



HERSHA

OUR COMPANY. OUR VISION.





Hersha's position as one of the nation's premiere hospitality companies can be traced to the keen entrepreneurial spirit of its founders and the commitment to deliver value to our shareholders whether supported by favorable economic currents or through challenging market environments. Best-in-class capital allocation and operational capabilities managed by a talented, cycle-tested team has been foundational to our success. We continue to enhance our thoughtfully assembled portfolio, focusing on hotels that generate current income and promise strong future growth in the country's most valuable real estate markets.

The characteristics that have distinguished Hersha since its inception are stronger today than at any time since we set out on this journey 17 years ago. Hersha's meaningful total return performance over the years proves the inherent value to our business approach, and energizes our commitment to creating sustainable long-term value for our shareholders now and well into the future.

As we move forward well-positioned for the future, we take this opportunity to acknowledge and thank the professionals and teams with whom we have the privilege to work, and we take equal pride in thanking our fellow shareholders for their support, clarity and continued confidence.

JAY H. SHAH
CHIEF EXECUTIVE OFFICER

NEIL H. SHAH
PRESIDENT AND
CHIEF OPERATING OFFICER





Since its IPO in 1999, Hersha Hospitality Trust has evolved into one of the leading hotel REITs in America. In furtherance of its strategic vision, 2016 was a transformative year as Hersha completed several multi-year value creating initiatives positioning the Company for growth for decades to come.

Across the last several years, Hersha completed over \$1.3 billion in hotel transactions, expanding the Company's presence in its strategic growth markets -- Boston, Washington, DC and the West Coast -- while reducing its exposure to the challenged Manhattan market and lower growth suburban markets. Today, Hersha's refined portfolio is concentrated in the nation's highest demand urban gateway and destination markets, with younger, high growth hotels that dominate the lifestyle and luxury segments.

Hersha's ability to successfully execute complex and large scale transactions, as both a buyer and seller, while delivering consistent shareholder returns is a distinguishing hallmark of the Company's success. Hersha continually recycles investment capital and upgrades the quality of its portfolio by selling mature, lower growth hotels, and re-deploying the appreciated capital into newer, market leading hotels that are consistent with the Company's emerging strategic vision. The result is a differentiated portfolio clustered in the most dynamic markets in the country with sturdy current income and tremendous growth potential.

Hersha's cycle-tested management team seeks to bridge the compromise between current yield and future growth in its portfolio strategy. The Company concentrates hotels in markets and locations





that are expected to grow at a faster rate over the long-term fueled by diverse hotel demand generators and barriers to new competition, with the added benefit of real estate appreciation. The Company focuses on high margin transient-oriented hotels, both branded and independent, that cater to today's business and leisure travelers and are designed and operated to create powerful customer loyalty.

The Company's portfolio hotels consistently outperform the competition, delivering robust margins relative to their peers. The margin profile of select service hotels has been the foundation of Hersha's success, and its independent lifestyle and luxury hotels offer the Company greater profit margin growth and real estate value appreciation.

Hersha's investment philosophy is underpinned by valuation, potential earnings growth and the dynamics of the real estate market where the hotel operates. The decision to acquire is made when all of the pieces come together and the Company believes it can bring its unique operational advantage to the investment. This opportunistic and nimble approach has enabled the Company to assemble a portfolio of hotels with durable income streams and attractive growth profiles.

Though Hersha owns hotels across multiple rate segments -- from 3 star to 5 star -- the Company's acquisition philosophy is keenly focused on urban gateway and destination markets and their demand fundamentals. The portfolio concentration in New York City, Boston, Washington, DC, Miami and the West Coast drives extraordinary value from the long-term real estate appreciation in these markets,





in addition to the sturdy growth in operating income that the hotels deliver.

While investing in growth through new hotel acquisitions in our strategic markets is a priority, there are times when buying back the Company's stock is as productive, and allows a return of capital to shareholders, driving their returns. At Hersha, all major decisions are focused on long-term, sustainable value creation and commitment to total shareholder returns. When the Company's shares are trading below their intrinsic value, or below the private market valuation of the portfolio hotels, management will use excess capital to buy back shares. Over the course of the past several years, Hersha has repurchased approximately 20% of its public float. Share buybacks, in addition to the Company's strong dividend policy, are a demonstration of the Company's total return philosophy, and sustained commitment to shareholder value.

Hersha has positioned itself as one of the country's premiere hospitality enterprises based on its proven thesis that ownership of high-quality real estate generating robust cash flow will outpace the market. The Company's unique hotel portfolio, characterized by high absolute RevPAR and sector-leading margins, located in the most valuable markets in the country is further supported by a talented management team that thinks like long-term investors and manages like owner-operators -- valuable clarity and differentiation in today's complex and crowded hospitality sector.







The EarthView® sustainable hospitality program was born from Hersha's value for the communities in which it does business. A cross-functional team from our hotels and corporate finance developed and manages an economically sustainable program in furtherance of our belief that environmental and community stewardship are integral in maintaining and building a successful and growing business.

Our approach is thoughtful and pragmatic. Hersha applies a rigorous quantitative methodology to measure EarthView's financial, environmental and social impact for the good of all stakeholders -- guests, team members, shareholders, communities, and the environment.

Hersha breaks the compromise between strong economic returns and responsible stewardship of our communities and environment. Through EarthView, the Company studies and invests in capital projects that reduce energy and water consumption, positively impacting the portfolio's operating margins and return on investment.

The Company's industry leadership in sustainability is recognized by numerous governmental agencies, cities, brands and trade organizations. Across multiple years, the National Association of Real Estate Investment Trusts (NAREIT) has rated Hersha as the top company in the Lodging & Resorts sector for best-in-class portfolio-wide energy use practices and sustainability initiatives.

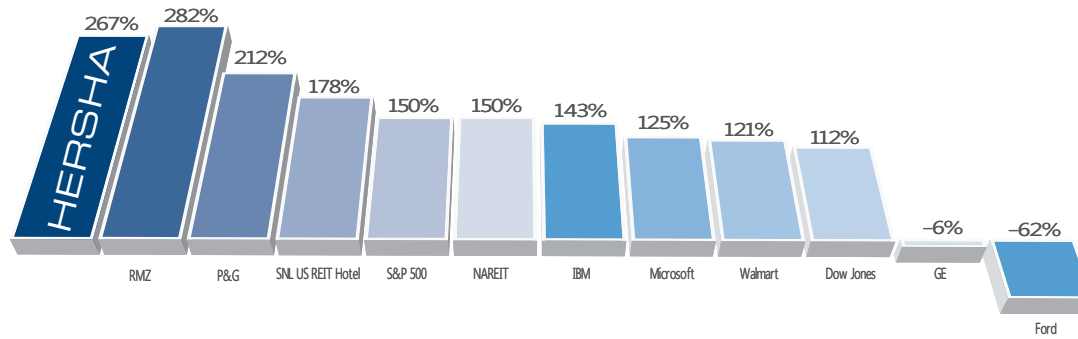
Hersha's commitment to sustainable hospitality is enduring, and a testament to how we build and deploy unique capabilities. Please visit us at [Hersha.com](https://www.hersha.com) to discover more about EarthView's innovative sustainability programs.



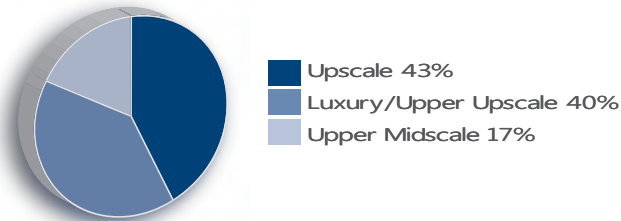
Noteworthy



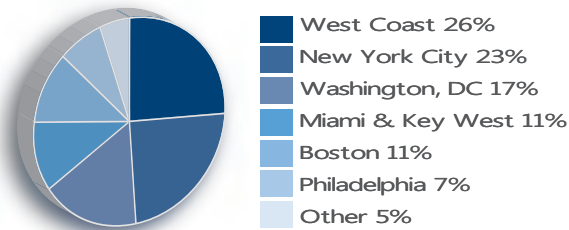
HERSHA RETURNS SINCE IPO IN 1999 ¹



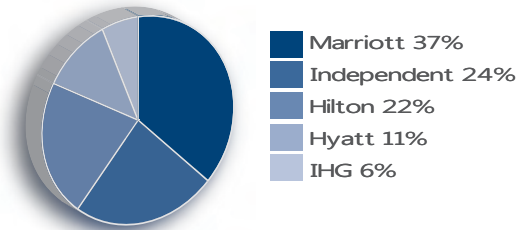
HERSHA PORTFOLIO BY MARKET SEGMENT ²



HERSHA PORTFOLIO BY LOCATION ²



HERSHA PORTFOLIO BY HOTEL BRAND ²



(1) Source: Bloomberg and SNL Financial. Total Returns from January 20, 1999 through December 31, 2016.

(2) Reflects estimated 2017 Pro Forma Consolidated Portfolio EBITDA.

Financial Highlights

HERSHA

(In thousands, except per share data)

CONSOLIDATED HOTEL OPERATING RESULTS	Year Ended December 31,				
	2016	2015	2014	2013	2012
HOTEL OPERATING REVENUES	\$ 466,370	470,272	417,226	338,064	299,005
AVERAGE DAILY RATE	\$ 202.59	197.29	187.82	179.70	175.23
OCCUPANCY	82.5%	84.1%	82.6%	79.7%	78.6%
REVENUE PER AVAILABLE ROOM	\$ 167.13	165.83	155.19	143.30	137.78

(In thousands, except per share data)

HERSHA HOSPITALITY TRUST OPERATING DATA: (Excluding Impairment Charges)	Year Ended December 31,				
	2016	2015	2014	2013	2012
Total Revenues (Including Discontinued Operations)	\$ 466,629	470,385	419,346	396,458	364,690
Net Income applicable to Common Shareholders	95,579	27,440	54,638	44,467	8,376
Adjusted EBITDA	171,564	177,288	162,506	145,064	143,291
Adjusted Funds from Operations	109,804	118,093	102,832	86,487	76,046
PER SHARE DATA: (Excluding Impairment Charges)					
Diluted Earnings Per Common Share	\$ 2.18	0.56	1.08	0.88	0.16
AFFO	2.40	2.35	1.96	1.64	1.52
Distributions to Common Shareholders	1.32	1.12	1.04	0.96	0.96
BALANCE SHEET DATA: (as of December 31st)					
Total Assets	\$ 2,155,536	1,962,649	1,855,539	1,748,097	1,707,679
Total Debt	1,103,327	1,169,964	918,923	819,336	792,708
Total Liabilities and Equity	2,155,536	1,962,649	1,855,539	1,748,097	1,707,679



Property Portfolio



NEW YORK CITY

Hyatt Union Square
Duane Street Hotel, Tribeca
NU Hotel, Brooklyn
Hilton Garden Inn, Manhattan Midtown East
Hilton Garden Inn, Tribeca
Holiday Inn Express, Madison Square Garden
Hampton Inn, Downtown Financial District
Hampton Inn, Seaport
Sheraton Hotel, JFK International Airport
Hilton Garden Inn, JFK International Airport
Holiday Inn Express, Times Square South³
Candlewood Suites, Times Square South³
Hampton Inn, Manhattan/Times Square³
Hampton Inn, Chelsea³
Hampton Inn, Madison Square Garden³
Holiday Inn, Wall Street³
Holiday Inn Express, Wall Street³
Hyatt House, White Plains
Holiday Inn Express, Chester

BOSTON

The Envoy, Seaport
The Boxer, Boston
Courtyard by Marriott, Boston/Brookline
Holiday Inn Express, Cambridge
Courtyard by Marriott, South Boston³
Holiday Inn Express, South Boston³
Mystic Marriott Hotel & Spa, Mystic

PHILADELPHIA

The Rittenhouse, Center City
Hampton Inn, Center City/Convention Center
Sheraton Wilmington South, Wilmington

WASHINGTON, D.C.

The Ritz-Carlton, Georgetown
The St. Gregory Hotel
The Capitol Hill Hotel
Hilton Garden Inn, M-Street
Hampton Inn, Convention Center
Residence Inn by Marriott, Tysons Corner, VA
Hyatt House, Gaithersburg, MD

MIAMI & KEY WEST

The Ritz-Carlton, Coconut Grove¹
The Cadillac Courtyard Miami Beach Oceanfront
The Winter Haven Hotel, Miami Beach
The Blue Moon Hotel, Miami Beach
Residence Inn by Marriott, Coconut Grove
The Parrot Key Hotel & Resort, Key West

WEST COAST

The Pan Pacific, Seattle¹
Courtyard by Marriott, Sunnyvale
TownePlace Suites, Sunnyvale
The Sanctuary Beach Resort, Monterey Bay
The Hotel Milo, Santa Barbara
The Ambrose Hotel, Santa Monica
Courtyard by Marriott, Westside Los Angeles
Courtyard by Marriott, Downtown San Diego
Hyatt House, Pleasant Hill/Walnut Creek²
Hyatt House, Pleasanton/Dublin²
Hyatt House, Scottsdale, AZ²

1) Acquired February, 2017.

2) Under contract to sell.

3) Unconsolidated Joint-Venture.

Section 1: 10-K (10-K)

**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, 2016

OR

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

For the transition period from _____ to _____

Commission file number: **001-14765**

HERSHA HOSPITALITY TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of Incorporation or Organization)

251811499
(I.R.S. Employer Identification No.)

44 Hersha Drive, Harrisburg, PA
(Address of Registrant's Principal Executive Offices)

17102
(Zip Code)

Registrant's telephone number, including area code: **(717) 236-4400**

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

<u>Title of each class</u>
Class A Common Shares of Beneficial Interest, par value \$.01 per share
6.875% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$.01 per share
6.50% Series D Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$.01 per share
6.50% Series E Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$.01 per share

<u>Name of each exchange on which registered</u>
New York Stock Exchange
New York Stock Exchange
New York Stock Exchange
New York Stock Exchange

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

None
(Title of class)

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 (i) 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 (ii) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of the 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 Act). Yes No

The aggregate market value of the outstanding Class A common shares held by nonaffiliates of the registrant, computed by reference to the closing sale price at which Class A common shares were last sold on June 30, 2016, was approximately \$727.6 million.

As of February 22, 2017, the number of Class A common shares outstanding was 41,771,966 and there were no Class B common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement, to be filed with the Securities and Exchange Commission not later than 120 days after the end of the registrant's last fiscal year pursuant to Regulation 14A, are incorporated herein by reference into Part II, Item 5 and Part III.

HERSHA HOSPITALITY TRUST

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CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

Unless the context otherwise requires, references in this report to: (1) “we,” “us,” “our,” the “Company” and “Hersha” mean Hersha Hospitality Trust and its consolidated subsidiaries, including Hersha Hospitality Limited Partnership, taken as a whole; (2) “HHLP” and “our operating partnership” mean Hersha Hospitality Limited Partnership; and (3) “common shares” mean our Class A common shares of beneficial interest, \$0.01 par value per share.

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 (“Exchange Act”), as amended, including, without limitation, statements containing the words, “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “may” and words of similar import. Such forward-looking statements relate to future events, our plans, strategies, prospects and future financial performance, and involve known and unknown risks that are difficult to predict, uncertainties and other factors which may cause our actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers should specifically consider the various factors identified in this report including, but not limited to those discussed in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” that could cause actual results to differ. Statements regarding the following subjects are forward-looking by their nature:

- our business or investment strategy;
- our projected operating results;
- our distribution policy;
- our liquidity;
- completion of any pending transactions;
- our ability to raise capital on attractive terms or at all;
- our ability to obtain future financing arrangements or refinance or extend the maturity of existing financing arrangements as they come due;
- our ability to repurchase shares at attractive terms from time to time;
- our understanding of our competition;
- market trends; and
- projected capital expenditures.

Forward-looking statements are based on our beliefs, assumptions and expectations, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Readers should not place undue reliance on forward-looking statements. The following factors could cause actual results to vary from our forward-looking statements:

- general volatility of the capital markets and the market price of our common shares;
- changes in our business or investment strategy;
- availability, terms and deployment of capital;
- availability of qualified personnel;
- changes in our industry and the market in which we operate, interest rates, or the general economy;
- decreased international travel because of geopolitical events, including terrorism and current U.S. government policies;
- the degree and nature of our competition;
- financing risks, including the risk of leverage and the corresponding risk of default on our mortgage loans and other debt and potential inability to refinance or extend the maturity of existing indebtedness;
- levels of spending in the business, travel and leisure industries, as well as consumer confidence;
- declines in occupancy, average daily rate and RevPAR and other hotel operating metrics;
- hostilities, including future terrorist attacks, or fear of hostilities that affect travel;
- financial condition of, and our relationships with, our joint venture partners, third-party property managers, franchisors and hospitality joint venture partners;
- the degree and nature of our competition;
- increased interest rates and operating costs;
- ability to complete development and redevelopment projects;
- risks associated with potential acquisitions, including the ability to ramp up and stabilize newly acquired hotels with limited or no operating history, and dispositions of hotel properties;
- availability of and our ability to retain qualified personnel;
- our failure to maintain our qualification as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code;
- environmental uncertainties and risks related to natural disasters;

- changes in real estate and zoning laws and increases in real property tax rates; and
- the factors discussed in Item 1A of this Annual Report on Form 10-K for the year ended December 31, 2016 under the heading “Risk Factors” and in other reports we file with the U.S. Securities and Exchange Commission (“SEC”) from time to time.

These factors are not necessarily all of the important factors that could cause our actual results, performance or achievements to differ materially from those expressed in or implied by any of our forward-looking statements. Other unknown or unpredictable factors, many of which are beyond our control, also could harm our results, performance or achievements.

All forward-looking statements contained in this report 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 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.

Item 1. Business**OVERVIEW**

Hersha Hospitality Trust is a self-advised Maryland real estate investment trust that was organized in 1998 and completed its initial public offering in January of 1999. Our common shares are traded on the New York Stock Exchange under the symbol "HT." We invest primarily in institutional grade hotels in major urban gateway markets including New York, Washington, DC, Boston, Philadelphia, South Florida and select markets on the West Coast. Our primary strategy is to continue to own and acquire high quality, upscale, mid-scale and extended-stay hotels in metropolitan markets with high barriers to entry and independent boutique hotels in markets with similar characteristics. We have operated and intend to continue to operate so as to qualify as a REIT for federal income tax purposes.

We aim to create value through our ability to source capital and identify high growth acquisition targets. We seek acquisition candidates located in markets with economic, demographic and supply dynamics favorable to hotel owners and operators. Through our due diligence process, we select those acquisition targets where we believe selective capital improvements and intensive management will increase the hotel's ability to attract key demand segments, enhance hotel operations and increase long-term value. To drive sustainable shareholder value, we also seek to recycle capital from stabilized assets and our sales of non-core hotels in secondary and tertiary markets. Capital from these types of transactions is intended to be and has been redeployed into high growth acquisitions, share buybacks and reduction of debt.

As of December 31, 2016, our portfolio consisted of 43 wholly owned limited and full service properties with a total of 6,344 rooms and interests in 12 limited and full service properties owned through joint venture investments with a total of 2,456 rooms. These 55 properties, with a total of 8,800 rooms, are located in Arizona, California, Connecticut, Delaware, District of Columbia, Florida, Maryland, Massachusetts, New York, Pennsylvania, and Virginia and operate under leading brands owned by Marriott International, Inc. ("Marriott"), Hilton Worldwide, Inc. ("Hilton"), InterContinental Hotels Group ("IHG"), and Hyatt Corporation ("Hyatt"). In addition, some of our hotels operate as independent boutique hotels or with other brands.

On January 3, 2017, we redeemed our joint venture interest in Mystic Partners, LLC by acquiring 100% ownership interest in the Mystic Marriott Hotel & Spa and transferring our minority ownership interests in the Hartford Marriott and Hartford Hilton to the joint venture partner. In July 2016, we entered into a purchase and sale agreement to sell the Residence Inn, Greenbelt, MD, Courtyard, Alexandria, VA, Hyatt House, Scottsdale, AZ, Hyatt House, Pleasant Hill, CA, and Hyatt House, Pleasanton, CA to an unaffiliated buyer. On January 5, 2017, we closed on the sale of two of the five assets, and the remaining three are expected to close in the third quarter of 2017, subject to customary closing conditions.

We are structured as an umbrella partnership REIT, or UPREIT, and we own our hotels and our investments in joint ventures through our operating partnership, Hersha Hospitality Limited Partnership, for which we serve as the sole general partner. As of December 31, 2016, we owned an approximate 93.6% partnership interest in our operating partnership including all general partnership interest.

The majority of our wholly-owned hotels are managed by Hersha Hospitality Management, L.P. ("HHMLP"), a privately held, qualified management company owned by certain of our trustees and executive officers and other unaffiliated third party investors. Other third party qualified management companies manage the hotels that we own through joint venture interests. We lease our wholly-owned hotels to 44 New England Management Company ("44 New England"), our wholly-owned taxable REIT subsidiary ("TRS") or one of its wholly owned subsidiaries. Each of the hotels that we own through a joint venture investment is leased to another TRS that is owned by the respective joint venture or an entity owned in part by 44 New England.

Our principal executive office is located at 44 Hersha Drive, Harrisburg, Pennsylvania 17102. Our telephone number is (717) 236-4400. Our website address is www.hersha.com. The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of, this report.

AVAILABLE INFORMATION

We make available free of charge through our website (www.hersha.com) our code of ethics, corporate governance guidelines and the charters of the committees of our Board of Trustees (Acquisition Committee, Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Risk Sub-Committee of the Audit Committee). We also make available through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the SEC. All reports that we have filed with the SEC including this annual report on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K, can also be obtained free of charge from the SEC's website at www.sec.gov. In addition, all reports

filed with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549-1090. Further information regarding the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0330. The information available on our website is not, and shall not be deemed to be, a part of this report or incorporated into any other filings we make with the SEC.

INVESTMENT IN HOTEL PROPERTIES

Our operating strategy focuses on increasing hotel performance for our portfolio. The key elements of this strategy are:

- working together with our hotel management companies to increase revenue per available room, or RevPAR, and to maximize the average daily rate, or ADR, and occupancy levels at each of our hotels through active property-level management, including intensive marketing efforts to tour groups, corporate and government extended stay customers and other wholesale customers and expanded yield management programs, which are calculated to better match room rates to room demand; and
- maximizing our hotel-level earnings by managing hotel-level costs and positioning our hotels to capitalize on increased demand in the high quality, upper-upscale, upscale and extended-stay lodging segments, which we believe can be expected to follow from improving economic conditions, and maximizing our operating margins.

ACQUISITIONS

We selectively acquire high quality branded luxury upper-upscale, upscale, upper-midscale and extended-stay hotels in metropolitan markets with high barriers-to-entry and independent boutique hotels in similar markets. Through our due diligence process, we select those acquisition targets where we believe selective capital improvements and intensive management will increase the hotel's ability to attract key demand segments, enhance hotel operations and increase long-term value. In executing our disciplined acquisition program, we will consider acquiring hotels that meet the following additional criteria:

- nationally-franchised hotels operating under popular brands, such as Ritz-Carlton, Marriott, Residence Inn by Marriott, Courtyard by Marriott, Hilton Hotels, Hilton Garden Inn, Hampton Inn, Holiday Inn, Holiday Inn Express, Holiday Inn Express and Suites, Candlewood Suites, Hyatt House, Hyatt Place, Hyatt and Sheraton Hotels;
- hotels in locations with significant barriers-to-entry, such as high development costs, limited availability of land and lengthy entitlement processes;
- hotels in our target markets where we can realize operating efficiencies and economies of scale; and
- independent boutique hotels in similar markets

Since our initial public offering in January 1999 and through December 31, 2016, we have acquired, wholly or through joint ventures, a total of 115 hotels, including 28 hotels acquired from entities controlled by certain of our trustees and executive officers. Of the 28 acquisitions from entities controlled by certain of our trustees and executive officers, 25 were newly constructed or substantially renovated by these entities prior to our acquisition. We utilize our relationships with entities that are developing or substantially renovating hotels, including entities controlled by certain of our trustees and executive officers, to identify future hotel acquisitions that we believe may be attractive to us. We intend to continue to acquire hotels from entities controlled by certain of our trustees and executive officers if approved by a majority of our independent trustees in accordance with our related party transaction policy.

DISPOSITIONS

We evaluate our hotels and the markets in which they operate on a periodic basis to determine if these hotels continue to satisfy our investment criteria. We may sell hotels opportunistically based upon management's forecast and review of the cash flow potential of each hotel and re-deploy the proceeds into debt reduction, acquisitions of hotels and share buybacks. We utilize several criteria to determine the long-term potential of our hotels. Hotels are identified for sale based upon management's forecast of the strength of each hotel's cash flows, its ability to remain accretive to our portfolio, and the expectations for the market in which the hotel operates. Our decision to sell a hotel is often predicated upon the size of the hotel, strength of the franchise, property condition and related costs to renovate the property, strength of market demand generators, projected supply of hotel rooms in the market, probability of increased valuation and geographic profile of the hotel. All asset sales are comprehensively reviewed by the Acquisition Committee of our Board of Trustees, which committee consists solely of independent trustees. Since our initial public offering in 1999 through December 31, 2016, we have sold a total of 66 hotels.

For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operation” and Note 2, “Investment in Hotel Properties”.

FINANCING

We intend to finance our long-term growth with common and preferred equity issuances and debt financing having staggered maturities. Our debt includes unsecured debt in the aggregate of \$1 billion which is comprised of a \$500 million senior unsecured credit facility (includes a \$250 million unsecured term loan and \$250 million unsecured revolving line of credit), and two unsecured term loans totaling \$500 million. Our debt also includes secured mortgage debt on our hotel properties. We intend to use our revolving line of credit capacity to pay down mortgage debt, repurchase common shares, fund future acquisitions, as well as for capital improvements and working capital requirements. Subject to market conditions, we intend to repay amounts outstanding under the revolving line of credit portion of our credit facility from time to time with proceeds from periodic common and preferred equity issuances, long-term debt financings and cash flows from operations. When purchasing hotel properties, we may issue common and preferred limited partnership interests in our operating partnership as full or partial consideration to sellers.

FRANCHISE AGREEMENTS

We believe that the public’s perception of quality associated with a franchisor is an important feature in the operation of a hotel. Franchisors provide a variety of benefits for franchisees, which include national advertising, publicity and other marketing programs designed to increase brand awareness, training of personnel, continuous review of quality standards and centralized reservation systems. Most of our hotels operate under franchise licenses from national hotel franchisors, including:

Franchisor	Franchises
Marriott International	Ritz-Carlton, Marriott, Residence Inn by Marriott, Courtyard by Marriott, TownePlace Suites, Sheraton Hotels
Hilton Hotels Corporation	Hilton Hotels, Hilton Garden Inn, Hampton Inn
IHG	Holiday Inn, Holiday Inn Express, Holiday Inn Express & Suites, Candlewood Suites
Hyatt Hotels Corporation	Hyatt House, Hyatt Place, Hyatt

We anticipate a majority of the hotels in which we invest will be operated pursuant to franchise licenses.

The franchise licenses generally specify certain management, operational, record-keeping, accounting, reporting and marketing standards and procedures with which the franchisee must comply. The franchise licenses generally obligate our lessees to comply with the franchisors’ standards and requirements with respect to training of operational personnel, safety, maintaining specified insurance, the types of services and products ancillary to guest room services that may be provided by our lessees, display of signage, and the type, quality and age of furniture, fixtures and equipment included in guest rooms, lobbies and other common areas. In general, the franchise licenses require us to pay the franchisor a fee typically ranging between 6.0% and 9.3% of such hotel’s revenues annually.

PROPERTY MANAGEMENT

We work closely with our hotel management companies to operate our hotels and increase same hotel performance for our portfolio.

Through our TRS and our investment in joint ventures, we have retained the following management companies to operate our hotels as of December 31, 2016:

Manager	Wholly Owned		Joint Ventures		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Hersha Hospitality Management, L.P.	42	6,258	8	1,372	50	7,630
Waterford Hotel Group, Inc.*	-	-	2	802	2	802
South Bay Boston Management, Inc.	-	-	2	282	2	282
Marriott Management	1	86	-	-	1	86
Total	43	6,344	12	2,456	55	8,800

*The Mystic Partners joint venture was liquidated in January 2017 and subsequently do not have management agreements with Waterford Hotel Group, Inc.

Each management agreement provides for a set term and is subject to early termination upon the occurrence of defaults and certain other events described therein. As required under the REIT qualification rules, all managers, including HHMLP, must qualify as an “eligible independent contractor” during the term of the management agreements.

Under the management agreements, the manager generally pays the operating expenses of our hotels. All operating expenses or other expenses incurred by the manager in performing its authorized duties are reimbursed or borne by our applicable TRS to the extent the operating expenses or other expenses are incurred within the limits of the applicable approved hotel operating budget. Our managers are not obligated to advance any of their own funds for operating expenses of a hotel or to incur any liability in connection with operating a hotel.

For their services, the managers receive a base management fee, and if a hotel meets and exceeds certain thresholds, an additional incentive management fee. For the year ended December 31, 2016, these thresholds were not met and incentive management fees were not earned. The base management fee for a hotel is due monthly and is generally equal to 3% of the gross revenues associated with that hotel for the related month.

CAPITAL IMPROVEMENTS, RENOVATION AND REFURBISHMENT

Under certain loan agreements, we have established capital reserves for our hotels to maintain the hotels in a condition that complies with their respective requirements. These capital reserves typically range from 3% to 4% of each hotel's gross revenues. In addition, we may upgrade hotels in our portfolio in order to capitalize on opportunities to increase revenue, and, as deemed necessary by our management, to seek to meet competitive conditions and preserve asset quality. We will also renovate hotels when we believe the investment in renovations will provide an attractive return to us through increased revenues and profitability and is in the best interests of our shareholders. We maintain a capital expenditures policy by which replacements and renovations are monitored to determine whether they qualify as capital improvements. All items that are deemed to be repairs and maintenance costs are expensed and recorded in Hotel Operating Expenses in the Consolidated Statements of Operations.

OPERATING PRACTICES

Our hotel managers utilize centralized accounting and data processing systems, which facilitate financial statement and budget preparation, payroll management, quality control and other support functions for the on-site hotel management team. Our hotel managers also provide centralized control over purchasing and project management (which can create economies of scale in purchasing) while emphasizing local discretion within specific guidelines.

DISTRIBUTIONS

We have made 72 consecutive quarterly distributions to the holders of our common shares since our initial public offering in January 1999 and intend to continue to make regular quarterly distributions to our shareholders as approved by our Board of Trustees.

The following table sets forth distribution information for the last two calendar years.

Common Shares

Quarter to which Distribution Relates	Record Date	Payment Date	Class A Common Shares and Common Units Per Share and Per Unit Distribution Amount	
2016				
Fourth Quarter	1/5/2017	1/17/2017	\$	0.48 *
Third Quarter	10/3/2016	10/17/2016		0.28
Second Quarter	6/30/2016	7/15/2016		0.28
First Quarter	4/1/2016	4/15/2016		0.28
2015				
Fourth Quarter	1/4/2016	1/15/2016	\$	0.28
Third Quarter	9/30/2015	10/15/2015		0.28
Second Quarter	6/30/2015	7/15/2015		0.28
First Quarter	3/31/2015	4/15/2015		0.28 **

*Represents the aggregate of a quarterly dividend of \$0.28 per common share and unit and an additional special dividend of \$0.20 per common share and unit.

**Per share and per unit amounts adjusted for reverse 4-for-1 share split effective as of June 22, 2015.

Preferred Shares

Quarter to which Distribution Relates	Record Date	Payment Date	Series B Preferred Per Share Distribution Amount	Series C Preferred Per Share Distribution Amount	Series D Preferred Per Share Distribution Amount	Series E Preferred Per Share Distribution Amount
2016						
Fourth Quarter	1/1/2017	1/17/2017	N/A*	\$ 0.4297	\$ 0.4063	\$ 0.3069 **
Third Quarter	10/1/2016	10/17/2016	N/A*	0.4297	0.4063	N/A
Second Quarter	7/1/2016	7/15/2016	0.3722 *	0.4297	0.2031 **	N/A
First Quarter	4/1/2016	4/15/2016	\$ 0.5000	0.4297	N/A	N/A
2015						
Fourth Quarter	1/1/2016	1/15/2016	\$ 0.5000	\$ 0.4297	N/A	N/A
Third Quarter	10/1/2015	10/15/2015	0.5000	0.4297	N/A	N/A
Second Quarter	7/1/2015	7/15/2015	0.5000	0.4297	N/A	N/A
First Quarter	4/1/2015	4/15/2015	0.5000	0.4297	N/A	N/A

*Series B Preferred Shares were redeemed in full on June 8, 2016.

**Represents the initial dividend prorated for the duration of the quarter following issuance.

Our Board of Trustees will determine the amount of our future distributions in its sole discretion and its decision will depend on a number of factors, including the amount of funds from operations, our partnership's financial condition, debt service requirements, capital expenditure requirements for our hotels, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as the trustees deem relevant. Our ability to make distributions will depend on the profitability of and cash flow available from our hotels. There can be no assurance we will continue to pay distributions at the rates above or any other rate. Additionally, we may, if necessary and allowable, pay taxable distributions of our shares or debt securities to meet the distribution requirements. There are no assurances we will be able to continue to make quarterly distributions at the current rate.

SEASONALITY

Our hotels' operations historically have been seasonal in nature, reflecting higher revenues and occupancy rates during the second and third quarters. This seasonality causes fluctuations in our quarterly operating revenues, profitability, and cash flow.

COMPETITION

The U.S. hotel industry is highly competitive. Our hotels compete with other hotels for guests in each of their markets on the basis of several factors, including, among others, location, quality of accommodations, convenience, brand affiliation, room rates, service levels and amenities, and level of customer service. In addition to traditional hotels, our properties also compete with non-traditional accommodations for travelers such as online room sharing services. Competition is often specific to the individual markets in which our hotels are located and includes competition from existing and new hotels operated under premium brands in the focused-service and full-service segments. We believe that hotels, such as our hotels, that are affiliated with leading national brands, such as the Marriott, Hilton, Hyatt, or IHG, 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, which may materially and adversely affect our operating results and liquidity.

The upper-upscale and upscale limited service segments of the hotel business are highly competitive. There are many competitors in our market segments and new hotels are routinely being constructed. Additions to supply create new competitors, in some cases without corresponding increases in demand for hotel rooms.

We also compete for hotel acquisitions with entities that have investment objectives similar to ours. We face competition for the acquisition of hotels from institutional pension funds, private equity funds, REITs, hotel companies and others who are engaged in the acquisition of hotels. Some of these competitors 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, increase the bargaining power of property owners seeking to sell to us and decrease the attractiveness of the terms on which we may acquire our targeted hotel investments, including the cost thereof, making it more difficult for us to acquire new properties on attractive terms.

EMPLOYEES

As of December 31, 2016, we had 49 employees who were principally engaged in managing the affairs of the Company unrelated to property operations. We believe that our relations with our employees are satisfactory.

TAX STATUS

We elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with our taxable year ended December 31, 1999. As long as we qualify for taxation as a REIT, we generally will not be subject to federal income tax on the portion of our income that is currently distributed to our shareholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate tax rates. Additionally, we will generally be unable to qualify as a REIT for four years following the year in which qualification is lost. Even if we qualify for taxation as a REIT, we will be subject to certain state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

We own interests in several TRSs. We may own up to 100% of the stock of a TRS. A TRS is a taxable corporation that may lease hotels from our operating partnership and its subsidiaries under certain circumstances. Overall, no more than 25% (or 20% for taxable years beginning after December 31, 2017) of the value of our assets may consist of securities of one or more TRSs. In addition, no more than 25% of our gross income for any year may consist of dividends from one or more TRSs and income from certain non-real estate related sources.

A TRS is permitted to lease hotels from us as long as the hotels are operated on behalf of the TRS by a third party manager that qualifies as an "eligible independent contractor." To qualify for that treatment, the manager must satisfy the following requirements:

1. such manager is, or is related to a person who is, actively engaged in the trade or business of operating "qualified lodging facilities" for any person unrelated to us and the TRS;
2. such manager does not own, directly or indirectly, more than 35% of our shares;
3. no more than 35% of such manager is owned, directly or indirectly, by one or more persons owning 35% or more of our shares; and
4. we do not, directly or indirectly, derive any income from such manager.

The deductibility of interest paid or accrued by a TRS to us is limited to assure that the TRS is subject to an appropriate level of corporate taxation. A 100% excise tax is imposed on transactions between a TRS and us that are not on an arm's-length basis.

REGULATION

General

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

Americans with Disabilities Act

Our hotels must comply with applicable provisions of the Americans with Disabilities Act of 1993, or 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 non-compliance.

Environmental laws require that owners or operators of buildings with asbestos-containing building materials properly manage and maintain these materials, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators for failure to comply with these requirements. In addition, third parties may seek recovery from owners or operators for personal injury associated with exposure to asbestos-containing building materials.

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

INSURANCE

We require comprehensive insurance to be maintained by our hotel management companies, including HHMLP, on each of our hotels, including liability and fire and extended coverage in amounts sufficient to permit the replacement of the hotel in the event of a total loss, subject to applicable deductibles. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes and acts of terrorism that may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it impracticable to use insurance proceeds to replace the applicable hotel after such applicable hotel has been damaged or destroyed. Under such circumstances, the insurance proceeds received by us might not be adequate to restore our economic position with respect to the applicable hotel. If any of these or similar events occur, it may reduce the return from the attached property and the value of our investment.

FINANCIAL INFORMATION ABOUT SEGMENTS

We are in the business of acquiring equity interests in hotels, and we manage our hotels as individual operating segments that meet the aggregation criteria and are therefore disclosed as one reportable segment. See "Note 1 - Organization and Summary of Significant Accounting Policies" in Item 8 of this Annual Report on Form 10-K for segment financial information.

Item 1A. Risk Factors

You should carefully consider the following risks, together with the other information included in this Annual Report on Form 10-K. If any of the following risks actually occur, our business, financial condition or results of operations may suffer. As a result, the trading price of our securities could decline, and you may lose all or part of any investment you have in our securities.

Risks Related to the Economy and Credit Markets

Difficult economic conditions may 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 and there is an extended period of economic weakness, a recession or depression, our revenues and profitability could be adversely affected.

Economic conditions may reduce demand for hotel properties and adversely affect the Company's profitability.

The performance of the lodging industry is highly cyclical and has traditionally been closely linked with the performance of the general economy and, specifically, growth in the U.S. gross domestic product, employment, and investment and travel demand. The Company cannot predict the pace or duration of the global economic cycle or the cycles of the lodging industry. In the event conditions in the industry deteriorate or do not continue to see sustained improvement, or there is an extended period of economic weakness, the Company's occupancy rates, revenues and profitability could be adversely affected. In addition, other macroeconomic factors, such as consumer confidence and conditions which negatively shape public perception of travel, may have a negative effect on the lodging industry and may adversely affect the Company's business. Furthermore, some of the Company's hotels are classified as upper upscale or upscale. In an economic downturn, these types of hotels may be more susceptible to a decrease in revenue, as compared to hotels in other categories that have lower room rates. This characteristic may result from the fact that upper upscale hotels generally target business and high-end leisure travelers. In periods of economic difficulties, business and leisure travelers may seek to reduce travel costs by limiting travel or seeking to reduce costs on their trips. In addition, in periods of weak demand, as may occur during a general economic recession, profitability is negatively affected by the relatively high fixed costs of operating upper upscale and upscale hotels. Consequently, any uncertainty in the general economic environment could adversely affect the Company's business.

A recession could result in declines in our average daily room rates, occupancy and RevPAR, and thereby have a material adverse effect on our results of operations.

The performance of the hotel industry has traditionally been closely linked with the general economy. During the recession of 2008 and 2009, overall travel was reduced, which had a significant effect on our results of operations. While operating results have subsequently improved, there can be no assurance that any increases in hotel revenues or earnings at our properties will continue for any number of reasons, including, but not limited to, slower growth in the economy, changes in unemployment, underemployment, administration policies and changes in travel patterns. A stall in the economic recovery or a resurgent recession would have a material adverse effect on our results of operations. While we believe the U.S. economy continues on a trajectory of slow, steady growth, other economies around the world, including Europe, Canada, Japan and China, have demonstrated sluggish, stagnant or slowing growth in recent quarters. It remains to be seen what effect, if any, the slowing in these economies will have on us. If a property's occupancy or room rates drop to the point where its revenues are insufficient to cover its operating expenses, then we would be required to spend additional funds for that property's operating expenses.

In addition, if operating results decline at our hotels secured by mortgage debt, there may not be sufficient operating profit from the hotel to cover the debt service on the mortgage. In such a case, we may be forced to choose from a number of unfavorable options, including using corporate cash, drawing on our revolving credit facility, selling the hotel on disadvantageous terms, including at an unattractive price, or defaulting on the mortgage debt and permitting the lender to foreclose. Any one of these options could have a material adverse effect on our business, results of operations, financial condition and ability to pay distributions to our shareholders.

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

In the recession of 2008 and 2009 and some recent years, the U.S. stock and credit markets have experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially

impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing, even for companies which otherwise are qualified to obtain financing. Continued volatility and uncertainty in the stock and credit markets in the U.S. and abroad may negatively impact our ability to access additional financing for our capital needs, including expansion, acquisition activities and other purposes, on favorable terms or at all, which may negatively affect our business. Additionally, due to this uncertainty, we may in the future be unable to refinance or extend our debt, or the terms of any refinancing may not be as favorable as the terms of our existing debt. If we are not successful in refinancing our debt when it becomes due, we may be forced to dispose of hotels on disadvantageous terms, which might adversely affect our ability to service other debt and to meet our other obligations. A prolonged downturn in the financial markets may cause us to seek alternative sources of potentially less attractive financing and may require us to further adjust our business plan accordingly. These events also may make it more difficult or costly for us to raise capital through the issuance of new equity capital or the incurrence of additional secured or unsecured debt, which could materially and adversely affect us.

RISKS RELATED TO THE HOTEL INDUSTRY

Our hotels are subject to general hotel industry operating risks, which may impact our ability to make distributions to shareholders.

Our hotels are subject to all operating risks common to the hotel industry. The hotel industry has experienced volatility in the past, as have our hotels, and there can be no assurance that such volatility will not occur in the future. These risks include, among other things: competition from other hotels; over-building in the hotel industry that could adversely affect hotel revenues and hotel values; increases in operating costs due to inflation and other factors, which may not be offset by increased room rates; reduction in business and commercial travel and tourism, including as a result of legislation or executive policies; strikes and other labor disturbances of hotel employees; increases in energy costs and other expenses of travel; civil unrest; adverse effects of general and local economic conditions; and adverse political conditions. These factors could reduce revenues of the hotels and adversely affect our ability to make distributions to our shareholders.

The value of our hotels depends on conditions beyond our control.

Our hotels are subject to varying degrees of risk generally incident to the ownership of hotels. The underlying value of our hotels, our income and ability to make distributions to our shareholders are dependent upon the operation of the hotels in a manner sufficient to maintain or increase revenues in excess of operating expenses. Hotel revenues may be adversely affected by adverse changes in national economic conditions, adverse changes in local market conditions due to changes in general or local economic conditions and neighborhood characteristics, competition from other hotels, changes in interest rates and in the availability, cost and terms of mortgage funds, the impact of present or future environmental legislation and compliance with environmental laws, the ongoing need for capital improvements, particularly in older structures, changes in real estate tax rates and other operating expenses, adverse changes in governmental rules and fiscal policies, civil unrest, acts of terrorism, acts of God, including earthquakes, hurricanes and other natural disasters, acts of war, adverse changes in zoning laws, and other factors that are beyond our control. In particular, general and local economic conditions may be adversely affected by terrorist incidents, such as those in New York, Washington, D.C. and Boston; cities where many of our hotels are located. Our management is unable to determine the long-term impact, if any, of these incidents or of any acts of war or terrorism in the United States or worldwide, on the U.S. economy, on us or our hotels or on the market price of our securities.

