participant is in no manner relying on the Partnership or its representatives for an assessment of such tax consequences. Participant hereby recognizes that the Internal Revenue Service has proposed regulations under

Sections 83 and 704 of the Code that may affect the proper treatment of the LTIP Units for federal income tax purposes. In the event that those proposed regulations are finalized, the Participant hereby agrees to cooperate with the Partnership in amending this Agreement and the Partnership Agreement, and to take such other action as may be required, to conform to such regulations. Participant hereby further recognizes that the U.S. Congress is considering legislation that would change the federal tax consequences of owning and disposing of LTIP Units. The Participant is advised to consult with his or her own tax advisor with respect to such tax consequences and his or her ownership of the LTIP Units.

6. Capital Account. The Participant shall make no contribution of capital to the Partnership in connection with the Award and, as a result, the Participant's Capital Account balance in the Partnership immediately after its receipt of the LTIP Units shall be equal to zero, unless the Participant was a Partner in the Partnership prior to such issuance, in which case the Participant's Capital Account balance shall not be increased as a result of its receipt of the LTIP Units.

7. Redemption Rights. Notwithstanding the contrary terms in the Partnership Agreement, Partnership Units which are acquired upon the conversion of the LTIP Units shall not, without the consent of the Partnership (which may be given or withheld in its sole discretion), be redeemed pursuant to Section 8.04 of the Partnership Agreement within two (2) years of the date of the issuance of such LTIP Units.

8. Ownership Information. The Participant hereby covenants that so long as the Participant holds any LTIP Units, at the request of the Partnership, the Participant shall disclose to the Partnership in writing such information relating to the Participant's ownership of the LTIP Units as the Partnership reasonably believes to be necessary or desirable to ascertain in order to comply with the Code or the requirements of any other appropriate taxing authority.

9. Taxes. The Partnership and the Participant intend that (i) the LTIP Units be treated as a "profits interest" as defined in Internal Revenue Service Revenue Procedure 93-27, as clarified by Revenue Procedure 2001-43, (ii) the issuance of such units not be a taxable event to the Partnership or the Participant as provided in such revenue procedure, and (iii) the Partnership Agreement, the Plan and this Agreement be interpreted consistently with such intent. In furtherance of such intent, effective immediately prior to the issuance of the LTIP Units, the Partnership may revalue all Partnership assets to their respective gross fair market values, and make the resulting adjustments to the "Capital Accounts" (as defined in the Partnership Agreement) of the partners, in each case as set forth in the Partnership Agreement. The Company, the Partnership or any Subsidiary may withhold from the Participant's wages, or require the Participant to pay to such entity, any applicable withholding or employment taxes resulting from the issuance of the Award hereunder or from the ownership or disposition of the LTIP Units.

10. Remedies. The Participant shall be liable to the Partnership for all costs and damages, including incidental and consequential damages, resulting from a disposition of the Award or the LTIP Units which is in violation of the provisions of this Agreement. Without limiting the generality of the foregoing, the Participant agrees that the Partnership shall be entitled to obtain specific performance of the obligations of the Participant under this Agreement and immediate injunctive relief in the event any action or proceeding is brought in equity to enforce the same. The Participant will not urge as a defense that there is an adequate remedy at law.

11. Restrictive Legends. Certificates evidencing the Award, to the extent such certificates are issued, may bear such restrictive legends as the Partnership and/or the Partnership's counsel may deem necessary or advisable under applicable law or pursuant to this Agreement, including, without limitation, the following legends or any legends similar thereto:

“The securities represented hereby have not been registered under the Securities Act of 1933, as amended (the “Securities Act”). Any transfer of such securities will be invalid unless a Registration Statement under the Securities Act is in effect as to such transfer or in the opinion of counsel for XHR LP (the “Partnership”) such registration is unnecessary in order for such transfer to comply with the Securities Act.”

“The securities represented hereby are subject to transferability and other restrictions as set forth in (i) a written agreement with the Partnership, (ii) the Xenia Hotels & Resorts, Inc., XHR Holding, Inc. and XHR LP 2015 Incentive Award Plan and (iii) the Amended and Restated Agreement of Limited Partnership of XHR LP, in each case, as has been and as may in the future be amended (or amended and restated) from time to time, and such securities may not be sold or otherwise transferred except pursuant to the provisions of such documents.”