Our investments are concentrated in a single segment of the hotel industry.

Our primary business strategy is to continue to acquire high quality, upper-upscale, and upscale limited service and extended-stay hotels in metropolitan markets with high barriers to entry including New York, Washington DC, Boston, Philadelphia, San Diego, Los Angeles, Miami, select markets on the West Coast and other markets with similar characteristics. We are subject to risks inherent in concentrating investments in a single industry and in a specific market segment within that industry. The adverse effect on amounts available for distribution to shareholders resulting from a downturn in the hotel industry in general or the mid-scale segment in particular could be more pronounced than if we had diversified our investments outside of the hotel industry or in additional hotel market segments.

Operating costs and capital expenditures for hotel renovation may be greater than anticipated and may adversely impact distributions to shareholders.

Hotels generally have an ongoing need for renovations and other capital improvements, particularly in older structures, including periodic replacement of furniture, fixtures and equipment. Under the terms of our management agreements, we generally are obligated to pay the cost of expenditures for items that are classified as capital items under GAAP that are necessary for the continued operation of our hotels.

If these expenses exceed our expectations, the additional cost could have an adverse effect on amounts available for distribution to shareholders. In addition, we may acquire hotels in the future that require significant renovation. Renovation of

hotels involves certain risks, including the possibility of environmental problems, construction cost overruns and delays, uncertainties as to market demand or deterioration in market demand after commencement of renovation and the emergence of unanticipated competition from hotels.

The hotel industry is highly competitive.

The hotel industry is highly competitive. Our hotels compete with other existing and new hotels in their geographic markets. In addition to traditional hotels, our properties also compete with non-traditional accommodations for travelers such as online room sharing services. Many of our competitors have substantially greater marketing and financial resources than we do. Effective marketing by our competitors may reduce our hotel revenue and adversely impact our ability to make distributions to our shareholders.

Risks of operating hotels under franchise licenses, which may be terminated or not renewed, may impact our ability to make distributions to shareholders.

The continuation of our franchise licenses is subject to specified operating standards and other terms and conditions. All of the franchisors of our hotels periodically inspect our hotels to confirm adherence to their operating standards. The failure to maintain such standards or to adhere to such other terms and conditions could result in the loss or cancellation of the applicable franchise license. It is possible that a franchisor could condition the continuation of a franchise license on the completion of capital improvements that our trustees determine are too expensive or otherwise not economically feasible in light of general economic conditions, the operating results or prospects of the affected hotel. In that event, our trustees may elect to allow the franchise license to lapse or be terminated.

There can be no assurance that a franchisor will renew a franchise license at each option period. If a franchisor terminates a franchise license, we may be unable to obtain a suitable replacement franchise, or to successfully operate the hotel independent of a franchise license. The loss of a franchise license could have a material adverse effect upon the operations or the underlying value of the related hotel because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchisor. Our loss of a franchise license for one or more of the hotels could have a material adverse effect on our partnership's revenues and our amounts available for distribution to shareholders.

The hotel industry is seasonal in nature.

The hotel industry is seasonal in nature. Generally, in certain markets we operate, hotel revenues are greater in the second and third quarters than in the first and fourth quarters. Revenues for hotels and resorts in tourist areas generally are substantially greater during tourist season than other times of the year. Our hotels' operations historically reflect this trend in these markets. As a result, our results of operations may vary on a quarterly basis, impairing comparability of operating data and financial performance on a quarter to quarter basis.

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

The hotel industry historically has been highly cyclical in nature. Fluctuations in lodging demand and, therefore, operating performance, are caused largely by general economic and local market conditions, which subsequently affect levels of business and leisure travel. In addition to general economic conditions, new hotel room supply is an important factor that can affect the hotel industry's performance, and overbuilding has the potential to further exacerbate the negative impact of an economic recession. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. We can provide no assurances regarding whether, or the extent to which, lodging demand will rebound or whether any such rebound will be sustained. An adverse change in lodging fundamentals could result in returns that are substantially below our expectations or result in losses, which could have a material adverse effect on us.

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

Although a majority of rooms sold on the Internet are sold through websites maintained by the hotel franchisors and managers, some of our hotel rooms will be booked through Internet travel intermediaries. These Internet travel intermediaries may purchase rooms at a negotiated discount from participating hotels, which could result in lower room rates than the franchisor or manager otherwise could have obtained. As these Internet bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from us and any hotel management companies that we engage. Moreover, some of these Internet travel intermediaries are attempting to offer hotel rooms as a commodity, by increasing the importance of price and general indicators of quality, such as "three-star downtown hotel," at the expense of brand identification or quality of product or service. If consumers develop brand loyalties to Internet reservations systems rather than to the brands under which our hotels are franchised, the value of our hotels could deteriorate and our

business could be materially and adversely affected. Although most of the business for our hotels is expected to be derived from traditional channels, if the amount of sales made through Internet intermediaries increases significantly, room revenues may flatten or decrease and our profitability may be materially and adversely affected.

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

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

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

Previous terrorist attacks and subsequent terrorist alerts have adversely affected the U.S. travel and hospitality industries in prior years, often disproportionately to the effect on the overall economy. The impact that terrorist attacks in the U.S. or elsewhere could have on domestic and international travel and our business in particular cannot be determined but any such attacks or the threat of such attacks could have a material adverse effect on our business, our ability to finance our business, our ability to insure our properties and our results of operations and financial condition.

The outbreak of widespread contagious disease could reduce travel and adversely affect hotel demand.

The widespread outbreak of infectious or contagious disease, such as influenza, mumps and Zika virus, in the U.S. could reduce travel and adversely affect the hotel industry generally and our business in particular.

RISKS RELATED TO OUR BUSINESS AND OPERATIONS

We face risks associated with the use of debt, including refinancing risk.

At December 31, 2016, we had outstanding long-term debt of approximately \$1.1 billion. We may borrow additional amounts from the same or other lenders in the future. Any future repurchases of our own shares may require additional borrowings. Some of these additional borrowings may be secured by our hotels. Our declaration of trust (as amended and restated, our "Declaration of Trust") does not limit the amount of indebtedness we may incur. We cannot assure you that we will be able to meet our debt service obligations and, to the extent that we cannot, we risk the loss of some or all of our hotels to foreclosure. Our indebtedness contains various financial and non-financial events of default covenants customarily found in financing arrangements. Our mortgages payable typically require that specified debt service coverage ratios be maintained with respect to the financed properties before we can exercise certain rights under the loan agreements relating to such properties. If the specified criteria are not satisfied, the lender may be able to escrow cash flow from the applicable hotels.

We have a substantial amount of debt that will mature within the next three to five years. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of the existing debt. If principal payments due at maturity cannot be refinanced, extended or repaid with proceeds from other sources, such as new equity capital or sales of properties, we may be forced to use operating income to repay such indebtedness, which would have a material adverse effect on our cash available for distribution in years when significant "balloon" payments come due. In some such cases, we may lose the applicable hotels to foreclosure. This risk is particularly significant. See Item 7A of this Annual Report on Form 10-K for a detailed schedule of debt principal repayments.

We face high levels of competition for the acquisition of hotel properties and other assets, which may impede our ability to make future acquisitions or may increase the cost of these acquisitions.

We face competition for investment opportunities in high quality, upper-upscale, and upscale limited service and extended-stay hotels from entities organized for purposes substantially similar to our objectives, as well as other purchasers of hotels. We compete for such investment opportunities with entities that have substantially greater financial resources than we do, including access to capital or better relationships with franchisors, sellers or lenders. Our competitors may generally be able to accept more risk than we can manage prudently and may be able to borrow the funds needed to acquire hotels on more favorable terms. Competition may generally reduce the number of suitable investment opportunities offered to us and increase the bargaining power of property owners seeking to sell.

We do not operate our hotels and, as a result, we do not have complete control over implementation of our strategic decisions.

In order for us to satisfy certain REIT qualification rules, we cannot directly or indirectly operate or manage any of our hotels. Instead, we must engage an independent management company to operate our hotels. As of December 31, 2016, our TRSs and our joint venture partnerships have engaged independent management companies as the property managers for all of our wholly owned hotels leased to our TRSs and the respective hotels for the joint ventures, as required by the REIT qualification rules. The management companies operating the hotels make and implement strategic business decisions with respect to these hotels, such as decisions with respect to the repositioning of a franchise or food and beverage operations and other similar decisions. Decisions made by the management companies operating the hotels may not be in the best interests of a particular hotel or of the Company. Accordingly, we cannot assure you that the management companies will operate our hotels in a manner that is in our best interests. In addition, the financial condition of the management companies could impact their future ability to operate our hotels.

Our acquisitions may not achieve expected performance, which may harm our financial condition and operating results.

We anticipate that acquisitions will largely be financed with the net proceeds of securities offerings and through externally generated funds such as borrowings under our revolving credit facility and other secured and unsecured debt financing. Acquisitions entail risks that investments will fail to perform in accordance with expectations and that estimates of the cost of improvements necessary to acquire and market properties will prove inaccurate, as well as general investment risks associated with any new real estate investment. As a result, we may not be able to generate enough cash from these hotels to make debt service payments or pay operating expenses.

Acquisition of hotels with limited operating history may not achieve desired results.

Many of our recent acquisitions are newly-developed hotels. Newly-developed or newly-renovated hotels do not have the operating history that would allow our management to make pricing decisions in acquiring these hotels based on historical performance. The purchase prices of these hotels are based upon management's expectations as to the operating results of such hotels, subjecting us to risks that such hotels may not achieve anticipated operating results or may not achieve these results within anticipated time frames. As a result, we may not be able to generate enough cash flow from these hotels to make debt payments or pay operating expenses. In addition, room revenues may be less than that required to provide us with our anticipated return on investment. In either case, the amounts available for distribution to our shareholders could be reduced.

We may be unable to integrate acquired hotels into our operations or otherwise manage our planned growth, which may adversely affect our operating results.

We cannot assure you that we or our management companies will be able to adapt our management, administrative, accounting and operational systems and arrangements, or hire and retain sufficient operational staff to successfully integrate these investments into our portfolio and manage any future acquisitions of additional assets without operational disruptions or unanticipated costs. Acquisition of hotels generates additional operating expenses that we will be required to pay. As we acquire additional hotels, we will be subject to the operational risks associated with owning new lodging properties. Our failure to integrate successfully any future acquisitions into our portfolio could have a material adverse effect on our results of operations and financial condition and our ability to pay dividends to shareholders or make other payments in respect of securities issued by us.

Most of our hotels are located in the Eastern United States and many are located in the area from Washington, DC to Boston, MA, which may increase the effect of any regional or local economic conditions.

Most of our hotels are located in the area from Washington, DC to Boston, MA. As a result, regional or localized adverse events or conditions, such as an economic recession, could have a significant adverse effect on our operations, and ultimately on the amounts available for distribution to shareholders.

Our ownership of hotels in the New York City market exposes us to concentration risk, which may lead to increased volatility in our results of operations.

For the year ended December 31, 2016, our consolidated portfolio of hotels in New York City have accounted for approximately 28% of our hotel operating revenues. The operations of our consolidated portfolio of hotels in New York City will have a material impact on our overall results of operations. Concentration risk with respect to our ownership of hotels in the New York City market may lead to increased volatility in our overall results of operations. Our overall results of operations may be adversely affected and our ability to pay distributions to our shareholders could be negatively impacted in the event:

- downturns in lodging fundamentals are more severe or prolonged in New York City compared to the United States as a whole;
- negative economic conditions are more severe or prolonged in New York City compared to other areas, due to concentration of the financial industry in New York or otherwise;
- as new hotel supply enters the New York City market, this could impact our ability to grow ADR and RevPar as a result of the new supply;
- we adopt an unsuccessful strategy to ramp up and stabilize operations at our newly acquired New York hotels; or
- New York City is impacted by other unforeseen events beyond our control, including, among others, terrorist attacks and travel related health concerns including pandemics and epidemics.

Acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar market.

We may acquire properties in markets that are new to us. When we acquire properties located in new markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. We work to mitigate such risks through extensive diligence and research and associations with experienced service providers. However, there can be no guarantee that all such risks will be eliminated.

We own a limited number of hotels and significant adverse changes at one hotel may impact our ability to make distributions to shareholders.

As of December 31, 2016, our portfolio consisted of 43 wholly-owned limited and full service properties and joint venture investments in 12 hotels with a total of 8,800 rooms. However, certain larger hotels or hotels in certain locations disproportionately impact our performance. Accordingly, significant adverse changes in the operations of any one of these hotels could have a material adverse effect on our financial performance and on our ability to make expected distributions to our shareholders.

We focus on acquiring hotels operating under a limited number of franchise brands, which creates greater risk as the investments are more concentrated.

We place particular emphasis in our acquisition strategy on hotels similar to our current hotels. We invest in hotels operating under a few select franchises and therefore will be subject to risks inherent in concentrating investments in a particular franchise brand, which could have an adverse effect on amounts available for distribution to shareholders. These risks include, among others, the risk of a reduction in hotel revenues following any adverse publicity related to a specific franchise brand or the failure of the franchisor to maintain a certain brand.

We depend on key personnel.

We depend on the services of our existing senior management team, including Jay H. Shah, Neil H. Shah, Ashish R. Parikh and Michael R. Gillespie, to carry out our business and investment strategies. As we expand, we will continue to need to attract and retain qualified additional senior management. We have employment agreements with certain of our senior management; however, the employment agreements may be terminated under certain circumstances. The termination of an employment agreement and the loss of the services of any of our key management personnel, or our inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial results.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial conditions and disputes between us and our co-venturers.

As of December 31, 2016, we had several joint ventures in which we shared ownership and decision-making power with one or more parties. Joint venture investments involve risks that may not be present with other methods of ownership, including the possibility: that our partner might become insolvent, refuse to make capital contributions when due or otherwise fail to meet its obligations, which may result in certain liabilities to us for guarantees and other commitments; that our partner might at any time have economic or other business interests or goals that are or become inconsistent with our interests or

goals; that we could become engaged in a dispute with our partner, which could require us to expend additional resources to resolve such disputes and could have an adverse impact on the operations and profitability of the joint venture; and that our partner may be in a position to take action or withhold consent contrary to our instructions or requests. Our joint venture partners must agree in order for the applicable joint venture to take, or in some cases, may have control over whether the applicable joint venture will take, specific major actions, such as budget approvals, acquisitions, sales of assets, debt financing, executing lease agreements, and vendor approvals. Under these joint venture arrangements, any disagreements between us and our partners may result in delayed decisions. Our inability to take unilateral actions that we believe are in our best interests may result in missed opportunities and an ineffective allocation of resources and could have an adverse effect on the financial performance of the joint venture and our operating results.

We engage in hedging transactions to limit our exposure to fluctuations in interest rates, which can limit our gains and increase exposure to losses.

We enter into hedging transactions intended to protect us from the effects of interest rate fluctuations on floating rate debt and also intended to protect our portfolio of mortgage assets from interest rate and prepayment rate fluctuations. Our hedging transactions may include entering into interest rate swaps, caps, and floors, options to purchase such items, and futures and forward contracts. Hedging activities may not have the desired beneficial impact on our results of operations or financial condition. No hedging activity can completely insulate us from the risks associated with changes in interest rates and prepayment rates. Moreover, interest rate hedging could fail to protect us or could adversely affect our operating results because, among other things:

- Available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;
- The duration of the hedge may not match the duration of the related liability;
- The party at risk in the hedging transaction may default on its obligation to pay;
- The credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- The value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value.

Hedging transactions may reduce our shareholders' equity.

Hedging involves risk and typically involves costs, including transaction costs, which may reduce returns on our investments. These costs increase as the period covered by the hedging increases and during periods of rising and volatile interest rates. These costs will also limit the amount of cash available for distribution to shareholders. The REIT qualification rules may also limit our ability to enter into hedging transactions. We generally intend to hedge as much of our interest rate risk as our management determines is in our best interests given the cost of such hedging transactions and the requirements applicable to REITs. If we are unable to hedge effectively because of the cost of such hedging transactions or the limitations imposed by the REIT rules, we will face greater interest risk exposure than may be commercially prudent.

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

We and our hotel managers rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data. We and our hotel managers purchase some of our information technology from vendors, on whom our systems depend. We and our hotel managers rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential operator and other customer information, such as individually identifiable information, including information relating to financial accounts. Although we and our hotel managers have taken steps we believe are necessary to protect the security of our information systems and the data maintained in those systems, it is possible that the safety and security measures taken will not be able to prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO REAL ESTATE INVESTMENT GENERALLY

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

Real estate investments are relatively illiquid. Our ability to vary our portfolio in response to changes in operating, economic and other conditions will be limited. No assurances can be given that the fair market value of any of our hotels will not decrease in the future.

If we suffer losses that are not covered by insurance or that are in excess of our insurance coverage limits, we could lose investment capital and anticipated profits.

We require comprehensive insurance to be maintained on each of our hotels, including liability and fire and extended coverage in amounts sufficient to permit the replacement of the hotel in the event of a total loss, subject to applicable deductibles. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes and acts of terrorism that may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it impracticable to use insurance proceeds to replace the applicable hotel after such applicable hotel has been damaged or destroyed. Under such circumstances, the insurance proceeds received by us might not be adequate to restore our economic position with respect to the applicable hotel. If any of these or similar events occur, it may reduce the return from the attached property and the value of our investment.

Real estate is subject to property taxes.

Each hotel is subject to real and personal property taxes. The real and personal property taxes on hotel properties in which we invest may increase as property tax rates change and as the properties are assessed or reassessed by taxing authorities. Many state and local governments are facing budget deficits that have led many of them, and may in the future lead others to, increase assessments and/or taxes. If property taxes increase, our operating results may be negatively affected.

Environmental matters could adversely affect our results.

Operating costs may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of future legislation. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of complying with environmental laws could materially adversely affect amounts available for distribution to shareholders. Phase I environmental assessments have been obtained on all of our hotels. Nevertheless, it is possible that these reports do not reveal all environmental liabilities or that there are material environmental liabilities of which we are unaware.

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

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of mold to which hotel guests or employees could be exposed at any of our properties could require us to undertake a remediation program to contain or remove the mold from the affected property, which could be costly. In addition, exposure to mold by guests or employees, management company employees or others could expose us to liability if property damage or health concerns arise.

Costs associated with complying with the ADA may adversely affect our financial condition and operating results.

Under the ADA, all public accommodations are required to meet certain federal requirements related to access and use by disabled persons. While we believe that our hotels are substantially in compliance with these requirements, a determination that we are not in compliance with the ADA could result in imposition of fines or an award of damages to private litigants. In addition, changes in governmental rules and regulations or enforcement policies affecting the use and operation of the hotels, including changes to building codes and fire and life-safety codes, may occur. If we were required to make substantial modifications at the hotels to comply with the ADA or other changes in governmental rules and regulations, our ability to make expected distributions to our shareholders could be adversely affected.

RISKS RELATED TO CONFLICTS OF INTEREST

Due to conflicts of interest, many of our existing agreements may not have been negotiated on an arm's-length basis and may not be in our best interest.

Some of our officers and trustees have ownership interests in HHMLP and in entities with which we have entered into transactions, including hotel acquisitions and dispositions and certain financings. Consequently, the terms of our agreements with those entities, including hotel contribution or purchase agreements, the Option Agreement (as defined below) between our operating partnership and some of the trustees and officers and our property management agreements with HHMLP, while intended to be negotiated on an arm's-length basis, may not have been and may not be in the best interest of all our shareholders. We have policies in place to encourage agreements to be negotiated on an arm's-length basis. Transactions with related persons must be approved by a majority of the Company's independent trustees. The Board of Trustees' policy requires any independent trustee with a direct or indirect interest in the transaction to excuse himself or herself from any consideration of the related person transaction in which he or she has an interest.

Conflicts of interest with HHMLP may result in decisions that do not reflect our best interests.

We have entered into an option agreement (as amended, the "Option Agreement") with each of our officers and certain trustees such that we obtain a right of first refusal to purchase any hotel owned or developed in the future by these individuals or entities controlled by them at fair market value. This right of first refusal would apply to each party until one year after such party ceases to be an officer or trustee of the Company. Our Acquisition Committee of the Board of Trustees is comprised solely of independent trustees, and the purchase prices and all material terms of the purchase of hotels from related parties are approved by the Acquisition Committee.

The following officers and trustees own collectively approximately 27% of HHMLP: Hasu P. Shah, Jay H. Shah, and Neil H. Shah. Conflicts of interest may arise with respect to the ongoing operation of our hotels including, but not limited to, the enforcement of the contribution and purchase agreements, the Option Agreement and our property management agreements with HHMLP. These officers and trustees also make decisions for our company with respect to property management. Consequently, these officers and trustees may not act solely in the best interests of our shareholders relating to property management by HHMLP.

Conflicts of interest relating to sales or refinancing of hotels acquired from some of our trustees and officers may lead to decisions that are not in our best interest.

Some of our non-independent trustees and officers have unrealized gains associated with their interests in the hotels we have acquired from them and, as a result, any sale of these hotels or refinancing or prepayment of principal on the indebtedness assumed by us in purchasing these hotels may cause adverse tax consequences to such trustees and officers. Therefore, our interests and the interests of these individuals may be different in connection with the disposition or refinancing of these hotels.

Hotels owned or acquired by some of our trustees and officers may hinder these individuals from spending adequate time on our business.

Some of our trustees and officers own hotels and may develop or acquire new hotels, subject to certain limitations. Such ownership, development or acquisition activities may materially affect the amount of time these officers and trustees devote to our affairs. Some of our trustees and officers operate hotels that are not owned by us, which may materially affect the amount of time that they devote to managing our hotels. Pursuant to the Option Agreement we have an option to acquire any hotels developed by our officers and trustees.

RISKS RELATING TO OUR STRUCTURE

There are no assurances of our ability to make distributions in the future.

We intend to pay quarterly dividends and to make distributions to our shareholders in amounts such that all or substantially all of our taxable income in each year, subject to certain adjustments, is distributed. However, our ability to pay dividends may be adversely affected by the risk factors described in this annual report. All distributions will be made at the discretion of our Board of Trustees and will depend upon our earnings, our financial condition, maintenance of our REIT status and such other factors as our Board of Trustees may deem relevant from time to time. There are no assurances of our ability to pay dividends in the future.

An increase in market interest rates may have an adverse effect on the market price of our securities.

One of the factors that investors may consider in deciding whether to buy or sell our securities is our dividend rate as a percentage of our share or unit price, relative to market interest rates. If market interest rates increase, prospective investors may desire a higher dividend or interest rate on our securities or seek securities paying higher dividends or interest. The market price of our common shares likely will be based primarily on the earnings and return that we derive from our investments and income with respect to our properties and our related distributions to shareholders, and not from the market value or underlying appraised value of the properties or investments themselves. The market price of our preferred shares is based in large part on prevailing interest rates. As a result, interest rate fluctuations and capital market conditions can affect the market price of our common shares. For instance, if interest rates rise without an increase in our dividend rate, the market price of our common shares could decrease because potential investors may require a higher dividend yield on our common shares as market rates on interest-bearing securities, such as bonds, rise. In addition, rising interest rates would result in increased interest expense on our variable rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay dividends.

Holders of our outstanding preferred shares have dividend, liquidation and other rights that are senior to the rights of the holders of our common shares.

Our Board of Trustees has the authority to designate and issue preferred shares with liquidation, dividend and other rights that are senior to those of our common shares. As of December 31, 2016, 3,000,000 Series C Preferred Shares, 7,700,000 Series D Preferred Shares and 4,000,000 Series E Preferred Shares were issued and outstanding. Holders of our outstanding preferred shares are entitled to cumulative dividends before any dividends may be declared or set aside on our common shares. Upon our voluntary or involuntary liquidation, dissolution or winding up, before any payment is made to holders of our common shares, holders of our preferred shares are entitled to receive a liquidation preference of \$25.00 per share plus any accrued and unpaid distributions. This will reduce the remaining amount of our assets, if any, available to distribute to holders of our common shares. In addition, holders of our preferred shares have the right to elect two additional trustees to our Board of Trustees whenever dividends are in arrears in an aggregate amount equivalent to six or more quarterly dividends, whether or not consecutive.

Future offerings of equity securities, which would dilute our existing shareholders and may be senior to our common shares for the purposes of dividend distributions, may adversely affect the market price of our common shares.

In the future, we may attempt to increase our capital resources by making additional offerings of equity securities, including classes of preferred or common shares. Upon liquidation, holders of our preferred shares and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common shares. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our common shares, or both. Our preferred shares, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to make a dividend distribution to the holders of our common shares. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our shareholders bear the risk of our future offerings reducing the market price of our common shares and diluting their share holdings in us.

We may change our distribution policy in the future.

In the past we have reduced the quarterly distributions paid to our shareholders, and we may reduce or eliminate the quarterly distribution paid to our shareholders in the future. The decision to declare and pay distributions on our common shares in the future, as well as the timing, amount and composition of any such future distributions, will be at the sole discretion of our board of trustees and will depend on our earnings, funds from operations, liquidity, financial condition, capital requirements, contractual prohibitions or other limitations under our indebtedness and preferred shares, the annual distribution requirements under the REIT provisions of the Code, state law and such other factors as our board of trustees deems relevant. Any change in our distribution policy could have a material adverse effect on the market price of our common shares.

The market price of our securities could be volatile and could decline, resulting in a substantial or complete loss of your investment in our securities.

The stock markets have experienced significant price and volume fluctuations in the recent past. As a result, the market price of our securities has been and could be similarly volatile in the future, and investors in our securities may experience a decrease in the value of their investments, including decreases unrelated to our operating performance or prospects. The market price of our securities could be subject to wide fluctuations in response to a number of factors, including:

- our operating performance and the performance of other similar companies;
- actual or anticipated differences in our operating results;
- changes in our revenues or earnings estimates or recommendations by securities analysts; publication of research reports about us or our industry by securities analysts;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments or executive policies that adversely affect us or our industry;
- speculation in the press or investment community; actions by institutional shareholders;
- changes in accounting principles;
- terrorist acts; and
- general market conditions, including factors unrelated to our performance.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

Future sales of our common shares or securities convertible into or exchangeable or exercisable for our common shares could depress the market price of our common shares.

We cannot predict whether future sales of our common shares or securities convertible into or exchangeable or exercisable for our common shares or the availability of these securities for resale in the open market will decrease the market price of our common shares. Sales of a substantial number of these securities in the public market, including sales upon the redemption of Common Units held by the limited partners of our operating partnership, (other than us and our subsidiaries) or the perception that these sales might occur, may cause the market price of our common shares to decline and you could lose all or a portion of your investment.

Future issuances of our common shares or other securities convertible into or exchangeable or exercisable for our common shares, including, without limitation, common units of beneficial interest in our Operating Partnership ("Common Units"), in connection with property, portfolio or business acquisitions and issuances of equity-based awards to participants in our equity incentive plans, could have an adverse effect on the market price of our common shares. Future issuances of these securities also could adversely affect the terms upon which we obtain additional capital through the sale of equity securities. In addition, future sales or issuances of our common shares may be dilutive to existing shareholders.

Our Board of Trustees may authorize the issuance of additional shares that may cause dilution or prevent a transaction that is in the best interests of our shareholders.

Our Declaration of Trust authorizes the Board of Trustees, without shareholder approval, to:

- amend the Declaration of Trust to increase or decrease the aggregate number of shares of beneficial interest or the number of shares of beneficial interest of any class or series that we have the authority to issue;
- cause us to issue additional authorized but unissued common shares or preferred shares; or
- classify or reclassify any unissued common or preferred shares and to set the preferences, rights and other terms of such classified or reclassified shares, including the issuance of additional common shares or preferred shares that have preference rights over the common shares with respect to dividends, liquidation, voting and other matters.

Any one of these events could cause dilution to our common shareholders, delay, deter or prevent a transaction or a change in control that might involve a premium price for the common shares or otherwise not be viewed in the best interest of holders of common shares.

Our Declaration of Trust contains a provision that creates staggered terms for our Board of Trustees.

Our Board of Trustees is divided into two classes, the terms of which expire every two years. Trustees of each class are elected for two-year terms upon the expiration of their current terms and each year one class of trustees will be elected by the shareholders. The staggered terms of trustees may delay, deter or prevent a tender offer, a change in control of us or other transaction, even though such a transaction might be viewed in the best interest of the shareholders.

Certain provisions of Maryland law may discourage a third party from acquiring us.

Under the Maryland General Corporation Law, as amended (MGCL), as applicable to REITs, certain "business combinations" (including certain issuances of equity securities) between a Maryland REIT and any person who beneficially owns ten percent or more of the voting power of the trust's shares, or an affiliate thereof, are prohibited for five years after the most recent date on which such shareholder acquired at least ten percent of the voting power of the trust's shares. Thereafter, any such business combination must be approved by two super-majority shareholder votes unless, among other conditions, the trust's common shareholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its common shares. These provisions could delay, deter or prevent a change of control or other transaction in which holders of our equity securities might receive a premium for their shares above then-current market prices or which such shareholders otherwise might believe to be in their best interests. Although our bylaws contain a provision exempting acquisitions of our shares from the control share acquisition legislation referenced above, there can be no assurance that this provision will not be amended or eliminated at any time in the future.

Our Board of Trustees may change our investment and operational policies without a vote of the common shareholders.

Our major policies, including our policies with respect to acquisitions, financing, growth, operations, debt limitation and distributions, are determined by our Board of Trustees. The Trustees may amend or revise these and other policies from time to time without a vote of the holders of the common shares.

Our Board of Trustees and management make decisions on our behalf, and shareholders have limited management rights.

Our shareholders have no right or power to take part in our management except through the exercise of voting rights on certain specified matters. The Board of Trustees is responsible for our management and strategic business direction, and our management is responsible for our day-to-day operations. Certain policies of our Board of Trustees may not be consistent with the immediate best interests of our shareholders.

RISKS RELATED TO OUR TAX STATUS

If we fail to qualify as a REIT, our dividends will not be deductible to us, and our income will be subject to taxation, which would reduce the cash available for distribution to our shareholders.

We have operated and intend to continue to operate so as to qualify as a REIT for federal income tax purposes. However, the federal income tax laws governing REITs are extremely complex, and interpretations of the federal income tax laws governing REITs are limited. Our continued qualification as a REIT will depend on our continuing ability to meet various requirements concerning, among other things, the ownership of our outstanding shares of beneficial interest, the nature of our assets, the sources of our income, and the amount of our distributions to our shareholders. Moreover, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT. If we were to fail to qualify as a REIT in any taxable year and did not qualify for certain statutory relief provisions, we would not be allowed a deduction for distributions to our shareholders in computing our taxable income and would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our shareholders, which in turn could have an adverse impact on the value of, and trading prices for, our shares. Unless entitled to relief under certain Code provisions, we also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. As a result, amounts available for distribution to shareholders would be reduced for each of the years involved. Although we currently intend to continue to operate in a manner so as to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our Board of Trustees, with the consent of holders of two-thirds of the outstanding shares, to revoke our REIT election.

Failure to make required distributions would subject us to tax, which would reduce the cash available for distribution to our shareholders.

In order to maintain our qualification as a REIT, each year we must distribute to our shareholders at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain. To the extent that we satisfy the 90% distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our actual distributions in any year are less than the sum of:

- 85% of our REIT ordinary income for that year;
- 95% of our REIT capital gain net income for that year; and
- 100% of our undistributed taxable income required to be distributed from prior years.

We have distributed, and intend to continue to distribute, our taxable income to our shareholders in a manner intended to satisfy the 90% distribution requirement and to avoid corporate income tax and the 4% nondeductible excise tax. Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money or sell assets to pay out enough of our taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% nondeductible excise tax in a particular year. In the past we have borrowed, and in the future we may borrow, to pay distributions to our shareholders and the limited partners of our operating partnership. Such borrowings subject us to risks from borrowing as described herein. Additionally, we may, if necessary and allowable, pay taxable dividends of our shares or debt securities to meet the distribution requirements.

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

To maintain our qualification as a REIT, we must 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 TRSs pursuant to the lease of our hotels 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 federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. If our leases are not respected as true leases for federal income tax purposes, we would fail to qualify as a REIT.

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

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT, including gross operating income from hotel operations pursuant to hotel management contracts. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% (or 20% for taxable years beginning after December 31, 2017) of the value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Our TRSs are subject to applicable federal, foreign, state and local income tax on their taxable income, and their after-tax net income will be available for distribution to us but is not required to be distributed to us. We believe that the aggregate value of the stock and securities of our TRSs is and will continue to be less than 25% (or 20% beginning after December 31, 2017) of the value of our total assets (including our TRS stock and securities). Furthermore, we will monitor the value of our respective investments in our TRSs for the purpose of ensuring compliance with TRS ownership limitations. In addition, we will scrutinize all of our transactions with our TRSs to ensure that they are entered into on arm's-length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% (or 20%) limitation discussed above or to avoid application of the 100% excise tax discussed above.

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

Rent paid by a lessee that is a “related party tenant” of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. We lease our hotels to our TRSs. A TRS will not be treated as a “related party tenant,” and will not be treated as directly operating a lodging facility, which is prohibited, to the extent the TRS leases properties from us that are managed by an “eligible independent contractor.”

We believe that the rent paid by our TRSs is qualifying income for purposes of the REIT gross income tests and that our TRSs qualify to be treated as taxable REIT subsidiaries for federal income tax purposes, but there can be no assurance that the Internal Revenue Service, or the IRS, will not challenge this treatment or that a court would not sustain such a challenge. If the IRS successfully challenged this treatment, we would likely fail to satisfy the asset tests applicable to REITs and substantially all of our income would fail to qualify for the gross income tests. If we failed to satisfy either the asset or gross income tests, we would likely lose our REIT qualification for federal income tax purposes, unless certain relief provisions applied.

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

The federal income tax laws governing REITs are complex.

We intend to continue to operate in a manner that will qualify us as a REIT under the federal income tax laws. The REIT qualification requirements are extremely complex, however, and interpretations of the federal income tax laws governing qualification as a REIT are limited. Accordingly, we cannot be certain that we will be successful in operating so we can continue to qualify as a REIT. At any time, new laws, interpretations, or court decisions may change the federal tax laws or the federal income tax consequences of our qualification as a REIT.

Complying with REIT requirements may force us to sell otherwise attractive investments.

To maintain our qualification as a REIT, we must satisfy certain requirements with respect to the character of our assets. If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter (by, possibly, selling assets notwithstanding their prospects as an investment) to avoid losing our REIT status. If we fail to comply with these requirements at the end of any calendar quarter, and the failure exceeds a de minimis threshold, we may be able to preserve our REIT status if (a) the failure was due to reasonable cause and not to willful neglect, (b) we dispose of the assets causing the failure within six months after the last day of the quarter in which we identified the failure, (c) we file a schedule with the IRS, describing each asset that caused the failure, and (d) we pay an additional tax of the greater of \$50,000 or the product of the highest applicable tax rate multiplied by the net income generated on those assets. As a result, we may be required to liquidate otherwise attractive investments.

The prohibited transactions tax may limit our ability to engage in transactions, including dispositions of assets that would be treated as sales for federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. We may be subject to the prohibited transaction tax upon a disposition of real property. Although a safe harbor to the characterization of the sale of real property by a REIT as a prohibited transaction is available, we cannot assure you that we can comply with the safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary course of business. Consequently, we may choose not to engage in certain sales of real property or may conduct such sales through a TRS.

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

We may make taxable dividends that are payable partly in cash and partly in shares. The IRS has issued private letter rulings to other REITs treating certain distributions that are paid partly in cash and partly in shares as dividends that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for federal income tax purposes. Those rulings may be relied upon only by the taxpayers to whom they were issued, but we could request a similar ruling from the IRS. In addition, the IRS issued a revenue procedure creating a temporary safe harbor that authorized publicly traded REITs to make elective cash/stock dividends, but that temporary safe harbor has expired. Accordingly, it is unclear whether and to what extent we will be able to make taxable dividends payable in cash and shares. If in the future we choose to pay dividends in our own shares, our shareholders may be required to pay tax in excess of the cash that they receive. If a U.S. shareholder sells the shares that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our shares at the time of the sale. Furthermore, with respect to certain non-U.S. shareholders, we may be required to withhold 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 shares. If we pay dividends in our own shares and a significant number of our shareholders determine to sell our shares in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our shares.

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

The tax rate applicable to “qualified dividend income” payable to domestic stockholders taxed at individual rates may be 20% or lower. Dividends payable by REITs, however, generally are not eligible for the reduced rates for qualified dividend income. Although this legislation does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates 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 stock of REITs, including our shares.

Our share ownership limitation may prevent certain transfers of our shares.

In order to maintain our qualification as a REIT, not more than 50% in value of our outstanding shares of beneficial interest may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities). Our Declaration of Trust prohibits direct or indirect ownership (taking into account applicable ownership provisions of the Code) of more than (a) 9.9% of the aggregate number of outstanding common shares of any class or series or (b) 9.9% of the aggregate number of outstanding preferred shares of any class or series of outstanding preferred shares by any shareholder or group, or the Ownership Limitation. Generally, the shares of beneficial interest owned by related owners will be aggregated for purposes of the Ownership Limitation. The Board of Trustees, upon receipt of advice of counsel or other evidence satisfactory to the Board of Trustees, in its sole and absolute discretion, may exempt a shareholder from the Ownership Limitation. The Ownership Limitation could have the effect of delaying, deterring or preventing a change in control or other transaction in which holders of shares might receive a premium for their shares over the then prevailing market price or which such holders might believe to be otherwise in their best interests. Any transfer of shares of beneficial interest that would violate the Ownership Limitation, cause us to have fewer than 100 shareholders, cause us to be “closely held” within the meaning of Section 856(h) of the Code or cause us to own, directly or indirectly, 10% or more of the ownership interest in any tenant (other than a TRS) will be void, the intended transferee of such shares will be deemed never to have had an interest in such shares, and such shares will be designated “shares-in-trust.” Further, we will be deemed to have been offered shares-in-trust for purchase at the lesser of the market price (as defined in the Declaration of Trust) on the date we accept the offer and the price per share in the transaction that created such shares-in-trust (or, in the case of a gift, devise or non-transfer event (as defined in the Declaration of Trust), the market price on the date of such gift, devise or non-transfer event). Therefore, the holder of shares of beneficial interest in excess of the Ownership Limitation will experience a financial loss when such shares are purchased by us, if the market price falls between the date of purchase and the date of redemption.

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

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new federal income tax law, regulation, or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. In addition, according to publicly released statements, a top legislative priority of the Trump administration and Congress may be significant reform of the Code, including significant changes to taxation of business entities. There is a substantial lack of clarity around both the timing and the details of any such tax reform and the impact of any potential tax reform on an investment in us. We and our shareholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table sets forth certain information with respect to the 43 hotels we wholly owned as of December 31, 2016, all of which are consolidated on the Company's financial statements.

<u>Market</u>	<u>Name</u>	<u>Location</u>	<u>Year Opened</u>	<u>Number of Rooms</u>
Boston Urban and Metro	Courtyard	Brookline/Boston, MA (1)	2003	188
	The Boxer	Boston, MA	2004	80
	Holiday Inn Express	Cambridge, MA	1997	112
	The Envoy	Boston, MA	2015	136
California - Arizona	Courtyard	San Diego, CA	1999	245
	Courtyard	Los Angeles, CA	2008	260
	Hyatt House	Pleasant Hill, CA	2003	142
	Hyatt House	Pleasanton, CA	1998	128
	Hyatt House	Scottsdale, AZ	1999	164
	Hotel Milo	Santa Barbara, CA (1)	2001	122
	TownePlace Suites	Sunnyvale, CA (1)	2003	94
	Sanctuary Resort	Monterey Bay, CA	2014	60
	Courtyard	Sunnyvale, CA	2014	145
	Ambrose Hotel	Santa Monica, CA	2015	77
South Florida	Blue Moon	Miami, FL	2013	75
	Courtyard	Miami, FL	2004	357
	Residence Inn	Coconut Grove, FL	2000	140
	Winter Haven	Miami, FL	2013	70
	Parrot Key Hotel & Resort	Key West, FL	2013	148
NYC Urban	Duane Street	TriBeCa, NY	2008	43
	Hampton Inn	Seaport, NY	2006	65
	Hampton Inn	Pearl Street, Manhattan, NY	2012	81
	Hilton Garden Inn	JFK Airport, NY (1)	2005	192
	Hilton Garden Inn	TriBeCa, NY	2009	151
	Holiday Inn Express	Madison Square Garden, Manhattan, NY	2006	228
	Hyatt	Union Square, NY	2013	178
	Nu Hotel	Brooklyn, NY	2008	93
	Sheraton Hotel	JFK Airport, NY (1)	2008	150
	Hilton Garden Inn	Midtown East, Manhattan, NY	2014	205
NY-NJ Metro	Holiday Inn Express	Chester, NY	2006	80
	Hyatt House	White Plains, NY	2000	159

Market	Name	Location	Year Opened	Number of Rooms
Philadelphia	Hampton Inn	Philadelphia, PA	2001	250
	Sheraton Hotel	New Castle, DE	2011	192
	The Rittenhouse Hotel	Philadelphia, PA	2004	116
Washington D.C.	Ritz Carlton	Georgetown, DC	2014	86
	Courtyard	Alexandria, VA (2)	2006	203
	Hampton Inn	Washington, DC	2005	228
	Hyatt House	Gaithersburg, MD	1998	140
	Residence Inn	Tysons Corner, VA	1984	96
	Residence Inn	Greenbelt, MD (2)	2002	120
	The Capitol Hill Hotel	Washington, DC	2007	152
	St. Gregory Hotel	Washington, DC	2014	155
	Hilton Garden Inn	Washington, DC	2014	238
TOTAL ROOMS				<u>6,344</u>

(1) Our interests in these hotels are subject to ground leases which, in most cases, require monthly rental payment as determined by the applicable ground lease agreement. These ground lease agreements typically have initial terms of 99 years and all have a remaining term of at least 85 years.

(2) These properties were sold on January 5, 2017.

The following table sets forth certain information with respect to the 12 hotels we owned through unconsolidated joint ventures with third parties as of December 31, 2016.

Market	Name	Location	Year Opened	Number of Rooms	HHLP Ownership in Asset	HHLP Preferred Return
Boston	Courtyard	South Boston, MA (1)	2005	164	50.0%	N/A
	Holiday Inn Express	South Boston, MA (1)	1998	118	50.0%	N/A
Connecticut	Hilton	Hartford, CT (2)	2005	393	8.8%	8.5%
	Marriott	Mystic, CT (2)	2001	285	66.7%	8.5%
	Marriott	Hartford, CT (2)	2005	409	15.0%	8.5%
NYC Urban	Candlewood Suites	Times Square, NY	2009	188	30.0% (3)	
	Hampton Inn	Times Square, NY	2009	184	30.0% (3)	
	Holiday Inn	Wall Street, NY	2010	113	30.0% (3)	
	Holiday Inn Express	Times Square, NY	2009	210	30.0% (3)	
	Holiday Inn Express	Water Street, Manhattan, NY	2010	112	30.0% (3)	
	Hampton Inn	Chelsea/Manhattan, NY	2003	144	30.0% (3)	
	Hampton Inn	Herald Square, Manhattan, NY	2005	136	30.0% (3)	
	TOTAL ROOMS				2,456	

(1) The joint ventures interests in these hotels are subject to ground leases which, in most cases, require monthly rental payment as determined by the applicable ground lease agreements. These ground lease agreements typically have terms of 60 years and all have a remaining term of at least 44 years.

(2) On January 3, 2017, we redeemed our joint venture interest in Mystic Partners, LLC by acquiring 100% ownership interest in the Mystic Marriott Hotel & Spa and transferring our minority ownership interests in the Hartford Marriott and Hartford Hilton to the joint venture partner.

(3) The percentages shown for these properties represent our common ownership interest in the CINDAT JV. As of December 31, 2016, we owned a \$43,194 preferred equity interest in the joint venture, which earns a 9% cumulative preferred return. See Note 3 – Investment in Unconsolidated Joint Ventures for a more detailed explanation of our ownership interest and the related distribution of earnings within the venture.

Item 3. Legal Proceedings

We are not presently subject to any material litigation nor, to our knowledge, is any other litigation threatened against us, other than routine actions for negligence or other claims and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance and all of which collectively are not expected to have a material adverse effect on our liquidity, results of operations or business or financial condition.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

MARKET INFORMATION

Our common shares trade on the New York Stock Exchange under the symbol "HT." As of February 22, 2017, the last reported closing price per common share on the New York Stock Exchange was \$21.17. The following table sets forth the high and low sales price per common share reported on the New York Stock Exchange as traded and the dividends declared on the common shares for each of the quarters indicated.

Year Ended December 31, 2016	High		Low		Dividend Per Common Share	
Fourth Quarter	\$	23.04	\$	16.80	\$	0.48 *
Third Quarter	\$	20.19	\$	17.22	\$	0.28
Second Quarter	\$	21.31	\$	15.36	\$	0.28
First Quarter	\$	22.15	\$	16.13	\$	0.28

Year Ended December 31, 2015	High		Low		Dividend Per Common Share	
Fourth Quarter	\$	25.63	\$	21.47	\$	0.28
Third Quarter	\$	28.60	\$	22.20	\$	0.28
Second Quarter	\$	26.92	\$	25.04	\$	0.28
First Quarter	\$	28.84	\$	25.12	\$	0.28 **

*Represents the aggregate of a quarterly dividend of \$0.28 per common share and an additional special dividend of \$0.20 per common share.

**Adjusted for 4-for-1 reverse share split effective as of June 22, 2015.

SHAREHOLDER INFORMATION

At December 31, 2016 we had approximately 122 shareholders of record of our common shares. Common Units (which are redeemable by holders for cash or, at our option, for common shares on a one for one basis, subject to certain limitations) were held by approximately 38 entities and persons, including our company.

Our Declaration of Trust, subject to certain exceptions, provides that no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.9% of the number of outstanding common shares of any class or series of common shares or the number of outstanding preferred shares of any class or series of preferred shares. For this purpose, a person includes a "group" and a "beneficial owner" as those terms are used for purposes of Section 13(d)(3) of the Exchange Act. Any transfer of common or preferred shares that would result in any person owning, directly or indirectly, common or preferred shares in excess of the ownership limitation, result in the common and preferred shares being owned by fewer than 100 persons (determined without reference to any rules of attribution), result in our being "closely held" within the meaning of Section 856(h) of the Code, or cause us to own, actually or constructively, 10% or more of the ownership interests in a tenant (other than a TRS) of our or our operating partnership's real property, within the meaning of Section 856(d)(2)(B) of the Code, will be null and void, and the intended transferee will acquire no rights in such common or preferred shares.

Any person who acquires or attempts to acquire common or preferred shares in violation of the foregoing restrictions, or any person who owned common or preferred shares that were transferred to a trust, will be required to give written notice immediately to us of such event and provide us with such other information as we may request in order to determine the effect, if any, of such transfer on our status as a REIT.

In addition, our trustees, upon receipt of advice of counsel or other evidence satisfactory to the trustees, in their sole and absolute discretion, may, in their sole and absolute discretion, exempt a person from the ownership limitation under certain circumstances. The foregoing restrictions continue to apply until the trustees determine that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT and there is an affirmative vote of two-thirds of the number of common and preferred shares entitled to vote on such matter at a regular or special meeting of our shareholders.

All certificates representing common or preferred shares bear a legend referring to the restrictions described above.

The restrictions on ownership and transfer described above could have the effect of delaying, deterring or preventing a change in control or other transaction in which holders of some, or a majority, of our common shares might receive a premium for their shares over the then-prevailing market price or which such holders might believe to be otherwise in their best interest.

EQUITY COMPENSATION PLAN

See Part III, Item 12, for a description of securities authorized for issuance under our Amended and Restated 2012 Equity Incentive Plan.

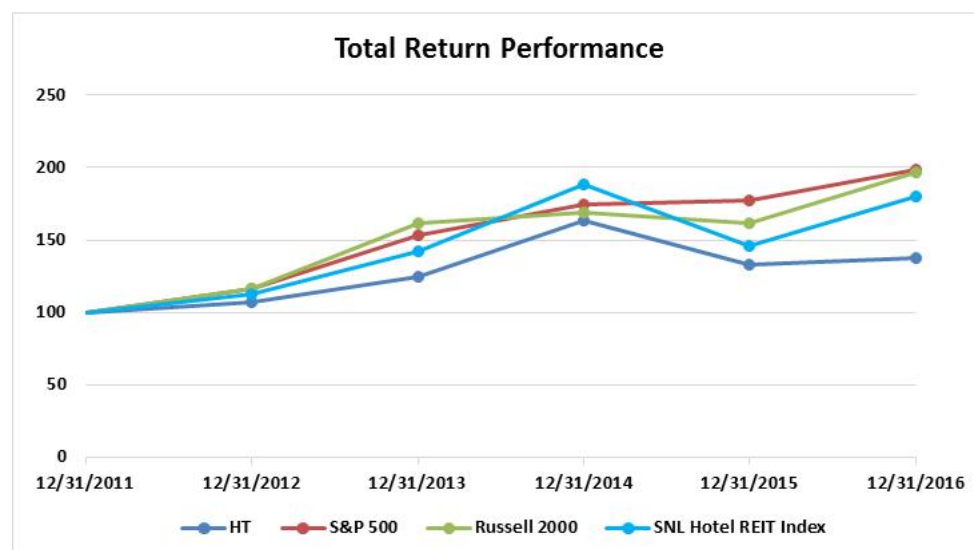
DISTRIBUTION INFORMATION

Future distributions, if any, will be at the discretion of our Board of Trustees and will depend on our actual cash flow, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as we may deem relevant. Our ability to make distributions will depend on our receipt of distributions from our operating partnership and lease payments from our lessees with respect to the hotels. We rely on the profitability and cashflows of our hotels to generate sufficient cash flow for distributions. Additionally, we may, if necessary and allowable, pay taxable dividends of our shares or debt securities to meet the distribution requirements.

SHARE PERFORMANCE GRAPH

The following graph compares the yearly change in our cumulative total shareholder return on our common shares for the period beginning December 31, 2011 and ending December 31, 2016, with the yearly changes in the Standard & Poor's 500 Stock Index (the S&P 500 Index), the Russell 2000 Index, and the SNL Hotel REIT Index for the same period, assuming a base share price of \$100.00 for our common shares, the S&P 500 Index, the Russell 2000 Index and the Hotel REIT Index for comparative purposes. The Hotel REIT Index is comprised of publicly traded REITs which focus on investments in hotel properties. Total shareholder return equals appreciation in stock price plus dividends paid and assumes that all dividends are reinvested. The performance graph is not indicative of future investment performance. We do not make or endorse any predictions as to future share price performance.

	2011	2012	2013	2014	2015	2016
Hersha Hospitality Trust	\$ 100.00	\$ 107.32	\$ 124.71	\$ 163.90	\$ 132.86	\$ 137.42
S&P 500	100.00	116.00	153.57	174.60	177.01	198.18
Russell 2000	100.00	116.35	161.52	169.42	161.94	196.45
SNL Hotel REIT Index	100.00	112.80	142.50	188.09	145.50	180.34



UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

A summary of our common share repurchases (in millions, except average price per share) during the year ended December 31, 2016 under the \$100 million repurchase program authorized by our Board of Trustees in December 2012 and reauthorized in February 2015, October 2015 and October 2016 is set forth in the table below. All such common shares were repurchased pursuant to open market transactions.

In October 2015, our Board of Trustees authorized us to repurchase from time to time up to an aggregate of \$100 million of our outstanding common shares. This new program was in addition to the existing \$100 million program authorized in February 2015 and commenced upon completion of the existing \$100 million common share repurchase program, and expired on December 31, 2016.

In October 2016, our Board of Trustees authorized us to repurchase from time to time up to an aggregate of \$100 million of our outstanding common shares. This new program is in addition to the existing \$100 million program authorized in October 2015 and will commence upon completion of the existing \$100 million common share repurchase program, and will expire on December 31, 2017. We may seek Board of Trustee approval to increase the 2016 authorization.

In May 2015, our Board of Trustees approved a reverse share split of our issued and outstanding common shares at a ratio of 1-for-4. This reverse share split converted every four issued and outstanding common shares into one common share. The reverse share split was effective as of 5:00 PM Eastern time on June 22, 2015. All common share and per share data shown below have been updated to reflect this share split as if it occurred on January 1, 2015.

Issuer Purchases of Common Shares

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands)
January 1 to January 31, 2016	-	\$ -	-	\$ 72,053
February 1 to February 29, 2016	116,157	19.87	116,157	69,745
March 1 to March 31, 2016	100	20.00	116,257	69,743
April 1 to April 30, 2016	490,464	19.78	606,721	60,042
May 1 to May 31, 2016	811,511	19.46	1,418,232	44,246
June 1 to June 30, 2016	653,775	17.25	2,072,007	32,969
July 1 to July 31, 2016	-	-	2,072,007	32,969
August 1 to August 31, 2016	-	-	2,072,007	32,969
September 1 to September 30, 2016	533,642	18.58	2,605,649	23,056
October 1 to October 31, 2016	167,061	17.98	2,772,710	120,053
November 1 to November 30, 2016	-	-	2,772,710	120,053
December 1 to December 31, 2016	-	-	2,772,710	120,053

Item 6. Selected Financial Data

The following sets forth selected financial and operating data on a historical consolidated basis. The following data should be read in conjunction with the financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K. As a result of the early adoption on January 1, 2014 of ASU Update No. 2014-08, we do not expect to classify most of our hotel dispositions as discontinued operations. For purposes of this table below, the operating results of certain real estate assets which have been sold prior to the adoption of ASU Update No. 2014-08 are included in discontinued operations for all periods presented.

HERSHA HOSPITALITY TRUST
SELECTED FINANCIAL DATA
(In thousands, except per share data)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue:					
Hotel Operating Revenues	466,370	470,272	417,226	338,064	299,005
Interest Income From Development Loans	-	-	-	158	1,998
Other Revenues	<u>259</u>	<u>113</u>	<u>180</u>	<u>191</u>	<u>212</u>
Total Revenue	<u>466,629</u>	<u>470,385</u>	<u>417,406</u>	<u>338,413</u>	<u>301,215</u>
Operating Expenses:					
Hotel Operating Expenses	262,956	254,313	227,324	188,431	161,982
Gain on Insurance Settlements	-	-	(4,604)	(403)	-
Hotel Ground Rent	3,600	3,137	2,433	985	835
Real Estate and Personal Property Taxes and Property Insurance	32,157	34,518	30,342	24,083	19,341
General and Administrative (including Share Based Payments of \$8,048, \$6,523, \$6,028, \$9,746, \$9,678)	24,444	20,515	20,363	23,869	23,377
Acquisition and Terminated Transaction Costs	2,560	1,119	2,472	974	1,179
Depreciation and Amortization	75,390	74,390	69,167	55,784	48,243
Contingent Consideration	-	-	2,000	-	-
Total Operating Expenses	<u>401,107</u>	<u>387,992</u>	<u>349,497</u>	<u>293,723</u>	<u>254,957</u>
Operating Income	65,522	82,393	67,909	44,690	46,258
Interest Income	362	193	805	1,784	1,311
Interest Expense	(44,352)	(43,557)	(43,357)	(40,935)	(38,070)
Other Expense	(961)	(367)	(485)	(102)	(43)
Gain on Disposition of Hotel Properties	115,839	-	7,195	-	-
Gain on Hotel Acquisitions, net	-	-	12,667	12,096	-
Development Loan Recovery	-	-	22,494	-	-
Lease Buyout	(16,831)	-	-	-	-
Loss on Debt Extinguishment	<u>(1,187)</u>	<u>(561)</u>	<u>(670)</u>	<u>(545)</u>	<u>(3,189)</u>
Income before (Loss) Income from Unconsolidated Joint Venture Investments and Discontinued Operations	<u>118,392</u>	<u>38,101</u>	<u>66,558</u>	<u>16,988</u>	<u>6,267</u>
(Loss) Income from Unconsolidated Joint Ventures	(1,823)	965	693	(22)	(232)
Impairment of Investment in Unconsolidated Joint Ventures	-	-	-	(1,813)	-
Loss from Remeasurement of Investment in Unconsolidated Joint Ventures	-	-	-	-	<u>(1,892)</u>

HERSHA HOSPITALITY TRUST
SELECTED FINANCIAL DATA
(In thousands, except per share data)

	2016	2015	2014	2013	2012
Loss (Income) from Unconsolidated Joint Venture Investments	(1,823)	965	693	(1,835)	(2,124)
Income Before Income Taxes	116,569	39,066	67,251	15,153	4,143
Income Tax Benefit	4,888	3,141	2,685	5,600	3,355
Income from Continuing Operations	121,457	42,207	69,936	20,753	7,498
Discontinued Operations:					
(Loss) Gain on Disposition of Hotel Properties	-	-	(128)	32,121	11,231
Impairment of Assets Held for Sale	-	-	(1,800)	(10,314)	-
Income from Discontinued Operations	-	-	263	7,388	3,489
(Loss) Income from Discontinued Operations	-	-	(1,665)	29,195	14,720
Net Income	121,457	42,207	68,271	49,948	22,218
(Income) Loss Allocated to Noncontrolling Interests	(4,477)	(411)	(1,016)	(335)	158
Preferred Distributions	(17,380)	(14,356)	(14,356)	(14,611)	(14,000)
Extinguishment of Issuance Costs Upon Redemption of Preferred Shares	(4,021)	-	-	(2,250)	-
Net Income applicable to Common Shareholders	95,579	27,440	52,899	32,752	8,376
Basic Income (Loss) from Continuing Operations applicable to Common Shareholders	\$ 2.21	\$ 0.56	\$ 1.08	\$ 0.07	\$ (0.12)
Diluted Income (Loss) from Continuing Operations applicable to Common Shareholders ⁽¹⁾	2.18	0.56	1.07	0.07	(0.12)
Dividends declared per Common Share	1.32	1.12	1.04	0.96	0.96
Balance Sheet Data					
Net investment in hotel properties	\$ 1,767,570	\$ 1,831,119	\$ 1,745,483	\$ 1,535,835	\$ 1,466,713
Assets Held for Sale	98,473	-	-	56,583	-
Noncontrolling Interests Common Units	44,321	31,876	29,082	29,523	15,484
Redeemable Noncontrolling Interest	-	-	-	-	15,321
Noncontrolling Interests Consolidated Variable Interest Entity	-	(1,760)	(1,075)	(342)	476
Shareholder's equity	835,418	678,039	829,381	837,958	829,828
Total assets	2,155,536	1,962,649	1,855,539	1,748,097	1,707,679
Total debt	1,051,899	1,169,964	918,923	773,501	792,708
Liabilities related to Assets Held for Sale	51,428	-	-	45,835	-
Other Data					
Net cash provided by operating activities	\$ 86,558	\$ 121,817	\$ 112,894	\$ 90,261	\$ 71,756
Net cash used in investing activities	\$ 149,924	\$ (143,909)	\$ (180,504)	\$ (125,474)	\$ (55,817)
Net cash provided by financing activities	\$ (78,793)	\$ 28,372	\$ 53,072	\$ 2,367	\$ 28,552
Weighted average shares outstanding					
Basic	42,957,199	47,786,811	49,777,302	49,597,613	46,853,818
Diluted ⁽¹⁾	43,530,731	48,369,658	50,307,506	50,479,545	46,853,818

(1) Income allocated to noncontrolling interest in HHLP has been excluded from the numerator and Common Units have been omitted from the denominator for the purpose of computing diluted earnings per share because the effect of including these amounts in the numerator and denominator would have no impact.

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

Certain statements appearing in this Item 7 are forward-looking statements within the meaning of the federal securities laws. Our actual results may differ materially. We caution you not to place undue reliance on any such forward-looking statements. See "Cautionary Factors That May Affect Future Results" for additional information regarding our forward-looking statements.

BACKGROUND

As of December 31, 2016, we owned interests in 55 hotels in major urban gateway markets including New York, Washington DC, Boston, Philadelphia, San Diego, Los Angeles, Miami and select markets on the West Coast including 43 wholly-owned hotels and interests in 12 hotels owned through unconsolidated joint ventures. We have elected to be taxed as a REIT for federal income tax purposes, beginning with the taxable year ended December 31, 1999. For purposes of the REIT qualification rules, we cannot directly operate any of our hotels. Instead, we must lease our hotels to a third party lessee or to a TRS, provided that the TRS engages an eligible independent contractor to manage the hotels. As of December 31, 2016, we have leased all of our hotels to a wholly-owned TRS, a joint venture owned TRS, or an entity owned by our wholly-owned TRS. Each of these TRS entities will pay qualifying rent, and the TRS entities have entered into management contracts with qualified independent managers, including HHMLP, with respect to our hotels. We intend to lease all newly acquired hotels to a TRS. The TRS structure enables us to participate more directly in the operating performance of our hotels. Each TRS directly receives all revenue from, and funds all expenses relating to, hotel operations of the hotels that it leases. Each TRS is also subject to income tax on its earnings.

OVERVIEW

We believe the changes in our equity and debt capitalization and repositioning of our portfolio better enables us to capitalize on further improvement in lodging fundamentals. During 2016, we continued to see improvements in ADR and RevPAR, led by hotels in most of our major locations, while operating margins remain relatively flat. We continue to seek acquisition opportunities in urban centers and central business districts. In addition, we will continue to look for attractive opportunities to divest certain of our properties at favorable prices, potentially redeploying that capital in our focus markets or opportunistically repurchasing our common shares. We may seek to buy out or sell our joint venture interests to select existing joint venture partners.

We expect continued stability and improvement in consumer and commercial spending and lodging demand in many of our markets during 2017. However some markets, such as New York City and South Florida, are encountering less favorable supply and demand dynamics. Industry wide occupancy has surpassed peak occupancy from the previous cycle which should allow hotel operators to increase ADR across the United States ("U.S."). However, the manner in which the economy will continue to grow, if at all, is not predictable and we have no way of predicting how any policies pursued by the new U.S. administration will affect the markets in which we operate or the tourism industry in general. In addition, the availability of hotel-level financing for the acquisition of new hotels is not within our control. As a result, there can be no assurances that we will be able to grow hotel revenues, occupancy, ADR or RevPAR at our properties as we hope. Factors that might contribute to less than anticipated performance include those described under the heading "Item 1A. Risk Factors" and other documents that we may file with the SEC in the future. We will continue to cautiously monitor recovery in lodging demand and rates, our third party hotel managers and our performance generally.

SUMMARY OF OPERATING RESULTS

The following table outlines operating results for the Company's portfolio of wholly owned hotels and those owned through joint venture interests that are consolidated in our financial statements for the three years ended December 31, 2016, 2015 and 2014.

We define a comparable consolidated hotel as one that is currently consolidated, that we have owned in whole or in part for the entirety of the periods being presented, and is deemed fully operational. Based on this definition, for the years ended December 31, 2016 and 2015, there are 41 and 46 comparable consolidated hotels, respectively. The comparable key hotel operating statistics presented in the table below have been computed using pro forma methodology to compute the operating results for the portion of time prior to our ownership of hotels purchased during the comparable period for the year ended December 31, 2016 compared to the year ended December 31, 2015, and the year ended December 31, 2015 compared to the year ended December 31, 2014 for our comparable hotels.

For the comparison of December 31, 2016 to December 31, 2015, comparable hotel operating results contain results from our consolidated hotels owned as of December 31, 2016, excluding: (1) The Envoy because the hotel was not operational for the full year ended December 31, 2015; (2) The Ambrose Hotel due to the fact that we owned the hotel for less than a month over the comparable period and determined its inclusion not meaningful to the analysis; and (3) the results of all hotels sold during the years ended December 31, 2016 and 2015. The comparison of December 31, 2016 to December 31, 2015 includes results as reported by the prior owners for the following hotels acquired during 2016 and 2015:

- St. Gregory Hotel – Washington, DC (acquired 6/16/2015)
- TownePlace Suites – Sunnyvale, CA (acquired 8/25/2015)
- Ritz Carlton Georgetown – Washington, DC (acquired 12/29/2015)
- Sanctuary Resort – Monterey, CA (acquired 1/28/2016)
- Hilton Garden Inn M Street – Washington, DC (acquired 3/9/2016)
- Courtyard – Sunnyvale, CA (acquired 10/20/2016)

For the comparison of December 31, 2015 to December 31, 2014, comparable hotel operating results contain results from our consolidated hotels owned as of December 31, 2015, excluding: (1) Hilton Garden Inn Midtown East and Hampton Inn Pearl Street because the hotels were newly constructed and not open for business for the full year ended December 31, 2014; (2) The Ritz Carlton Georgetown due to the fact that we owned the hotel for less than a month over the comparable period and determined its inclusion not meaningful to the analysis; and (3) the results of all hotels sold during the years ended December 31, 2015 and 2014. The comparison of December 31, 2015 to December 31, 2014 includes results as reported by the prior owners for the following hotels acquired during 2015 and 2014:

- Hotel Milo – Santa Barbara, CA (acquired 2/28/2014)
- Parrot Key Resort – Key West, FL (acquired 5/7/2014)
- St. Gregory Hotel – Washington, DC (acquired 6/16/2015)
- TownePlace Suites – Sunnyvale, CA (acquired 8/25/2015)

COMPARABLE CONSOLIDATED HOTELS:

	<i>(includes 41 hotels in both years)</i>			<i>(includes 46 hotels in both years)</i>		
	<u>Year Ended 2016</u>	<u>Year Ended 2015</u>	<u>2016 vs. 2015 % Variance</u>	<u>Year Ended 2015</u>	<u>Year Ended 2014</u>	<u>2015 vs. 2014 % Variance</u>
Occupancy	82.8%	82.8%	0.0%	83.7%	82.6%	1.1%
Average Daily Rate (ADR)	\$ 206.96	\$ 202.62	2.1%	\$ 195.55	\$ 187.21	4.5%
Revenue Per Available Room (RevPAR)	\$ 171.27	\$ 167.68	2.1%	\$ 163.65	\$ 154.71	5.8%
Room Revenues	\$ 384,448	\$ 375,304	2.4%	\$ 409,364	\$ 386,828	5.8%
Total Revenues	\$ 437,496	\$ 425,736	2.8%	\$ 454,054	\$ 426,049	6.6%

RevPAR for the year ended December 31, 2016 increased 2.1% for our comparable consolidated hotels when compared to 2015. The 2.1% increase in 2016 is off from the 5.8% comparable hotel growth experienced in 2015, which can be partially explained by the softening of the New York and South Florida markets during 2016 which negatively impacted RevPAR growth on a comparable basis by -140 basis points and -80 basis points, respectively. The Company experienced stronger RevPAR

growth from comparable consolidated hotels in our West Coast, Philadelphia, and Washington D.C. markets which all experienced greater than 6% growth for 2016 when compared to 2015. Current year results compared to 2015 were also hindered by ongoing renovations at seven of our hotels, and new supply which inhibited rate growth in some of our properties in the New York City and South Florida markets.

COMPARABLE UNCONSOLIDATED JOINT VENTURES:

	<i>(includes 12 hotels in both years)</i>			<i>(includes 5 hotels in both years)</i>		
	<u>Year Ended 2016</u>	<u>Year Ended 2015</u>	<u>2016 vs. 2015 % Variance</u>	<u>Year Ended 2015</u>	<u>Year Ended 2014</u>	<u>2015 vs. 2014 % Variance</u>
Occupancy	78.7%	79.5%	-0.8%	68.1%	67.2%	0.9%
Average Daily Rate (ADR)	\$ 192.74	\$ 193.95	-0.6%	\$ 170.20	\$ 164.10	3.7%
Revenue Per Available Room (RevPAR)	\$ 151.60	\$ 154.27	-1.7%	\$ 115.93	\$ 110.33	5.1%
Room Revenues	\$ 136,248	\$ 138,290	-1.5%	\$ 57,927	\$ 59,135	-2.1%
Total Revenues	\$ 161,174	\$ 162,670	-0.9%	\$ 80,703	\$ 80,860	-0.2%

The decreases in occupancy, ADR, RevPAR, room revenues and total revenues for the twelve months ended December 31, 2016 over the same periods in 2015 are primarily driven by the results of operations of seven hotel properties located in New York City that were contributed to the CINDAT JV (as defined in "Note 2 – Investment in Hotel Properties" to the consolidated financial statements) which was established on April 29, 2016 as part of the CINDAT JV. The addition of these seven hotels to the comparable set resulted in the negative trends presented in the table above. As we also experienced in our consolidated results, the New York City market has proven challenging from a growth perspective due to increasing supply in the market which is placing downward pressure on both occupancy and rate.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2016 TO DECEMBER 31, 2015
(dollars in thousands, except ADR and per share data)

Revenue

Our total revenues for the years ended December 31, 2016 and 2015 consisted entirely of hotel operating revenues, including room, food and beverage and other operating department revenues, and other revenue. Hotel operating revenues are recorded for wholly-owned hotels that are leased to our wholly owned TRS and hotels owned through joint venture or other interests that are consolidated in our financial statements. Hotel operating revenues decreased \$3,902, or 0.8%, from \$470,272 for the year ended December 31, 2015 to \$466,370 for the same period in 2016. This decrease in hotel operating revenues was primarily attributable to the impact of the hotels contributed to the Cindat joint venture, offset by the acquisition of hotel properties, continued growth and stabilization of our existing assets. Revenue generated from current year acquisitions and incremental revenue increases from 2015 acquisitions contributed \$57,445 in incremental revenue during the twelve months ended December 31, 2016 when compared to the same period in 2015. The contribution of seven hotels to our joint venture with Cindat and disposition of four assets to unrelated third parties caused a decrease in revenue of \$69,641 during the same period.

Since December 31, 2015, we have acquired interests in five consolidated hotels. These five hotels contributed the following operating revenues for the twelve months ended December 31, 2016.

<u>Brand</u>	<u>Location</u>	<u>Acquisition Date</u>	<u>Rooms</u>	<u>2016 Hotel Operating Revenues</u>
Sanctuary Beach Resort	Monterey Bay, CA	January 27, 2016	60	6,367
Hilton Garden Inn M Street	Washington, DC	March 8, 2016	238	13,565
Envoy Hotel	Boston, MA	July 21, 2016	136	8,862
Courtyard by Marriott	Sunnyvale, CA	October 20, 2016	145	1,768
The Ambrose	Santa Monica, CA	December 1, 2016	77	429
			<u>656</u>	<u>\$ 30,991</u>

Revenues for all hotels were recorded from the date of acquisition as hotel operating revenues. Further, hotel operating revenues for the year ended December 31, 2016 included revenues for the following hotels that were purchased

during the year ended December 31, 2015. Hotels acquired during the year ended December 31, 2015 would have a full year of results included in the year ended December 31, 2016 but not necessarily a full year of results during the same period in 2015.

We acquired interests in the following consolidated hotels during the year ended December 31, 2015:

Brand	Location	Acquisition Date	Rooms	2016 Hotel		2015 Hotel	
				Operating Revenues	Operating Revenues	Operating Revenues	Operating Revenues
St. Gregory Hotel	Washington, DC	June 16, 2015	155	\$ 9,854	\$ 5,257		
TownePlace Suites	Sunnyvale, CA	August 25, 2015	94	5,593	1,744		
Ritz Carlton Georgetown	Washington, DC	December 29, 2015	86	18,157	149		
			335	\$ 33,604	\$ 7,150		

Offsetting these acquisitions is our contribution of the seven properties to the joint venture with Cindat during the second quarter of 2016, and the sale of four properties during 2016. These 11 hotels contributed \$30,123 in operating revenues to our consolidated hotel portfolio for the period of ownership during the year ended December 31, 2016 compared to the revenues they generated during the year ended December 31, 2015 when we recorded \$99,764 related to these hotels.

Brand	Location	Disposition Date (Contribution to JV)	Rooms	2016 Hotel		2015 Hotel	
				Operating Revenues	Operating Revenues	Operating Revenues	Operating Revenues
Hampton Inn Herald Square	New York, NY	April 29, 2016	136	\$ 2,175	\$ 10,614		
Hampton Inn Chelsea	New York, NY	April 29, 2016	144	2,625	11,683		
Hampton Inn Times Square	New York, NY	April 29, 2016	184	3,029	14,189		
Holiday Inn Express Times Square	New York, NY	April 29, 2016	210	3,720	16,559		
Candlewood Suites Times Square	New York, NY	April 29, 2016	188	3,028	13,357		
Holiday Inn Express Water Street	New York, NY	April 29, 2016	112	1,772	7,639		
Holiday Inn Wall Street	New York, NY	April 29, 2016	113	1,758	7,924		
Hyatt Place	King of Prussia, PA	May 3, 2016	129	1,460	4,404		
Hawthorn Suites	Franklin, MA	September 7, 2016	100	2,118	3,024		
Residence Inn	Norwood, MA	November 4, 2016	96	3,668	4,407		
Residence Inn	Framingham, MA	November 4, 2016	125	4,770	5,964		
			1,537	\$ 30,123	\$ 99,764		

In addition, our comparable consolidated portfolio experienced improvements in ADR and RevPAR during the year ended December 31, 2016 when compared to the same period in 2015. ADR improved 2.1%, increasing from \$202.62 for the year ended December 31, 2015 to \$206.96 during the same period in 2016. RevPAR in our same comparable consolidated hotels increased 2.1% from \$167.68 during the year ended December 31, 2015 to \$171.27 for the same period in 2016. These improvements were due to improvements in lodging trends in the markets in which our hotels are located. In particular, the Company experienced stronger RevPAR growth from comparable consolidated hotels in our West Coast, Philadelphia, and Washington D.C. markets which all experienced greater than 6% growth for 2016 when compared to 2015. Current year results compared to 2015 were also hindered by ongoing renovations at seven of our hotels, and new supply which inhibited rate growth in some of our properties in the New York City and South Florida markets.

Expenses

Total hotel operating expenses, including room, food and beverage and other operating department expenses increased 3.4% to approximately \$262,956 for the year ended December 31, 2016 from \$254,313 for the year ended December 31, 2015. This increase in operating expenses is primarily attributable to hotel properties acquired in our existing portfolio, offset by a \$29,214 decrease in hotel operating expenses recorded during the year ended December 31, 2015 compared to 2016 due to the contribution of seven hotel properties to the joint venture with Cindat as well as the other hotel dispositions. Depreciation and amortization increased by 1.3%, or \$1,000, to \$75,390 for the year ended December 31, 2016 from \$74,390 for the year ended December 31, 2015. The increase was a result of depreciation and amortization recorded on the hotels recently acquired, offset by a decrease of approximately \$5,685 in depreciation and amortization recorded during the year ended December 31, 2015 compared to 2016 for properties part of the joint venture with Cindat. Real estate and personal property tax and property insurance decreased \$2,361, or 6.8%, for the year ended December 31, 2016 when compared to the same period in 2015. This was primarily attributable to a decrease of \$6,000 in real estate and property insurance during the current year related to the seven hotel properties contributed to the joint venture with Cindat in April of 2016. We otherwise

typically experience increases in tax assessments and tax rates as the economy improves which are offset by reductions resulting from our management of this expense.

General and administrative expense increased by approximately \$3,929 to \$24,444 for the year ended December 31, 2016 from \$20,515 for the year ended December 31, 2015. General and administrative expense includes expense related to non-cash share based payments issued as incentive compensation to the Company's trustees, executives, and employees. Expense related to share based compensation increased \$1,525 when comparing the year ended December 31, 2016 to the same period in 2015. This increase in share based compensation expense is primarily related to the issuance of share awards under the 2013 Multi-Year LTIP during the year ended December 31, 2016 as the performance period ended December 31, 2015. Please refer to "Note 8 – Share Based Payments" of the notes to the consolidated financial statements for more information about our stock based compensation.

Amounts recorded on our consolidated statement of operations for acquisition and terminated transaction costs will fluctuate from period to period based on our acquisition activities. Acquisition and terminated transaction costs typically consist of transfer taxes, legal fees and other costs associated with acquiring a hotel property and transactions that were terminated during the year. Acquisition and terminated transaction costs increased \$1,441 from \$1,119 for the year ended December 31, 2015 to \$2,560 for the same period in 2016. The costs incurred in 2016 were primarily related to our acquisition of the Sanctuary Beach Resort, Marina, CA, the Hilton Garden Inn M Street, Washington, DC, the Envoy Hotel, Boston, MA, the Courtyard by Marriott, Sunnyvale, CA and The Ambrose, Santa Monica, CA while the costs incurred in 2015 primarily related to our acquisitions of St. Gregory Hotel in Washington, DC, TownePlace Suites, Sunnyvale, CA and Ritz Carlton Georgetown, Washington, DC. Also included in acquisition and terminated transaction costs are charges related to transactions that were terminated during the period.

Operating Income

Operating income for the year ended December 31, 2016 was \$65,522 compared to operating income of \$82,393 during the same period in 2015. Operating income was negatively impacted by the dispositions of the hotel properties noted above.

Interest Expense

Interest expense increased \$795 from \$43,557 for the year ended December 31, 2015 to \$44,352 for the year ended December 31, 2016. The increase in interest expense is primarily due to increased borrowings drawn on the Second Term Loan during the third and fourth quarters of 2015, and the Third Term Loan during the third and fourth quarter of 2016. These borrowings were used to acquire hotel properties and to pay down consolidated mortgage debt.

Gain on Disposition of Hotel Properties

During the year ended December 31, 2016, the Company recorded a net gain of \$115,839 related to the Cindat joint venture transaction and the sales of the Hyatt Place, King of Prussia, PA, Hawthorn Suites, Franklin, MA, Residence Inn, Norwood, MA and Residence Inn, Framingham, MA. Please refer to "Note 3 – Investment in Unconsolidated Joint Ventures" of the notes to the consolidated financial statements for more information about the Cindat joint venture.

Unconsolidated Joint Venture Investments

The income from unconsolidated joint ventures consists of our interest in the operating results of the properties we own in joint ventures. Income from our unconsolidated joint ventures decreased by \$2,788 to a loss of \$1,823 for the year ended December 31, 2016 compared to income of \$965 during the same period in 2015, due to the loss we recognized on our equity interest in the Cindat joint venture, offset by improvements in the markets of the hotels owned by our unconsolidated joint venture investments, particularly the Boston market where two of these hotels are located.

Income Tax Benefit

During the year ended December 31, 2016, the Company recorded an income tax benefit of \$4,888 compared to an income tax benefit of \$3,141 for the year ended December 31, 2015.

Net Income Applicable to Common Shareholders

Net income applicable to common shareholders for the year ended December 31, 2016 was \$95,579 compared to income of \$27,440 during the same period in 2015. This increase in net income was primarily caused by the net gain of \$115,839 realized on the Cindat joint venture transaction and the sales of the Hyatt Place, King of Prussia, PA, the Hawthorn Suites, Franklin, MA, Residence Inn Norwood, MA and Residence Inn, Framingham, MA. Please refer to "Note 3 – Investment in Unconsolidated Joint Ventures" of the notes to the consolidated financial statements for more information about the Cindat

joint venture. Offsetting this increase in net income was an increase of approximately \$3,024 in preferred distributions and \$4,021 in extinguishment of issuance costs related to our redemption of the Series B preferred shares in 2016 and a \$16,831 expense incurred as result of a lease buyout of a restaurant at our Courtyard by Marriott, Miami, FL property made in conjunction with an overall property improvement and up-branding strategy.

Comprehensive Income Attributable to Common Shareholders

Comprehensive income attributable to common shareholders for the year ended December 31, 2016 was \$97,328 compared to comprehensive income of \$27,332 for the same period in 2015. This amount was primarily attributable to gains on disposition of hotel properties as more fully described above. For the year ended December 31, 2016, we recorded comprehensive income of \$123,296 compared to \$42,099 of comprehensive income for the year ended December 31, 2015. The increase in comprehensive income was primarily due to the \$79,250 increase in net income.

**COMPARISON OF THE YEAR ENDED DECEMBER 31, 2015 TO DECEMBER 31, 2014
(dollars in thousands, except per share data)**

Revenue

Our total revenues for the years ended December 31, 2015 and 2014 consisted entirely of hotel operating revenues and other revenue. Hotel operating revenues are recorded for wholly owned hotels that are leased to our wholly owned TRS and hotels owned through joint venture interests that were consolidated in our financial statements during the period. Hotel operating revenues increased \$53,046, or 12.7%, from \$417,226 for the year ended December 31, 2014 to \$470,272 for the same period in 2015. This increase in hotel operating revenues was primarily attributable to the acquisition of hotel properties consummated in 2015 and 2014 as well as the continued growth and stabilization of our existing assets.

Since December 31, 2014, we have acquired interests in three consolidated hotels. These three hotels contributed the following operating revenues for the twelve months ended December 31, 2015.

Brand	Location	Acquisition Date	Rooms	2015 Hotel Operating Revenues	
St. Gregory Hotel	Washington, DC	June 16, 2015	155	\$	5,257
TownePlace Suites	Sunnyvale, CA	August 25, 2015	94		1,744
Ritz Carlton Georgetown	Washington, DC	December 29, 2015	86		149
			335	\$	7,150

Revenues for all hotels were recorded from the date of acquisition as hotel operating revenues. Further, hotel operating revenues for the year ended December 31, 2015 included revenues for the following hotels that were purchased during the year ended December 31, 2014. Hotels acquired during the year ended December 31, 2014 would have a full year of results included in the year ended December 31, 2015 but not necessarily a full year of results during the same period in 2014.

We acquired interests in the following consolidated hotels during the year ended December 31, 2014:

Brand	Location	Acquisition Date	Rooms	2015 Hotel Operating Revenues		2014 Hotel Operating Revenues	
Hotel Milo	Santa Barbara, CA	February 28, 2014	122	\$	9,141	\$	8,655
Parrot Key Resort	Key West, FL	May 7, 2014	148		15,089		9,145
Hilton Garden Inn 52nd	New York, NY	May 30, 2014*	205		17,935		10,439
Hampton Inn Pearl Street	New York, NY	June 23, 2014*	81		5,563		2,867
			556	\$	47,728	\$	31,106

*Date the hotel began operations.

In addition, our comparable consolidated portfolio experienced improvements in ADR and occupancy during the year ended December 31, 2015 when compared to the same period in 2014. Occupancy in our comparable consolidated hotels increased 110 basis points from 82.6% during the year ended December 31, 2014 to 83.7% for the same period in 2015. ADR improved 4.5%, increasing from \$187.21 for the year ended December 31, 2014 to \$195.55 during the same period in 2015. These improvements were due to improvements in lodging trends in the markets in which our hotels are located.

Expenses

Total hotel operating expenses increased 11.9% to approximately \$254,313 for the year ended December 31, 2015 from \$227,324 for the year ended December 31, 2014. Consistent with the increase in hotel operating revenues, hotel operating expenses increased primarily due to the acquisitions consummated since the comparable period in 2014, as mentioned above. The acquisitions also resulted in an increase in depreciation and amortization of 7.6%, or \$5,223, to \$74,390 for the year ended December 31, 2015 from \$69,167 for the year ended December 31, 2014. Real estate and personal property tax and property insurance increased \$4,176, or 13.8%, for the year ended December 31, 2015 when compared to the same period in 2014. This increase is due to our acquisitions along with a general overall increase in tax assessments and tax rates as the economy improves, but was partially offset by reductions resulting from our rigorous management of this expense.

General and administrative expense increased by approximately \$152 to \$20,515 for the year ended December 31, 2015 from \$20,363 for the year ended December 31, 2014. General and administrative expense includes expense related to non-cash share based payments issued as incentive compensation to the Company's trustees, executives, and employees. Expense related to share based compensation increased \$495 when comparing the year ended December 31, 2015 to the same period in 2014. The increase in share based compensation expense is due primarily to the issuance of the shares attributable to the 2014 ALTIP Plan during the first quarter of 2015. Please refer to "Note 8 – Share Based Payments" of the notes to the consolidated financial statements for more information about our stock based compensation.

Amounts recorded on our consolidated statement of operations for acquisition and terminated transactions costs will fluctuate from period to period based on our acquisition activities. Acquisition costs typically consist of transfer taxes, legal fees and other costs associated with acquiring a hotel property and transactions that were terminated during the year. Acquisition and terminated transaction costs decreased \$1,353 from \$2,472 for the year ended December 31, 2014 to \$1,119 for the year ended December 31, 2015. While we acquired more properties in 2014, the manners in which acquisition targets are found can and do dictate the costs necessary to complete the acquisition. The costs incurred in 2015 were related to the following hotels: \$76 related to our St. Gregory acquisition, \$84 related to our TownePlace Suites acquisition, and \$548 related to our Ritz Carlton Georgetown acquisition. The costs incurred in 2014 were related to the following hotels: \$1,836 related to our Hilton Garden Inn 52nd Street acquisition; \$173 related to our Hotel Milo acquisition; and \$169 related to our Parrot Key Resort acquisition. Also included in these costs are charges related to transactions that were terminated during the year.

Operating Income

Operating income for the year ended December 31, 2015 was \$82,393 compared to operating income of \$67,909 during the same period in 2014. Operating income was positively impacted by the improved operating results of our hotels discussed above. Offsetting this increase was insurance recoveries of approximately \$4,604 recognized during the year ended December 31, 2014 related to the settlement of insurance claims from Hurricane Sandy. A similar event did not occur during the year ended December 31, 2015.

Interest Expense

Interest expense increased \$200 from \$43,357 for the year ended December 31, 2014 to \$43,557 for the year ended December 31, 2015. Our borrowings increased in total since December 31, 2014, largely in part because of increased borrowings drawn on our unsecured credit facility and unsecured term loan. However, these borrowings were used to repay several secured mortgage obligations during the year ended December 31, 2015. The borrowings on our unsecured credit facility and unsecured term loan bear interest at a lower interest rate than the mortgage loans in which the proceeds were used to repay, thereby compressing the increase in interest expense for the year ended December 31, 2015 as compared to the same period in 2014. During 2014, we entered into a new credit facility which allowed for an additional \$100,000 unsecured term loan, which we drew during the second quarter of 2014. On August 10, 2015, we entered into a \$300,000 senior unsecured term loan with Citigroup Global Markets Inc. and various other lenders, which was fully drawn down by December 31, 2015.

Gain on Disposition of Hotel Properties

During the year ended December 31, 2014, the Company recorded a gain of \$7,195 related to its sale of Hotel 373 in Manhattan.

Gain on Hotel Acquisitions, net

During the year ended December 31, 2014, the Company recorded a gain of \$12,667 related primarily to its purchase of the Hilton Garden Inn on 52nd Street in Manhattan as the purchase price of the asset was less than the appraised fair value as of the closing date. A similar event did not occur during the year ended December 31, 2015.

Development Loan Recovery

Consideration given in exchange for the Hilton Garden Inn 52nd Street included cash to the seller and our reinstatement and cancellation of a development loan receivable in the original principal amount of \$10,000 and \$12,494 of accrued interest and late fees. This development loan receivable had previously been fully impaired in 2009, but was recovered as part of this acquisition. As a result, we recognized a gain of \$22,494 on the recovery of the previously impaired development loan during the year ended December 31, 2014. A similar event did not occur during the year ended December 31, 2015.

Unconsolidated Joint Venture Investments

The income from unconsolidated joint ventures consists of our interest in the operating results of the properties we own in joint ventures. The operating results of the unconsolidated joint ventures improved by \$272 for the year ended December 31, 2015. This is primarily because of the improved performance in our Boston market, where two of our five properties owned in joint ventures are located.

Income Tax Benefit

During the year ended December 31, 2015, the Company recorded an income tax benefit of \$3,141 compared to an income tax benefit of \$2,685 in 2014.