12. Restrictions on Public Sale by the Participant. To the extent not inconsistent with applicable law, the Participant agrees not to effect any sale or distribution of the LTIP Units or any similar security of the Company or the Partnership, or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 under the Securities Act, during the fourteen (14) days prior to, and during the up to 180-day period beginning on, the date of the pricing of any public or private debt or equity securities offering by the Company or the Partnership (except as part of such offering), if and to the extent requested in writing by the Partnership or the Company in the case of a non-underwritten public or private offering or if and to the extent requested in writing by the managing underwriter or underwriters (or initial purchaser or initial purchasers, as the case may be) and consented to by the Partnership or the Company, which consent may be given or withheld in the Partnership’s or the Company’s sole and absolute discretion, in the case of an underwritten public or private offering (such agreement to be in the form of a lock-up agreement provided by the Company, the Partnership, managing underwriter or underwriters, or initial purchaser or purchasers as the case may be).

13. Conformity to Securities Laws. The Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of all applicable federal and state laws, rules and regulations (including, but not limited to the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including without limitation the applicable exemptive conditions of Rule 16b-3 of the Exchange Act) and to such approvals by any listing, regulatory or other governmental authority as may, in the opinion of counsel for the Partnership or the Company, be necessary or advisable in connection therewith. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Award of LTIP Units is made, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan, this Agreement and the Award shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

14. Code Section 409A. To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the effective date of this Agreement. Notwithstanding any provision of this Agreement to the contrary, in the event that following the effective date of this Agreement, the Company or the Partnership determines that the Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the effective date of this Agreement), the Company or the Partnership may adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company or the Partnership determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance; *provided, however*, that

this Section 14 shall not create any obligation on the part of the Company, the Partnership or any Subsidiary to adopt any such amendment, policy or procedure or take any such other action.

15. No Right to Continued Service. Nothing in this Agreement shall confer upon the Participant any right to continue as a Service Provider of the Company, the Partnership or any Subsidiary, or shall interfere with or restrict in any way the rights of the Company, the Partnership or any Subsidiary, which rights are hereby expressly reserved, to discharge the Participant at any time for any reason whatsoever, with or without cause.

16. Miscellaneous.

(a) Incorporation of the Plan. This Agreement is made under and subject to and governed by all of the terms and conditions of the Plan. In the event of any discrepancy or inconsistency between this Agreement and the Plan, the terms and conditions of the Plan shall control. By signing this Agreement, the Participant confirms that he or she has received access to a copy of the Plan and has had an opportunity to review the contents thereof.

(b) Clawback. This Award shall be subject to any clawback or recoupment policy currently in effect or as may be adopted by the Company or the Partnership, in each case, as may be amended from time to time.

(c) Successors and Assigns. Subject to the limitations set forth in this Agreement, this Agreement shall be binding upon, and inure to the benefit of, the executors, administrators, heirs, legal representatives, successors and assigns of the parties hereto, including, without limitation, any business entity that succeeds to the business of the Company or the Partnership.

(d) Entire Agreement; Amendments and Waivers. This Agreement, together with the Plan and the Partnership Agreement, constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. Except as set forth in Section 14 above, this Agreement may not be amended except in an instrument in writing signed on behalf of each of the parties hereto and approved by the Administrator. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

(e) Survival of Representations and Warranties. The representations, warranties and covenants contained in Section 5 hereof shall survive the later of the date of execution and delivery of this Agreement or the issuance of the Award.

(f) Severability. If for any reason one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

(g) Titles. The titles, captions or headings of the Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

(h) Counterparts. This Agreement may be executed in any number of counterparts, any of which may be executed and transmitted by facsimile (including, without limitation, transfer by .pdf), and each of

which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument.

(i) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland applicable to contracts entered into and wholly to be performed within the State of Maryland by Maryland residents, without regard to any otherwise governing principles of conflicts of law that would choose the law of any state other than the State of Maryland.

(j) Notices. Any notice to be given by the Participant under the terms of this Agreement shall be addressed to the Senior Vice President & General Counsel of the Company at the Company's address set forth in Exhibit A attached hereto. Any notice to be given to the Participant shall be addressed to him or her at the Participant's then current address on the books and records of the Company. By a notice given pursuant to this Section 16(j), either party may hereafter designate a different address for notices to be given to him or her. Any notice which is required to be given to the Participant shall, if the Participant is then deceased, be given to the Participant's personal representative if such representative has previously informed the Company of his or her status and address by written notice under this Section 16(j) (and the Company shall be entitled to rely on any such notice provided to it that it in good faith believes to be true and correct, with no duty of inquiry). Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States mail by certified mail, with postage and fees prepaid, addressed as set forth above or upon confirmation of delivery by a nationally recognized overnight delivery service.