Net Income Applicable to Common Shareholders

Net income applicable to common shareholders for the year ended December 31, 2015 was \$27,440 compared to net income applicable to common shareholders of \$52,899 for the same period in 2014. Net income applicable to common shareholders for the year ended December 31, 2014 was positively impacted by the improved operating results of our hotels and one-time gains discussed above which occurred for the year ended December 31, 2014 only.

Comprehensive Income Applicable to Common Shareholders

Comprehensive income applicable to common shareholders for the year ended December 31, 2015 was \$27,332 compared to \$52,917 for the same period in 2014. This amount was primarily attributable to net income as more fully described above. Further change in other comprehensive income was primarily the result of the decrease in fair value of our interest rate swaps and caps used as cash flow hedges. The decrease in fair value of these instruments is attributed to changes in the forecasted LIBOR rates from period to period, as interest rates continued to be forecasted at historic lows. For the year ended December 31, 2015, we recorded other comprehensive loss of \$108 when compared to \$18 of other comprehensive income for the year ended December 31, 2014. The decrease in other comprehensive income was primarily due to the decrease in fair value of our interest rate swaps and caps used as cash flow hedges. The decrease in fair value of these instruments is attributed to changes in the forecasted LIBOR rates from period to period, as interest rates continue to be forecasted at historic lows.

**LIQUIDITY, CAPITAL RESOURCES, AND EQUITY OFFERINGS
(dollars in thousands, except per share data)****Potential Sources of Capital**

Our organizational documents do not limit the amount of indebtedness that we may incur. Our ability to incur additional debt is dependent upon a number of factors, including the current state of the overall credit markets, our degree of leverage and borrowing restrictions imposed by existing lenders. Our ability to raise funds through the issuance of debt and equity securities is dependent upon, among other things, capital market volatility, risk tolerance of investors, general market conditions for REITs and market perceptions related to the Company's ability to generate cash flow and positive returns on its investments.

In addition, our mortgage indebtedness contains various financial and non-financial covenants customarily found in secured, nonrecourse financing arrangements. If the specified criteria are not satisfied, the lender may be able to escrow cash flow generated by the property securing the applicable mortgage loan. We have determined that certain debt service coverage ratio covenants contained in the loan agreements securing one of our hotel properties was not met as of December 31, 2016. Pursuant to this loan agreement, the lender has the option to escrow the operating cash flow. However, these covenants do not constitute an event of default for these loans. Future deterioration in market conditions could cause restrictions in our access to the cash flow of additional properties.

We have unsecured debt facilities in the aggregate of \$1,000,000 which is comprised of a \$500,000 senior unsecured credit facility and two unsecured term loans totaling \$500,000. The unsecured credit facility ("Credit Facility") contains a

\$250,000 unsecured term loan ("First Term Loan") and a \$250,000 unsecured revolving line of credit ("Line of Credit"). This Credit Facility expires on February 28, 2018 and, provided no event of default has occurred, we may request that the lenders renew the credit facility for an additional one-year period. The Credit Facility is also expandable to \$850,000 at our request, subject to the satisfaction of certain conditions. Our two additional unsecured term loans are \$300,000 ("Second Term Loan") and \$200,000 ("Third Term Loan"), which mature on August 10, 2020 and August 2, 2021, respectively.

As of December 31, 2016, the outstanding balance under the First Term Loan was \$210,520, under the Second Term Loan was \$300,000, under the Third Term Loan was \$156,100 and we had no outstanding borrowings under the Line of Credit. As of December 31, 2016, our remaining borrowing capacity under the Credit Facility, Second Term Loan and Third Term Loan was \$99,822 which is based on certain operating metrics of unencumbered hotel properties designated as borrowing base assets. We intend to repay indebtedness incurred under the Credit Facility, Second Term Loan and Third Term Loan out of cash flow and from the proceeds of issuances of additional common and preferred shares and potentially other securities and from proceeds from dispositions. As of February 21, 2017, our borrowing capacity under the Credit Facility and Term Loans was approximately \$197,998 as we added seven and removed two borrowing base assets subsequent to December 31, 2016.

We will continue to monitor our debt maturities to manage our liquidity needs. However, no assurances can be given that we will be successful in refinancing all or a portion of our future debt obligations due to factors beyond our control or that, if refinanced, the terms of such debt will not vary from the existing terms. As of December 31, 2016, we have \$160,908 of indebtedness due on or before December 31, 2017. We currently expect that cash requirements for all debt that is not refinanced by our existing lenders for which the maturity date is not extended will be met through a combination of cash on hand, refinancing the existing debt with new lenders, draws on the Line of Credit and the issuance of our securities.

In addition to the incurrence of debt and the offering of equity securities, dispositions of property or investment from a joint venture partner may serve as additional capital resources and sources of liquidity. We may recycle capital from stabilized assets or from sales of non-core hotels in secondary and tertiary markets. Capital from these types of transactions is intended to be redeployed into high growth acquisitions, share buybacks, or to pay down existing debt.

Common Share Repurchase Plan

In October 2015, our Board of Trustees authorized our current share repurchase program for up to \$100,000 of common shares. For the twelve months ended December 31, 2016, the Company repurchased 2,772,710 common shares for an aggregate purchase price of \$52,055. Upon repurchase by the Company, these common shares ceased to be outstanding and became authorized but unissued common shares.

In October 2016, our Board of Trustees authorized a new share repurchase program for up to \$100,000 of common shares which will commence upon the completion of the existing repurchase program. The new program will expire on December 31, 2017, unless extended by our Board of Trustees.

Acquisitions

During the year ended December 31, 2016, we acquired the following wholly-owned hotel properties:

Hotel	Acquisition Date	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Other Intangibles	Loan Costs	Total Purchase Price	Assumption of Debt
Sanctuary Beach Resort, Marina, CA	1/28/2016	\$ 20,014	\$ 17,093	\$ 2,369	\$ -	\$ 198	\$ 39,674	\$ 14,750 *
Hilton Garden Inn M Street, Washington, DC	3/9/2016	30,131	65,971	9,621	874 **	-	106,597	-
Envoy Hotel, Boston, MA	7/21/2016	25,264	75,979	11,251	131 ***	-	112,625	-
Courtyard, Sunnyvale, CA	10/20/2016	17,694	53,272	4,034	150 ****	537	75,687	40,600
The Ambrose, Santa Monica, CA	12/1/2016	18,750	26,839	1,911	-	-	47,500	-
TOTAL		<u>\$ 111,853</u>	<u>\$ 239,154</u>	<u>\$ 29,186</u>	<u>\$ 1,155</u>	<u>\$ 735</u>	<u>\$ 382,083</u>	<u>\$ 55,350</u>

*Assumption of debt includes a \$50 premium resulting from the determination that the stated rate of interest is above market rates on the date of acquisition.

**Includes an intangible asset for a lease-in-place of \$648, advance bookings of \$76 and franchise fees of \$150.

***Includes a lease-in-place intangible asset of \$126, below market lease liability of \$319, advance bookings asset of \$199, and franchise fees asset of \$125.

****Includes a franchise fees asset of \$150.

We intend to invest in additional hotels only as suitable opportunities arise and adequate sources of financing are available. We expect that future investments in hotels will depend upon and will be financed by, in whole or in part, our existing cash, the proceeds from additional issuances of common or preferred shares, proceeds from the sale of assets, issuances of Common Units, issuances of preferred units or other securities or borrowings secured by hotel assets and under our Line of Credit.

Operating Liquidity and Capital Expenditures

We expect to meet our short-term liquidity requirements generally through net cash provided by operations, existing cash balances and, if necessary, short-term borrowings under the Line of Credit. We believe that the net cash provided by operations in the coming year and borrowings drawn on the Line of Credit will be adequate to fund the Company's operating requirements, monthly recurring debt service and the payment of dividends in accordance with REIT requirements of the Internal Revenue Code of 1986, as amended.

To qualify as a REIT, we must distribute annually at least 90% of our taxable income. This distribution requirement limits our ability to retain earnings and requires us to raise additional capital in order to grow our business and acquire additional hotel properties. However, there is no assurance that we will be able to borrow funds or raise additional equity capital on terms acceptable to us, if at all. In addition, we cannot guarantee that we will continue to make distributions to our shareholders at the current rate or at all. Due to the seasonality of our business, cash provided by operating activities fluctuates significantly from quarter to quarter. However, we believe that, based on our current estimates, which include the addition of cash from operations provided by hotels acquired during 2016, our cash provided by operating activities will be sufficient over the next 12 months to fund the payment of our dividend at its current level. However, our Board of Trustees continues to evaluate the dividend policy in the context of our overall liquidity and market conditions and may elect to reduce or suspend these distributions. Net cash provided by operating activities for the year ended December 31, 2016 was \$86,558 and cash used for the payment of distributions and dividends for the year ended December 31, 2016 was \$67,856.

We also project that our operating cash flow and available borrowings under the Line of Credit will be sufficient to satisfy our liquidity and other capital needs over the next twelve to eighteen months.

Our long-term liquidity requirements consist primarily of the costs of acquiring additional hotel properties, renovation and other non-recurring capital expenditures that need to be made periodically with respect to hotel properties and scheduled debt repayments. We will seek to satisfy these long-term liquidity requirements through various sources of capital, including borrowings under the Line of Credit and through secured, non-recourse mortgage financings with respect to our unencumbered hotel properties. In addition, we may seek to raise capital through public or private offerings of our securities. Certain factors

may have a material adverse effect on our ability to access these capital sources, including our degree of leverage, the value of our unencumbered hotel properties and borrowing restrictions imposed by lenders or franchisors. We will continue to analyze which source of capital is most advantageous to us at any particular point in time, but financing may not be consistently available to us on terms that are attractive, or at all.

Spending on capital improvements during the year ended December 31, 2016 increased when compared to spending on capital improvements during the year ended December 31, 2015. During the year ended December 31, 2016, we spent \$33,267 on capital expenditures to renovate, improve or replace assets at our hotels. This compares to \$27,366 during the same period in 2015. These capital expenditures were undertaken to comply with brand mandated improvements and to initiate projects that we believe will generate a return on investment.

In addition to capital reserves required under certain loan agreements and capital expenditures to renovate, improve or replace assets at our hotels, we have opportunistically engaged in hotel development projects. During the year ended December 31, 2016, we spent \$952 on hotel development projects compared to \$950 during the same period of 2015.

We may spend additional amounts, if necessary, to comply with the requirements of any franchise license under which any of our hotels operate and otherwise to the extent we deem such expenditures to be prudent. We are also obligated to fund the cost of certain capital improvements to our hotels. We expect to use operating cash flow, borrowings under the Line of Credit, and proceeds from issuances of our securities to pay for the cost of capital improvements and any furniture, fixture and equipment requirements in excess of the set aside referenced above.

CASH FLOW ANALYSIS (dollars in thousands, except per share data)

Comparison of the Years Ended December 31, 2016 and December 31, 2015

Net cash provided by operating activities decreased \$35,259 from \$121,817 for the year ended December 31, 2015 to \$86,558 for the comparable period in 2016. Net income, adjusted for non-cash items reflected in the statement of cash flows for the year ended December 31, 2016 decreased by \$20,077 when compared to 2015, partially driven by the disposition and subsequent contribution of seven hotel properties located in New York City to an unconsolidated joint venture with Cindat. Further, a net increase in working capital assets utilized additional cash from operating activities.

Net cash provided by investing activities for the year ended December 31, 2016 was \$149,924 compared to net cash used in investing activities of \$143,909 for the year ended December 31, 2015. During 2016, we received \$429,221 in net proceeds from contributions of seven hotel properties to the Cindat joint venture and disposed of four additional hotel properties for \$67,430. We did not have similar transactions during 2015. Offsetting these sources of funds were \$321,995 for the purchase of five hotel properties during the year ended December 31, 2016 compared to \$110,176 for the purchase of three hotel properties during 2015.

Net cash used in financing activities for the year ended December 31, 2016 was \$78,793 compared to net cash provided by financing activities for the year ended December 31, 2015 of \$28,372. This is primarily due to \$276,859 in repayments in borrowings under the Line of Credit, Term Loans and mortgages payable from proceeds from the hotel dispositions and preferred stock offering proceeds during the year ended December 31, 2016. Additionally, we received proceeds from unsecured term loans of \$156,100 for the year ended December 31, 2016. During the year ended December 31, 2015, we received proceeds from borrowings under the Line of Credit and Term Loans of \$327,000 and repayments of mortgages payable of \$184,356 during the same period in 2015. In addition, we redeemed our Series B Preferred Shares in June 2016 for \$115,000. Offsetting this was approximately \$282,686 in net proceeds from our Series D & E Preferred Shares offerings. In addition, dividends and distributions decreased \$3,115 during the year ended December 31, 2016, compared to 2015, due to the reduction of dividends paid on common shares due to our common share repurchases, but offset by the increase in dividends paid on preferred shares as a result of our Series D & E Preferred Shares offerings.

Comparison of the Years Ended December 31, 2015 and December 31, 2014

Net cash provided by operating activities increased \$8,923 from \$112,894 for the year ended December 31, 2014 to \$121,817 for the comparable period in 2015. Net income, adjusted for non-cash items reflected in the statement of cash flows for the years ended December 31, 2015 and 2014, increased \$16,769 for the year ended December 31, 2015 when compared to 2014. This is primarily due to cash provided by properties acquired over the past twelve months and improving operating results within our existing portfolio. Further, a net decrease in working capital assets provided additional cash from operating activities.

Net cash used in investing activities for the year ended December 31, 2015 decreased \$36,595 from \$180,504 for the year ended December 31, 2014 compared to \$143,909 for 2015. While spending on the purchase of hotel properties and deposits on hotel acquisitions was \$60,060 higher during the year ended December 31, 2014, compared to same period in 2015,

proceeds from the disposition of hotel properties was \$30,056 less during the year ended December 31, 2015 when compared to the year ended December 31, 2014. Offsetting this was spending on hotel development projects which were \$2,814 less during the year ended December 31, 2015 when compared to the year ended December 31, 2014. During the year ended December 31, 2014 we received \$30,056 in proceeds from the disposition of Hotel 373 in the second quarter and the remaining 4 non-core properties during the first quarter.

Net cash provided by financing activities for the year ended December 31, 2015 was \$28,372 compared to net cash provided by financing activities for the year ended December 31, 2014 of \$53,072. Net proceeds received during the year ended December 31, 2015 under our unsecured credit facility were \$227,000 higher than during the same period in 2014. Net proceeds from mortgages and notes payable were \$136,258 lower during the year ended December 31, 2015, when compared to the same period in 2014. During the year ended December 31, 2015, we used \$128,239 for the repurchase of common shares. Dividends and distributions payable increased \$4,605 during the year ended December 31, 2015, compared to 2014, due to the increase in our dividend paid on common shares from \$1.04 to \$1.12 per share. This was partially offset by the reduction of dividends paid on common shares due to our common share repurchases.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have off balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

FUNDS FROM OPERATIONS (in thousands, except share data)

The National Association of Real Estate Investment Trusts ("NAREIT") developed Funds from Operations ("FFO") as a non-GAAP financial measure of performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. We calculate FFO applicable to common shares and Common Units in accordance with the April 2002 National Policy Bulletin of NAREIT, which we refer to as the White Paper. The White Paper defines FFO as net income (loss) (computed in accordance with GAAP) excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated assets, plus certain non-cash items, such as loss from impairment of assets and depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Our interpretation of the NAREIT definition is that noncontrolling interest in net income (loss) should be added back to (deducted from) net income (loss) as part of reconciling net income (loss) to FFO. Our FFO computation may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than we do.

The GAAP measure that we believe to be most directly comparable to FFO, net income (loss) applicable to common shareholders, includes loss from the impairment of certain depreciable assets, our investment in unconsolidated joint ventures and land, depreciation and amortization expenses, gains or losses on property sales, noncontrolling interest and preferred dividends. In computing FFO, we eliminate these items because, in our view, they are not indicative of the results from our property operations.

FFO does not represent cash flows from operating activities in accordance with GAAP and should not be considered an alternative to net income as an indication of the Company's performance or to cash flow as a measure of liquidity or ability to make distributions. We consider FFO to be a meaningful, additional measure of operating performance because it excludes the effects of the assumption that the value of real estate assets diminishes predictably over time, and because it is widely used by industry analysts as a performance measure. We show both FFO from consolidated hotel operations and FFO from unconsolidated joint ventures because we believe it is meaningful for the investor to understand the relative contributions from our consolidated and unconsolidated hotels. The display of both FFO from consolidated hotels and FFO from unconsolidated joint ventures allows for a detailed analysis of the operating performance of our hotel portfolio by management and investors. We present FFO applicable to common shares and Common Units because our Common Units are redeemable for common shares. We believe it is meaningful for the investor to understand FFO applicable to all common shares and Common Units.

The following table reconciles FFO for the periods presented to the most directly comparable GAAP measure, net income, for the same periods (*dollars in thousands*):

	Year Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Net income applicable to common shareholders	\$ 95,579	\$ 27,440	\$ 52,899
Income allocated to noncontrolling interests	4,477	411	1,016
(Income) loss from unconsolidated joint ventures	1,823	(965)	(693)
Gain on hotel acquisition	-	-	(12,667)
Development Loan Recovery	-	-	(22,494)
Gain on disposition of hotel properties	(115,839)	-	(7,067)
Loss from impairment of depreciable assets	-	-	1,800
Depreciation and amortization	<u>75,390</u>	<u>74,390</u>	<u>69,167</u>
Funds from consolidated hotel operations applicable to common shareholders and Partnership units	<u>61,430</u>	<u>101,276</u>	<u>81,961</u>
Income (loss) from Unconsolidated Joint Ventures	(1,823)	965	693
Depreciation and amortization of purchase price in excess of historical cost ⁽¹⁾	(418)	481	570
Interest in depreciation and amortization of unconsolidated joint ventures ⁽²⁾	<u>14,820</u>	<u>5,027</u>	<u>5,915</u>
Funds from unconsolidated joint ventures operations applicable to common shareholders and Partnership units	<u>12,579</u>	<u>6,473</u>	<u>7,178</u>
Funds from Operations applicable to common shareholders and Partnership units	<u>\$ 74,009</u>	<u>\$ 107,749</u>	<u>\$ 89,139</u>
Weighted Average Common Shares and Units Outstanding			
Basic	42,957,199	47,786,811	49,777,302
Diluted	45,740,227	50,276,867	52,035,256

(1) Adjustment made to add depreciation of purchase price in excess of historical cost of the assets in the unconsolidated joint venture at the time of our investment.

(2) Adjustment made to add our interest in real estate related depreciation and amortization of our unconsolidated joint ventures. Allocation of depreciation and amortization is consistent with allocation of income and loss.

Certain amounts related to depreciation and amortization and depreciation and amortization from discontinued operations in the prior year FFO reconciliation have been recast to conform to the current year presentation. In addition, based on guidance provided by NAREIT, we have eliminated loss from the impairment of certain depreciable assets, including investments in unconsolidated joint ventures and land, from net income (loss) to arrive at FFO in each year presented.

INFLATION

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The estimates and assumptions made by management in applying critical accounting policies have not changed materially during 2016 and 2015 and none of the estimates or assumptions have proven to be materially incorrect or resulted in our recording any significant adjustments relating to prior periods. See Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016 for a summary of the accounting policies that management believes are critical to the preparation of the consolidated financial statements.

Revenue Recognition

Approximately 100% of our revenues are derived from hotel room revenues and revenue from other hotel operating departments. We directly recognize revenue and expense for all consolidated hotels as hotel operating revenue and hotel operating expense when earned and incurred. These revenues are recorded net of any sales or occupancy taxes collected from our guests. All revenues are recorded on an accrual basis, as earned. We participate in frequent guest programs sponsored by the brand owners of our hotels and we expense the charges associated with those programs, as incurred.

Other revenues consist primarily of fees earned for asset management services provided to hotels we own through unconsolidated joint ventures. Fees are earned as a percentage of hotel revenue and are recorded in the period earned.

Investment in Hotel Properties

Investments in hotel properties are recorded at cost. Improvements and replacements are capitalized when they extend the useful life of the asset. Costs of repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life of up to 40 years for buildings and improvements, two to seven years for furniture, fixtures and equipment. We are required to make subjective assessments as to the useful lives of our properties for purposes of determining the amount of depreciation to record on an annual basis with respect to our investments in hotel properties. These assessments have a direct impact on our net income because if we were to shorten the expected useful lives of our investments in hotel properties we would depreciate these investments over fewer years, resulting in more depreciation expense and lower net income on an annual basis.

Identifiable assets, liabilities, and noncontrolling interests related to hotel properties acquired in a business combination are recorded at full fair value. Estimating techniques and assumptions used in determining fair values involve significant estimates and judgments. These estimates and judgments have a direct impact on the carrying value of our assets and liabilities which can directly impact the amount of depreciation expense recorded on an annual basis and could have an impact on our assessment of potential impairment of our investment in hotel properties.

Properties intended to be sold are designated as "held for sale" on the balance sheet. In accordance with ASU Update No. 2014-08 concerning the classification and reporting of discontinued operations, we evaluate each disposition to determine whether we need to classify the disposition as discontinued operations. This amendment defines discontinued operations as a component of an entity that represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. We anticipate that most of our hotel dispositions will not be classified as discontinued operations as most will not fit this definition.

Based on the occurrence of certain events or changes in circumstances, we review the recoverability of the property's carrying value. Such events or changes in circumstances include the following:

- a significant decrease in the market price of a long-lived asset;
- a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;
- a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset; and
- a current expectation that, it is more likely than not that, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

We review our portfolio on an on-going basis to evaluate the existence of any of the aforementioned events or changes in circumstances that would require us to test for recoverability. In general, our review of recoverability is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property's use and eventual disposition. These estimates consider factors such as expected future operating income, market and other applicable trends and residual value expected, as well as the effects of hotel demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a property, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. We are required to make subjective assessments as to whether there are impairments in the values of our investments in hotel properties.

As of December 31, 2016, based on our analysis, we have determined that the estimated future cash flow of each of the properties in our portfolio is sufficient to recover its carrying value.

Investment in Joint Ventures

Properties owned in joint ventures are consolidated if the determination is made that we are the primary beneficiary in a variable interest entity (VIE) or we maintain control of the asset through our voting interest or other rights in the operation of the entity. To determine if we are the primary beneficiary of a VIE, we evaluate whether we have a controlling financial interest in that VIE. An enterprise is deemed to have a controlling financial interest if it has i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance, and ii) the obligation to absorb losses of the VIE that could be significant to the VIE or the rights to receive benefits from the VIE that could be significant to the VIE. Control can also be demonstrated by the ability of a member to manage day-to-day operations, refinance debt and sell the assets of the partnerships without the consent of the other member and the inability of the members to replace the managing member. This evaluation requires significant judgment.

If it is determined that we do not have a controlling interest in a joint venture, either through our financial interest in a VIE or our voting interest in a voting interest entity, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize our share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, limited to the extent of our investment in, advances to and commitments for the investee. Pursuant to our joint venture agreements, allocations of profits and losses of some of our investments in unconsolidated joint ventures may be allocated disproportionately as compared to nominal ownership percentages due to specified preferred return rate thresholds.

The Company periodically reviews the carrying value of its investment in unconsolidated joint ventures to determine if circumstances exist indicating impairment to the carrying value of the investment that is other than temporary. When an impairment indicator is present, we will estimate the fair value of the investment. Our estimate of fair value takes into consideration factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. This determination requires significant estimates by management, including the expected cash flows to be generated by the assets owned and operated by the joint venture. Subsequent changes in estimates could impact the determination of whether impairment exists. To the extent impairment has occurred, the loss will be measured as the excess of the carrying amount over the fair value of our investment in the unconsolidated joint venture.

Accounting for Derivative Financial Investments and Hedging Activities

We use derivatives to hedge, fix and cap interest rate risk and we account for our derivative and hedging activities by recording all derivative instruments at fair value on the balance sheet. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. We formally document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking each hedge transaction. Cash flow hedges that are considered highly effective are accounted for by recording the fair value of the derivative instrument on the balance sheet as either an asset or liability, with a corresponding amount recorded in other comprehensive income within shareholders' equity. Amounts are reclassified from other comprehensive income to the income statements in the period or periods the hedged forecasted transaction affects earnings.

Under cash flow hedges, derivative gains and losses not considered highly effective in hedging the change in expected cash flows of the hedged item are recognized immediately in the income statement. For hedge transactions that do not qualify for the short-cut method, at the hedge's inception and on a regular basis thereafter, a formal assessment is performed to determine whether changes in the cash flows of the derivative instruments have been highly effective in offsetting changes in cash flows of the hedged items and whether they are expected to be highly effective in the future.

New Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which clarifies the definition of a business as it relates to acquisitions and business combinations. The update adds further guidance that assists preparers in evaluating whether a transaction will be accounted for as an acquisition of an asset or a business. We expect most of our hotel property acquisitions to qualify as asset acquisitions under the standard which permits the capitalization of acquisition costs to the underlying assets. This standard is effective for periods beginning after December 31, 2017, however early adoption is permitted. The Company is evaluating the ultimate effect that ASU No. 2017-01 will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 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 a percentage of the shares issuable upon settlement of an award up to the maximum individual statutory tax rate without causing the award to be classified as a liability. The new standard is effective for the Company on January 1, 2017. The Company has determined that ASU No. 2016-09 will have no material impact on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which provides the principles for the recognition, measurement, presentation and disclosure of leases. The accounting for lessors will remain largely unchanged from current GAAP; however, the standard requires the certain initial direct costs be expensed rather than capitalized. Under the standard, lessees apply a dual approach, classifying leases as either finance or operating leases. A lessee is required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months, regardless of their lease classification. Based on our real estate leases, we are a lessee on ground leases in certain markets and office space leases. This standard will be effective for the first annual reporting period beginning after December 15, 2018. The Company is evaluating the effect that ASU No. 2016-02 will have on its consolidated financial statements and related disclosures.

We adopted ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, on January 1, 2016. This standard requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. Previously, debt issuance costs were recorded as an asset. The issuance costs will continue to be amortized over the life of the debt instrument and recorded in interest expense, as they were prior to the new standard. As part of this adoption, debt issuance costs are now included as an offset to the mortgages, unsecured term loan and unsecured notes payable line items on the consolidated balance sheets for all periods presented. For full reclassification amounts, see "Note 5 – Debt".

On January 1, 2016, we adopted ASU No. 2015-02, *Consolidation – Amendments to the Consolidation Analysis*. We evaluated the application of ASU No. 2015-02 and concluded that no change was required to our accounting for our interests in less than wholly owned joint ventures. However, HHLP, our operating partnership, now meets the criteria as a variable interest entity. The Company's most significant asset is its investment in HHLP, and consequently, substantially all of the Company's assets and liabilities represent those assets and liabilities of HHLP.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This update is effective for

the Company as of December 31, 2016. The adoption of this update had no material impact to our financial statements and related disclosures.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, 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 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. We are evaluating each of our revenue streams and related accounting policy under the standard. The new standard is effective for the Company on January 1, 2018. Early adoption is permitted, but not prior to the original effective date of January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. Based on our analysis to date, we do not expect the new revenue recognition model to have a material impact on our hotel operating revenue, including room revenue, food and beverage, and other revenue, however, our final evaluation has not been concluded. Our evaluation under the standard also includes sales to third parties, primarily a result of dispositions of real estate. Our evaluation over sales of real estate will be partially dependent on how the FASB defines a business with regard to sales of assets, which is currently under deliberation. The Company continues to evaluate the ultimate effect that ASU No. 2014-09 will have on its consolidated financial statements and related disclosures.

RELATED PARTY TRANSACTIONS

We have entered into a number of transactions and arrangements that involve related parties. For a description of the transactions and arrangements, please see Note 6, "Commitments and Contingencies and Related Party Transactions," to the consolidated financial statements.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes our contractual obligations and commitments to make future payments under contracts, such as debt and lease agreements, as of December 31, 2016.

Contractual Obligations	Total	2017	2018	2019	2020	2021	Thereafter
Long Term Debt	\$ 441,505	\$ 160,908	\$ 27,236	\$ 101,564	\$ 1,694	\$ 23,604	\$ 126,499
Interest Expense on Long Term Debt	57,501	13,020	10,086	9,056	6,897	6,830	11,612
Unsecured Term Loan	666,620	-	-	210,520	300,000	156,100	-
Unsecured Line of Credit	-	-	-	-	-	-	-
Interest Expense on Credit Facility	69,924	20,349	20,349	14,969	10,927	3,330	-
Lease Buyout	9,400	9,400	-	-	-	-	-
Hotel Ground Rent	260,243	2,706	2,714	2,719	2,744	2,782	246,578
Total	\$ 1,505,193	\$ 206,383	\$ 60,385	\$ 338,828	\$ 322,262	\$ 192,646	\$ 384,689

Item 7A . Quantitative and Qualitative Disclosures About Market Risk (in thousands, except per share data)

Our primary market risk exposure is to changes in interest rates on our variable rate debt which has not been effectively hedged with interest swaps or interest rate caps. As of December 31, 2016, we are exposed to interest rate risk with respect to variable rate borrowings under our Credit Facility, Second Term and Third Term Loans and certain variable rate mortgages and notes payable. As of December 31, 2016, we had total variable rate debt outstanding of \$730,418 with a weighted average interest rate of 2.97%. The effect of a 100 basis point increase or decrease in the interest rate on our variable rate debt outstanding as of December 31, 2016 would be an increase or decrease in our interest expense for the twelve months ended December 31, 2016 of \$6,488.

Our interest rate risk objectives are to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we manage our exposure to fluctuations in market interest rates for a portion of our borrowings through the use of fixed rate debt instruments to the extent that reasonably favorable rates are obtainable with such arrangements. We have also entered into derivative financial instruments such as interest rate swaps or caps, and in the future may enter into treasury options or locks, to mitigate our interest rate risk on a related financial instrument or to effectively lock the interest rate on a portion of our variable rate debt. As of December 31, 2016, we have an interest rate cap related to debt on the Hyatt Union Square, New York, NY and Courtyard by Marriott, Westside, Los Angeles, CA and we have four interest rate swaps related to debt on the Duane Street Hotel, New York, NY, Hilton Garden Inn, 52nd Street, New York, NY and our unsecured credit facility. We do not intend to enter into derivative or interest rate transactions for speculative purposes.

As of December 31, 2016 approximately 42% of our outstanding consolidated long-term indebtedness is subject to fixed rates or effectively capped, while 58% of our outstanding long term indebtedness is subject to floating rates, including borrowings under our revolving credit facility.

Changes in market interest rates on our fixed-rate debt impact the fair value of the debt, but such changes have no impact on interest expense incurred. If interest rates rise 100 basis points and our fixed rate debt balance remains constant, we expect the fair value of our debt to decrease. The sensitivity analysis related to our fixed-rate debt assumes an immediate 100 basis point move in interest rates from their December 31, 2016 levels, with all other variables held constant. A 100 basis point increase in market interest rates would cause the fair value of our fixed-rate debt outstanding at December 31, 2016 to be approximately \$1,084,490 and a 100 basis point decrease in market interest rates would cause the fair value of our fixed-rate debt outstanding at December 31, 2016 to be approximately \$1,112,862.

	2017	2018	2019	2020	2021	Thereafter	Total
Fixed Rate Debt	\$ 124,861	\$ 1,163	\$ 1,434	\$ 1,694	\$ 173,604	\$ 74,951	\$ 377,707
Weighted Average Interest Rate	3.97%	3.96%	3.95%	3.94%	4.69%	4.69%	4.33%
Floating Rate Debt	\$ 36,047	\$ 26,073	\$ 310,650	\$ 300,000	\$ 6,100	\$ 51,548	\$ 730,418
Weighted Average Interest Rate	3.06%	3.06%	3.07%	3.63%	3.72%	3.72%	2.97%
	\$ 160,908	\$ 27,236	\$ 312,084	\$ 301,694	\$ 179,704	\$ 126,499	\$ 1,108,125
Line of Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Weighted Average Interest Rate	-	-	3.17%	-	-	-	3.17%
	\$ 160,908	\$ 27,236	\$ 312,084	\$ 301,694	\$ 179,704	\$ 126,499	\$ 1,108,125

The table incorporates only those exposures that existed as of December 31, 2016, and does not consider exposure or positions that could arise after that date. As a result, our ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the future period, prevailing interest rates, and our hedging strategies at that time.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

The Board of Trustees and Stockholders
Hersha Hospitality Trust:

We have audited the accompanying consolidated balance sheets of Hersha Hospitality Trust and subsidiaries (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2016. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hersha Hospitality Trust and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hersha Hospitality Trust's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 23, 2017, expressed an unqualified opinion on the effectiveness of Hersha Hospitality Trust's internal control over financial reporting.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 23, 2017

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014
[IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]

	December 31, 2016	December 31, 2015
Assets:		
Investment in Hotel Properties, Net of Accumulated Depreciation, Including Consolidation of Variable Interest Entity Assets of \$0 and \$82,787 (Note 1)	\$ 1,767,570	\$ 1,831,119
Investment in Unconsolidated Joint Ventures	11,441	10,316
Cash and Cash Equivalents	185,644	27,955
Escrow Deposits	8,993	19,204
Hotel Accounts Receivable, Net of Allowance for Doubtful Accounts of \$91 and \$12	8,769	9,465
Due from Related Parties	18,332	6,243
Intangible Assets, Net of Accumulated Amortization of \$4,532 and \$3,951	16,944	13,389
Deposits on Hotel Acquisitions	-	5,000
Other Assets	39,370	39,958
Hotel Assets Held for Sale	98,473	-
Total Assets	\$ 2,155,536	\$ 1,962,649
Liabilities and Equity:		
Line of Credit	\$ -	\$ 27,000
Unsecured Term Loans, Net of Unamortized Deferred Financing Costs (Note 5)	663,500	547,780
Unsecured Notes Payable, Net of Unamortized Deferred Financing Costs (Note 5)	50,578	50,525
Mortgages Payable, including Net Unamortized Premium and Unamortized Deferred Financing Costs, and Consolidation of Variable Interest Entity Debt of \$0 and \$52,509 (Note 1, Note 5)	337,821	544,659
Accounts Payable, Accrued Expenses and Other Liabilities	65,106	59,226
Dividends and Distributions Payable	26,050	16,515
Due to Related Parties	-	8,789
Liabilities Related to Hotel Assets Held for Sale	51,428	-
Deferred Gain on Disposition of Hotel Assets	81,314	-
Total Liabilities	\$ 1,275,797	\$ 1,254,494
Equity:		
Shareholders' Equity:		
Preferred Shares: \$.01 Par Value, 29,000,000 Shares Authorized, 3,000,000 Series C, 7,700,000 Series D and 4,000,000 Series E Shares Issued and Outstanding at December 31, 2016 and 4,600,000 Series B and 3,000,000 Series C Shares Issued and Outstanding at December 31, 2015, with Liquidation Preferences of \$25 Per Share (Note 1)	\$ 147	\$ 76
Common Shares: Class A, \$.01 Par Value, 75,000,000 and 300,000,000 Shares Authorized at December 31, 2016 and December 31, 2015 respectively; 41,770,514 and 44,457,368 Shares Issued and Outstanding at December 31, 2016 and December 31, 2015, respectively	418	444
Common Shares: Class B, \$.01 Par Value, 1,000,000 Shares Authorized, None Issued and Outstanding at December 31, 2016 and December 31, 2015	-	-
Accumulated Other Comprehensive Income (Loss)	1,373	(466)
Additional Paid-in Capital	1,198,311	1,086,259
Distributions in Excess of Net Income	(364,831)	(408,274)
Total Shareholders' Equity	835,418	678,039
Noncontrolling Interests (Note 1):		
Noncontrolling Interests - Common Units and LTIP Units	44,321	31,876
Noncontrolling Interests - Consolidated Variable Interest Entity	-	(1,760)
Total Noncontrolling Interests	44,321	30,116
Total Equity	879,739	708,155
Total Liabilities and Equity	\$ 2,155,536	\$ 1,962,649

The Accompanying Notes Are an Integral Part of These Consolidated Financial Statements.

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014
[IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]

	Year Ended December 31,		
	2016	2015	2014
Revenue:			
Hotel Operating Revenues	\$ 466,370	\$ 470,272	\$ 417,226
Other Revenues	259	113	180
Total Revenues	<u>466,629</u>	<u>470,385</u>	<u>417,406</u>
Operating Expenses:			
Hotel Operating Expenses	262,956	254,313	227,324
Insurance Recoveries	-	-	(4,604)
Hotel Ground Rent	3,600	3,137	2,433
Real Estate and Personal Property Taxes and Property Insurance	32,157	34,518	30,342
General and Administrative (including Share Based Payments of \$8,048, \$6,523, and \$6,028 for the years ended December 31, 2016, 2015, and 2014, respectively)	24,444	20,515	20,363
Acquisition and Terminated Transaction Costs	2,560	1,119	2,472
Depreciation and Amortization	75,390	74,390	69,167
Contingent Consideration Related to Acquisition of Hotel Property	-	-	2,000
Total Operating Expenses	<u>401,107</u>	<u>387,992</u>	<u>349,497</u>
Operating Income	65,522	82,393	67,909
Interest Income	362	193	805
Interest Expense	(44,352)	(43,557)	(43,357)
Other Expense	(961)	(367)	(485)
Gain on Disposition of Hotel Properties	115,839	-	7,195
Gain on Hotel Acquisitions, net	-	-	12,667
Development Loan Recovery	-	-	22,494
Lease Buyout	(16,831)	-	-
Loss on Debt Extinguishment	(1,187)	(561)	(670)
Income Before Income from Unconsolidated Joint Venture Investments and Income Taxes	<u>118,392</u>	<u>38,101</u>	<u>66,558</u>
(Loss) Income from Unconsolidated Joint Venture Investments	<u>(1,823)</u>	<u>965</u>	<u>693</u>
Income Before Income Taxes	<u>116,569</u>	<u>39,066</u>	<u>67,251</u>
Income Tax Benefit	<u>4,888</u>	<u>3,141</u>	<u>2,685</u>
Income from Continuing Operations	<u>121,457</u>	<u>42,207</u>	<u>69,936</u>
Discontinued Operations:			
Loss on Disposition of Discontinued Assets	-	-	(128)
Impairment of Discontinued Assets	-	-	(1,800)
Income from Discontinued Operations, Net of Income Taxes	-	-	263
Loss from Discontinued Operations	<u>-</u>	<u>-</u>	<u>(1,665)</u>
Net Income	<u>121,457</u>	<u>42,207</u>	<u>68,271</u>
Income Allocated to Noncontrolling Interests	(4,477)	(411)	(1,016)
Preferred Distributions	(17,380)	(14,356)	(14,356)
Extinguishment of Issuance Costs Upon Redemption of Series B Preferred Shares	(4,021)	-	-
Net Income Applicable to Common Shareholders	<u>\$ 95,579</u>	<u>\$ 27,440</u>	<u>\$ 52,899</u>

The Accompanying Notes Are an Integral Part of These Consolidated Financial Statements.

**HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014
[IN THOUSANDS]**

	Year Ended December 31,		
	2016	2015	2014
Earnings Per Share:			
BASIC			
Income from Continuing Operations Applicable to Common Shareholders	\$ 2.21	0.56	\$ 1.08
(Loss) Income from Discontinued Operations Applicable to Common Shareholders	0.00	0.00	(0.03)
Net Income Applicable to Common Shareholders	<u>\$ 2.21</u>	<u>\$ 0.56</u>	<u>\$ 1.05</u>
DILUTED			
Income from Continuing Operations Applicable to Common Shareholders	\$ 2.18	\$ 0.56	\$ 1.07
(Loss) Income from Discontinued Operations Applicable to Common Shareholders	0.00	0.00	(0.03)
Net Income Applicable to Common Shareholders	<u>\$ 2.18</u>	<u>\$ 0.56</u>	<u>\$ 1.04</u>
Weighted Average Common Shares Outstanding:			
Basic	42,957,199	47,786,811	49,777,302
Diluted*	43,530,731	48,369,658	50,307,506

* Income allocated to noncontrolling interest in Hersha Hospitality Limited Partnership (the "Operating Partnership" or "HHLP") has been excluded from the numerator and the Class A common shares issuable upon any redemption of the Operating Partnership's common units of limited partnership interest ("Common Units") and the Operating Partnership's vested LTIP units ("Vested LTIP Units") have been omitted from the denominator for the purpose of computing diluted earnings per share because the effect of including these shares and units in the numerator and denominator would have no impact. In addition, potentially dilutive common shares, if any, have been excluded from the denominator if they are anti-dilutive to income applicable to common shareholders.

The following table summarizes potentially dilutive securities that have been excluded from the denominator for the purpose of computing diluted earnings per share:

	Year Ended December 31,		
	2016	2015	2014
Common Units and Vested LTIP Units	2,209,496	1,722,750	1,907,209
			1,727,750

The Accompanying Notes Are an Integral Part of These Consolidated Financial Statements.

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
[IN THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS]

	Year Ended December 31,		
	2016	2015	2014
Net Income	\$ 121,457	\$ 42,207	\$ 68,271
Other Comprehensive Income (Loss)			
Change in Fair Value of Derivative Instruments	2,449	1,459	1,527
Less: Reclassification Adjustment for Change in Fair Value of Derivative Instruments Included in Net Income	(610)	(1,567)	(1,509)
	\$ 1,839	\$ (108)	\$ 18
Comprehensive Income	123,296	42,099	68,289
Less: Comprehensive Income Attributable to Noncontrolling Interests	(4,567)	(411)	(1,016)
Less: Preferred Distributions	(17,380)	(14,356)	(14,356)
Less: Extinguishment of Issuance Costs Upon Redemption of Series B Preferred Shares	(4,021)	-	-
Comprehensive Income Attributable to Common Shareholders	<u>\$ 97,328</u>	<u>\$ 27,332</u>	<u>\$ 52,917</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
[IN THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS]

	Shareholders' Equity							Noncontrolling Interests					Total Equity (\$)	
	Common Shares	Class A Common Shares (\$)	Class B Common Shares (\$)	Preferred Shares	Preferred Shares (\$)	Additional Paid-in Capital (\$)	Accumulated Other Comprehensive Income (\$)	Distributions in Excess of Net Income (\$)	Total Shareholders' Equity (\$)	Common Units and LTIP Units (\$)	Consolidated Variable Interest Entity (\$)	Total Noncontrolling Interests (\$)		
Balance at December 31, 2015	44,457,368	444	-	7,600,000	76	1,086,259	(466)	(408,274)	678,039	2,319,301	31,876	(1,760)	30,116	708,155
Repurchase of Common Shares	(2,772,710)	(27)	-	-	-	(52,028)	-	-	(52,055)	-	-	-	-	(52,055)
Common Units issued	-	-	-	-	-	-	-	-	-	225,000	4,430	-	4,430	4,430
Preferred Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Preferred Shares Offering, Net of Costs	-	-	-	11,700,000	117	282,467	-	-	282,584	-	-	-	-	282,584
Preferred Shares Redemption	-	-	-	(4,600,000)	(46)	(114,954)	-	-	(115,000)	-	-	-	-	(115,000)
Dividends and Distributions declared:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Shares (\$1.32 per share)	-	-	-	-	-	-	-	(56,157)	(56,157)	-	-	-	-	(56,157)
Preferred Shares	-	-	-	-	-	-	-	(17,380)	(17,380)	-	-	-	-	(17,380)
Common Units (\$1.32 per share)	-	-	-	-	-	-	-	-	-	(2,356)	-	-	(2,356)	(2,356)
LTIP Units (\$1.32 per share)	-	-	-	-	-	-	-	-	-	(1,574)	-	-	(1,574)	(1,574)
Dividend Reinvestment Plan	3,518	-	-	-	-	63	-	-	63	-	-	-	-	63
Share Based Compensation:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	82,338	1	-	-	-	(398)	-	-	(397)	294,245	1,060	-	1,060	663
Amortization	-	-	-	-	-	1,417	-	-	1,417	-	5,971	-	5,971	7,388
Change in Fair Value of Derivative Instruments	-	-	-	-	-	-	1,839	-	1,839	-	-	-	-	1,839
Exercise of Option to Acquire Noncontrolling Interest	-	-	-	-	-	(4,515)	-	-	(4,515)	-	2,197	-	2,197	(2,318)
Net Income (Loss)	-	-	-	-	-	-	-	116,980	116,980	-	4,914	(437)	4,477	121,457
Balance at December 31, 2016	41,770,514	418	-	14,700,000	147	1,198,311	1,373	(364,831)	835,418	2,838,546	44,321	-	44,321	879,739

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
[IN THOUSANDS]

	Shareholders' Equity							Noncontrolling Interests					Total Equity (\$)	
	Common Shares	Class A Common Shares (\$)	Class B Common Shares (\$)	Preferred Shares	Preferred Shares (\$)	Additional Paid-in Capital (\$)	Accumulated Other Comprehensive Loss (\$)	Distributions in Excess of Net Income (\$)	Total Shareholders' Equity (\$)	Common Units and LTIP Units	Consolidated Variable Interest Entity (\$)	Total Noncontrolling Interests (\$)		
Balance at December 31, 2014	49,708,771	497	-	7,600,000	76	1,194,547	(358)	(365,381)	829,381	2,199,434	29,082	(1,075)	28,007	857,388
Unit Conversion	8,965	-	-	-	-	132	-	-	132	(8,965)	(132)	-	(132)	-
Repurchase of Common Shares	(5,310,371)	(53)	-	-	-	(110,517)	-	(17,669)	(128,239)	-	-	-	-	(128,239)
Dividends and Distributions declared:														
Common Shares (\$1.12 per share)	-	-	-	-	-	-	-	(52,664)	(52,664)	-	-	-	-	(52,664)
Preferred Shares	-	-	-	-	-	-	-	(14,356)	(14,356)	-	-	-	-	(14,356)
Common Units (\$1.12 per share)	-	-	-	-	-	-	-	-	-	(1,913)	-	(1,913)	(1,913)	
LTIP Units (\$1.12 per share)	-	-	-	-	-	-	-	-	-	(694)	-	(694)	(694)	
Dividend Reinvestment Plan	2,018	-	-	-	-	50	-	-	50	-	-	-	-	50
Share Based Compensation:														
Grants	47,985	-	-	-	-	620	-	-	620	128,832	-	-	-	620
Amortization	-	-	-	-	-	1,427	-	-	1,427	-	4,437	-	4,437	5,864
Change in Fair Value of Derivative Instruments	-	-	-	-	-	-	(108)	-	(108)	-	-	-	-	(108)
Net Income (Loss)	-	-	-	-	-	-	-	41,796	41,796	1,096	(685)	411	42,207	
Balance at December 31, 2015	44,457,368	444	-	7,600,000	76	1,086,259	(466)	(408,274)	678,039	2,319,301	31,876	(1,760)	30,116	708,155

The Accompanying Notes are an Integral Part of These Consolidated Financial Statement

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
[IN THOUSANDS]

	Shareholders' Equity							Noncontrolling Interests					Total Equity (\$)	
	Common Shares	Class A Common Shares (\$)	Class B Common Shares (\$)	Preferred Shares	Preferred Shares (\$)	Additional Paid-In Capital (\$)	Accumulated Other Comprehensive Loss (\$)	Distributions in Excess of Net Income (\$)	Total Shareholders' Equity (\$)	Common Units and LTIP Units	Common Units and LTIP Units (\$)	Consolidated Variable Interest Entity (\$)		Total Noncontrolling Interests (\$)
Balance at December 31, 2013	50,689,868	507	-	7,600,000	76	1,202,316	(376)	(364,568)	837,955	1,728,679	29,523	(342)	29,181	867,136
Unit Conversion/Redemption Restricted Shares	4,725	-	-	-	-	(77)	-	-	(77)	(16,326)	(261)	-	(261)	(338)
Forfeiture/LTIP Unit Issuance	(487,081)	(5)	-	-	-	5	-	-	-	487,081	-	-	-	-
Repurchase of Common Shares	(656,714)	(7)	-	-	-	(13,791)	-	(1,621)	(15,419)	-	-	-	-	(15,419)
Dividends and Distributions declared:														
Common Stock (\$1.04 per share)	-	-	-	-	-	-	-	(52,091)	(52,091)	-	-	-	-	(52,091)
Preferred Shares	-	-	-	-	-	-	-	(14,356)	(14,356)	-	-	-	-	(14,356)
Common Units (\$1.04 per share)	-	-	-	-	-	-	-	-	-	(1,793)	-	(1,793)	(1,793)	(1,793)
LTIP Units (\$0.28 per share)	-	-	-	-	-	-	-	-	-	(136)	-	(136)	(136)	(136)
Dividend Reinvestment Plan	2,162	-	-	-	-	50	-	-	50	-	-	-	-	50
Share Based Compensation:														
Grants	155,811	2	-	-	-	647	-	-	649	-	-	-	-	649
Amortization	-	-	-	-	-	5,397	-	-	5,397	-	-	-	-	5,397
Change in Fair Value of Derivative Instruments	-	-	-	-	-	-	18	-	18	-	-	-	-	18
Net Income (Loss)	-	-	-	-	-	-	-	67,255	67,255	-	1,749	(733)	1,016	68,271
Balance at December 31, 2014	49,708,771	497	-	7,600,000	76	1,194,547	(358)	(365,381)	829,381	2,199,434	29,082	(1,075)	28,007	857,388

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
[IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]

	Year Ended December 31,		
	2016	2015	2014
Operating Activities:			
Net Income	\$ 121,457	\$ 42,207	\$ 68,271
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Gain on Disposition of Hotel Properties, Net	(115,839)	-	(7,067)
Gain on Hotel Acquisitions, Net	-	-	(12,667)
Contingent Consideration	-	-	2,000
Development Loan Recovery	-	-	(22,494)
Impairment of Hotel Assets	-	-	1,800
Lease Buyout	11,845	-	-
Deferred Taxes	(4,888)	(3,141)	(2,685)
Depreciation	74,644	74,007	68,753
Amortization	2,022	1,492	1,979
Loss on Debt Extinguishment	1,187	324	673
Equity in Loss (Income) of Unconsolidated Joint Ventures	1,823	(965)	(693)
Distributions from Unconsolidated Joint Ventures	1,574	1,446	1,262
Loss Recognized on Change in Fair Value of Derivative Instrument	50	107	71
Share Based Compensation Expense	8,048	6,523	6,028
Change in Assets and Liabilities:			
(Increase) Decrease in:			
Hotel Accounts Receivable	1,024	993	(350)
Escrows	4,991	(14)	1,272
Other Assets	1,286	(6,973)	2,182
Due from Related Parties	(12,089)	337	4,544
(Decrease) Increase in:			
Due to Related Parties	(8,789)	1,586	2,388
Accounts Payable, Accrued Expenses and Other Liabilities	(1,788)	3,888	(2,373)
Net Cash Provided by Operating Activities	\$ 86,558	\$ 121,817	\$ 112,894
Investing Activities:			
Purchase of Hotel Property Assets	\$ (321,995)	\$ (110,176)	\$ (175,236)
Deposits on Hotel Acquisitions	-	(5,000)	-
Capital Expenditures	(33,267)	(27,366)	(38,342)
Cash Paid for Hotel Development Projects	(952)	(950)	(3,764)
Proceeds from Disposition of Hotel Properties	67,430	-	30,056
Net Changes in Capital Expenditure Escrows	6,476	(779)	4,577
Proceeds from Contribution of Hotel Property Assets to Unconsolidated Joint Venture	429,221	-	-
Proceeds from Insurance Claims	-	-	1,881
Distributions from Unconsolidated Joint Ventures	3,011	362	324
Net Cash Provided by (Used in) Investing Activities	\$ 149,924	\$ (143,909)	\$ (180,504)

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
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FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
[IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Financing Activities:			
Repayment of Borrowings Under Line of Credit, Net	\$ (27,000)	\$ 27,000	\$ -
Proceeds of Unsecured Term Loan Borrowing	156,100	300,000	100,000
Repayment of Borrowings Under Unsecured Term Loan Borrowing	(39,480)	-	-
Principal Repayment of Mortgages and Notes Payable	(210,379)	(184,356)	(61,348)
Proceeds from Mortgages and Notes Payable	-	87,750	101,000
Cash Paid for Deferred Financing Costs	(2,467)	(2,362)	(4,450)
Cash Paid for Debt Extinguishment	(1,024)	-	-
Proceeds from Issuance of Preferred Shares, Net	282,686	-	-
Redemption of Series B Preferred Shares	(115,000)	-	-
Repurchase of Common Shares	(52,055)	(128,239)	(15,418)
Redemption of Common Partnership Units	-	-	(338)
Settlement of Interest Rate Cap	-	(450)	(8)
Exercise of Option to Acquire Noncontrolling Interest	(2,318)	-	-
Dividends Paid on Common Shares	(48,523)	(54,041)	(50,286)
Dividends Paid on Preferred Shares	(16,116)	(14,356)	(14,356)
Distributions Paid on Common Units and LTIP Units	(3,217)	(2,574)	(1,724)
Net Cash (Used in) Provided by Financing Activities	\$ (78,793)	\$ 28,372	\$ 53,072
Net Increase in Cash and Cash Equivalents	\$ 157,689	\$ 6,280	\$ (14,538)
Cash and Cash Equivalents - Beginning of Period	27,955	21,675	36,213
Cash and Cash Equivalents - End of Period	\$ 185,644	\$ 27,955	\$ 21,675

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
[IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hersha Hospitality Trust (“we” or the “Company”) was formed in May 1998 as a self-administered, Maryland real estate investment trust. We have elected to be taxed and expect to continue to elect to be taxed as a real estate investment trust, or REIT, for federal income tax purposes.

The Company owns a controlling general partnership interest in Hersha Hospitality Limited Partnership (“HHLP” or the “Partnership”), which owns a 99% limited partnership interest in various subsidiary partnerships. Hersha Hospitality, LLC (“HHLLC”), a Virginia limited liability company, owns a 1% general partnership interest in the subsidiary partnerships and the Partnership is the sole member of HHLLC.

The Partnership owns a taxable REIT subsidiary (“TRS”), 44 New England Management Company (“44 New England” or “TRS Lessee”), which leases certain of the Company’s hotels.

Hersha’s common shares of beneficial interest trade on the New York Stock Exchange (“the NYSE”) under the ticker symbol “HT”, its 6.875% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest trade on the NYSE under the ticker symbol “HT PRC”, its 6.500% Series D Cumulative Redeemable Preferred Shares of Beneficial Interest trade on the NYSE under the ticker symbol “HT PRD”, and its 6.500% Series E Cumulative Redeemable Preferred Shares of Beneficial Interest trade on the NYSE under the ticker symbol “HT PRE.”

As of December 31, 2016, the Company, through the Partnership and subsidiary partnerships, wholly owned 43 limited and full service hotels. All of the wholly owned hotel facilities are leased to the Company’s TRS, 44 New England.

In addition to the wholly owned hotel properties, as of December 31, 2016, the Company owned joint venture interests in another twelve properties. The properties owned by the joint ventures are leased to a TRS owned by the joint venture or to an entity owned by the joint venture partners and 44 New England. The following table lists the properties owned by these joint ventures:

Joint Venture	Ownership	Property	Location	Lessee/Sublessee
Unconsolidated Joint Ventures				
Mystic Partners, LLC	66.7%	Marriott	Mystic, CT	Mystic Partners Leaseco, LLC
	8.8%	Hilton	Hartford, CT	Mystic Partners Leaseco, LLC
	15.0%	Marriott	Hartford, CT	Mystic Partners Leaseco, LLC
Cindat Hersha Owner JV, LLC ⁽¹⁾	30.0%	Hampton Inn	Herald Square, NY	Cindat Hersha Lessee JV, LLC
	30.0%	Hampton Inn	Chelsea, NY	Cindat Hersha Lessee JV, LLC
	30.0%	Hampton Inn	Times Square, NY	Cindat Hersha Lessee JV, LLC
	30.0%	Holiday Inn Express	Times Square, NY	Cindat Hersha Lessee JV, LLC
	30.0%	Candlewood Suites	Times Square, NY	Cindat Hersha Lessee JV, LLC
	30.0%	Holiday Inn	Wall Street, NY	Cindat Hersha Lessee JV, LLC
	30.0%	Holiday Inn Express	Water Street, NY	Cindat Hersha Lessee JV, LLC
SB Partners, LLC	50.0%	Holiday Inn Express	South Boston, MA	South Bay Sandeep, LLC
Hiren Boston, LLC	50.0%	Courtyard	South Boston, MA	South Bay Boston, LLC

⁽¹⁾ The percentages shown for the CINDAT JV represent our common ownership interest. As of December 31, 2016, we owned a \$43,194 preferred equity interest in the joint venture. See Note 3 – Investment in Unconsolidated Joint Ventures for a more detailed explanation of our ownership interest and the related distribution of earnings within the venture.

**HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
[IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At December 31, 2016, Mystic Partners, LLC owned an interest in three hotel properties. Our interest in Mystic Partners, LLC is relative to our interest in each of the three properties owned by the joint venture as defined in the joint venture's governing documents. Each of the three properties owned by Mystic Partners, LLC is leased to a separate entity that is consolidated in Mystic Partners Leaseco, LLC which is owned by 44 New England and our joint venture partner in Mystic Partners, LLC.

On January 3, 2017, we transferred to our joint venture partner all of our partnership interests in the Hartford Marriott and the Hartford Hilton for \$8.5 million, which represents a 100% recovery of our equity investment in these assets. We also simultaneously assumed full ownership of the Mystic Marriott Hotel & Spa without any additional cash payment to the joint venture partner.

The properties are managed by eligible independent management companies, including Hersha Hospitality Management, LP ("HHMLP"). HHMLP is owned in part by certain of our trustees and executive officers and other unaffiliated third party investors.

Principles of Consolidation and Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include all of our accounts as well as accounts of the Partnership, subsidiary partnerships and our wholly owned TRS Lessee. All significant inter-company amounts have been eliminated.

Consolidated properties are either wholly owned or owned less than 100% by the Partnership and are controlled by the Company as general partner of the Partnership. Properties owned in joint ventures are also consolidated if the determination is made that we are the primary beneficiary in a variable interest entity (VIE) or we maintain control of the asset through our voting interest in the entity. Control can be demonstrated when the general partner has the power to impact the economic performance of the partnership, which includes the ability of the general partner to manage day-to-day operations, refinance debt and sell the assets of the partnerships without the consent of the limited partners and the inability of the limited partners to replace the general partner. Control can be demonstrated by the limited partners if the limited partners have the right to dissolve or liquidate the partnership or otherwise remove the general partner without cause or have rights to participate in the significant decisions made in the ordinary course of the partnership's business.

We evaluate each of our investments and contractual relationships to determine whether they meet the guidelines of consolidation. Entities are consolidated if the determination is made that we are the primary beneficiary in a VIE or we maintain control of the asset through our voting interest or other rights in the operation of the entity. To determine if we are the primary beneficiary of a VIE, we evaluate whether we have a controlling financial interest in that VIE. An enterprise is deemed to have a controlling financial interest if it has i) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance, and ii) the obligation to absorb losses of the VIE that could be significant to the VIE or the rights to receive benefits from the VIE that could be significant to the VIE. Control can also be demonstrated by the ability of a member to manage day-to-day operations, refinance debt and sell the assets of the partnerships without the consent of the other member and the inability of the members to replace the managing member. Based on our examination, the following entities were determined to be VIE's: Mystic Partners, LLC; Mystic Partners Leaseco, LLC; Cindat Hersha Owner JV, LLC; Cindat Hersha Lessee JV, LLC; South Bay Boston, LLC; Hersha Statutory Trust I; and Hersha Statutory Trust II. Mystic Partners, LLC is a VIE entity, however because we are not the primary beneficiary it is not consolidated by the Company. Our maximum exposure to losses due to our investment in Mystic Partners, LLC is limited to our investment in the joint venture which is \$4,699 as of December 31, 2016. Cindat Hersha Owner JV, LLC is a VIE entity, however because we are not the primary beneficiary it is not consolidated by the Company. Our maximum exposure to losses due to our investment in Cindat Hersha Owner JV, LLC is limited to our investment in the joint venture which is \$3,717 as of December 31, 2016. Also, Mystic Partners Leaseco, LLC; and South Bay Boston, LLC lease hotel properties are VIEs. These entities are consolidated by the lessors, the primary beneficiaries of each entity. Hersha Statutory Trust I and Hersha Statutory Trust II are VIEs but HHMLP is not the primary beneficiary in these entities. Accordingly, the accounts of Hersha Statutory Trust I and Hersha Statutory Trust II are not consolidated. On September 2, 2016, we exercised our option to acquire the non-controlling equity interests in Brisam Management DE, LLC ("Brisam"), the entity which owns the real estate assets of the Holiday Inn Express, New York, NY. We paid approximately \$2,318 to exercise this option. Prior to the exercise of this option, we had consolidated Brisam, a variable interest entity, in our financial statements as we determined we were the primary beneficiary.

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

properties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (US GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Although we believe the assumptions and estimates we made are reasonable and appropriate, as discussed in the applicable sections throughout these Consolidated Financial Statements, different assumptions and estimates could materially impact our reported results. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions and changes in market conditions could impact our future operating results.

Investment in Hotel Properties

The Company records the value of hotel properties acquired based on the fair value of the acquired real estate, furniture, fixtures and equipment, and intangible assets and the fair value of liabilities assumed, including debt. The fair value allocations were determined using Level 3 inputs, which are typically unobservable and are based on our own assumptions, as there is little, if any, related market activity. The Company's investments in hotel properties are carried at cost and are depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements	7 to 40 Years
Furniture, Fixtures and Equipment	2 to 7 Years

The Company periodically reviews the carrying value of each hotel to determine if circumstances indicate impairment to the carrying value of the investment in the hotel or that depreciation periods should be modified. If facts or circumstances indicate the possibility of impairment, the Company will prepare an estimate of the undiscounted future cash flows, without interest charges, of the specific hotel. Based on the properties undiscounted future cash flows, the Company will determine if the investment in such hotel is recoverable. If impairment is indicated, an adjustment will be made to reduce the carrying value of the hotel to reflect its fair value.

We consider a hotel to be held for sale when management and our independent trustees commit to a plan to sell the property, the property is available for sale, management engages in an active program to locate a buyer for the property and it is probable the sale will be completed within a year of the initiation of the plan to sell.

Acquisition-related cost, such as due diligence, legal and accounting fees, are not capitalized or applied in determining the fair value of the above acquired assets.

Investment in Unconsolidated Joint Ventures

If it is determined that we do not have a controlling interest in a joint venture, either through our financial interest in a VIE or our voting interest in a voting interest entity, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize our share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, limited to the extent of our investment in, advances to and commitments for the investee. Pursuant to our joint venture agreements, allocations of profits and losses of some of our investments in unconsolidated joint ventures may be allocated disproportionately as compared to nominal ownership percentages due to specified preferred return rate thresholds. See Note 3 – Investment in Unconsolidated Joint Ventures for a more detailed explanation of the methodology used in determining the allocation of profits and losses within our joint ventures.

The Company periodically reviews the carrying value of its investment in unconsolidated joint ventures to determine if circumstances indicate impairment to the carrying value of the investment that is other than temporary. When an impairment indicator is present, we will estimate the fair value of the investment. Our estimate of fair value takes into consideration factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. This determination requires significant estimates by management, including the expected cash flows to be generated by the assets owned and operated by the joint venture. To the extent impairment has occurred and the impairment is considered

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

other than temporary, the loss will be measured as the excess of the carrying amount over the fair value of our investment in the unconsolidated joint venture.

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and in banks plus short-term investments with an initial maturity of three months or less when purchased.

Escrow Deposits

Escrow deposits include reserves for debt service, real estate taxes, and insurance and reserves for furniture, fixtures, and equipment replacements, as required by certain mortgage debt agreement restrictions and provisions.

Hotel Accounts Receivable

Hotel accounts receivable consists primarily of meeting and banquet room rental and hotel guest receivables. The Company generally does not require collateral. Ongoing credit evaluations are performed and an allowance for potential losses from uncollectible accounts is provided against the portion of accounts receivable that is estimated to be uncollectible.

Deferred Financing Costs

Deferred financing costs are recorded at cost and amortized over the terms of the related indebtedness using the effective interest method.

Due from/to Related Parties

Due from/to Related Parties represents current receivables and payables resulting from transactions related to hotel management and project management with affiliated entities. Due from related parties results primarily from advances of shared costs incurred. Due to affiliates results primarily from hotel management and project management fees incurred. Both due to and due from related parties are generally settled within a period not to exceed one year.

Intangible Assets and Liabilities

Intangible assets consist of leasehold intangibles for above-market value of in-place leases and deferred franchise fees. The leasehold intangibles are amortized over the remaining lease term. Deferred franchise fees are amortized using the straight-line method over the life of the franchise agreement.

Intangible liabilities consist of leasehold intangibles for below-market value of in-place leases. The leasehold intangibles are amortized over the remaining lease term. Intangible liabilities are included in the accounts payable, accrued expenses and other liabilities on the Company's consolidated balance sheets.

Development Project Capitalization

We have opportunistically engaged in the development and re-development of hotel assets. We capitalize expenditures related to hotel development projects and renovations, including indirect costs such as interest expense, real estate taxes and utilities related to hotel development projects and renovations.

Noncontrolling Interest

Noncontrolling interest in the Partnership represents the limited partner's proportionate share of the equity of the Partnership. Income (loss) is allocated to noncontrolling interest in accordance with the weighted average percentage ownership of the Partnership during the period. At the end of each reporting period the appropriate adjustments to the income (loss) are made based upon the weighted average percentage ownership of the Partnership during the period. Our ownership interest in the Partnership as of December 31, 2016, 2015 and 2014 was 93.6%, 95.0%, and 95.8%, respectively.

We define a noncontrolling interest as the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Such noncontrolling interests are reported on the consolidated balance sheets within equity, but separately from the shareholders' equity. Revenues, expenses and net income or loss attributable to both the Company and noncontrolling interests are reported on the consolidated statements of operations.

In accordance with US GAAP, we classify securities that are redeemable for cash or other assets at the option of the holder, or not solely within the control of the issuer, outside of permanent equity in the consolidated balance sheet. The Company makes this determination based on terms in applicable agreements, specifically in relation to redemption provisions. Additionally, with respect to noncontrolling interests for which the Company has a choice to settle the contract by delivery of its own shares, the Company considers the guidance in US GAAP to evaluate whether the Company controls the actions or events necessary to issue the maximum number of common shares that could be required to be delivered at the time of settlement of the contract.

We classify the noncontrolling interests of our consolidated joint ventures, consolidated variable interest entity, and certain Common Units ("Nonredeemable Common Units") as equity. The noncontrolling interests of Nonredeemable Common Units totaled \$44,321 as of December 31, 2016 and \$31,876 as of December 31, 2015. As of December 31, 2016, there were 2,838,546 Nonredeemable Common Units outstanding with a fair market value of \$61,029, based on the price per share of our common shares on the NYSE on such date.

In accordance with the partnership agreement of the Partnership, holders of these units may redeem them for cash unless we, in our sole and absolute discretion, elect to issue common shares on a one-for-one basis in lieu of paying cash.

Net income or loss attributed to Nonredeemable Common Units and Redeemable Common Units (collectively, "Common Units"), as well as the net income or loss related to the noncontrolling interests of our consolidated joint venture and consolidated variable interest entity, is included in net income or loss in the consolidated statements of operations. Net income or loss attributed to the Common Units and the noncontrolling interests of our consolidated joint ventures and consolidated variable interest entity is excluded from net income or loss applicable to common shareholders in the consolidated statements of operations.

Shareholders' Equity

On May 31, 2016, we completed a public offering of 7,700,000 (including 700,000 over-allotment shares sold on June 14, 2016) 6.50% Series D Cumulative Redeemable Preferred Shares. These shares have a par value of \$0.01 per share with a \$25.00 liquidation preference per share. Net proceeds of the offering, after deducting the underwriting discount and the offering expenses payable by us, were approximately \$185,999. We utilized the net proceeds of the offering to redeem all outstanding 8.00% Series B Cumulative Redeemable Preferred Shares on June 8, 2016, and for general corporate purposes.

Shares of our 8.00% Series B Cumulative Redeemable Preferred Shares were redeemed at a per share redemption price of \$25.00 together with accrued and unpaid dividends to the redemption date for an aggregate per share redemption price of \$25.3722. Dividends ceased accruing on the Series B Preferred Shares on June 8, 2016.

On November 7, 2016, we completed a public offering of 4,000,000 6.50% Series E Cumulative Redeemable Preferred Shares. These shares have a par value of \$0.01 per share with a \$25.00 liquidation preference per share. Net proceeds of the offering, after deducting the underwriting discount and the offering expenses payable by us, were approximately \$96,585. We utilized the net proceeds of the offering for general corporate purposes.

Terms of the Series B, Series C, Series D and Series E Preferred Shares outstanding at December 31, 2016 and 2015 are summarized as follows:

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Series	Shares Outstanding		Aggregate Liquidation Preference	Distribution Rate	Dividend Per Share Year Ended December 31,	
	December 31, 2016	December 31, 2015			2016	2015
Series B	-	4,600,000	\$ 115,000	8.000%	\$ 0.8722	\$ 2.0000
Series C	3,000,000	3,000,000	\$ 75,000	6.875%	\$ 1.7188	\$ 1.7188
Series D	7,700,000	-	\$ 192,500	6.500%	\$ 1.0157	-
Series E	4,000,000	-	\$ 100,000	6.500%	\$ 0.3069	-
Total	14,700,000	7,600,000				

On December 23, 2014, we amended our partnership agreement to allow for the issuance of profits interests in HHLP in the form of LTIP Units, a new class of limited partnership units in HHLP, and to establish the terms of the LTIP Units. The LTIP Units vest on December 31 and June 1 of each year, beginning on December 31, 2014 and ending on June 1, 2017. The LTIP Units contain restricted stock awards that were forfeited and replaced with LTIP Unit awards with similar terms. The total number of Restricted Stock Awards forfeited and LTIP Units awarded was 1,948,324.

In February 2015, our Board of Trustees authorized us to repurchase from time to time up to an aggregate of \$100,000 of our outstanding shares. In October 2015, our Board of Trustees authorized a new share repurchase program for \$100,000 which would commence up on the completion of the previous program. For the year ended December 31, 2016, the Company repurchased 2,772,710 common shares for an aggregate purchase price of \$52,055 under the October 2015 repurchase programs. Upon repurchase by the Company, these common shares ceased to be outstanding and became authorized but unissued common shares.

In May 2015, our Board of Trustees approved a reverse share split of our issued and outstanding common shares and Common Units and LTIP units at a ratio of 1-for-4. This reverse share split converted every four issued and outstanding common shares into one common share. The reverse share split was effective as of 5:00 PM Eastern time on June 22, 2015. As a result of the reverse share split, the number of outstanding Common Units and LTIP Units was reduced from 9,313,063 to 2,328,276 units. In addition, the second quarter dividend was adjusted to \$0.28 per common share from the previously announced \$0.07 per common share. All common share, Common Unit and LTIP Unit and per share data related to these classes of equity have been updated in the accompanying consolidated financial statements to reflect this share split for all periods presented.

In October 2016, our Board of Trustees authorized a new share repurchase program for up to \$100,000 of common shares which will commence upon the completion of the existing repurchase program. We expect to complete the new repurchase program prior to December 31, 2017, unless extended by our Board of Trustees.

Stock Based Compensation

We measure the cost of employee service received in exchange for an award of equity instruments based on the grant-date fair value of the award. The compensation cost is amortized on a straight line basis over the period during which an employee is required to provide service in exchange for the award. The compensation cost related to performance awards that are contingent upon market-based criteria being met is recorded at the fair value of the award on the date of the grant and amortized over the performance period.

Derivatives and Hedging

The Company's objective in using derivatives is to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps and interest rate caps as part of its cash flow hedging strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amount. Interest rate caps designated as cash flow hedges limit the Company's exposure to increased cash payments due to increases in variable interest rates.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

We recognize revenue and expense for all consolidated hotels as hotel operating revenue and hotel operating expense when earned and incurred. These revenues are recorded net of any sales or occupancy taxes collected from our guests. We participate in frequent guest programs sponsored by the brand owners of our hotels and we expense the charges associated with those programs, as incurred.

Other revenues consist primarily of fees earned for asset management services provided to hotels we own through unconsolidated joint ventures. Fees are earned as a percentage of hotel revenue and are recorded in the period earned to the extent of the noncontrolling interest ownership.

Income Taxes

The Company has elected to be taxed as a REIT under applicable provisions of the Internal Revenue Code of 1986, as amended, or the Code, and intends to continue to qualify as a REIT. In general, under such provisions, a trust which has made the required election and, in the taxable year, meets certain requirements and distributes to its shareholders at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, will not be subject to federal income tax to the extent of the income which it distributes. Earnings and profits, which determine the taxability of dividends to shareholders, differ from net income reported for financial reporting purposes due primarily to differences in depreciation of hotel properties for federal income tax purposes.

Deferred income taxes relate primarily to the TRS Lessee and are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting bases of assets and liabilities of the TRS Lessee and their respective tax bases and for their operating loss and tax credit carry forwards based on enacted tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including tax planning strategies and other factors.

The Company may recognize a tax benefit from an uncertain tax position when it is more-likely-than-not (defined as a likelihood of more than 50%) that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. If a tax position does not meet the more-likely-than-not recognition threshold, despite the Company's belief that its filing position is supportable, the benefit of that tax position is not recognized in the statements of operations. The Company recognizes interest and penalties, as applicable, related to unrecognized tax benefits as a component of income tax expense. The Company recognizes unrecognized tax benefits in the period that the uncertainty is eliminated by either affirmative agreement of the uncertain tax position by the applicable taxing authority, or by expiration of the applicable statute of limitation. For the years ended December 31, 2016, 2015 and 2014, the Company did not record any uncertain tax positions. As of December 31, 2016, with few exceptions, the Company is subject to tax examinations by federal, state, and local income tax authorities for years 2003 through 2016.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

In accordance with the adoption of the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, on January 1, 2016, the Company recorded certain reclassifications of deferred financing costs. The Company reclassified deferred financing costs historically presented within Assets to now present them as a direct deduction from the associated debt liability. The table below summarizes the balances as of December 31, 2015, that were affected by this reclassification.

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Balance Sheet Caption	As Reported in the 2015 Form 10-K	Reclassification Amount	As Reported in the 2016 Form 10-K
Assets:			
Deferred Financing Costs, Net	\$ 8,971	\$ (8,971)	\$ -
Other Assets	38,110	1,848	39,958
Total Assets	1,969,772	(7,123)	1,962,649
Liabilities:			
Unsecured Term Loan	550,000	(2,220)	547,780
Unsecured Notes Payable	51,548	(1,023)	50,525
Mortgages Payable	548,539	(3,880)	544,659
Total Liabilities	1,261,617	(7,123)	1,254,494

New Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which clarifies the definition of a business as it relates to acquisitions and business combinations. The update adds further guidance that assists preparers in evaluating whether a transaction will be accounted for as an acquisition of an asset or a business. We expect most of our hotel property acquisitions to qualify as asset acquisitions under the standard which permits the capitalization of acquisition costs to the underlying assets. This standard is effective for periods beginning after December 31, 2017, however early adoption is permitted. The Company is evaluating the ultimate effect that ASU No. 2017-01 will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 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 a percentage of the shares issuable upon settlement of an award up to the maximum individual statutory tax rate without causing the award to be classified as a liability. The new standard is effective for the Company on January 1, 2017. The Company has determined that ASU No. 2016-09 will have no material impact on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which provides the principles for the recognition, measurement, presentation and disclosure of leases. The accounting for lessors will remain largely unchanged from current GAAP; however, the standard requires the certain initial direct costs be expensed rather than capitalized. Under the standard, lessees apply a dual approach, classifying leases as either finance or operating leases. A lessee is required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months, regardless of their lease classification. Based on our real estate leases, we are a lessee on ground leases in certain markets and office space leases. This standard will be effective for the first annual reporting period beginning after December 15, 2018. The Company is evaluating the effect that ASU No. 2016-02 will have on its consolidated financial statements and related disclosures.

We adopted ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, on January 1, 2016. This standard requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. Previously, debt issuance costs were recorded as an asset. The issuance costs will continue to be amortized over the life of the debt instrument and recorded in interest expense, as they were prior to the new standard. As part of this adoption, debt issuance costs are now included as an offset to the mortgages, unsecured term loan and unsecured notes payable line items on the consolidated balance sheets for all periods presented. For full reclassification amounts, see "Note 5 – Debt".

On January 1, 2016, we adopted ASU No. 2015-02, *Consolidation – Amendments to the Consolidation Analysis*. We evaluated the application of ASU No. 2015-02 and concluded that no change was required to our accounting of our interests in less than wholly owned joint ventures. However, HHLP, our operating partnership, now meets the criteria as a variable

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

interest entity. The Company's most significant asset is its investment in HHLP, and consequently, substantially all for the Company's assets and liabilities represent those assets and liabilities of HHLP.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This update is effective for the Company as of December 31, 2016. The adoption of this update had no material impact to our financial statements and related disclosures.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, 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 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. We are evaluating each of our revenue streams and related accounting policy under the standard. The new standard is effective for the Company on January 1, 2018. Early adoption is permitted, but not prior to the original effective date of January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. Based on our analysis to date, we do not expect the new revenue recognition model to have a material impact on our hotel operating revenue, including room revenue, food and beverage, and other revenue, however, our final evaluation has not been concluded. Our evaluation under the standard also includes sales to third parties, primarily a result of dispositions of real estate. Our evaluation over sales of real estate will be partially dependent on how the FASB defines a business with regard to sales of assets, which is currently under deliberation. The Company continues to evaluate the ultimate effect that ASU No. 2014-09 will have on its consolidated financial statements and related disclosures.

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NOTE 2 – INVESTMENT IN HOTEL PROPERTIES

Investment in hotel properties consists of the following at December 31, 2016 and December 31, 2015:

	December 31, 2016	December 31, 2015
Land	\$ 499,484	\$ 480,874
Buildings and Improvements	1,383,266	1,518,565
Furniture, Fixtures and Equipment	205,162	227,527
	<u>2,087,912</u>	<u>2,226,966</u>
Less Accumulated Depreciation	(320,342)	(395,847)
Total Investment in Hotel Properties	\$ 1,767,570	\$ 1,831,119

Depreciation expense on hotel properties was \$74,288, \$73,672 and \$68,418 (including depreciation on assets held for sale) for the years ended December 31, 2016, 2015 and 2014, respectively.

During the year ended December 31, 2016, we acquired the following wholly-owned hotel properties:

Hotel	Acquisition Date	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Other Intangibles	Loan Costs	Total Purchase Price	Assumption of Debt
Sanctuary Beach Resort, Marina, CA	1/28/2016	\$ 20,278	\$ 17,319	\$ 2,369	\$ -	\$ 198	\$ 40,164	\$ 14,750 *
Hilton Garden Inn M Street, Washington, DC	3/9/2016	30,793	67,420	9,621	874 **	-	108,708	-
Envoy Hotel, Boston, MA	7/21/2016	25,264	75,979	11,251	131 ***	-	112,625	-
Courtyard, Sunnyvale, CA	10/20/2016	17,694	53,272	4,034	150 ****	537	75,687	40,600
The Ambrose, Santa Monica, CA	12/1/2016	18,750	26,839	1,911	-	-	47,500	-
TOTAL		\$ 112,779	\$ 240,829	\$ 29,186	\$ 1,155	\$ 735	\$ 384,684	\$ 55,350

*Assumption of debt includes a \$50 premium resulting from the determination that the stated rate of interest is above market rates on the date of acquisition.

**Includes an intangible asset for a lease-in-place of \$648, advance bookings of \$76 and franchise fees of \$150.

***Includes a lease-in-place intangible asset of \$126, below market lease liability of \$319, advance bookings asset of \$199, and franchise fees asset of \$125.

****Includes a franchise fees asset of \$150.

Acquisition-related costs, such as due diligence, legal and accounting fees, are not capitalized or applied in determining the fair value of the above acquired assets. During the year ended December 31, 2016, we incurred \$2,560 in acquisition costs related to acquired assets and costs related to terminated transactions.

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NOTE 2 – INVESTMENT IN HOTEL PROPERTIES (CONTINUED)

Included in the consolidated statements of operations for the year ended December 31, 2016 are total revenues of \$30,991 and a total net income of \$5,638 for hotels we have acquired and consolidated since the date of acquisition. These amounts represent the results of operations for these hotels since the date of acquisition as presented in the table below:

Hotel	Year Ended December 31, 2016	
	Revenue	Net Income
Sanctuary Beach Resort, Marina, CA	\$ 6,367	\$ 933
Hilton Garden Inn M Street, Washington, DC	13,565	3,283
Envoy Hotel, Boston, MA	8,862	1,277
Courtyard, Sunnyvale, CA	1,768	22
The Ambrose, Santa Monica, CA	429	123
Total	\$ 30,991	\$ 5,638

Purchase and Sale Agreements

On February 2, 2017, we purchased the Ritz-Carlton, Coconut Grove, FL from an unaffiliated seller for a total purchase price of \$36,000 and received seller financing in the amount of \$3,200. Accounting for this acquisition requires an allocation of the purchase price to the assets acquired and the liabilities assumed in the transaction at their respective estimated fair values. The purchase price allocations are estimated based on current available information; however, we still are in the process of obtaining appraisals and finalizing the accounting for the acquisition, which was acquired subsequent to year-end.

On February 21, 2017, we purchased the Pan Pacific, Seattle, WA from an unaffiliated seller for a total purchase price of \$79,000. Accounting for this acquisition requires an allocation of the purchase price to the assets acquired and the liabilities assumed in the transaction at their respective estimated fair values. The purchase price allocations are estimated based on current available information; however, we still are in the process of obtaining appraisals and finalizing the accounting for the acquisition, which was acquired subsequent to year-end.

Lease Buyout

During November 2016, we signed an agreement with our restaurant lessee at the Courtyard Miami Beach to buyout the remainder of their current lease. The agreement was made in conjunction with our overall property improvement plan, which will also include room and common area upgrades, with the intention to rebrand the hotel to a more upscale Marriott brand. As defined by terms of the agreement, we will pay total consideration to complete the buyout of \$10,000 and issue 450,000 operating partnership units. During the fourth quarter of 2016, we paid \$5,000 and issued 225,000 units valued at \$4,400 with the remainder of the consideration due upon completion of the buyout. The lease buyout is expected to be completed by the second quarter of 2017. We accounted for this transaction in accordance with ASU 420 "Exit or Disposal Cost Obligations," recording the entire amount of consideration as an expense at the time of agreement execution, resulting in a total expense of \$18,831. This recorded expense was partially offset by the write-off of an intangible liability related to the lease of \$2,000.

Hotel Dispositions

Effective January 1, 2014, we early adopted ASU Update No. 2014-08 concerning the classification and reporting of discontinued operations. This amendment defines discontinued operations as a component of an entity that represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. As a result of the early adoption of ASU Update No. 2014-08, we anticipate that most of our hotel dispositions will not be classified as discontinued operations as most will not fit this definition.

For transactions that had been classified as held for sale or as discontinued operations for periods prior to our adoption of ASU Update No. 2014-08, we have continued to present the operating results as discontinued operations in the statements of operations for all applicable periods presented.

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NOTE 2 – INVESTMENT IN HOTEL PROPERTIES (CONTINUED)

During the years ended December 31, 2016, 2015 and 2014, we had the following hotel dispositions:

Hotel	Acquisition Date	Disposition Date	Consideration	Gain (Loss) on Disposition
Cindat Hotel Portfolio (7)	April 2005 - March 2011	April 2016	\$ 543,500	\$ 89,892
Hyatt Place, King of Prussia, PA	August 2010	May 2016	13,000	5,375
Hawthorn Suites, Franklin, MA	April 2006	September 2016	8,900	(438)
Residence Inn, Framingham, MA	March 2004	November 2016	25,000	11,467
Residence Inn, Norwood, MA	July 2006	November 2016	22,000	9,543
2016 Total				<u>\$ 115,839</u>
Hotel 373	June 2007	April 2014	\$ 37,000	\$ 7,195
2014 Total				<u>\$ 7,195</u>

On November 4, 2016, the Company closed on the sale of the Residence Inn Framingham, MA and Residence Inn, Norwood, MA to an unaffiliated buyer for a total sales price of \$47,000 with a gain on sale of approximately \$21,023. These hotels were acquired by the Company in March 2004 and July 2006, respectively. The operating results for these hotels are included in operating income until the date of sale as shown in the consolidated statements of operations for the years ended December 31, 2016 and 2015 as disposition of these hotels does not represent a strategic shift in our business.

On September 7, 2016, the Company closed on the sale of Hawthorn Suites, Franklin, MA to an unaffiliated buyer for a total sales price of \$8,900 with a loss on sale of approximately \$437. This hotel was acquired by the Company in April 2006. The operating results for this hotel are included in operating income until the date of sale as shown in the consolidated statements of operations for the years ended December 31, 2016 and 2015 as disposition of this hotel does not represent a strategic shift in our business.

On May 3, 2016, the Company closed on the sale of Hyatt Place, King of Prussia, PA to an unaffiliated buyer for a total sales price of \$13,000 with a gain on sale of approximately \$5,402. This hotel was acquired by the Company in August 2010. The operating results for this hotel are included in operating income until the date of sale as shown in the consolidated statements of operations for the years ended December 31, 2016 and 2015 as disposition of this hotel does not represent a strategic shift in our business.

On February 4, 2016, we announced the signing of asset purchase and contribution agreements (the "Contribution Agreements") with Cindat Manhattan Hotel Portfolio (US) LLC ("Cindat") to form a joint venture, Cindat Hersha Owner JV, LLC (the "Owner JV"), which initially invested in seven of our limited service hotels in Manhattan (the "JV Properties"). This transaction was consummated on April 29, 2016. The Contribution Agreements valued the JV Properties at \$543,500. Cindat contributed \$354,550 and received a 70% senior common equity interest in Owner JV. We contributed the JV Properties to Owner JV and received \$354,550 in cash and a preferred equity interest initially valued at \$37,000. In addition, we retained a 30% junior common equity interest in Owner JV. We contributed \$12,239 and Cindat contributed an aggregate of \$14,105 in working capital and closing costs for the formation of Owner JV, and finance costs related to debt originated on the JV Properties by Owner JV. In addition, we incurred additional closing costs associated with the contribution of the JV Properties to Owner JV of \$10,653.

Prior to the contribution to Owner JV, our basis in the JV Properties was \$264,658. Our preferred equity and junior common equity interest in Owner JV was initially recorded at \$104,248 which represents our retained interest in the JV Properties at our basis prior to contribution and additional contributions made for the formation of Owner JV. Please refer to "Note 3 – Investment in Unconsolidated Joint Ventures" more information about the joint venture with Cindat.

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NOTE 2 – INVESTMENT IN HOTEL PROPERTIES (CONTINUED)

Due to our continuing interest in the JV Properties, gain recognized on the properties is limited to cash received less the basis of the properties contributed. As a result, we recognized a gain on the disposition of hotel properties of \$89,892 and recorded a deferred gain of \$81,314, which is recorded as a liability in the consolidated balance sheets. The deferred gain will be recognized as income in a future period if an event occurs that changes our retained interest in the JV Properties.

Proceeds received from the contribution of the JV Properties were used to reduce our consolidated mortgage debt by \$55,103, our line of credit balance by \$194,550 and our unsecured term loan balance by \$39,480. Any remaining proceeds are to be used for general corporate purposes, including, but not limited to, the acquisition of hotel properties, the repurchase of our common shares and future distributions to shareholders.