IN WITNESS WHEREOF , the parties have executed this Agreement as of the day and year first above written.

XENIA HOTELS & RESORTS, INC.,
a Maryland corporation

By: _____
Name: _____
Title: _____

XHR LP,
a Delaware limited partnership
By: XHR GP, Inc., a Delaware corporation
Its: General Partner

By: _____
Name: _____
Title: _____

The Participant hereby accepts and agrees to be bound by all of the terms and conditions of this Agreement.

<PARTC_NAME>

Exhibit A

Notice Address

Company Address

200 S. Orange Avenue
Suite 2700
Orlando, Florida 32801

<i>Entity Name</i>	<i>Domestic Jurisdiction</i>
131 East Redwood (Landlord), LLC	Maryland
131 East Redwood (Tenant), LLC	Maryland
Evanston Hotel Associates, LLC	Delaware
Evanston Lessee, LLC	Delaware
IA Gainesville TRS, L.L.C.	Delaware
IA Kessler Charleston Meeting TRS, L.L.C.	Delaware
IA Kessler Charleston Meeting, L.L.C.	Delaware
IA Kessler Mountain Brook TRS, L.L.C.	Delaware
IA Kessler Mountain Brook, L.L.C.	Delaware
IA Lodging Alexandria King TRS, L.L.C.	Delaware
IA Lodging Alexandria King, L.L.C.	Delaware
IA Lodging Atlanta Waverly TRS, L.L.C.	Delaware
IA Lodging Atlanta Waverly, L.L.C.	Delaware
IA Lodging Austin Arboretum GP, L.L.C.	Delaware
IA Lodging Austin Arboretum Limited Partnership	Illinois
IA Lodging Austin Arboretum LP, L.L.C.	Delaware
IA Lodging Austin Arboretum TRS GP, L.L.C.	Delaware
IA Lodging Austin Arboretum TRS Limited Partnership	Illinois
IA Lodging Austin Arboretum TRS LP, L.L.C.	Delaware
IA Lodging Burlingame TRS, L.L.C.	Delaware
IA Lodging Burlingame, L.L.C.	Delaware
IA Lodging Celebration TRS, L.L.C.	Delaware
IA Lodging Celebration, L.L.C.	Delaware
IA Lodging Charleston Lee TRS, L.L.C.	Delaware
IA Lodging Charleston Lee, L.L.C.	Delaware
IA Lodging Chicago Wabash TRS, L.L.C.	Delaware
IA Lodging Chicago Wabash, L.L.C.	Delaware
IA Lodging Dallas Akard Beverage Corporation	Texas
IA Lodging Dallas Akard GP, L.L.C.	Delaware
IA Lodging Dallas Akard LP	Illinois
IA Lodging Dallas Akard LP, L.L.C.	Delaware
IA Lodging Dallas Akard TRS GP, L.L.C.	Delaware
IA Lodging Dallas Akard TRS LP	Illinois
IA Lodging Dallas Akard TRS LP, L.L.C.	Delaware
IA Lodging Dallas Pearl GP, L.L.C.	Delaware
IA Lodging Dallas Pearl Limited Partnership	Delaware
IA Lodging Dallas Pearl LP, L.L.C.	Delaware
IA Lodging Dallas Pearl TRS Member, L.L.C.	Delaware
IA Lodging Dallas Pearl TRS, L.L.C.	Delaware
IA Lodging Denver Champa TRS, L.L.C.	Delaware
IA Lodging Denver Champa, L.L.C.	Delaware
IA Lodging Denver City Center TRS, L.L.C.	Delaware
IA Lodging Denver City Center, L.L.C.	Delaware
IA Lodging Gainesville, L.L.C.	Delaware