Assets Held For Sale

In July 2016, we entered into a purchase and sale agreement to sell the Residence Inn, Greenbelt, MD, Courtyard, Alexandria, VA, Hyatt House, Scottsdale, AZ, Hyatt House, Pleasant Hill, CA, and Hyatt House, Pleasanton, CA to an unaffiliated buyer for a sales price of \$185,000. The Residence Inn, Greenbelt, MD and Courtyard, Alexandria, VA were sold in January 2017 for a combined sale price of \$62,000. The purchase and sale agreement was amended, increasing the sales price by \$7,500. The remainder of the transaction is expected to close in the third quarter of 2017 with an adjusted purchase price of \$130,500, subject to customary closing conditions.

We have classified the assets and mortgage indebtedness related to these hotels as held for sale as of December 31, 2016:

	<u>December 31, 2016</u>	
Land	\$	22,208
Buildings and Improvements		105,663
Furniture, Fixtures and Equipment		24,187
		<u>152,058</u>
Less: Accumulated Depreciation & Amortization		<u>(53,585)</u>
Assets Held for Sale	\$	<u>98,473</u>
Liabilities Related to Assets Held for Sale	\$	<u>51,428</u>

We did not have any assets or liabilities related to assets held for sale as of December 31, 2015.

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NOTE 2 – INVESTMENT IN HOTEL PROPERTIES (CONTINUED)

During the year ended December 31, 2015, we acquired the following wholly-owned hotel properties:

Hotel	Acquisition Date	Land	Buildings and Improvements	Furniture Fixtures and Equipment	Other Intangibles	Loan Costs	Total Purchase Price	Assumption of Debt
St. Gregory Hotel, Washington, DC	6/16/2015	23,764	33,005	3,240	45	978	61,032	28,902*
TownePlace Suites, Sunnyvale, CA	8/25/2015	-	18,999	2,348	6,453 **	-	27,800	-
Ritz-Carlton Georgetown, DC	12/29/2015	17,825	29,584	3,270	-	-	50,679	-
Total		<u>\$ 41,589</u>	<u>\$ 81,588</u>	<u>\$ 8,858</u>	<u>\$ 6,498</u>	<u>\$ 978</u>	<u>\$ 139,511</u>	<u>\$ 28,902</u>

*Includes a \$3,050 premium as we determined that the stated rate of interest on the assumed mortgage debt was above market.

**Acquired ground lease asset of \$6,353 and intangible asset related to the franchise agreement of \$100 with purchase of the property.

Acquisition-related costs, such as due diligence, legal and accounting fees, are not capitalized or applied in determining the fair value of the above acquired assets. During the year ended December 31, 2015, we incurred \$1,119 in acquisition costs related to the above acquired assets and costs related to terminated transactions.

Included in the consolidated statement of operations for the year ended December 31, 2015 are total revenues of \$7,150 and a total net income of \$548 for hotels we have acquired and consolidated since the date of acquisition. These amounts represent the results of operations for these hotels since the date of acquisition as presented in the table below:

Hotel	Year Ended December 31, 2015	
	Revenue	Net Income
St. Gregory Hotel, Washington, DC	\$ 5,257	\$ 164
TownePlace Suites, Sunnyvale, CA	1,744	364
Ritz-Carlton Georgetown, DC	149	20
Total	<u>\$ 7,150</u>	<u>\$ 548</u>

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NOTE 2 – INVESTMENT IN HOTEL PROPERTIES (CONTINUED)

Pro Forma Results (Unaudited)

The following condensed pro forma financial data are presented as if all acquisitions completed since January 1, 2016 and 2015 had been completed on January 1, 2015 and 2014, respectively. Properties acquired without any operating history are excluded from the condensed pro forma operating results. The condensed pro forma financial data is not necessarily indicative of what actual results of operations of the Company would have been assuming the acquisitions had been consummated on January 1, 2016 and 2015 at the beginning of the year presented, nor do they purport to represent the results of operations for future periods.

	Years Ended December 31,	
	2016	2015
Pro Forma Total Revenues	\$ 493,791	\$ 551,584
Pro Forma Income from Continuing Operations	127,328	44,419
Loss from Discontinued Operations	-	-
Pro Forma Net Income	127,328	44,419
Income Allocated to Noncontrolling Interest	(4,764)	(496)
Preferred Distributions	(17,380)	(14,356)
Extinguishment of Issuance Costs Upon Redemption of Series B Preferred Shares	(4,021)	-
Pro Forma Income Applicable to Common Shareholders	\$ 101,163	\$ 29,567
Pro Forma Income Applicable to Common Shareholders per Common Share		
Basic	\$ 2.35	\$ 0.62
Diluted	\$ 2.32	\$ 0.61
Weighted Average Common Shares Outstanding		
Basic	42,957,199	47,786,811
Diluted	43,530,731	48,369,658

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NOTE 3 – INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

As of December 31, 2016 and December 31, 2015 our investment in unconsolidated joint ventures consisted of the following:

Joint Venture	Hotel Properties	Percent	Preferred	December 31, 2016	December 31, 2015
		Owned	Return		
SB Partners, LLC	Holiday Inn Express, South Boston, MA	50.0%	N/A	\$ 913	\$ 795
Hiren Boston, LLC	Courtyard by Marriott, South Boston, MA	50.0%	N/A	2,112	4,499
Mystic Partners, LLC	Hilton and Marriott branded hotels in CT	8.8%-66.7%	8.5% non-cumulative	4,699	5,022
Cindat Hersha Owner JV, LLC	Hilton and IHG branded hotels in NYC	30.0%	*	3,717	-
				\$ 11,441	\$ 10,316

*See explanation below of the Cindat Hersha Owner JV, LLC (“Owner JV”) for more information on the preferred return provisions of this joint venture.

Cindat Hersha Owner JV, LLC

On April 29, 2016, we entered into two limited liability company agreements with Cindat, which formed Owner JV and Cindat Hersha Lessee JV, LLC (“Lessee JV”), for the purpose of owning and operating hotel properties initially consisting of the JV Properties. All hotel properties owned by Owner JV are leased to Lessee JV. Our interest in Owner JV is held by our operating partnership, HHLP, while our interest in Lessee JV is held by our wholly owned taxable REIT subsidiary (“TRS”), 44 New England Management Company (“44 New England”).

As described in “Note 2 – Investment in Hotel Properties” the Contribution Agreements valued the JV Properties at \$543,500. In accordance with the Contribution Agreements, Cindat contributed \$354,550 in cash, in exchange for a 70.0% senior common equity interest in Owner JV. We contributed the JV Properties to Owner JV and received \$354,550 in cash, a preferred equity interest initially valued at \$37,000, and a 30.0% junior common equity interest in Owner JV. In addition, Cindat contributed \$14,105 and we contributed \$12,239 for working capital and closing costs for the formation of Owner JV and for finance costs related to debt originated on the JV Properties by Owner JV. Of the \$12,239 in additional funds contributed by us, \$6,045 was attributed to our junior common equity interest and \$6,194 was attributed to our preferred equity interest. We also incurred \$361 of costs related to our contribution which is included in our investment in unconsolidated joint ventures as outside basis and will be amortized over the life of the venture.

Prior to the contribution to Owner JV, our basis in the JV Properties was \$264,658. Our preferred equity and junior common equity interest in Owner JV was initially recorded at \$104,248 which represents our retained interest in the JV Properties at our basis prior to contribution and additional contributions made for the formation of Owner JV. The difference between our interest in the fair value of the assets contributed to Owner JV and our basis prior to contribution is \$96,941, which will be amortized over the life of the underlying assets.

At closing, mortgage debt of \$285,000 and mezzanine debt of \$50,000 (collectively, the “Cindat JV Financings”) was placed on the JV Properties. Owner JV distributed proceeds of \$323,793 from the debt originated, of which \$226,655 was distributed to Cindat and \$97,138 was distributed to us, reducing our investment in Owner JV accordingly.

Subject to the terms of the Cindat JV Financings, cash available for distribution will be distributed (1) to us until we receive a 9% annual rate of return on our \$43,194 preferred equity interest, (2) then to Cindat until they receive a 10% return on their remaining \$142,000 senior common equity interest and (3) then to us until we receive an 8% return on our \$60,857 junior common equity interest. Any cash available for distribution remaining will be split 30% to us and 70% to Cindat. Cindat’s senior common equity return is reduced by 0.5% annually for 4 years following the closing until it is set at a rate of 8% for the remainder of the life of the joint venture. Pursuant to the terms of agreements governing the Cindat JV Financings, a lender determined that certain debt coverage ratio covenants contained therein were not met as of June 30, 2016. Pursuant to these agreements, the lender has elected to escrow the operating cash flow for the Owner JV. However, the failure to meet these covenants does not constitute an event of default under the Cindat JV Financings.

NOTE 3 – INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (CONTINUED)

The Owner JV is under an Asset Management Agreement with us and Cindat whereby it is provided asset management services. Fees for these services are calculated as 1.0% of operating revenues, of which we are entitled to 30% which we recognize as income in other revenues on the consolidated statement of operations.

Mystic Partners, LLC

On January 3, 2017, we redeemed our joint venture interest in Mystic Partners, LLC by acquiring 100% ownership interest in the Mystic Marriott Hotel & Spa and transferring our minority ownership interests in the Hartford Marriott and Hartford Hilton to the joint venture partner. We received \$8,500 as part of this redemption and transfer of minority interest.

Prior to the 2017 transaction, the Mystic Partners, LLC joint venture agreement provides for an 8.5% non-cumulative preferred return based on our contributed equity interest in the venture. Cash distributions will be made from cash available for distribution, first, to us to provide an 8.5% annual non-compounded return on our unreturned capital contributions and then to our joint venture partner to provide an 8.5% annual non-compounded return of their unreturned contributions. Any remaining cash available for distribution will be distributed to us 10.5% with respect to the net cash flow from the Hartford Marriott, 7.0% with respect to the Hartford Hilton and 56.7%, with respect to the remaining property. Mystic Partners, LLC allocates income to us and our joint venture partner consistent with the allocation of cash distributions in accordance with the joint venture agreements.

The Hartford Marriott, part of the Mystic Partners, LLC joint venture, is under an Asset Management Agreement with 44 New England to provide asset management services. Fees for these services are paid monthly to 44 New England and recognized as income in the amount of 0.25% of operating revenues.

Income/Loss Allocation

For SB Partners, LLC and Hiren Boston, LLC, income or loss is allocated to us and our joint venture partners consistent with the allocation of cash distributions in accordance with the joint venture agreements. This results in an income allocation consistent with our percentage of ownership interests.

For Mystic Partners, LLC and Owner JV, LLC, income or loss is allocated using Hypothetical Liquidation at Book Value (“HLBV method”) as the liquidation rights and priorities, as defined by each venture’s governing agreements, differ from the underlying percentage ownership interests in the ventures. The Company applies the HLBV method using a balance sheet approach. A calculation is prepared at each balance sheet date to determine the amount that we would receive if the venture entity were to liquidate all of its assets at carrying value and distribute that cash to the joint venture partners based on the contractually defined liquidation priorities. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is our share of the earnings or losses from the unconsolidated joint venture investment for the period.

Any difference between the carrying amount of any of our investments noted above and the underlying equity in net assets is amortized over the expected useful lives of the properties and other intangible assets. Income recognized during the years ended December 31, 2016, 2015 and 2014, for our investments in unconsolidated joint ventures is as follows:

	<u>Twelve Months Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
SB Partners, LLC	\$ 618	\$ 582	\$ 407
Hiren Boston, LLC	839	694	603
Mystic Partners, LLC	(137)	(311)	(317)
Cindat Hersha Owner JV, LLC	(3,143)	-	-
(Loss) Income from Unconsolidated Joint Venture Investments	\$ (1,823)	\$ 965	\$ 693

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NOTE 3 – INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (CONTINUED)

The following tables set forth the total assets, liabilities, equity and components of net income or loss, including the Company's share, related to the unconsolidated joint ventures discussed above as of December 31, 2016 and December 31, 2015 and for the years ended December 31, 2016, 2015 and 2014.

Balance Sheets

	December 31, 2016		December 31, 2015
Assets			
Investment in Hotel Properties, Net	\$ 647,548	\$	105,354
Other Assets	45,576		15,558
Total Assets	\$ 693,124	\$	120,912
Liabilities and Equity			
Mortgages and Notes Payable	\$ 432,173	\$	113,532
Other Liabilities	36,275		30,575
Equity:			
Hersha Hospitality Trust	119,892		22,698
Joint Venture Partner(s)	104,784		(45,893)
Total Equity	224,676		(23,195)
Total Liabilities and Equity	\$ 693,124	\$	120,912

Statements of Operations

	Twelve Months Ended December 31,		
	2016	2015	2014
Room Revenue	\$ 118,645	\$ 57,927	\$ 59,135
Other Revenue	24,424	22,776	21,725
Operating Expenses	(80,091)	(55,178)	(54,831)
Lease Expense	(1,143)	(1,115)	(1,063)
Property Taxes and Insurance	(9,512)	(2,948)	(2,934)
General and Administrative	(8,976)	(5,609)	(5,783)
Depreciation and Amortization	(13,286)	(6,549)	(6,376)
Interest Expense	(18,568)	(6,677)	(11,995)
Acquisition Costs	(1,468)	-	-
Other Income	2,466	-	-
Debt Extinguishment and Gain on Debt Forgiveness	-	-	3,016
(Loss) Gain allocated to Noncontrolling Interests	(46)	(341)	115
Net Income	\$ 12,445	\$ 2,286	\$ 1,009

NOTE 3 – INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (CONTINUED)

The following table is a reconciliation of the Company's share in the unconsolidated joint ventures' equity to the Company's investment in the unconsolidated joint ventures as presented on the Company's balance sheets as of December 31, 2016 and December 31, 2015.

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Our share of equity recorded on the joint ventures' financial statements	\$ 119,892	\$ 22,698
Adjustment to reconcile our share of equity recorded on the joint ventures' financial statements to our investment in unconsolidated joint ventures ⁽¹⁾	<u>(108,451)</u>	<u>(12,382)</u>
Investment in Unconsolidated Joint Ventures	<u>\$ 11,441</u>	<u>\$ 10,316</u>

(1) Adjustment to reconcile our share of equity recorded on the joint ventures' financial statements to our investment in unconsolidated joint ventures consists of the following:

- cumulative impairment of our investment in joint ventures not reflected on the joint ventures' financial statements;
- the difference between our basis in the investment in joint ventures and the equity recorded on the joint ventures' financial statements; and
- accumulated amortization of our equity in joint ventures that reflects the difference in our portion of the fair value of joint ventures' assets on the date of our investment when compared to the carrying value of the assets recorded on the joint ventures' financial statements (this excess or deficit investment is amortized over the life of the properties, and the amortization is included in Income (Loss) from Unconsolidated Joint Venture Investments on our consolidated statement of operations).

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NOTE 4 – OTHER ASSETS AND DEPOSITS ON HOTEL ACQUISITIONS

Other Assets

Other Assets consisted of the following at December 31, 2016 and December 31, 2015:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Investment in Statutory Trusts	1,548	1,548
Prepaid Expenses	9,217	14,434
Deferred Tax Asset, Net of Valuation Allowance of \$804	16,197	14,590
Other	12,408	9,386
	<u>\$ 39,370</u>	<u>\$ 39,958</u>

Investment in Statutory Trusts - We have an investment in the common stock of Hersha Statutory Trust I and Hersha Statutory Trust II. Our investment is accounted for under the equity method.

Prepaid Expenses - Prepaid expenses include amounts paid for property tax, insurance and other expenditures that will be expensed in the next twelve months.

Deferred Tax Asset - We have approximately \$16,197 of net deferred tax assets as of December 31, 2016. We have considered various factors, including future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies in determining a valuation allowance for our deferred tax assets, and we believe that it is more likely than not that we will be able to realize the \$16,197 of net deferred tax assets in the future.

Deposits on Hotel Acquisitions

As of December 31, 2015, we had \$5,000 in interest bearing deposits related to the future acquisition of the Sanctuary Beach Resort, located in Marina, California. We completed the acquisition of this property on January 28, 2016 (See "Note 2 – Investment in Hotel Properties" for more information). As of December 31, 2016, we had no deposits on hotel acquisitions.

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NOTE 5 – DEBT

Mortgages

Mortgages payable at December 31, 2016 and December 31, 2015 consisted of the following:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Mortgage Indebtedness	\$ 338,529	\$ 545,036
Net Unamortized Premium	2,313	3,503
Net Unamortized Deferred Financing Costs	<u>(3,021)</u>	<u>(3,880)</u>
	<u>\$ 337,821</u>	<u>\$ 544,659</u>
Liabilities Related to Hotel Assets Held for Sale	<u>\$ 51,428</u>	<u>\$ -</u>

Net Unamortized Deferred Financing Costs associated with entering into mortgage indebtedness are deferred and amortized over the life of the mortgages. Net Unamortized Premiums are also amortized over the remaining life of the loans.

Mortgage indebtedness balances are subject to fixed and variable interest rates, which ranged from 2.97% to 6.30% as of December 31, 2016. Aggregate interest expense incurred under the mortgage loans payable totaled \$20,916, \$26,581 and \$31,046 during the years ended December 31, 2016, 2015, and 2014 respectively.

Our mortgage indebtedness contains various financial and non-financial covenants customarily found in secured, non-recourse financing arrangements. Our mortgage loans payable typically require that specified debt service coverage ratios be maintained with respect to the financed properties before we can exercise certain rights under the loan agreements relating to such properties. If the specified criteria are not satisfied, the lender may be able to escrow cash flow generated by the property securing the applicable mortgage loan. We have determined that certain debt service coverage ratio covenants contained in the loan agreements securing one of our hotel properties was not met as of December 31, 2016. Pursuant to this loan agreement, the lender has the option to escrow the operating cash flow. However, these covenants do not constitute an event of default for these loans.

As of December 31, 2016, the maturity dates for the outstanding mortgage loans ranged from January 2017 to September 2025.

Subordinated Notes Payable

We have two junior subordinated notes payable in the aggregate amount of \$51,548 to the Hersha Statutory Trusts pursuant to indenture agreements which will mature on July 30, 2035, but may be redeemed at our option, in whole or in part, prior to maturity in accordance with the provisions of the indenture agreements. The \$25,774 notes issued to Hersha Statutory Trust I and Hersha Statutory Trust II, bear interest at a variable rate of LIBOR plus 3% per annum. This rate resets two business days prior to each quarterly payment. The face value of the notes payable is offset by \$970 and \$1,023 as of December 31, 2016 and 2015, respectively, in net deferred financing costs incurred as a result of entering into these indentures. The deferred financing costs are amortized over the life of the notes payable. The weighted average interest rate on our two junior subordinated notes payable during the years ended December 31, 2016, 2015 and 2014 was 3.75%, 3.33% and 3.28%, respectively. Interest expense in the amount of \$1,931, \$1,715 and \$1,690 was recorded for the years ended December 31, 2016, 2015 and 2014, respectively.

Credit Facilities

We maintain three unsecured credit agreements which aggregate \$1,000,000 with Citigroup Global Markets Inc., Wells Fargo Bank, Inc. and various other lenders. The first credit agreement provides for a \$500,000 senior unsecured credit facility ("Credit Facility") consisting of a \$250,000 senior unsecured revolving line of credit ("Line of Credit"), and a \$250,000 senior unsecured term loan ("First Term Loan"). The Credit Facility expires on February 28, 2018, and, provided no event of default has occurred, we may request that the lenders renew the credit facility for an additional one-year period. The Credit Facility is also expandable to \$850,000 at our request, subject to the satisfaction of certain conditions.

Our second credit agreement provides for a \$300,000 senior unsecured term loan agreement ("Second Term Loan") and expires on August 10, 2020.

On August 2, 2016, we entered into our third credit agreement which provides for a \$200,000 senior unsecured term loan agreement ("Third Term Loan") and expires on August 2, 2021.

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NOTE 5 – DEBT (CONTINUED)

The amount that we can borrow at any given time under our Line of Credit, and the First, Second and Third Term Loan (each a "Term Loan" and together the "Term Loans") is governed by certain operating metrics of designated unencumbered hotel properties known as borrowing base assets. As of December 31, 2016, the following hotel properties were borrowing base assets:

- Holiday Inn Express, Cambridge, MA
- Hyatt House White Plains, NY
- Hyatt House Gaithersburg, MD
- Sheraton, Wilmington South, DE
- Sheraton Hotel, JFK Airport, New York, NY
- Winter Haven, Miami, FL
- Hampton Inn, Pearl Street, NY
- Residence Inn, Greenbelt, MD
- Courtyard, Miami, FL
- Residence Inn, Tyson's Corner, VA
- Ritz Carlton, Washington, DC
- Hampton Inn, Philadelphia, PA
- Hampton Inn, Seaport, NY
- Envoy Hotel, Boston, MA
- Hampton Inn, Washington, DC
- Nu Hotel, Brooklyn, NY
- The Rittenhouse Hotel, Philadelphia, PA
- The Boxer, Boston, MA
- Courtyard, San Diego, CA
- Residence Inn, Coconut Grove, FL
- Blue Moon, Miami, FL
- Parrot Key Resort, Key West, FL
- Courtyard, Brookline, MA
- TownePlace Suites, Sunnyvale, CA
- Hilton Garden Inn, M Street, Washington, DC
- Courtyard, Alexandria, VA
- Holiday Inn Express, 29th Street, NY
- Holiday Inn Express Chester, NY

The interest rate for borrowings under the Line of Credit and Term Loans are based on a pricing grid with a range of one month U.S. LIBOR plus a spread. The following table summarizes the balances outstanding and interest rate spread for each borrowing:

<u>Borrowing</u>	<u>Spread</u>	<u>Outstanding Balance</u>	
		<u>December 31, 2016</u>	<u>December 31, 2015</u>
Line of Credit	1.70% to 2.45%	\$ -	\$ 27,000
First Term Loan	1.60% to 2.35%	210,520	250,000
Second Term Loan	1.50% to 2.25%	300,000	300,000
Third Term Loan	1.45% to 2.20%	156,100	-

From December 2012 to November 5, 2016, we maintained an interest rate swap, with a \$150,000 notional amount, which effectively fixes the interest rate on \$150,000 of the First Term Loan at a blended rate of 2.914%. This interest rate swap agreement matured on November 5, 2016.

On October 7, 2016 we entered into an interest rate swap associated with \$150,000 of our \$200,000 Third Term Loan. This swap effectively fixes the interest rate of the Third Term Loan at 3.211% and matures on October 3, 2019. See "Note 7 – Fair Value Measurements and Derivative Instruments" for more information regarding interest rate hedging strategies we employ.

The balance of the Term Loans is offset by \$3,120 and \$2,220 in net deferred financing costs as of December 31, 2016 and December 31, 2015, respectively. These costs were incurred as a result of originating the term loan borrowings and are amortized over the life of these loans. The Credit Facility and the Term Loans include certain financial covenants and require that we maintain: (1) a minimum tangible net worth (calculated as total assets, plus accumulated depreciation, less total liabilities, intangibles and other defined adjustments) of \$900,000, plus an amount equal to 75% of the net cash proceeds of all issuances and primary sales of equity interests of the parent guarantor or any of its subsidiaries consummated following the closing date; (2) annual distributions not to exceed 95% of adjusted funds from operations; and (3) certain financial ratios, including the following:

- a fixed charge coverage ratio of not less than 1.50 to 1.00,
- a maximum leverage ratio of not more than 60%; and
- a maximum secured debt leverage ratio of 45%

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NOTE 5 – DEBT (CONTINUED)

The Company is in compliance with each of the covenants listed above as of December 31, 2016. As of December 31, 2016, our remaining borrowing capacity under the Credit Facility and Term Loans was approximately \$99,822 based on the borrowing base assets at December 31, 2016. As of February 21, 2017, our borrowing capacity under the Credit Facility and Term Loans was approximately \$197,998 as we added seven and removed two borrowing base assets subsequent to December 31, 2016.

The Company recorded interest expense of \$17,332, \$10,147 and \$6,218 related to borrowings drawn on each of the aforementioned credit facilities, for the years ended December 31, 2016, 2015 and 2014, respectively. The weighted average interest rate on our credit facilities was 2.82%, 2.69% and 2.82% for the years ended December 31, 2016, 2015 and 2014, respectively.

Aggregate annual principal payments for the Company’s credit facility, unsecured term loan and mortgages and subordinated notes payable for the five years following December 31, 2017 and thereafter are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 160,908
2018	27,237
2019	312,084
2020	301,694
2021	179,704
Thereafter	126,498
Net Unamortized Premium	2,313
	<u>\$ 1,110,438</u>

Capitalized Interest

We utilize cash, mortgage debt and our unsecured credit facility to finance on-going capital improvement projects at our hotels. Interest incurred on mortgages and the revolving credit facility that relates to our capital improvement projects is capitalized through the date when the assets are placed in service. For the years ended December 31, 2016, 2015 and 2014, we capitalized \$0, \$0 and \$458 respectively, of interest expense related to these projects.

Deferred Financing Costs

As noted above, costs associated with entering into mortgages, notes payable, unsecured term loan and our credit facilities are deferred and amortized over the life of the debt instruments. The deferred costs related to mortgages, term loans and unsecured notes payable are presented as reduction in the respective debt balances. Amortization of deferred costs for the years ended December 31, 2016, 2015 and 2014 was \$2,632, \$2,650 and \$2,768 respectively.

New Debt/Refinance

On November 30, 2016, we repaid in full outstanding mortgage debt with an original principal balance of \$6,700 secured by the Holiday Inn Express, Chester, NY. The loan was due to mature on March 1, 2017, and we incurred approximately \$94 in expense related to unamortized deferred financing costs and fees.

On October 6, 2016, we repaid in full outstanding mortgage debt with an original principal balance of \$13,720 secured by the Hyatt House, Gaithersburg, MD. The loan was due to mature on January 6, 2017, and we incurred approximately \$5 in expense related to unamortized deferred financing costs and fees.

On October 6, 2016, we repaid in full outstanding mortgage debt with an original principal balance of \$33,030 secured by the Hyatt House, White Plains, NY. The loan was due to mature on January 6, 2017, and we incurred approximately \$12 in expense related to unamortized deferred financing costs and fees.

On September 5, 2016, we repaid outstanding mortgage debt with an original principal balance of \$55,000 secured by the Holiday Inn Express 29th Street, NY. The loan was due to mature on November 5, 2016, and we incurred approximately \$42 in expense related to unamortized deferred financing costs and fees. We also recognized \$133 of gain in unamortized original issue premiums related to the property.

NOTE 5 – DEBT (CONTINUED)

On August 2, 2016, we repaid in full outstanding mortgage debt with an original principal balance of \$19,250 secured by the Hampton Inn Seaport, NY. The loan was due to mature on October 8, 2016, and we incurred approximately \$67 in expense related to unamortized deferred financing costs and fees.

On August 2, 2016, we repaid in full outstanding mortgage debt with an original principal balance of \$25,000 secured by the Courtyard Alexandria, VA. The loan was due to mature on October 5, 2016, and we incurred approximately \$9 in expense related to unamortized deferred financing costs and fees.

As previously mentioned in “Note 3 – Investment in Unconsolidated Joint Ventures,” we repaid in full the two mortgages related to the Hampton Inn Herald Square, NY and Hampton Inn Chelsea, NY, two properties contributed to the joint venture with Cindat. The mortgage debt secured by Hampton Inn Herald Square had an original balance of \$26,500 and was due to mature on May 1, 2016. The mortgage debt secured by Hampton Inn Chelsea had an original balance of \$36,000 and was due to mature on October 1, 2016. In addition, due to our contribution of certain of the borrowing base properties to the Cindat joint venture we were required to pay down \$39,480 of the First Term Loan. We incurred a total of \$1,049 in expense related to the payment of fees to extinguish debt and related to unamortized deferred financing costs associated with the mortgage debt and term loan repayments.

On February 29, 2016, we repaid in full outstanding mortgage debt with an original principal balance of \$8,500 secured by the Hawthorn Suites, Franklin, MA. The loan was due to mature on May 1, 2016, and we incurred approximately \$42 in expense related to unamortized deferred financing costs and fees.

On October 27, 2015, we refinanced the outstanding mortgage debt with an original balance of \$30,000 secured by the Courtyard by Marriott, Los Angeles, California and simultaneously entered into a new mortgage obligation of \$35,000, incurring a loss on debt extinguishment of approximately \$10. The new mortgage debt bears interest at a variable rate of one month U.S. dollar LIBOR plus 3.00% and matures on September 29, 2017. Also on October 27, 2015, we entered into an interest rate cap that matures on September 27, 2017 that effectively limits the interest at 3.00% per annum. See “Note 7 – Fair Value Measurements and Derivative Instruments” for more information on the interest rate cap.

On August 10, 2015, we repaid in full outstanding mortgage debt with an original principal balance of \$60,000 secured by the Courtyard by Marriott, Miami, FL. In connection with this transaction, we terminated the interest rate swap associated with the mortgage on this property. See “Note 7 – Fair Value Measurements and Derivative Instruments” for more information on this transaction. The loan was due to mature on July 1, 2016, and we incurred approximately \$329 in expense in unamortized deferred financing costs and fees.

On June 10, 2015, we refinanced the outstanding mortgage debt with an original principal balance of \$55,000 secured by the Hyatt Union Square, New York, NY and simultaneously entered into a new mortgage obligation of \$55,750, incurring a loss on debt extinguishment of approximately \$212. The new mortgage debt bears interest at a variable rate of one month U.S. dollar LIBOR plus 2.30% and matures on June 10, 2019. Also on June 10, 2015, we entered into an interest rate cap that matures on June 10, 2016 that effectively limits the interest at 3.00% per annum. See “Note 7 – Fair Value Measurements and Derivative Instruments” for more information on the interest rate cap.

On April 10, 2015, we refinanced the outstanding mortgage debt with an original principal balance of \$38,913 secured by the Courtyard by Marriott, Brookline, MA. The loan was due to mature in July 2015, and we incurred approximately \$10 in expense in unamortized deferred financing costs and fees.

On January 30, 2015, we repaid in full outstanding mortgage debt with an original principal balance of \$27,500 secured by the Capitol Hill Hotel, Washington, DC and simultaneously entered into a new mortgage obligation of \$25,000. The new mortgage debt bears interest at a variable rate of one month U.S. dollar LIBOR plus 2.25% and matures on January 30, 2018. The loan was due to mature in January 2015, and we incurred no loss on debt extinguishment in paying off the loan. We had previously entered into an interest rate swap with respect to the \$27,500 mortgage loan that matured on February 1, 2015. In connection with this transaction, we did not enter into a new derivative instrument to fix or cap the rate of interest payable on the \$25,000 mortgage loan. See “Note 7 – Fair Value Measurements and Derivative Instruments” for more information on this transaction.

NOTE 5 – DEBT (CONTINUED)

On November 13, 2014, we repaid outstanding mortgage debt on with an original principal balance of \$32,000 secured by the Hilton Garden Inn, Tribeca, NY and simultaneously entered into a new mortgage obligation of \$46,500 with a new lender. The new mortgage debt bears interest at a variable rate of one month U.S. dollar LIBOR plus 2.30% and matures on November 1, 2019.

On October 27, 2014, we repaid \$10,179 on our mortgage with Berkadia Commercial Mortgage, LLC for the Residence Inn, Greenbelt, MD property. The loan was due to mature in October 2014, and we incurred no loss on debt extinguishment in paying off the loan.

On February 28, 2014, we refinanced our previous \$400,000 unsecured credit facility with a \$500,000 unsecured credit facility with Citigroup Global Markets Inc. and various other lenders. As a result of this refinance, we expensed \$579 in unamortized deferred financing costs and fees, which are included in the Loss on Debt Extinguishment caption of the consolidated statements of operations for the year ended December 31, 2014.

On January 31, 2014, we paid down \$5,175 of the outstanding debt and modified the mortgage loan on the Duane Street Hotel, New York, NY. As a result, we entered into a \$9,500 loan with a maturity date of February 1, 2017. The modified loan bears interest at a variable rate of one month U.S. dollar LIBOR plus 4.50%. The modification also includes an interest rate swap, which effectively fixes the interest rate at 5.433%. As a result of this modification, we expensed \$91 in unamortized deferred financial costs and fees during the year ended December 31, 2014.

NOTE 6 – COMMITMENTS AND CONTINGENCIES AND RELATED PARTY TRANSACTIONS

Management Agreements

Our wholly-owned taxable REIT subsidiary ("TRS"), 44 New England and our joint venture partnerships, engage eligible independent contractors in accordance with the requirements for qualification as a REIT under the Code, including HHMLP, as the property managers for hotels leased from us pursuant to management agreements. HHMLP is owned, in part, by certain executives and trustees of the Company. Our management agreements with HHMLP provide for five-year terms and are subject to early termination upon the occurrence of defaults and certain other events described therein. As required under the REIT qualification rules, HHMLP must qualify as an "eligible independent contractor" during the term of the management agreements. Under the management agreements, HHMLP generally pays the operating expenses of our hotels. All operating expenses or other expenses incurred by HHMLP in performing its authorized duties are reimbursed or borne by our TRS to the extent the operating expenses or other expenses are incurred within the limits of the applicable approved hotel operating budget. HHMLP is not obligated to advance any of its own funds for operating expenses of a hotel or to incur any liability in connection with operating a hotel. Management agreements with other unaffiliated hotel management companies have similar terms.

For its services, HHMLP receives a base management fee and, if a hotel exceeds certain thresholds, an incentive management fee. The base management fee for a hotel is due monthly and is equal to 3% of gross revenues associated with each hotel managed for the related month. The incentive management fee, if any, for a hotel is due annually in arrears on the ninetieth day following the end of each fiscal year and is based upon the financial performance of the hotels. For the years ended December 31, 2016, 2015 and 2014, base management fees incurred totaled \$13,048, \$13,675 and \$12,263 respectively, and are recorded as Hotel Operating Expenses. For the years ended December 31, 2016, 2015 and 2014, we did not incur incentive management fees.

Franchise Agreements

Our branded hotel properties are operated under franchise agreements assumed by the hotel property lessee. The franchise agreements have 10 to 20 year terms, but may be terminated by either the franchisee or franchisor on certain anniversary dates specified in the agreements. The franchise agreements require annual payments for franchise royalties, reservation, and advertising services, and such payments are based upon percentages of gross room revenue. These payments are paid by the hotels and charged to expense as incurred. Franchise fee expense for the years ended December 31, 2016, 2015 and 2014 were \$24,477, \$27,998 and \$26,015 respectively, and are recorded in Hotel Operating Expenses. The initial fees incurred to enter into the franchise agreements are amortized over the life of the franchise agreements.

Accounting and Information Technology Fees

Each of the wholly-owned hotels and consolidated joint venture hotel properties managed by HHMLP incurs a monthly accounting and information technology fee. Monthly fees for accounting services are between \$2 and \$3 per property and monthly information technology fees range from \$1 to \$2 per property. For the years ended December 31, 2016, 2015 and 2014, the Company incurred accounting fees of \$1,423, \$1,484 and \$1,410 respectively. For the years ended December 31, 2016, 2015 and 2014, the Company incurred information technology fees of \$458, \$441 and \$416 respectively. Accounting fees and information technology fees are included in Hotel Operating Expenses.

Capital Expenditure Fees

HHMLP charges a 5% fee on all capital expenditures and pending renovation projects at the properties as compensation for procurement services related to capital expenditures and for project management of renovation projects. For the years ended December 31, 2016, 2015 and 2014, we incurred fees of \$1,255, \$996 and \$742 respectively, which were capitalized with the cost of fixed asset additions.

NOTE 6 – COMMITMENTS AND CONTINGENCIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

Acquisitions from Affiliates

We have entered into an option agreement with each of our officers and certain trustees such that we obtain a right of first refusal to purchase any hotel owned or developed in the future by these individuals or entities controlled by them at fair market value. This right of first refusal would apply to each party until one year after such party ceases to be an officer or trustee of the Company. Our Acquisition Committee of the Board of Trustees is comprised solely of independent trustees, and the purchase prices and all material terms of the purchase of hotels from related parties are approved by the Acquisition Committee.

Hotel Supplies

For the years ended December 31, 2016, 2015 and 2014, we incurred charges for hotel supplies of \$144, \$189 and \$163 respectively. For the years ended December 31, 2016, 2015 and 2014, we incurred charges for capital expenditure purchases of \$2,166, \$4,542 and \$10,610 respectively. These purchases were made from Hersha Purchasing and Design, a hotel supply company owned, in part, by certain executives and trustees of the Company. Hotel supplies are expensed and included in Hotel Operating Expenses on our consolidated statements of operations, and capital expenditure purchases are included in investment in hotel properties on our consolidated balance sheets. Approximately \$1 is included in accounts payable at both December 31, 2016 and December 31, 2015.

Due From Related Parties

The due from related parties balance as of December 31, 2016 and December 31, 2015 was approximately \$18,332 and \$6,243, respectively. The balances primarily consisted of working capital deposits made to HHMLP and other entities owned, in part, by certain executives and trustees of the Company.

Due to Related Parties

The balance due to related parties as of December 31, 2016 and December 31, 2015 was approximately \$0 and \$8,789, respectively. The balances consisted of amounts payable to HHMLP for administrative, management, and benefit related fees.

Hotel Ground Rent

For the years ended December 31, 2016, 2015 and 2014 we incurred \$3,600, \$3,137 and \$2,433 respectively, of rent expense payable pursuant to ground leases related to certain hotel properties.

Future minimum lease payments (without reflecting future applicable Consumer Price Index increases) under these agreements are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 2,706
2018	2,714
2019	2,719
2020	2,744
2021	2,782
Thereafter	246,578
	<u>\$ 260,243</u>

Contingent Consideration

The purchase agreement for the acquisition of the Parrot Key Resort in Key West, FL, which we acquired in the second quarter of 2014, contained a provision that entitled the seller to additional consideration of \$2,000 contingent upon the hotel achieving certain net operating income thresholds within twelve months of acquisition. At the time of acquisition, no liability was recorded as the fair market value of the contingent consideration was determined to be \$0. Upon remeasurement at the twelve months after acquisition, it was determined that the hotel achieved a net operating income within the agreed upon threshold and the liability of the contingent consideration was determined to be \$2,000; and thus was paid to the seller in June 2015.

NOTE 6 – COMMITMENTS AND CONTINGENCIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

Litigation

We are not presently subject to any material litigation nor, to our knowledge, is any other litigation threatened against us, other than routine actions for negligence or other claims and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance and all of which collectively are not expected to have a material adverse effect on our liquidity, results of operations or business or financial condition.

NOTE 7 – FAIR VALUE MEASUREMENTS AND DERIVATIVE INSTRUMENTS

Fair Value Measurements

Our determination of fair value measurements are based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, we utilize a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

As of December 31, 2016, the Company's derivative instruments represented the only financial instruments measured at fair value. Currently, the Company uses derivative instruments, such as interest rate swaps and caps, to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs.

We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by us and the counterparties. However, as of December 31, 2016 we have assessed the significance of the effect of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

NOTE 7 – FAIR VALUE MEASUREMENTS AND DERIVATIVE INSTRUMENTS (CONTINUED)

Derivative Instruments

Hedged Debt	Type	Strike Rate	Index	Effective Date	Derivative Contract Maturity Date	Notional Amount	Estimated Fair Value		
							December 31, 2016	December 31, 2015	
Term Loan Instruments:									
First Term Loan	Swap	0.545%	1-Month LIBOR + 2.35%	November 5, 2012	November 5, 2016	100,000	-	84	
Second Term Loan	Swap	0.600%	1-Month LIBOR + 2.35%	December 18, 2012	November 5, 2016	50,000	-	18	
Third Term Loan ***	Swap	1.011%	1-Month LIBOR + 2.20%	November 3, 2016	October 3, 2019	150,000	1,773	-	
Mortgages:									
Duane Street Hotel, New York, NY	Swap	0.933%	1-Month LIBOR + 4.50%	February 1, 2014	February 1, 2017	8,973	(1)	(21)	
Hilton Garden Inn 52nd Street, New York, NY	Swap	1.152%	1-Month LIBOR + 2.90%	June 1, 2015	February 21, 2017	44,325	(26)	(215)	
Courtyard, LA Westside, Culver City, CA **	Cap	3.000%	1-Month LIBOR + 3.00%	October 27, 2015	September 29, 2017	35,000	8	19	
Hyatt, Union Square, New York, NY *	Cap	3.000%	1-Month LIBOR + 2.30%	June 10, 2015	June 10, 2019	55,750	54	136	
							\$	1,808	\$ 21

* On June 10, 2015, we refinanced the debt associated with Hyatt Union Square. As a result, we entered into an interest rate cap with a strike rate of 3.000%. The original interest rate cap matured on April 9, 2016. See "Note 5 – Debt" for more information regarding this refinance.

** On October 27, 2015, we refinanced the debt associated with Courtyard, LA Westside. As a result, we entered into an interest rate cap with a strike rate of 3.000%. The original interest rate swap matured on September 29, 2015. See "Note 5 – Debt" for more information regarding this refinance.

*** On October 7, 2016, we entered into an interest rate swap associated with \$150,000 of our \$200,000 Third Term Loan. This swap effectively fixes the interest rate of the Third Term Loan at 3.211%. This swap matures on October 3, 2019.

NOTE 7 – FAIR VALUE MEASUREMENTS AND DERIVATIVE INSTRUMENTS (CONTINUED)

The fair value of certain swaps and our interest rate caps is included in other assets at December 31, 2016 and December 31, 2015 and the fair value of certain of our interest rate swaps is included in accounts payable, accrued expenses and other liabilities at December 31, 2016 and December 31, 2015.

The net change in fair value of derivative instruments designated as cash flow hedges was a gain of \$1,839, a loss of \$108, and a gain of \$18 for the years ended December 31, 2016, 2015 and 2014, respectively. These unrealized gains and losses were reflected on our consolidated balance sheet in accumulated other comprehensive income.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate derivative. The change in net unrealized gains/losses on cash flow hedges reflects a reclassification of \$610 of net unrealized gains/losses from accumulated other comprehensive income as an increase to interest expense during 2016. During 2017, the Company estimates that an additional \$161 will be reclassified as an increase to interest expense.

Fair Value of Debt

The Company estimates the fair value of its fixed rate debt and the credit spreads over variable market rates on its variable rate debt by discounting the future cash flows of each instrument at estimated market rates or credit spreads consistent with the maturity of the debt obligation with similar credit policies. Credit spreads take into consideration general market conditions and maturity. The inputs utilized in estimating the fair value of debt are classified in Level 2 of the fair value hierarchy. As of December 31, 2016, the carrying value and estimated fair value of the Company's debt were \$1,103,327 and \$1,098,248, respectively. As of December 31, 2015, the carrying value and estimated fair value of the Company's debt were \$1,169,964 and \$1,170,901, respectively.

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NOTE 8 – SHARE BASED PAYMENTS

In May 2011, the Company established and our shareholders approved the Amended and Restated Hersha Hospitality Trust 2012 Equity Incentive Plan (the “2012 Plan”) for the purpose of attracting and retaining executive officers, employees, trustees and other persons and entities that provide services to the Company.

Executives & Employees

Annual Long Term Equity Incentive Programs

To further align the interests of the Company’s executives with those of shareholders, the Compensation Committee grants annual long term equity incentive awards that are both “performance based” and “time based.”

On March 17, 2016, the Compensation Committee approved the 2016 Annual Long Term Equity Incentive Program (“2016 Annual EIP”) for the executive officers, pursuant to which the executive officers are eligible to earn equity awards in the form of stock awards, LTIP Units, or performance share awards issuable pursuant to the 2012 Plan. These awards are earned under the 2016 Annual EIP based on achieving a threshold, target or maximum level of performance in the performance of RevPAR growth in certain defined areas. The Company accounts for these grants as performance awards for which the Company assesses the probability of achievement of the performance conditions at the end of each period. As of December 31, 2016, no shares or LTIP Units have been issued in accordance with the 2012 Plan to the executive officers in settlement of 2016 Annual EIP awards.

The following table is a summary of all unvested LTIP Units issued to executives:

Issuance Date	LTIP Units Issued	Vesting Period	Vesting Schedule	Units Vested		Unearned Compensation	
				December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
March 30, 2016 (2015 Annual EIP)	183,396	3 years	25%/year ⁽¹⁾	91,696	-	\$ 868	\$ -
March 30, 2015 (2014 Annual EIP)	128,832	3 years	25%/year ⁽¹⁾	96,623	64,415	225	758
December 23, 2014 (2013 Annual EIP) ⁽³⁾	83,993	3 years	25%/year ⁽¹⁾	83,993	55,994	-	173
December 23, 2014 ⁽³⁾	258,899	5 years	33% Year 3, 4, 5 ⁽²⁾	172,599	86,299	457	1,553
	<u>655,120</u>			<u>444,911</u>	<u>206,708</u>	<u>\$ 1,550</u>	<u>\$ 2,484</u>

(1) 25% of the issued shares or LTIP Units vested immediately upon issuance. In general, the remaining shares or LTIP Units vest 25% on the first through third anniversaries of the end of the performance period (subject to continuous employment through the applicable vesting date).

(2) On April 18, 2012, the Company entered into amended and restated employment agreements with the Company’s executive officers. To induce the executives to agree to the substantial reduction in benefits upon certain terminations following a change of control as described in the agreements, the Company awarded an aggregate of 258,899 restricted common shares to the executives pursuant to the 2012 Plan, which were subsequently forfeited and replaced with LTIP Units. One-third of each award of LTIP Units vested or will vest on each of the third, fourth and fifth anniversaries of the original date of issuance. Vesting will accelerate upon a change of control or if the relevant executive’s employment with the Company were to terminate for any reason other than for cause (as defined in the employment agreements).

(3) On December 23, 2014, the 2012 Plan was amended and restated to add LTIP Units as a type of award available under the 2012 Plan. On this date, the Compensation Committee approved an aggregate of 487,081 LTIP Units to certain executive officers. These executive officers forfeited an aggregate of 487,081 Class A Common Shares, all of which were unvested as of the grant date of the LTIP Units and previously awarded to the executive officers under the 2012 Plan as restricted stock awards. These LTIP Units are subject to the same time-based vesting conditions that applied to the forfeited restricted stock awards.

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NOTE 8 – SHARE BASED PAYMENTS (CONTINUED)

Stock based compensation expense related to the Annual Long Term Equity Incentive Program of \$4,800, \$4,490 and \$4,083 was incurred during the years ended December 31, 2016, 2015 and 2014, respectively. Unearned compensation related to the Annual Long Term Equity Incentive Program as of December 31, 2016 and December 31, 2015 was \$1,550 and \$2,484, respectively.

Unearned compensation related to the grants and amortization of LTIP Units is included in Noncontrolling Interests on the Company's Consolidated Balance Sheets and Consolidated Statements of Equity.

Multi-Year Long Term Equity Incentive Programs

On March 17, 2016, the Compensation Committee approved the 2016 Multi-Year Long Term Equity Incentive Program ("2016 Multi-Year EIP"). This program has a three-year performance period which commenced on January 1, 2016 and ends December 31, 2018. As of December 31, 2016, no shares or LTIP Units have been issued to the executive officers in settlement of 2016 Multi-Year EIP awards.

The following table is a summary of the approved Multi-Year Long Term Equity Incentive Programs:

Compensation Committee Approval Date	LTIP Units Issued	LTIP Issuance Date	Performance Period	Units Vested		Unearned Compensation	
				December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
March 17, 2016 (2016 Multi-Year EIP)	-	N/A	1/1/2016 to 12/31/2018	-	-	\$ 888	\$ -
March 18, 2015 (2015 Multi-Year EIP)	-	N/A	1/1/2015 to 12/31/2017	-	-	397	596
April 11, 2014 (2014 Multi-Year EIP)	-	N/A	1/1/2014 to 12/31/2016	-	-	283	567
April 15, 2013 (2013 Multi-Year EIP)	110,849	3/30/2016	1/1/2013 to 12/31/2015	110,849	-	-	385
	<u>110,849</u>			<u>110,849</u>	<u>-</u>	<u>\$ 1,568</u>	<u>\$ 1,548</u>

The shares or LTIP Units issuable under the Multi-Year Long Term Incentive Programs, including the 2016 Multi-Year EIP, are based on the Company's achievement of a certain level of (1) absolute total shareholder return (37.50% of the award), (2) relative total shareholder return as compared to the Company's peer group (37.50% of the award), and (3) relative growth in revenue per available room (RevPar) compared to the Company's peer group (25% of the award).

The Company accounts for the total shareholder return components of these grants as market based awards where the Company estimates unearned compensation at the grant date fair value which is then amortized into compensation cost over the vesting period of each individual plan. The Company accounts for the RevPAR component of the grants as performance-based awards for which the Company assesses the probable achievement of the performance conditions at the end of the reporting period.

Stock based compensation expense of \$1,869, \$818 and \$598 was recorded for the years ended December 31, 2016, 2015 and 2014, respectively, for the Multi-Year Long Term Equity Incentive Programs. Unearned compensation related to the multi-year program as of December 31, 2016 and December 31, 2015, respectively, was \$1,568 and \$1,548.

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NOTE 8 – SHARE BASED PAYMENTS (CONTINUED)

Restricted Share Awards

In addition to share based compensation expense related to awards to executives under the Multi-Year and Annual Long Term Equity Incentive Programs, share based compensation expense related to restricted common shares issued to employees of the Company of \$541, \$455 and \$399 was incurred during the years ended December 31, 2016, 2015 and 2014 respectively. Unearned compensation related to the restricted share awards as of December 31, 2016 and December 31, 2015 was \$505 and \$491, respectively. The following table is a summary of all unvested share awards issued to employees under the 2012 Plan and prior equity incentive plans:

Original Year of Issuance Date	Original Shares Issued	Range of Share Price on Date of Grant*	Vesting Period	Vesting Schedule	Shares Vested		Unearned Compensation	
					December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
2016	30,070	\$ 18.02-21.11	2 years	50% /year	497	-	\$ 348	\$ -
2015	23,492	21.76-28.09	2-4 years	25-50% /year	13,733	600	157	419
2014	11,455	26.00-27.00	2 years	50% /year	11,455	6,619	-	54
2013	11,899	22.56	2-4 years	25-50% /year	11,899	11,199	-	7
2012	13,646	21.12	2-4 years	25-50% /year	13,646	12,445	-	11
Total	90,562				51,230	30,863	\$ 505	\$ 491

*Original share price on date of grants prior to June 22, 2015 were multiplied by four to account for the reverse share split which occurred on June 22, 2015. See "Note 1 – Basis of Presentation" for more information.

Trustees

Annual Retainer

The Compensation Committee approved a program that allows the Company's trustees to make a voluntary election to receive any portion of the annual cash retainer in the form of common equity valued at a 25% premium to the cash that would have been received. On December 30, 2016, we issued 4,395 shares which do not fully vest until December 31, 2017. Compensation expense incurred for the years ended December 31, 2016, 2015 and 2014, respectively, was \$112, \$93 and \$220.

The following table is a summary of all unvested share awards issued to trustees in lieu of annual cash retainer:

Original Issuance Date	Shares Issued	Share Price on Date of Grant	Vesting Period	Vesting Schedule	Unearned Compensation	
					December 31, 2016	December 31, 2015
December 30, 2016	4,395	\$ 21.50	12 months	100%	\$ 94	\$ -
March 30, 2016	5,289	21.11	9 months	100%	-	-
Total	9,684				\$ 94	\$ -

Multi-Year Long-Term Equity Incentives

Compensation expense for the multi-year long term incentive plans for the Company's trustees incurred for the years ended December 31, 2016, 2015 and 2014, respectively, was \$61, \$59 and \$71. Unearned compensation related to the multi-year long term equity incentives was \$167 and \$67 as of December 31, 2016 and December 31, 2015, respectively.

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NOTE 8 – SHARE BASED PAYMENTS (CONTINUED)

The following table is a summary of all unvested share awards issued to trustees under the 2012 Plan and prior equity incentive plans:

Original Issuance Date	Shares Issued	Vesting Period	Vesting Schedule	Shares Vested		Unearned Compensation	
				December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
December 30, 2016	5,000	3 years	33% /year	-	-	\$ 108	\$ -
March 30, 2016	2,500	3 years	33% /year	835	-	35	-
December 30, 2014	2,500	3 years	33% /year	1,670	835	24	48
December 27, 2013	3,000	3 years	33% /year	3,000	2,170	-	19
				<u>5,505</u>	<u>3,005</u>	<u>\$ 167</u>	<u>\$ 67</u>

Share Awards

Compensation expense related to share awards issued to the Board of Trustees of \$535, \$434 and \$457 was incurred during the years ended December 31, 2016, 2015 and 2014, respectively and is recorded in general and administrative expense on the statement of operations. Share awards issued to the Board of Trustees are immediately vested. On June 6, 2016, an aggregate of 17,795 shares were issued to the Board of Trustees at a price per share on the date of grant of \$17.96. On December 30, 2016, an aggregate of 10,000 shares were issued to the Board of Trustees at a price per share on the date of grant of \$21.50.

Non-employees

The Company issues share based awards as compensation to non-employees for services provided to the Company consisting primarily of restricted common shares. The Company recorded stock based compensation expense of \$130, \$174 and \$200 for the years ended December 31, 2016, 2015 and 2014, respectively. Unearned compensation related to the restricted share awards as of December 31, 2016 and December 31, 2015 was \$79 and \$90, respectively. The following table is a summary of all unvested share awards issued to non-employees under the Company's 2012 Plan:

Original Issuance Date	Shares Issued	Share Price on Date of Grant*	Vesting Period	Vesting Schedule	Shares Vested		Unearned Compensation	
					December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
March 30, 2016	7,500	\$ 21.11	2 years	50% /year	3,750	-	\$ 79	\$ -
March 27, 2015	7,238	\$ 25.88	2 years	50% /year	7,238	3,762	-	90
Total	<u>14,738</u>				<u>10,988</u>	<u>3,762</u>	<u>\$ 79</u>	<u>\$ 90</u>

*Original share price on date of grant prior to June 22, 2015 was multiplied by four to account for the reverse share split which occurred on June 22, 2015. See "Note 1 – Basis of Presentation" for more information.

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NOTE 9 – EARNINGS PER SHARE

The following table is a reconciliation of the income or loss (numerator) and the weighted average shares (denominator) used in the calculation of basic and diluted earnings per common share. The computation of basic and diluted earnings per share is presented below.

	For the Year Ended December 31,		
	2016	2015	2014
NUMERATOR:			
<i>Basic and Diluted*</i>			
Net Income from Continuing Operations	\$ 121,457	\$ 42,207	\$ 69,936
Income allocated to Noncontrolling Interests	(4,477)	(411)	(1,069)
Distributions to Preferred Shareholders	(17,380)	(14,356)	(14,356)
Dividends Paid on Unvested Restricted Shares and LTIP Units	(503)	(453)	(515)
Extinguishment of Issuance Costs Upon Redemption of Series B Preferred Shares	(4,021)	-	-
Net Income from Continuing Operations attributable to Common Shareholders	<u>\$ 95,076</u>	<u>\$ 26,987</u>	<u>\$ 53,996</u>
Discontinued Operations			
Loss from Discontinued Operations	-	-	(1,665)
Loss from Discontinued Operations allocated to Noncontrolling Interests	-	-	53
Loss from Discontinued Operations attributable to Common Shareholders	<u>-</u>	<u>-</u>	<u>(1,612)</u>
Net Income attributable to Common Shareholders	<u>\$ 95,076</u>	<u>\$ 26,987</u>	<u>\$ 52,384</u>
DENOMINATOR:			
Weighted average number of common shares - basic	42,957,199	47,786,811	49,777,302
Effect of dilutive securities:			
Restricted Stock Awards and LTIP Units (unvested)	278,588	303,949	347,829
Contingently Issued Shares	294,944	278,898	182,375
Weighted average number of common shares - diluted	<u>43,530,731</u>	<u>48,369,658</u>	<u>50,307,506</u>

* Income (loss) allocated to noncontrolling interest in HHP has been excluded from the numerator and Common Units and Vested LTIP Units 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. In addition, potentially dilutive common shares, if any, have been excluded from the denominator if they are anti-dilutive to income (loss) applicable to common shareholders.

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NOTE 10 – CASH FLOW DISCLOSURES AND NON CASH INVESTING AND FINANCING ACTIVITIES

Interest paid during 2016, 2015 and 2014 totaled \$42,449, \$40,240 and \$40,760 respectively. Cash paid for income taxes during 2016, 2015 and 2014 were \$772, \$0 and \$0, respectively. The following non-cash investing and financing activities occurred during 2016, 2015 and 2014:

	2016	2015	2014
Common Shares issued as part of the Dividend Reinvestment Plan	\$ 63	\$ 50	\$ 50
Acquisition of hotel properties:			
Debt assumed, including premium	55,350	28,902	24,924
Deposit paid in prior period towards acquisition which closed in current period	5,000	-	-
Deferred Tax Liability	3,281	-	-
Settlement of development loan receivable principal and accrued interest revenue receivable	-	-	22,494
Disposition of hotel properties:			
Debt assumed by purchaser	-	-	45,710
Conversion of Common Units to Common Shares	-	132	-
Issuance of Common Units	4,430	-	-
Accrued payables for fixed assets placed into service	1,689	992	1,312
Contribution of fixed assets to joint venture	264,658	-	-

NOTE 11 – SHAREHOLDERS’ EQUITY AND NONCONTROLLING INTERESTS IN PARTNERSHIP

Common Shares

The Company’s outstanding common shares have been duly authorized, and are fully paid and non-assessable. Common shareholders are entitled to receive dividends if and when authorized and declared by the Board of Trustees of the Company out of assets legally available and to share ratably in the assets of the Company legally available for distribution to its shareholders in the event of its liquidation, dissolution or winding up after payment of, or adequate provision for, all known debts and liabilities of the Company.

Preferred Shares

The Declaration of Trust authorizes our Board of Trustees to classify any unissued preferred shares and to reclassify any previously classified but unissued preferred shares of any series from time to time in one or more series, as authorized by the Board of Trustees. Prior to issuance of shares of each series, the Board of Trustees is required by Maryland REIT Law and our Declaration of Trust to set for each such series, subject to the provisions of our Declaration of Trust regarding the restriction on transfer of shares of beneficial interest, the terms, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such series. Thus, our Board of Trustees could authorize the issuance of additional preferred shares with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control in us that might involve a premium price for holders of common shares or otherwise be in their best interest.

Common Units

Common Units are issued in connection with the acquisition of wholly owned hotels and joint venture interests in hotel properties. The total number of Common Units outstanding as of December 31, 2016, 2015 and 2014 was 1,928,386, 1,703,386 and 1,712,353, respectively. These units can be redeemed for cash or converted to common shares, at the Company’s option, on a one-for-one basis. The number of common shares issuable upon exercise of the redemption rights will be adjusted upon the occurrence of stock splits, mergers, consolidation or similar pro rata share transactions, that otherwise would have the effect of diluting the ownership interest of the limited partners or our shareholders. During 2016, 2015 and 2014, 0, 8,965 and 4,725 Common Units were converted to common shares, respectively. In addition, as noted in “Note 8 – Share Based Payments,” during 2016, the Company issued 294,245 LTIP Units.

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
[IN THOUSANDS, EXCEPT SHARE/UNIT AND PER SHARE AMOUNTS]

NOTE 12 – INCOME TAXES

The Company elected to be taxed as a REIT under Sections 856 through 860 of the Code commencing with its taxable year ended December 31, 1999. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain, to its shareholders. It is the Company's current intention to adhere to these requirements and maintain the Company's qualification for taxation as a REIT. As a REIT, the Company generally will not be subject to federal corporate income tax on that portion of its net income that is currently distributed to shareholders. If the Company fails to qualify for taxation as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income.

Taxable income from non-REIT activities managed through TRSs is subject to federal, state and local income taxes. As a TRS, 44 New England is subject to income taxes at the applicable federal, state and local tax rates.

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

	For the year ended December 31,		
	2016	2015	2014
Statutory federal income tax provision	\$ 39,633	\$ 13,282	\$ 22,865
Adjustment for nontaxable income for Hersha Hospitality Trust	(44,078)	(15,853)	(25,274)
State income taxes, net of federal income tax effect	(725)	(581)	(367)
Recognition of deferred tax assets	282	11	91
Total income tax benefit	<u>\$ (4,888)</u>	<u>\$ (3,141)</u>	<u>\$ (2,685)</u>

The components of the Company's income tax expense (benefit) from continuing operations for the years ended December 31, 2016, 2015 and 2014 were as follows:

	For the year ended December 31,		
	2016	2015	2014
Income tax expense (benefit):			
Current:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Deferred:			
Federal	\$ (3,790)	(2,261)	(2,130)
State	(1,098)	(880)	(555)
Total	<u>(4,888)</u>	<u>\$ (3,141)</u>	<u>\$ (2,685)</u>
Income tax expense (benefit):			
From continuing operations	\$ (4,888)	(3,141)	(2,685)
From discontinued operations	-	-	2
Total	<u>(4,888)</u>	<u>\$ (3,141)</u>	<u>\$ (2,683)</u>

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION AS OF DECEMBER 31, 2016 (CONTINUED)
[IN THOUSANDS]

NOTE 12 – INCOME TAXES (CONTINUED)

The components of consolidated TRS's net deferred tax asset as of December 31, 2016 and 2015 were as follows:

	<u>As of December 31,</u>	
	<u>2016</u>	<u>2015</u>
Deferred tax assets:		
Net operating loss carryforwards	\$ 18,448	\$ 14,168
Accrued expenses and other	1,494	1,292
Tax credit carryforwards	567	558
Total gross deferred tax assets	<u>20,509</u>	<u>16,018</u>
Valuation allowance	<u>(804)</u>	<u>(804)</u>
Total net deferred tax assets	\$ 19,705	\$ 15,214
Deferred tax liabilities:		
Depreciation and amortization	<u>3,508</u>	<u>624</u>
Total Net deferred tax assets	<u>\$ 16,197</u>	<u>\$ 14,590</u>

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. Based on limitations related to the utilization of certain tax attribute carryforwards, the Company recorded a valuation allowance of approximately \$804 as these attributes are not more likely than not to be realized prior to their expiration. Based on the level of historical taxable income, tax planning strategies and projections for future taxable income over the periods in which the remaining deferred tax assets are deductible, Management believes it is more likely than not that the remaining deferred tax assets will be realized.

As of December 31, 2016, we have gross federal net operating loss carryforwards of \$46,125 which expire over various periods from 2023 through 2036. As of December 31, 2016, we have gross state net operating loss carryforwards of \$54,281 which expire over various periods from 2016 to 2036. The Company has tax credits of \$567 available which begin to expire in 2028.

Earnings and profits, which will determine the taxability of distributions to shareholders, will differ from net income reported for financial reporting purposes due to the differences for federal tax purposes in the estimated useful lives and methods used to compute depreciation. The following table sets forth certain per share information regarding the Company's common and preferred share distributions for the years ended December 31, 2016, 2015 and 2014.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Preferred Shares - 8% Series B			
Ordinary income	100.00%	100.00%	100.00%
Return of Capital	0.00%	0.00%	0.00%
Capital Gain Distribution	0.00%	0.00%	0.00%
Preferred Shares - 6.875% Series C			
Ordinary income	100.00%	100.00%	100.00%
Return of Capital	0.00%	0.00%	0.00%
Capital Gain Distribution	0.00%	0.00%	0.00%
Preferred Shares - 6.5% Series D			
Ordinary income	100.00%	N/A	N/A
Return of Capital	0.00%	N/A	N/A
Capital Gain Distribution	0.00%	N/A	N/A
Common Shares - Class A			
Ordinary income	100.00%	79.49%	76.34%
Return of Capital	0.00%	20.51%	23.66%
Capital Gain Distribution	0.00%	0.00%	0.00%

There were no Preferred Shares Series E dividends paid during 2016.

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION AS OF DECEMBER 31, 2016
[IN THOUSANDS]

NOTE 13 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	Year Ended December 31, 2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total Revenues	\$ 106,916	\$ 223,077	\$ 120,702	\$ 132,135
Total Expenses	115,121	112,709	110,223	126,385
(Loss) Income from Unconsolidated Joint Ventures	(214)	1,521	(3,717)	587
(Loss) Income from Continuing Operations	(8,419)	111,889	6,762	6,337
Income Tax Benefit	-	3,070	1,443	375
Net (Loss) Income	(8,419)	114,959	8,205	6,712
(Loss) Income Allocated to Noncontrolling Interests in Continuing Operations	(687)	4,748	211	205
Issuance Costs of Redeemed Preferred Stock	-	4,021	-	-
Preferred Distributions	3,589	4,000	4,417	5,374
Net (Loss) Income applicable to Common Shareholders	\$ (11,321)	\$ 102,190	\$ 3,577	\$ 1,133
Earnings per share:				
Basic Net (Loss) Income applicable to Common Shareholders	\$ (0.26)	\$ 2.35	\$ 0.08	\$ 0.04
Diluted Net (Loss) Income applicable to Common Shareholders	\$ (0.26)	\$ 2.33	\$ 0.08	\$ 0.03
Weighted Average Common Shares Outstanding				
Basic	44,379,327	43,427,726	42,309,044	41,733,272
Diluted	44,379,327	43,863,577	42,745,864	42,307,583

	Year Ended December 31, 2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total Revenues	\$ 95,760	\$ 127,081	\$ 124,560	\$ 123,177
Total Expenses	99,875	108,090	111,396	113,116
(Loss) Income from Unconsolidated Joint Ventures	(274)	526	608	105
(Loss) Income from Continuing Operations	(4,389)	19,517	13,772	10,166
Income Tax Benefit	-	109	631	2,401
Net (Loss) Income	(4,389)	19,626	14,403	12,567
(Loss) Income Allocated to Noncontrolling Interests in Continuing Operations	(443)	405	244	205
Preferred Distributions	3,589	3,589	3,589	3,589
Net (Loss) Income applicable to Common Shareholders	\$ (7,535)	\$ 15,632	\$ 10,570	\$ 8,773
Basic and diluted earnings per share:				
Net (Loss) Income applicable to Common Shareholders	\$ (0.16)	\$ 0.32	\$ 0.22	\$ 0.19
Weighted Average Common Shares Outstanding				
Basic	49,582,790	48,530,716	47,417,452	45,663,416
Diluted	49,582,790	49,043,914	47,909,549	46,211,104

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION AS OF DECEMBER 31, 2016 (CONTINUED)
[IN THOUSANDS]

Description	Initial Costs			Costs Capitalized Subsequent to Acquisition		Gross Amounts at which Carried at Close of Period			Accumulated Depreciation	Net Book Value	Date of Acquisition
	Encumbrances	Land	Buildings & Improvements	Land	Buildings Improvements	Land	Buildings Improvements	Total			
Courtyard, Brookline, MA	-	-	47,414	-	4,754	-	52,168	52,168	(15,567)	36,601	06/16/05
Residence Inn, Tyson's Corner, VA	-	4,283	14,475	-	1,962	4,283	16,437	20,720	(5,315)	15,405	02/02/06
Hilton Garden Inn, JFK Airport, NY	(19,034)	-	25,018	-	2,892	-	27,910	27,910	(8,659)	19,251	02/16/06
Holiday Inn Exp, Cambridge, MA	-	1,956	9,793	-	2,461	1,956	12,254	14,210	(4,467)	9,743	05/03/06
Hyatt House, Gaithersburg, MD	-	2,912	16,001	-	4,165	2,912	20,166	23,078	(6,475)	16,603	12/28/06
Hyatt House, White Plains, NY	-	8,823	30,273	-	2,807	8,823	33,080	41,903	(9,761)	32,142	12/28/06
Holiday Inn Exp & Suites, Chester, NY	-	1,500	6,671	-	322	1,500	6,993	8,493	(1,807)	6,686	01/25/07
Hampton Inn, Seaport, NY	-	7,816	19,040	-	1,355	7,816	20,395	28,211	(5,271)	22,940	02/01/07
Sheraton Hotel, JFK Airport, NY	-	-	27,315	-	2,313	-	29,628	29,628	(6,807)	22,821	06/13/08
Hampton Inn, Philadelphia, PA	-	3,490	24,382	-	5,972	3,490	30,354	33,844	(12,839)	21,005	02/15/06

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
 SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION AS OF DECEMBER 31, 2016 (CONTINUED)
 [IN THOUSANDS]

Duane Street, Tribeca, NY	(8,973)	8,213	12,869	-	1,940	8,213	14,809	23,022	(3,887)	19,135	01/04/08
NU Hotel, Brooklyn, NY	-	-	22,042	-	1,650	-	23,692	23,692	(5,496)	18,196	01/14/08
Hilton Garden Inn, Tribeca, NY	(46,500)	21,077	42,955	-	935	21,077	43,890	64,967	(8,614)	56,353	05/01/09

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION AS OF DECEMBER 31, 2016 (CONTINUED)
[IN THOUSANDS]

Description	Initial Costs			Costs Capitalized Subsequent to Acquisition		Gross Amounts at which Carried at Close of Period			Accumulated Depreciation	Net Book Value	Date of Acquisition
	Encumbrances	Land	Buildings & Improvements	Land	Buildings Improvements	Land	Buildings Improvements	Total			
Hampton Inn, Washington, DC		9,335	58,048	-	1,256	9,335	59,304	68,639	(9,906)	58,733	09/01/10
Sheraton, Wilmington South, DE		1,765	16,929	-	1,400	1,765	18,329	20,094	(4,880)	15,214	12/21/10
Capitol Hill Suites Washington, DC	(25,000)	8,095	35,141	-	4,261	8,095	39,402	47,497	(7,218)	40,279	04/15/11
Courtyard, LA Westside, CA	(35,000)	13,489	27,025	-	4,834	13,489	31,859	45,348	(5,830)	39,518	05/19/11
Hampton Inn, Pearl Street, NY		11,384	23,432	-	580	11,384	24,012	35,396	(1,637)	33,759	07/22/11
Courtyard, Miami, FL		35,699	55,805	-	23,119	35,699	78,924	114,623	(9,483)	105,140	11/16/11
The Rittenhouse Hotel, PA		7,108	29,556	-	16,428	7,108	45,984	53,092	(10,501)	42,591	03/01/12
Bulfinch, Boston, MA		1,456	14,954	-	1,511	1,456	16,465	17,921	(2,510)	15,411	05/07/12
Holiday Inn Express, Manhattan, NY		30,329	57,016	-	905	30,329	57,921	88,250	(6,887)	81,363	06/18/12
Hyatt, Union Square, NY	(55,750)	32,940	79,300	-	2,253	32,940	81,553	114,493	(7,769)	106,724	04/09/13
Courtyard, San Diego, CA		15,656	51,674	-	1,786	15,656	53,460	69,116	(5,048)	64,068	05/30/13

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
 SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION AS OF DECEMBER 31, 2016 (CONTINUED)
 [IN THOUSANDS]

Residence Inn, Coconut Grove, FL	4,146	17,456	-	7,140	4,146	24,596	28,742	(3,761)	24,981	06/12/13	
Hotel Milo, Santa Barbara, CA	(23,701)	-	55,080	-	2,795	-	57,875	57,875	(4,408)	53,467	02/28/14

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION AS OF DECEMBER 31, 2016 (CONTINUED)
[IN THOUSANDS]

Description	Initial Costs			Costs Capitalized Subsequent to Acquisition		Gross Amounts at which Carried at Close of Period			Accumulated Depreciation	Net Book Value	Date of Acquisition
	Encumbrances	Land	& Buildings Improvements	Land &	Buildings Improvements	Land	& Buildings Improvements	Total			
Hilton Garden Inn, Midtown East, NY	(44,325)	45,480	60,762	-	180	45,480	60,942	106,422	(3,982)	102,440	05/27/14
Parrot Key Hotel, Key West, FL		57,889	33,959	-	560	57,889	34,519	92,408	(2,369)	90,039	05/07/14
Winter Haven Hotel, Miami Beach, FL		5,400	18,147	-	611	5,400	18,758	24,158	(1,512)	22,646	12/20/13
Blue Moon Hotel, Miami Beach, FL		4,874	20,354	-	806	4,874	21,160	26,034	(1,694)	24,340	12/20/13
St. Gregory Hotel, Washington D.C.	(24,946)	23,764	33,005	-	2,889	23,764	35,894	59,658	(1,421)	58,237	06/16/15
TownePlace Suites, Sunnyvale, CA		-	18,999	-	327	-	19,326	19,326	(647)	18,679	08/25/15
Ritz Carlton Georgetown, Washington D.C.		17,825	29,584	-	260	17,825	29,844	47,669	(746)	46,923	12/29/15
Sanctuary Beach Resort, Marina, CA	(14,700)	20,278	17,319	-	430	20,278	17,749	38,027	(409)	37,618	01/28/16
Hilton Garden Inn M Street, Washington D.C.		30,793	67,420	-	16	30,793	67,436	98,229	(1,341)	96,888	03/09/16
Envoy Hotel, Boston, MA		25,264	75,979	-	-	25,264	75,979	101,243	(849)	100,394	07/21/16
Courtyard, Sunnyvale, CA	(40,600)	17,694	53,272	-	-	17,694	53,272	70,966	(266)	70,700	10/20/16

HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
 SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION AS OF DECEMBER 31, 2016 (CONTINUED)
 [IN THOUSANDS]

The Ambrose, Santa Monica, CA	18,750	26,839	-	89	18,750	26,928	45,678	(56)	45,622	12/01/16
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Total Investment in Real Estate	\$	(\$338,529)	\$499,483	\$	1,275,303	\$	0	\$107,964	\$499,483	\$1,383,267	\$1,882,750	\$	(\$190,095)	\$1,692,655
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HERSHA HOSPITALITY TRUST AND SUBSIDIARIES
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION AS OF DECEMBER 31, 2016 (CONTINUED)
[IN THOUSANDS]

Description	Initial Costs			Costs Capitalized Subsequent to Acquisition		Gross Amounts at which Carried at Close of Period			Accumulated Depreciation	Net Book Value	Date of Acquisition
	Encumbrances	Land	Buildings & Improvements	Land	Buildings & Improvements	Land	Buildings & Improvements	Total			
Residence Inn, Greenbelt, MD		2,615	14,815	-	2,290	2,615	17,105	19,720	(6,131)	13,589	07/16/04
Hyatt House, Pleasant Hill, CA	(20,160)	6,216	17,229	-	3,025	6,216	20,254	26,470	(5,611)	20,859	12/28/06
Hyatt House, Pleasanton, CA	(14,490)	3,941	12,560	-	3,530	3,941	16,090	20,031	(5,138)	14,893	12/28/06
Hyatt House, Scottsdale, AZ	(16,778)	3,060	19,968	-	3,535	3,060	23,503	26,563	(7,200)	19,363	12/28/06
Courtyard, Alexandria, VA		6,376	26,089	-	2,622	6,376	28,711	35,087	(8,337)	26,750	09/29/06
Total Assets Held For Sale	\$ (51,428)	22,208	90,661	\$ -	15,002	22,208	105,663	127,871	\$ (32,417)	95,454	
Total Real Estate	\$ (389,957)	521,691	1,365,964	\$ -	122,966	521,691	1,488,930	2,010,621	\$ (222,512)	1,788,109	

* Assets are depreciated over a 7 to 40 year life, upon which the latest income statement is computed

The aggregate cost of land, buildings and improvements for Federal income tax purposes for the years ended December 31, 2016, 2015 and 2014 is approximately \$1,926,585, \$1,848,773 and \$1,836,861, respectively.

Depreciation is computed for buildings and improvements using a useful life for these assets of 7 to 40 years.

See Accompanying Report of Independent Registered Public Accounting Firm

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reconciliation of Real Estate			
Balance at beginning of year	\$ 1,999,438	\$ 1,864,382	\$ 1,629,312
Additions during the year	372,011	135,056	333,889
Dispositions/Deconsolidation of consolidated joint venture during the year	<u>(360,828)</u>	<u>-</u>	<u>(98,819)</u>
Total Real Estate	<u>\$ 2,010,621</u>	<u>\$ 1,999,438</u>	<u>\$ 1,864,382</u>
Reconciliation of Accumulated Depreciation			
Balance at beginning of year	\$ 237,129	\$ 189,889	\$ 162,189
Depreciation for year	46,078	47,240	43,218
Accumulated depreciation on assets sold	<u>(60,695)</u>	<u>-</u>	<u>(15,518)</u>
Balance at the end of year	<u>\$ 222,512</u>	<u>\$ 237,129</u>	<u>\$ 189,889</u>

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

None.

Item 9A. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A control system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined within Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting refers to the processes 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, and includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- 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
- 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.

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria contained in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission as of December 31, 2015. Based on that evaluation, management has concluded that, as of December 31, 2016, the Company's internal control over financial reporting was effective based on those criteria. The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their attestation report which is included herein.

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Stockholders
Hersha Hospitality Trust:

We have audited Hersha Hospitality Trust's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Hersha Hospitality Trust'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 Annual 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 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.

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.

In our opinion, Hersha Hospitality Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on 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), the consolidated balance sheets of Hersha Hospitality Trust and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated February 23, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 23, 2017

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None

Item 10. Trustees, Executive Officers and Corporate Governance

The required information is incorporated herein by reference from our definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Annual Report on Form 10-K with respect to our 2017 Annual Meeting of Shareholders.

Item 11. Executive Compensation

The required information is incorporated herein by reference from our definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Annual Report on Form 10-K with respect to our 2017 Annual Meeting of Shareholders.

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

Certain of the required information is incorporated herein by reference from our definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Annual Report on Form 10-K with respect to our 2017 Annual Meeting of Shareholders.

SECURITIES ISSUABLE PURSUANT TO EQUITY COMPENSATION PLANS

As of December 31, 2016, no options or warrants to acquire our securities pursuant to equity compensation plans were outstanding. The following table sets forth the number of securities to be issued upon exercise of outstanding options, warrants and rights; weighted average exercise price of outstanding options, warrants and rights; and the number of securities remaining available for future issuance under our equity compensation plans as of December 31, 2016:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans ⁽¹⁾ (c)
Equity compensation plans approved by security holders	-	-	1,897,442
Equity compensation plans not approved by security holders	-	-	-
Total	-	-	1,897,442

(1) Represents shares issuable under the Company's 2012 Amended and Restated Equity Incentive Plan. On January 1, 2012, the Company's 2008 Equity Incentive Plan ("2008 EIP") was terminated. Termination of the 2008 EIP does not impact awards issued under the 2008 EIP prior its termination.

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

The required information is incorporated herein by reference from our definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Annual Report on Form 10-K with respect to our 2017 Annual Meeting of Shareholders.

Item 14. Principal Accountant Fees and Services

The required information is incorporated herein by reference from our definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this Annual Report on Form 10-K with respect to our 2017 Annual Meeting of Shareholders.

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report.

1. Financial Statements:

The following financial statements are included in this report on pages 57 to 108:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2016 and 2015
Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014
Consolidated Statements of Equity and Comprehensive Income for the years ended December 31, 2016, 2015 and 2014
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014
Notes to Consolidated Financial Statements

2. Financial Statement Schedules:

The following financial statement schedule is included in this report on pages 109 to 116: Schedule III - Real Estate and Accumulated Depreciation for the year ended December 31, 2016

3. Exhibits

The following exhibits listed are filed as a part of this report:

Exhibit No.

- 3.1 Articles of Amendment and Restatement of the Declaration of Trust of Hersha Hospitality Trust, as amended and supplemented.*
- 3.2 Amended and Restated Bylaws of Hersha Hospitality Trust (filed as Exhibit 3.1 to the Current Report on Form 8-K, filed by Hersha Hospitality Trust on February 15, 2012 and incorporated by reference herein).
- 4.1 Form of Common Share Certificate. (filed as Exhibit 4.1 to Hersha Hospitality Trust Registration Statement on Form S-11/A filed July 30, 1998 (SEC File No. 333-56087) and incorporated by reference herein).
- 4.2 Junior Subordinated Indenture, dated as of May 13, 2005, between Hersha Hospitality Limited Partnership and JPMorgan Chase Bank, National Association, as trustee (filed as Exhibit 4.1 to the Current Report on Form 8-K filed by Hersha Hospitality Trust on May 17, 2005 and incorporated by reference herein).
- 4.3 Form of Junior Subordinated Note (included in Exhibit 4.2).
- 4.4 Amended and Restated Trust Agreement of Hersha Statutory Trust I, dated as of May 13, 2005, among Hersha Hospitality Limited Partnership, as depositor, JPMorgan Chase Bank, National Association, as property trustee, Chase Bank USA, National Association, as Delaware trustee, the Administrative Trustees named therein and the holders of undivided beneficial interests in the assets of Hersha Statutory Trust I (filed as Exhibit 4.2 to the Current Report on Form 8-K filed by Hersha Hospitality Trust on May 17, 2005 and incorporated by reference herein).
- 4.5 Form of Trust Preferred Security Certificate (included in Exhibit 4.4).
- 4.6 Junior Subordinated Indenture, dated as of May 31, 2005, between Hersha Hospitality Limited Partnership and Wilmington Trust Company, as trustee (filed as Exhibit 4.1 to the Current Report on Form 8-K filed by Hersha Hospitality Trust on June 6, 2005 and incorporated by reference herein).
- 4.7 Form of Junior Subordinated Note (included in Exhibit 4.6 hereto).
- 4.8 Amended and Restated Trust Agreement of Hersha Statutory Trust II, dated as of May 31, 2005, among Hersha Hospitality Limited Partnership, as depositor, Wilmington Trust Company, as property trustee and as Delaware trustee, the Administrative Trustees named therein and the holders of undivided beneficial interests in the assets of Hersha Statutory Trust II (filed as Exhibit 4.2 to the Current Report on Form 8-K filed by Hersha Hospitality Trust on June 6, 2005 and incorporated by reference herein).
- 4.9 Form of Trust Preferred Security Certificate (included in Exhibit 4.8 hereto).
- 4.10 Form of specimen certificate representing the 6.875% Series C Cumulative Redeemable Preferred Shares, \$0.01 par value per share (incorporated by reference to Exhibit 4.1 to Hersha Hospitality Trust's Registration Statement on Form 8-A filed on March 1, 2013).
- 4.11 Form of specimen certificate representing the 6.50% Series D Cumulative Redeemable Preferred Shares, \$0.01 par value per share (incorporated by reference to Exhibit 4.1 to Hersha Hospitality Trust's Registration Statement on Form 8-A filed on May 27, 2016).
- 4.12 Form of specimen certificate representing the 6.50% Series E Cumulative Redeemable Preferred Shares, \$0.01 par value per share (incorporated by reference to Exhibit 4.1 to Hersha Hospitality Trust's Registration Statement on Form 8-A filed on November 4, 2016).
- 10.1 Amended and Restated Agreement of Limited Partnership of Hersha Hospitality Limited Partnership (filed as Exhibit 10.1 to the Registration Statement on Form S-11 filed by Hersha Hospitality Trust on June 5, 1998 and incorporated by reference herein).
- 10.2 Option Agreement, dated as of June 3, 1998, among Hasu P. Shah, Jay H. Shah, Neil H. Shah, Bharat C. Mehta, K.D. Patel, Rajendra O. Gandhi, Kiran P. Patel, David L. Desfor, Madhusudan I. Patni, Manhar Gandhi and Hersha Hospitality Limited Partnership (filed as Exhibit 10.20 to the Registration Statement on Form S-11 filed by Hersha Hospitality Trust on June 5, 1998 and incorporated by reference herein).
- 10.3 Amendment to Option Agreement, dated December 4, 1998 (filed as Exhibit 10.19(a) to the Registration Statement on Form S-11/A filed by Hersha Hospitality Trust on December 7, 1998 and incorporated by reference herein).
- 10.4 Administrative Services Agreement, dated January 26, 1999, between Hersha Hospitality Trust and Hersha Hospitality Management, L.P. (filed as Exhibit 10.21 to the Registration Statement on Form S-11 filed by Hersha Hospitality Trust on June 5, 1998 and incorporated by reference herein).
- 10.5 Second Amendment to the Amended and Restated Agreement of Limited Partnership of Hersha Hospitality Limited Partnership, dated as of April 21, 2003 (filed as Exhibit 10.2 to the Current Report on Form 8-K filed by Hersha Hospitality Trust on April 23, 2003 and incorporated by reference herein).

Exhibit No.

- 10.6 Second Amendment to Option Agreement (filed as Exhibit 10.15 to the Registration Statement on Form S-3 filed by Hersha Hospitality Trust on February 24, 2004 and incorporated by reference herein).
- 10.7 Third Amendment to Agreement of Limited Partnership of Hersha Hospitality Limited Partnership, dated August 5, 2005 (filed as Exhibit 10.1 to the Current Report on Form 8-K filed by Hersha Hospitality Trust on August 8, 2005 and incorporated by reference herein).
- 10.8 Fourth Amendment to Agreement of Limited Partnership of Hersha Hospitality Trust, dated May 18, 2011 (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, filed by Hersha Hospitality Trust on August 8, 2011 and incorporated by reference herein).
- 10.9 Second Amended and Restated Employment Agreement, dated April 18, 2012, by and between Hersha Hospitality Trust and Hasu P. Shah (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and incorporated by reference herein).
- 10.10 Second Amended and Restated Employment Agreement, dated April 18, 2012, by and between Hersha Hospitality Trust and Jay H. Shah (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and incorporated by reference herein).
- 10.11 Second Amended and Restated Employment Agreement, dated April 18, 2012, by and between Hersha Hospitality Trust and Neil H. Shah (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and incorporated by reference herein).
- 10.12 Second Amended and Restated Employment Agreement, dated April 18, 2012, by and between Hersha Hospitality Trust and Ashish R. Parikh (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and incorporated by reference herein).
- 10.13 Second Amended and Restated Employment Agreement, dated April 18, 2012, by and between Hersha Hospitality Trust and Michael R. Gillespie (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and incorporated by reference herein).
- 10.14 Form of Share Award Agreement for April 2012 restricted common share award (filed as Exhibit 10.6 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and incorporated by reference herein).
- 10.15 Form of Fifth Amendment to Agreement of Limited Partnership of Hersha Hospitality Trust Limited Partnership (incorporated by reference to Exhibit 10.1 to Hersha Hospitality Trust's Current Report on Form 8-K filed on March 1, 2013).
- 10.16 Amended and Restated Credit Agreement, dated as of February 28, 2014, among Hersha Hospitality Limited Partnership, as borrower, Hersha Hospitality Trust, as the parent REIT and a guarantor, certain direct or indirect subsidiaries of the borrower, as guarantors, Citibank, N.A., as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to Hersha Hospitality Trust's Current Report on Form 8-K filed on March 6, 2014).
- 10.17 Sixth Amendment to Agreement of Limited Partnership of Hersha Hospitality Limited Partnership, dated as of December 23, 2014 (incorporated by reference to Exhibit 10.1 to Hersha Hospitality Trust's Current Report on 8-K filed on December 23, 2014).
- 10.18 Amended and Restated Hersha Hospitality Trust 2012 Equity Incentive Plan, effective as of December 23, 2014 (incorporated by reference to Exhibit 10.2 to Hersha Hospitality Trust's Current Report on 8-K filed on December 23, 2014).
- 10.19 Form of LTIP Unit Vesting Agreement (incorporated by reference to Exhibit 10.3 to t Hersha Hospitality Trust's Current Report on 8-K filed on December 23, 2014).

Exhibit No.