IA Lodging Garden Grove Harbor L.L.C.	Delaware
IA Lodging Garden Grove Harbor TRS, L.L.C.	Delaware
IA Lodging Houston Galleria GP, L.L.C.	Delaware
IA Lodging Houston Galleria LP, L.L.C.	Delaware
IA Lodging Houston Galleria TRS GP, L.L.C.	Delaware
IA Lodging Houston Galleria TRS LP, L.L.C.	Delaware
IA Lodging Houston Galleria TRS, LP	Illinois
IA Lodging Houston Galleria, L.P.	Illinois
IA Lodging Houston Oaks GP, L.L.C.	Delaware
IA Lodging Houston Oaks LP, L.L.C.	Delaware
IA Lodging Houston Oaks TRS GP, L.L.C.	Delaware
IA Lodging Houston Oaks TRS LP, L.L.C.	Delaware
IA Lodging Houston Oaks TRS, L.P.	Illinois
IA Lodging Houston Oaks, L.P.	Illinois
IA Lodging Key West TRS, L.L.C.	Delaware
IA Lodging Key West, L.L.C.	Delaware
IA Lodging Lexington Newtown TRS, L.L.C.	Delaware
IA Lodging Lexington Newtown, L.L.C.	Delaware
IA Lodging Napa First TRS, L.L.C.	Delaware
IA Lodging Napa First, L.L.C.	Delaware
IA Lodging Napa Solano TRS, L.L.C.	Delaware
IA Lodging Napa Solano, L.L.C.	Delaware
IA Lodging New Orleans TRS, L.L.C.	Delaware
IA Lodging New Orleans, L.L.C.	Delaware
IA Lodging Orlando Downtown TRS, L.L.C.	Delaware
IA Lodging Orlando Downtown, L.L.C.	Delaware
IA Lodging Pittsburgh Penn DST	Delaware
IA Lodging Pittsburgh Penn TRS DST	Delaware
IA Lodging Salt Lake City TRS, L.L.C.	Delaware
IA Lodging Salt Lake City, L.L.C.	Delaware
IA Lodging San Diego TRS, L.L.C.	Delaware
IA Lodging San Diego, L.L.C.	Delaware
IA Lodging Santa Clara TRS, L.L.C.	Delaware
IA Lodging Santa Clara, L.L.C.	Delaware
IA Lodging Savannah Barnard TRS, L.L.C.	Delaware
IA Lodging Savannah Barnard, L.L.C.	Delaware
IA Lodging Savannah TRS, L.L.C.	Delaware
IA Lodging Savannah, L.L.C.	Delaware
IA Lodging St. Louis TRS, L.L.C.	Delaware
IA Lodging St. Louis, L.L.C.	Delaware
IA Lodging Waikiki Beach TRS, L.L.C.	Delaware
IA Lodging Waikiki Beach, L.L.C.	Delaware
IA Lodging West Des Moines TRS, L.L.C.	Delaware
IA Lodging West Des Moines, L.L.C.	Delaware
IA Lodging Woodlands GP, L.L.C.	Delaware
IA Lodging Woodlands Limited Partnership	Illinois

IA Lodging Woodlands LP, L.L.C.	Delaware
IA Lodging Woodlands TRS GP, L. L.C.	Delaware
IA Lodging Woodlands TRS Limited Partnership	Illinois
IA Lodging Woodlands TRS LP, L.L.C.	Delaware
IA Urban Baltimore Hotel Associates I, L.L.C.	Maryland
IA Urban Hotels Atlanta Century TRS, L.L.C.	Delaware
IA Urban Hotels Atlanta Century, L.L.C.	Delaware
IA Urban Hotels Baltimore TRS, L.L.C.	Delaware
IA Urban Hotels Baltimore, L.L.C.	Delaware
IA Urban Hotels Birmingham TRS, L. L.C.	Delaware
IA Urban Hotels Birmingham, L.L.C.	Delaware
IA Urban Hotels Cambridge TRS, L.L. C.	Delaware
IA Urban Hotels Cambridge, L.L.C.	Delaware
IA Urban Hotels Chicago TRS, L.L. C.	Delaware
IA Urban Hotels Chicago, L.L.C.	Delaware
IA Urban Hotels Denver TRS, L.L. C.	Delaware
IA Urban Hotels Denver, L.L.C.	Delaware
IA Urban Hotels Fort Worth GP, L.L.C.	Delaware
IA Urban Hotels Fort Worth Limited Partnership	Delaware
IA Urban Hotels Fort Worth LP, L.L.C.	Delaware
IA Urban Hotels Fort Worth TRS GP, L. L.C.	Delaware
IA Urban Hotels Fort Worth TRS Limited Partnership	Delaware
IA Urban Hotels Fort Worth TRS LP, L.L.C.	Delaware
IA Urban Hotels Houston GP, L.L.C.	Delaware
IA Urban Hotels Houston Limited Partnership	Delaware
IA Urban Hotels Houston LP, L.L.C.	Delaware
IA Urban Hotels Houston TRS GP, L. L.C.	Delaware
IA Urban Hotels Houston TRS Limited Partnership	Delaware
IA Urban Hotels Houston TRS LP, L.L.C.	Delaware
IA Urban Hotels Hunt Valley TRS, L.L.C. .	Delaware
IA Urban Hotels Hunt Valley, L.L.C.	Delaware
IA Urban Hotels Phoenix TRS, L.L.C.	Delaware
IA Urban Hotels Phoenix, L.L.C.	Delaware
IA Urban Hotels Washington DC Franklin TRS, L.L.C.	Delaware
IA Urban Hotels Washington DC Franklin, L.L.C.	Delaware
IA Urban Hotels Washington DC Terrace TRS, L.L. C.	Delaware
IA Urban Hotels Washington DC Terrace, L.L.C.	Delaware
IA Winston Hotels Chelsea TRS, L.L.C.	Delaware
IA Winston Hotels Kansas City TRS, L. L.C.	Delaware
IA Winston Hotels Kansas City, L.L.C.	Delaware
Philadelphia 17 GP, LLC	Delaware
Philadelphia 17 LP, LLC	Delaware
XHR Acquisitions, LLC	Delaware
XHR Arlington LLC	Delaware
XHR Arlington TRS LLC	Delaware
XHR Boston Commonwealth LLC	Delaware

XHR Boston Commonwealth TRS LLC	Delaware
XHR Bottling Court, LLC	Delaware
XHR GP, Inc.	Delaware
XHR Holding, Inc.	Delaware
XHR LP	Delaware
XHR Management, LLC	Delaware
XHR Orlando Cypress LLC	Delaware
XHR Orlando Cypress TRS LLC	Delaware
XHR Payment Manager, L.L.C.	Delaware
XHR Philadelphia 17 LLC	Delaware
XHR Philadelphia 17 TRS LLC	Delaware
XHR Phoenix Palms LLC	Delaware
XHR Phoenix Palms TRS LLC	Delaware
XHR Portland LLC	Delaware
XHR Portland TRS LLC	Delaware
XHR Santa Barbara LLC	Delaware
XHR Santa Barbara TRS LLC	Delaware
XHR Scottsdale Ranch LLC	Delaware
XHR Scottsdale Ranch TRS LLC	Delaware

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Xenia Hotels & Resorts, Inc.:

We consent to the incorporation by reference in the registration statements on Form S-3 ASR (No. 333-220400) and on Form S-8 (No. 333-201829) of Xenia Hotels & Resorts, Inc. of our reports dated February 27, 2018, with respect to the consolidated balance sheets of Xenia Hotels & Resorts, Inc. as of December 31, 2017 and 2016, and the related combined consolidated statements of operations and comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement schedule III (collectively, the “consolidated financial statements”), and the effectiveness of internal control over financial reporting as of December 31, 2017, which reports appear in the December 31, 2017 annual report on Form 10-K of Xenia Hotels & Resorts, Inc.

/s/ KPMG LLP

Orlando, Florida
February 27, 2018
Certified Public Accountants

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

I, Marcel Verbaas, certify that:

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

Date: February 27, 2018

/s/ MARCEL VERBAAS

Marcel Verbaas

*Chairman and Chief Executive Officer
(Principal Executive Officer)*

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

I, Atish Shah, certify that:

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

Date: February 27, 2018

/s/ ATISH SHAH

Atish Shah

*Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)*

**Certification of Chief Executive Officer and Chief Financial Officer
Pursuant To 18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of The Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Xenia Hotels & Resorts, Inc. ("XHR") on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officers of XHR certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officers' knowledge:

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

Date: February 27, 2018

/s/ MARCEL VERBAAS

Marcel Verbaas

*Chairman and Chief Executive Officer
(Principal Executive Officer)*

/s/ ATISH SHAH

Atish Shah

*Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)*

A signed original of this written statement required by Section 906 has been provided to XHR and will be retained by XHR and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of the Report or on a separate disclosure document.