- 10.20 Seventh Amendment to Agreement of Limited Partnership of Hersha Hospitality Limited Partnership, dated as of June 22, 2015 (incorporated by reference to Exhibit 10.1 to Hersha Hospitality Trust's Quarterly Report on 10-Q for the quarter ended June 30, 2015).
- 10.21 Term Loan Agreement, dated as of August 10, 2015, among Hersha Hospitality Limited Partnership, as borrower, Hersha Hospitality Trust, as parent guarantor, the guarantors named therein, as guarantors, the initial lenders named therein, as initial lenders, Citibank, N.A., as administrative agent, Wells Fargo Bank, N.A., as syndication agent, and Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as joint lead arrangers and joint book running managers (incorporated by reference to Exhibit 10.1 to Hersha Hospitality Trust's Current Report on 8-K filed on August 12, 2015).
- 10.22 Amendment No. 1 to the Amended and Restated Credit Agreement, dated as of August 10, 2015, among Hersha Hospitality Limited Partnership, as borrower, Hersha Hospitality Trust, as the parent REIT and a guarantor, certain direct or indirect subsidiaries of the borrower, as guarantors, Citibank, N.A., as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.2 to Hersha Hospitality Trust's Current Report on 8-K filed on August 12, 2015).
- 10.23 Contribution Agreement by and among Cindat Manhattan Hotel Portfolio (US) LLC, a Delaware limited liability company, Cindat Hersha Owner JV LLC, a Delaware limited liability company, Cindat Hersha Lessee JV LLC, a Delaware limited liability company, HHLP Duo Three Associates, LLC, a Delaware limited liability company, HHLP Duo Three Lessee, LLC, a Delaware limited liability company, HCIN NYC Owner, LLC, a Delaware limited liability company, and HCIN NYC Lessee, LLC, a Delaware limited liability company, dated as of February 2, 2016 (incorporated by reference to Exhibit 10.1 to Hersha Hospitality Trust's Current Report on 8-K filed on February 4, 2016).
- 10.24 Contribution Agreement by and among Cindat Manhattan Hotel Portfolio (US) LLC, a Delaware limited liability company, Cindat Hersha Owner JV LLC, a Delaware limited liability company, Cindat Hersha Lessee JV LLC, a Delaware limited liability company, Brisam, LLC, a Delaware limited liability company, HHLP MSG Lessee, LLC, a Delaware limited liability company, HCIN NYC Owner, LLC, a Delaware limited liability company, and HCIN NYC Lessee, LLC, a Delaware limited liability company, dated as of February 2, 2016 (incorporated by reference to Exhibit 10.2 to Hersha Hospitality Trust's Current Report on 8-K filed on February 4, 2016).
- 10.25 Contribution Agreement by and among Cindat Manhattan Hotel Portfolio (US) LLC, a Delaware limited liability company, Cindat Hersha Owner JV LLC, a Delaware limited liability company, Cindat Hersha Lessee JV LLC, a Delaware limited liability company, Maiden Hotel LLC, a New York limited liability company, HHLP Wall Street Lessee, LLC, a Delaware limited liability company, HCIN NYC Owner, LLC, a Delaware limited liability company, and HCIN NYC Lessee, LLC, a Delaware limited liability company, dated as of February 2, 2016 (incorporated by reference to Exhibit 10.3 to Hersha Hospitality Trust's Current Report on 8-K filed on February 4, 2016).
- 10.26 Contribution Agreement by and among Cindat Manhattan Hotel Portfolio (US) LLC, a Delaware limited liability company, Cindat Hersha Owner JV LLC, a Delaware limited liability company, Cindat Hersha Lessee JV LLC, a Delaware limited liability company, HHLP Duo One Associates LLC, a New York limited liability company, HHLP Duo One Lessee, LLC, a Delaware limited liability company, HCIN NYC Owner, LLC, a Delaware limited liability company, and HCIN NYC Lessee, LLC, a Delaware limited liability company, dated as of February 2, 2016 (incorporated by reference to Exhibit 10.4 to Hersha Hospitality Trust's Current Report on 8-K filed on February 4, 2016).
- 10.27 Contribution Agreement by and among Cindat Manhattan Hotel Portfolio (US) LLC, a Delaware limited liability company, Cindat Hersha Owner JV LLC, a Delaware limited liability company, Cindat Hersha Lessee JV LLC, a Delaware limited liability company, Chelsea Grand East, LLC, a New York limited liability company, 44 Chelsea Delaware, LLC, a Delaware limited liability company, HCIN NYC Owner, LLC, a Delaware limited liability company, and HCIN NYC Lessee, LLC, a Delaware limited liability company, dated as of February 2, 2016 (incorporated by reference to Exhibit 10.5 to Hersha Hospitality Trust's Current Report on 8-K filed on February 4, 2016).
- 10.28 Contribution Agreement by and among Cindat Manhattan Hotel Portfolio (US) LLC, a Delaware limited liability company, Cindat Hersha Owner JV LLC, a Delaware limited liability company, Cindat Hersha Lessee JV LLC, a Delaware limited liability company, HHLP Water Street Associates, LLC, a Delaware limited liability company, HHLP Water Street Lessee, LLC, a New York limited liability company, HCIN NYC Owner, LLC, a Delaware limited liability company, and HCIN NYC Lessee, LLC, a Delaware limited liability company, dated as of February 2, 2016 (incorporated by reference to Exhibit 10.6 to Hersha Hospitality Trust's Current Report on 8-K filed on February 4, 2016).

Exhibit No.

- 10.29 Contribution Agreement by and among Cindat Manhattan Hotel Portfolio (US) LLC, a Delaware limited liability company, Cindat Hersha Owner JV LLC, a Delaware limited liability company, Cindat Hersha Lessee JV LLC, a Delaware limited liability company, HHLP Duo Two Associates, LLC, a New York limited liability company, HHLP Duo Two Lessee, LLC, a Delaware limited liability company, HCIN NYC Owner, LLC, a Delaware limited liability company, and HCIN NYC Lessee, LLC, a Delaware limited liability company, dated as of February 2, 2016 (incorporated by reference to Exhibit 10.7 to Hersha Hospitality Trust's Current Report on 8-K filed on February 4, 2016).
- 10.30 Amended and Restated Operating Agreement of Cindat Hersha Owner JV LLC, dated as of April 29, 2016, by and between Cindat Manhattan Hotel Portfolio (US) LLC and HCIN NYC Owner, LLC (incorporated by reference to Exhibit 10.1 to Hersha Hospitality Trust's Current Report on 8-K filed on May 5, 2016).
- 10.31 Amended and Restated Operating Agreement of Cindat Hersha Lessee JV LLC, dated as of April 29, 2016, by and between Cindat Manhattan Hotel Portfolio (US) LLC and HCIN NYC Lessee, LLC (incorporated by reference to Exhibit 10.2 to Hersha Hospitality Trust's Current Report on 8-K filed on May 5, 2016).
- 10.32 Term Loan Agreement, dated as of April 29, 2016, between HCIN Maiden Hotel Associates, LLC, HCIN Water Street Associates, LLC, HCIN Chelsea Grand East Associates, LLC, HCIN Herald Square Associates, LLC, HCIN Duo Three Associates, LLC, HCIN Duo Two Associates, LLC and HCIN Duo One Associates, LLC, as borrower, HCIN Maiden Hotel Lessee, LLC, HCIN Water Street Lessee, LLC, HCIN Chelsea Grand East Lessee, LLC, HCIN Herald Square Lessee, LLC, HCIN Duo Three Lessee, LLC, HCIN Duo Two Lessee, LLC and HCIN Duo One Lessee, LLC, as operating lessee, Natixis Real Estate Capital LLC, as Lender, Compass Bank, as documentation agent, and Manufacturers and Traders Trust Company, as syndication agent (incorporated by reference to Exhibit 10.3 to Hersha Hospitality Trust's Current Report on 8-K filed on May 5, 2016).
- 10.33 Project Loan Agreement, dated as of April 29, 2016, between HCIN Maiden Hotel Associates, LLC, HCIN Water Street Associates, LLC, HCIN Chelsea Grand East Associates, LLC, HCIN Herald Square Associates, LLC, HCIN Duo Three Associates, LLC, HCIN Duo Two Associates, LLC and HCIN Duo One Associates, LLC, as borrower, HCIN Maiden Hotel Lessee, LLC, HCIN Water Street Lessee, LLC, HCIN Chelsea Grand East Lessee, LLC, HCIN Herald Square Lessee, LLC, HCIN Duo Three Lessee, LLC, HCIN Duo Two Lessee, LLC and HCIN Duo One Lessee, LLC, as operating lessee, Natixis Real Estate Capital LLC, as Lender, Compass Bank, as documentation agent, and Manufacturers and Traders Trust Company, as syndication agent (incorporated by reference to Exhibit 10.4 to Hersha Hospitality Trust's Current Report on 8-K filed on May 5, 2016).
- 10.34 Mezzanine Loan Agreement, dated as of April 29, 2016, between Cindat Hersha Owner JV Associates, LLC, as Borrower, Cindat Hersha Lessee JV Associates, LLC, as Operating Lessee Owner, and Hersha Mezz Gap Lender, LLC, as Lender (incorporated by reference to Exhibit 10.5 to Hersha Hospitality Trust's Current Report on 8-K filed on May 5, 2016).
- 10.35 Eighth Amendment to Agreement of Limited Partnership of Hersha Hospitality Limited Partnership, dated as of May 27, 2016 (incorporated by reference to Exhibit 10.1 to Hersha Hospitality Trust's Current Report on 8-K filed on May 24, 2016).
- 10.36 Term Loan Agreement, dated as of August 2, 2016, among Hersha Hospitality Limited Partnership, as borrower, Hersha Hospitality Trust, as parent guarantor, the subsidiary guarantors named therein, as guarantors, the initial lenders named therein, as initial lenders, Citibank, N.A., as administrative agent, Wells Fargo Bank, N.A., as syndication agent, and Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as joint lead arrangers and joint book running managers (incorporated by reference to Exhibit 10.1 to Hersha Hospitality Trust's Current Report on 8-K filed on August 5, 2016).
- 10.37 Amendment No. 2 to the Amended and Restated Credit Agreement, dated as of August 10, 2015, among Hersha Hospitality Limited Partnership, as borrower, Hersha Hospitality Trust, as the parent REIT and a guarantor, certain direct or indirect subsidiaries of the borrower, as guarantors, Citibank, N.A., as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.2 to Hersha Hospitality Trust's Current Report on 8-K filed on August 5, 2016).
- 10.38 Amendment No. 1 to the Term Loan Agreement, dated as of August 10, 2015, among Hersha Hospitality Limited Partnership, as borrower, Hersha Hospitality Trust, as parent guarantor, the subsidiary guarantors named therein, as guarantors, the initial lenders named therein, as initial lenders, Citibank, N.A., as administrative agent, Wells Fargo Bank, N.A., as syndication agent, and Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as joint lead arrangers and joint book running managers (incorporated by reference to Exhibit 10.3 to Hersha Hospitality Trust's Current Report on 8-K filed on August 5, 2016).
- 10.39 Ninth Amendment to Agreement of Limited Partnership of Hersha Hospitality Limited Partnership, dated as of November 4, 2016 (incorporated by reference to Exhibit 10.1 to Hersha Hospitality Trust's Current Report on 8-K filed on November 4, 2016).

Exhibit No.

- 12.1 Statement Regarding Computation of Ratio of Per Statement Regarding the Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Share Dividends.*
 - 21.1 List of Subsidiaries of the Registrant.*
 - 23.1 Consent of KPMG LLP.*
 - 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
 - 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
 - 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
 - 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
 - 101.INS 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.

SIGNATURES

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

HERSHA HOSPITALITY TRUST

February 23, 2017

/s/ Jay H. Shah
Jay H. Shah
Chief Executive Officer
(Principal Executive Officer)

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Hasu P. Shah</u> Hasu P. Shah	Chairman and Trustee	February 23, 2017
<u>/s/ Jay H. Shah</u> Jay H. Shah	Chief Executive Officer and Trustee (Principal Executive Officer)	February 23, 2017
<u>/s/ Neil H. Shah</u> Neil H. Shah	President and Chief Operating Officer (Chief Operating Officer)	February 23, 2017
<u>/s/ Ashish R. Parikh</u> Ashish R. Parikh	Chief Financial Officer (Principal Financial Officer)	February 23, 2017
<u>/s/ Michael R. Gillespie</u> Michael R. Gillespie	Chief Accounting Officer (Principal Accounting Officer)	February 23, 2017
<u>/s/ Donald J. Landry</u> Donald J. Landry	Trustee	February 23, 2017
<u>/s/ Thomas J. Hutchison III</u> Thomas J. Hutchison III	Trustee	February 23, 2017
<u>/s/ Michael A. Leven</u> Michael A. Leven	Trustee	February 23, 2017
<u>/s/ Dianna F. Morgan</u> Dianna F. Morgan	Trustee	February 23, 2017
<u>/s/ John M. Sabin</u> John M. Sabin	Trustee	February 23, 2017

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Section 2: EX-3.1 (EX-3.1)

HERSHA HOSPITALITY TRUST ARTICLES OF AMENDMENT AND RESTATEMENT

Hersha Hospitality Trust, a Maryland real estate investment trust (the "Trust") formed under Title 8 of the Corporation and Associations Article of the Annotated Code of Maryland ("Title 8"), desires to amend and restate its Declaration of Trust as currently in effect as hereinafter amended.

FIRST: The following provisions are all of the provisions of the Declaration of Trust currently in effect and as hereinafter amended:

ARTICLE I FORMATION

The Trust is a real estate investment trust (a "REIT") within the meaning of Title 8. The Trust shall not be deemed to be a general partnership, limited partnership, joint venture, joint stock company or a corporation (but nothing herein shall preclude the Trust from being treated for tax purposes as an association under the Internal Revenue Code of 1986, as amended (the "Code")).

ARTICLE II NAME

The name of the Trust is: Hersha Hospitality Trust

Under circumstances in which the Board of Trustees of the Trust (the "Board of Trustees" or "Board") determines that the use of the name of the Trust is not practicable, the Trust may use any other designation or name for the Trust.

ARTICLE III PURPOSES AND POWERS

Section 1. **Purposes.** The purposes for which the Trust is formed are to invest in and to acquire, hold, manage, administer, control and dispose of property and interests in property, including, without limitation or obligation, engaging in business as a REIT under the Code.

Section 2. **Powers.** The Trust shall have all of the powers granted to REITs by Title 8 and all other powers set forth in the Declaration of Trust as filed for record with the State Department of Assessment and Taxation of Maryland, and any amendments or supplements thereto (the "Declaration of Trust") that are not inconsistent with law and are appropriate to promote and attain the purposes set forth in the Declaration of Trust.

ARTICLE IV RESIDENT AGENT

The name of the resident agent of the Trust in the State of Maryland is James J. Hanks, Jr., c/o Ballard Spahr Andrews & Ingersoll, whose post office address is 300 East Lombard Street, Baltimore, Maryland 21202. The resident agent is a citizen of and resides in the State of Maryland. The Trust may have such offices or places of business within or outside the State of Maryland as the Board of Trustees of the Trust may from time to time determine.

ARTICLE V
BOARD OF TRUSTEES

Section 1. Powers.

(a) Subject to any express limitations contained in the Declaration of Trust or in the Bylaws of the Trust ("Bylaws"), (i) the business and affairs of the Trust shall be managed under the direction of the Board of Trustees and (ii) the Board shall have full, exclusive and absolute power, control and authority over any and all property of the Trust. The Board may take any action as it, in its sole judgment and discretion, deems necessary or appropriate to conduct the business and affairs of the Trust. The Declaration of Trust shall be construed with a presumption in favor of the grant of power and authority to the Board. Any construction of the Declaration of Trust or determination made in good faith by the Board concerning its powers and authority hereunder shall be conclusive. The enumeration and definition of particular powers of the Trustees included in the Declaration of Trust or in the Bylaws shall in no way be construed or deemed by inference or otherwise in any manner to exclude or limit the powers conferred upon the Board of Trustees under the general laws of the State of Maryland or any other applicable laws.

(b) Except as otherwise provided in the Bylaws, the Board, without any action by the shareholders of the Trust, shall have and may exercise, on behalf of the Trust, without limitation, the power to adopt, amend and repeal Bylaws; to elect officers in the manner prescribed in the Bylaws; to solicit proxies from holders of shares of beneficial interest of the Trust; and to do any other acts and deliver any other documents necessary or appropriate to the foregoing powers.

(c) It shall be the duty of the Board of Trustees to use any and all commercially reasonable efforts to ensure that the Trust satisfies the requirements for qualification as a REIT under the Code, including, but not limited to, the ownership of outstanding shares of its beneficial interest, the nature of its assets, the sources of its income, and the amount and timing of its distributions to its shareholders. The Board of Trustees shall take no action to disqualify the Trust as a REIT or to otherwise revoke the Trust's election to be taxed as a REIT without the affirmative vote of two-thirds of the number of Common Shares entitled to vote on such matter at a meeting of the shareholders.

Section 2. Classification and Number.

(a) The Trustees of the Trust (hereinafter the "Trustees") (other than any Trustee elected solely by holders of one or more classes or series of Preferred Shares) shall be classified, with respect to the terms for which they severally hold office, into two classes, as nearly equal in number as possible, one class ("Class I") to hold office initially for a term expiring at the first annual meeting of shareholders (1999) and another class ("Class II") to hold office initially for a term expiring at the second succeeding annual meeting of shareholders (2000), with the Trustees of each class to hold office until their successors are duly elected and qualified. At each annual meeting of shareholders, the successors to the class of Trustees whose term expires at such meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the second year following the year of their election. Shareholder votes to elect Trustees shall be conducted in the manner provided in the Bylaws.

(b) The number of Trustees shall be no less than one and no more than seven, which number may be increased or decreased pursuant to the Bylaws. The name and class of the Trustee who shall serve until his successor is duly elected and qualified shall be as follows:

<u>Name</u>	<u>Class</u>
Hasu P. Shah	Class II

The Trustees may increase the number of Trustees and fill any vacancy, whether resulting from an increase in the number of Trustees or otherwise, on the Board of Trustees in the manner provided in the Bylaws. The Independent Trustees (as hereinafter defined) shall nominate replacements for vacancies among the Independent Trustees' positions. In the event that, after the closing of the Initial Public Offering (as hereinafter defined), three members of the Board of Trustees are not Independent Trustees by reason of the resignation or removal of one or more Independent Trustees or otherwise, it shall be a qualification for any individual elected to fill such vacancy that he satisfy the requirements of Section 4 of this Article V for being an Independent Trustee. It shall not be necessary to list in the Declaration of Trust the names and addresses of any Trustees hereinafter elected.

Section 3. Resignation or Removal. Any Trustee may resign by written notice to the Board, effective upon execution and delivery to the Trust of such written notice or upon any future date specified in the notice. Subject to the rights of holders of one or more classes or series of Preferred Shares to elect or remove one or more Trustees, a Trustee may be removed at any time, with or without cause, at a meeting of the shareholders, by the affirmative vote of the holders of not less than two-thirds of the Shares then outstanding and entitled to vote generally in the election of Trustees.

Section 4. Independent Trustees. Notwithstanding anything herein to the contrary, at all times from and after the closing with respect to the Company's initial public offering of its Priority Class A Common Shares (except during a period not to exceed sixty (60) days following the death, resignation, incapacity or removal from office of a Trustee prior to expiration of the Trustee's term of office), three members of the Board of Trustees shall be comprised of persons who are not officers, directors or employees of the Trust, any lessee of the Trust's or the Partnership's properties or any underwriter or placement agent of the shares of beneficial interest of the Trust that has been engaged by the Trust within the past three years, or any "Affiliates" thereof (each such person serving on the Board of Trustees being an "Independent Trustee").

Section 5. Definition of Affiliate. For purposes of Section 4 above, "Affiliate" of a person shall mean (i) any person that, directly or indirectly, controls or is controlled by or is under common control with such person, (ii) any other person that owns, beneficially, directly or indirectly, five percent (5%) or more of the outstanding capital shares, shares or equity interests of such person, or (iii) any officer, director, employee, partner or trustee (including any family member of the foregoing) of such person or of any person controlling, controlled by or under common control with such person (excluding trustees and persons serving in similar capacities who are not otherwise an Affiliate of such person). The term "person" means and includes individuals, corporations, general and limited partnerships, stock companies or associations, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts, real estate investment trusts or other entities and governments and agencies and political subdivisions thereof. For the purpose of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, through the ownership of voting securities, partnership interests or other equity interests.

ARTICLE VI SHARES OF BENEFICIAL INTEREST

Section 1. Authorized Shares. The beneficial interest of the Trust shall be divided into shares of beneficial interest (the "Shares"). The Trust has authority to issue: (i) one hundred million (100,000,000) common shares of beneficial interest, \$.01 par value per share ("Common Shares"), of which fifty million (50,000,000) will be Priority Class A Common Shares (the "Priority Common Shares") and fifty million (50,000,000) will be Class B Common Shares (the "Class B Common Shares"); and (ii) ten million (10,000,000)

preferred shares of beneficial interest, \$.01 par value per share ("Preferred Shares"). If Shares of one class are classified or reclassified into Shares of another class pursuant to this Article VI, the number of authorized Shares of the former class shall be automatically decreased and the number of Shares of the latter class shall be automatically increased, in each case by the number of Shares so classified or reclassified, so that the aggregate number of Shares of all classes that the Trust has the authority to issue shall not be more than the total number of Shares set forth in the second sentence of this paragraph. The Board of Trustees, without any action by the shareholders of the Trust, may amend the Declaration of Trust from time to time to increase or decrease the aggregate number of Shares or the number of Shares of any class that the Trust has authority to issue.

Section 2. Common Shares. Subject to the provisions of Article VII, each Common Share shall entitle the holder thereof to one vote on each matter upon which holders of Common Shares are entitled to vote. The holders of the Priority Common Shares and the Class B Common Shares shall vote together as a single class. The Board of Trustees may reclassify any unissued Common Shares from time to time in one or more classes or series of Shares.

(a) Priority Class A Common Shares. The holders of the Priority Common Shares shall be entitled to the following rights (the "Priority Rights") during the period beginning on the date of the closing of the initial public offering of the Priority Common Shares (the "Offering"), and ending on the earlier of: (i) the date that is 15 trading days after the Company sends notice to the record holders of the Priority Common Shares that their Priority Rights will terminate in 15 trading days, provided that the closing bid price of the Priority Common Shares is at least \$7.00 on each trading day during such 15-day period; or (ii) the fifth anniversary of the closing of the Offering (the "Priority Period"). A "trading day" shall mean a day on which the principal national securities exchange on which the Priority Common Shares are listed or admitted to trading is open for the transaction of business or, if the Priority Common Shares are not listed or admitted to trading on any national securities exchange, shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close. Notwithstanding the foregoing, the Priority Period shall not end until the holders of the Priority Common Shares have received any accrued, but unpaid, Priority Distributions.

(i) The Dividend Priority. The holders of the Priority Common Shares shall be entitled to receive, prior to any distributions to the holders of the Class B Common Shares, cumulative dividends in an amount per Priority Common Share equal to \$.18 per quarter (the "Priority Distribution"). After the holders of the Class B Common Shares have received an amount per Class B Common Share equal to the Priority Distribution, the holders of the Priority Common Shares shall be entitled to receive any further distributions on a pro rata basis with the holders of the Class B Common Shares. After the Priority Period, the holders of the Priority Common Shares shall be entitled to receive any further distributions on a pro rata basis with the holders of the Class B Common Shares. The dividends paid to the holders of the Priority Common Shares will be subject to the rights of any class or series of Preferred Shares.

No dividend will be declared or paid or other distribution of cash or other property declared or made directly by the Company or any person acting on behalf of the Company on any shares of beneficial interest that rank junior to the Priority Common Shares as to the payment of dividends or amounts upon liquidation, dissolution and winding up ("Junior Shares") unless full cumulative dividends have been declared and paid or are contemporaneously declared and funds sufficient for payment set aside on the Priority Common Shares for all prior and contemporaneous dividend periods; provided, however, that if accumulated and accrued dividends on the Priority Common Shares for all prior and contemporaneous dividend periods have not been paid in full then any dividend declared on the Priority Common Shares for any dividend period and on any shares of beneficial interest of the Company that rank on parity with the Priority Common Shares as to the payment of dividends or amounts upon liquidation, dissolution and winding up ("Parity Shares") will

be declared ratably in proportion to accumulated, accrued and unpaid dividends on the Priority Common Shares and such Parity Shares.

No distributions on the Priority Common Shares shall be authorized by the Board of Trustees or paid or set apart for payment by the Company at such time as the terms and provisions of any agreement of the Company, including any agreement relating to its indebtedness, prohibits such authorization, payment or setting apart for payment or provides that such authorization, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such authorization or payment shall be restricted or prohibited by law. Any distribution payment made on the Priority Common Shares shall first be credited against the earliest accrued but unpaid distribution due with respect to such shares which remains payable.

(ii) Liquidation Preference. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, during the Priority Period, the holders of the Priority Common Shares shall be entitled to receive, prior to any liquidating payments to the holders of the Class B Common Shares, \$6.00 per Priority Common Share (the "Liquidation Preference"), plus any accumulated and unpaid Priority Distributions (whether or not declared) on the Priority Common Shares to the date of distribution. After the holders of the Class B Common Shares have received an amount equal to the Liquidation Preference plus any accumulated and unpaid Priority Distributions (whether or not declared) on the Class B Common Shares to the date of distribution, the holders of the Priority Common Shares shall share ratably with the holders of the Class B Common Shares in the assets of the Company. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, after the Priority Period, the holders of the Priority Common Shares shall share ratably with the holders of the Class B Common Shares in the assets of the Company. The rights of the holders of the Priority Common Shares to liquidating payments shall be subject to rights of any class or series of Preferred Shares.

If, upon any liquidation, dissolution or winding up of the Company, the assets of the Company, or proceeds thereof, distributable among the holders of the Priority Common Shares are insufficient to pay in full the Liquidation Preference and all accumulated and unpaid dividends with respect to any of the Parity Shares, then such assets or the proceeds thereof will be distributed among the holders of the Priority Common Shares and any such Parity Shares ratably in accordance with the respective amounts that would be payable on the Priority Common Shares and such Parity Shares if all amounts payable thereon were paid in full. None of (i) a consolidation or merger of the Company with another corporation, (ii) a statutory share exchange by the Company or (iii) a sale or transfer of all or substantially all of the Company's assets will be considered a liquidation, dissolution or winding up, voluntary or involuntary, of the Company.

(b) The Class B Common Shares

(i) Dividends. Subject to the preferential rights of the Priority Common Shares during the Priority Period or of any other shares or series of beneficial interest and to the provisions of this Declaration of Trust regarding the restriction on the transfer of shares of beneficial interest, holders of Class B Common Shares are entitled to receive dividends on shares if, as and when authorized and declared by the Board of Trustees of the Company out of assets legally available therefor and to share ratably in the assets of the Company legally available for distribution to its shareholders in the event of its liquidation, dissolution or winding-up after payment of, or adequate provision for, all known debts and liabilities of the Company. In the event that the Company at any time is unable to pay to the holders of the Class B Common Shares an amount per Class B Common Share equal to the Priority Distribution, during the Priority Period the holders of the Class B Common Shares shall be entitled to receive an amount such that the cumulative amount received per Class B Common Share is equal to the cumulative Priority Distribution received per

Priority Common Share. The Company shall pay such amounts at such subsequent dividend payment dates that the Company has cash available for distribution to shareholders to pay such dividends.

(ii) Conversion. Upon termination of the Priority Period, the Class B Common Shares automatically will be converted into Priority Common Shares on a one-for-one basis, subject to adjustment as described in this Article VI, Section 2(b)(iii). A notice informing holders of the Class B Common Shares of such conversion will be mailed by the Company to the holders of record of the Class B Common Shares as of the dividend payment record date for the next dividend payable after the expiration of the Priority Period, together with the dividend payable on such shares, at their respective addresses as they appear on the share transfer records of the Company. No fewer than all of the outstanding Class B Common Shares shall be converted.

If the expiration of the Priority Period falls after a dividend payment record date and prior to the related payment date, the holders of the Class B Common Shares at the close of business on such record date will be entitled to receive the dividend payable on such shares on the corresponding dividend payment date, notwithstanding the conversion of such shares prior to such dividend payment date. Upon expiration of the Priority Period, each holder of Class B Common Shares (unless the Company defaults in the delivery of the Priority Common Shares) will be, without any further action, deemed a holder of the amount of Priority Common Shares, as the case may be, for which such Class B Common Shares are convertible. Fractional Priority Common Shares will not be issued upon conversion of the Class B Common Shares.

(c) Conversion Ratio Adjustments. The conversion ratio is subject to adjustment as hereinafter provided upon certain events, including (i) the payment of dividends (and other distributions) payable in Priority Common Shares on any class of shares of beneficial interest of the Company, (ii) subdivisions, combinations and reclassifications of Priority Common Shares and (iii) distributions to all holders of Priority Common Shares of evidences of indebtedness of the Company or assets (including securities, but excluding those dividends, rights, warrants and distributions referred to in clause (i) or (ii) above and dividends and distributions paid in cash). In the case of the events referred to in clauses (i) and (ii) above, the number of Priority Common Shares to be issued upon conversion shall be determined by multiplying the number of Class B Common Shares to be converted by a fraction, the numerator of which shall be the number of Priority Common Shares issued and outstanding immediately after such event, and the denominator of which shall be the number of Priority Common Shares issued and outstanding immediately prior to such event. In the case of the events referred to in clause (iii) above, the number of Priority Common Shares to be issued upon conversion shall be determined by multiplying the number of Class B Common Shares to be converted by a fraction, the numerator of which shall be the value, immediately after such event, of the Priority Common Shares plus the value of the evidences of indebtedness or assets received, and the denominator of which shall be the value of the Priority Common Shares immediately prior to such event. The foregoing provisions notwithstanding, in making adjustments to the conversion ratio pursuant to this paragraph, no Priority Common Shares issued after the closing with respect to the Company's initial public offering of Priority Common Shares (other than shares issued in connection with the events referred to in clauses (i) or (ii) above) and no evidences of indebtedness or assets received with respect to such shares shall be included in either numerator or denominator in making such adjustments. In addition to the foregoing adjustments, the Company will be permitted to make such reductions in the conversion ratio as it considers to be advisable in order that any event treated for Federal income tax purposes as a dividend of Shares or share rights will not be taxable to the holders of the Class B Common Shares or, if that is not possible, to diminish any income taxes that are otherwise payable because of such event.

No adjustment of the conversion ratio is required to be made in any case until cumulative adjustments amount to 1% or more of the conversion ratio. Any adjustments not so required to be made will be carried forward and taken into account in subsequent adjustments.

Section 3. Preferred Shares. The Board of Trustees may classify any unissued Preferred Shares and reclassify any previously classified but unissued Preferred Shares of any class or series from time to time, in one or more classes or series of Shares.

Section 4. Classified or Reclassified Shares. Prior to issuance of classified or reclassified Shares of any class or series, the Board of Trustees by resolution shall (a) designate that class or series to distinguish it from all other classes and series of Shares; (b) specify the number of Shares to be included in the class or series; (c) set, subject to the provisions of Article VII and subject to the express terms of any class or series of Shares outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each series; and (d) cause the Trust to file articles supplementary with the State Department of Assessments and Taxation of Maryland ("SDAT"). Any of the terms of any class or series of Shares set pursuant to clause (c) of this Section 3 may be made dependent upon facts or events ascertainable outside the Declaration of Trust (including the occurrence of any event, including a determination by the Trust or any other person or body) and may vary among holders thereof, provided that the manner in which such facts, events or variations shall operate upon the terms of such class or series of Shares is clearly and expressly set forth in articles supplementary filed with the SDAT.

Section 5. Authorization by Board of Share Issuance. The Board of Trustees may authorize the issuance from time to time of Shares of any class or series, whether now or hereafter authorized, or securities or rights convertible into Shares of any class or series, whether now or hereafter authorized, for such consideration (whether in cash, property, past or future services, obligation for future payment or otherwise) as the Board of Trustees may deem advisable (or without consideration in the case of a Share split or Share dividend), subject to such restrictions or limitations, if any, as may be set forth in the Declaration of Trust or the Bylaws. Notwithstanding any other provision in the Declaration of Trust, no determination shall be made by the Board of Trustees nor shall any transaction be entered into by the Trust that would cause any Shares or other beneficial interest in the Trust not to constitute "transferable shares" or "transferable certificates of beneficial interest" under Section 856(a)(2) of the Code or which would cause any distribution to constitute a preferential dividend as described in Section 562(c) of the Code.

Section 6. Dividends and Distributions. The Board of Trustees may from time to time authorize to shareholders dividends or distributions, in cash or other assets of the Trust or in securities of the Trust or from any other source as the Board of Trustees in its discretion shall determine. The Board of Trustees shall endeavor to authorize the Trust to pay such dividends and distributions as shall be necessary for the Trust to qualify as a REIT under the Code; however, shareholders shall have no right to any dividend or distribution unless and until authorized by the Board. The exercise of the powers and rights of the Board of Trustees pursuant to this Section shall be subject to the provisions of any class or series of Shares at the time outstanding. Notwithstanding any other provision in the Declaration of Trust, no determination shall be made by the Board of Trustees nor shall any transaction be entered into by the Trust that would cause any Shares not to constitute "transferable shares" or "transferable certificates of beneficial interest" under Section 856(a)(2) of the Code or that would cause any distribution to constitute a preferential dividend as described in Section 562(c) of the Code.

Section 7. General Nature of Shares. All Shares shall be personal property entitling the shareholders only to those rights provided in the Declaration of Trust. The shareholders shall have no interest in the property of the Trust and shall have no right to compel any partition, division, dividend or

distribution of the Trust or of the property of the Trust. The death of a shareholder shall not terminate the Trust. The Trust is entitled to treat as shareholders only those persons in whose names Shares are registered as holders of Shares on the beneficial interest ledger of the Trust.

Section 8. Fractional Shares. The Trust may, without the consent or approval of any shareholder, issue fractional Shares, eliminate a fraction of a Share by rounding up or down to a full Share, arrange for the disposition of a fraction of a Share by the person entitled to it, or pay cash for the fair value of a fraction of a Share.

Section 9. Declaration of Trust and Bylaws. All shareholders are subject to the provisions of the Declaration of Trust and the Bylaws of the Trust.

Section 10. Divisions and Combinations of Shares. Subject to an express provision to the contrary in the terms of any class or series of beneficial interest hereafter authorized, the Board of Trustees shall have the power to divide or combine the outstanding shares of any class or series of beneficial interest, without a vote of the shareholders, so long as the number of shares combined into one share in any such combination or series of combinations within any period of twelve months is not greater than four.

ARTICLE VII
RESTRICTIONS ON TRANSFER AND SHARES-IN-TRUST

Section 1. Restrictions on Transfer.

(a) Definitions. For the purpose of this Article VII, the following terms shall have the following meanings:

(i) "Beneficial Ownership" shall mean ownership of Equity Shares (or options to acquire Equity Shares) by a Person who would be treated as an owner of such Equity Shares either (a) directly (including through a nominee or similar arrangement) or (b) indirectly through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have correlative meanings.

(ii) "Beneficiary" shall mean, with respect to any Share Trust, one or more organizations described in each of Section 170(b)(1)(A) (other than clause (vii) or (viii) thereof) and Section 170(c)(2) of the Code that are named by the Share Trust as the beneficiary or beneficiaries of such Share Trust, in accordance with the provisions of Section 2(A) hereof.

(iii) "Board of Trustees" shall mean the Board of Trustees of the Trust.

(iv) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(v) "Constructive Ownership" shall mean ownership of Equity Shares (or options to acquire Equity Shares) by a Person, whether the interest in the Equity Shares is held directly or indirectly (including a nominee or similar arrangement), and shall include interests that are or would be treated as owned through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have correlative meanings.

(vi) "Equity Shares" shall mean Shares of all classes or series, including without limitation Preferred Shares and Common Shares. The term "Equity Shares" shall include all Preferred Shares and Common Shares that are held as Shares-in-Trust in accordance with the provisions of Section 2(A) hereof.

(vii) "Hersha Hospitality Partnership Agreement" shall mean the agreement of limited partnership of Hersha Hospitality Limited Partnership, a Virginia limited partnership, as amended and restated.

(viii) "Initial Public Offering" means the sale of Common Shares pursuant to the Trust's first effective registration statement for such Common Shares filed under the Securities Act of 1933, as amended.

(ix) "Market Price" on any date shall mean, with respect to any class or series of outstanding Equity Shares, the average of the Closing Price for the five consecutive Trading Days ending on such date. The "Closing Price" on any date shall mean the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Equity Shares are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Equity Shares are listed or admitted to trading or, if the Equity Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotations system that may then be in use or, if the Equity Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Equity Shares selected by the Board of Trustees or, in the event that no trading price is available for such Equity Shares, the fair market value of the Equity Shares, as determined in good faith by the Board of Trustees. "Trading Day" shall mean a day on which the principal national securities exchange on which the Equity Shares are listed or admitted to trading is open for the transaction of business or, if the Equity Shares are not listed or admitted to trading on any national securities exchange, shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(x) "Non-Transfer Event" shall mean an event (other than a purported Transfer) that would result in a change in Beneficial or Constructive Ownership of the Equity Shares, including, but not limited to, the granting of any option or entering into any agreement for the sale, transfer or other disposition of Equity Shares or the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Equity Shares.

(xi) "Ownership Limit" shall mean 9.9% of the aggregate number of outstanding Common Shares of any class or series of Common Shares and 9.9% of the aggregate number of outstanding Preferred Shares of any class or series of Preferred Shares, in each case considered separately on a class by class or series by series basis.

(xii) "Partnership" shall mean Hersha Hospitality Limited Partnership, a Virginia limited partnership.

(xiii) "Partnership Unit" shall mean a fractional, undivided share of the partnership interests of Hersha Hospitality Limited Partnership, a Virginia limited partnership.

- (xiv) "Permitted Transferee" shall mean any Person designated as a Permitted Transferee in accordance with the provisions of Section 2(E) hereof.
- (xv) "Person" shall mean an individual, corporation, partnership, limited liability company, estate, trust, a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a "group" as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.
- (xvi) "Prohibited Owner" shall mean, with respect to any purported Transfer or Non-Transfer Event, any Person who, but for the provisions of Section 1(C) hereof, would own record title to Equity Shares.
- (xvii) "Redemption Rights" shall mean the rights granted under the Hersha Hospitality Partnership Agreement to the limited partners to redeem, under certain circumstances, their Partnership Units for cash (or, at the option of the Trust, Common Shares).
- (xviii) "REIT" shall mean a real estate investment trust under Section 856 of the Code.
- (xix) "Restriction Termination Date" shall mean the first day after the date of the Initial Public Offering on which the Board of Trustees and the shareholders of the Trust determine, pursuant to Article V, Section 1(C), that it is no longer in the best interests of the Trust to attempt to, or continue to, qualify as a REIT or for any other reason, the Board of Trustees and the shareholders amend the Declaration of Trust to terminate the provisions of this Article VII.
- (xx) "Shares-in-Trust" shall mean any Equity Shares designated Shares-in-Trust pursuant to Section 1(C) hereof.
- (xxi) "Share Trust" shall mean any separate trust created pursuant to Section 1(C) hereof and administered in accordance with the terms of Section 2 hereof, for the exclusive benefit of any Beneficiary.
- (xxii) "Share Trustee" shall mean any person or entity unaffiliated with both the Trust and any Prohibited Owner designated by the Trust to act as trustee of any Share Trust, or any successor trustee thereof.
- (xxiii) "Transfer" (as a noun) shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition of Equity Shares, whether voluntary or involuntary, whether of record, constructively or beneficially and whether by operation of law or otherwise. "Transfer" (as a verb) shall have the correlative meaning.
- (b) Restriction on Transfers.
- (i) Except as provided in Section 1(G) hereof, from the date of the Initial Public Offering and prior to the Restriction Termination Date, no Person shall Beneficially Own or Constructively Own outstanding Equity Shares in excess of the Ownership Limit.
- (ii) Except as provided in Section 1(G) hereof and subject to Section 1(H) hereof, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer that, if effective, would result in any Person Beneficially Owning or Constructively Owning Equity Shares in excess of

the Ownership Limit shall be void ab initio as to the Transfer of that number of Equity Shares that would be otherwise Beneficially Owned or Constructively Owned by such Person in excess of the Ownership Limit, and the intended transferee shall acquire no rights in such excess Equity Shares.

(iii) Subject to Section 1(H) hereof, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer that, if effective, would result in the Equity Shares being beneficially owned by fewer than 100 Persons (determined without reference to any rules of attribution) shall be void ab initio as to the Transfer of that number of shares that otherwise would result in the Equity Shares being beneficially owned by fewer than 100 Persons (determined without reference to any rules of attribution), and the intended transferee shall acquire no rights in such excess Equity Shares; provided, however that this Section 1(B)(3) shall not apply to the Transfer of Equity Shares from the Trust to the underwriter of the Initial Public Offering.

(iv) Subject to Section 1(H) hereof, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer of Equity Shares that, if effective, would result in the Trust being "closely held" within the meaning of Section 856(h) of the Code shall be void ab initio as to the Transfer of that number of Equity Shares that would cause the Trust to be "closely held" within the meaning of Section 856(h) of the Code, and the intended transferee shall acquire no rights in such excess Equity Shares; provided, however, that this Section 1(B)(4) shall not apply to the Transfer of Equity Shares from the Trust to the underwriter of the Initial Public Offering.

(v) Subject to Section 1(H) hereof, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer of Equity Shares that, if effective, would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the Trust's or the Partnership's real property, within the meaning of Section 856(d)(2)(B) of the Code, shall be void ab initio as to the Transfer of that number of Equity Shares that would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the Trust's or the Partnership's real property, within the meaning of Section 856(d)(2)(B) of the Code, and the intended transferee shall acquire no rights in such excess Equity Shares.

(c) Transfer to Share Trust.

(i) If, notwithstanding the other provisions contained in this Section 1, at any time after the date of the Initial Public Offering and prior to the Restriction Termination Date, there is a purported Transfer or Non-Transfer Event such that any Person would either Beneficially Own or Constructively Own Equity Shares in excess of the Ownership Limit, then (x) except as otherwise provided in Section 1(G) hereof, the purported transferee shall acquire no right or interest (or, in the case of a Non-Transfer Event, the person holding record title to the Equity Shares Beneficially Owned or Constructively Owned by such Beneficial Owner or Constructive Owner, shall cease to own any right or interest) in such number of Equity Shares that would cause such Beneficial Owner or Constructive Owner to Beneficially Own or Constructively Own Equity Shares in excess of the Ownership Limit, (y) such number of Equity Shares in excess of the Ownership Limit (rounded up to the nearest whole share) shall be designated Shares-in-Trust and, in accordance with the provisions of Section 2 hereof, transferred automatically and by operation of law to a Share Trust to be held in accordance with that Section 2, and (z) the Prohibited Owner shall submit such number of Equity Shares to the Trust for registration in the name of the Share Trust. Such transfer to a Share Trust and the designation of shares as Shares-in-Trust shall be effective as of the close of business on the business day prior to the date of the Transfer or Non-Transfer Event, as the case may be.

(ii) If, notwithstanding the other provisions contained in this Section 1, at any time after the date of the Initial Public Offering and prior to the Restriction Termination Date, there is a

purported Transfer or Non-Transfer Event that, if effective, would (i) result in the Equity Shares being beneficially owned by fewer than 100 Persons (determined without reference to any rules of attribution), (ii) result in the Trust being "closely held" within the meaning of Section 856(h) of the Code, or (iii) cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the Trust's or the Partnership's real property, within the meaning of Section 856(d)(2)(B) of the Code, then (x) the purported transferee shall not acquire any right or interest (or, in the case of a Non-Transfer Event, the person holding record title of the Equity Shares with respect to which such Non-Transfer Event occurred, shall cease to own any right or interest) in such number of Equity Shares, the ownership of which by such purported transferee or record holder would (A) result in the Equity Shares being beneficially owned by fewer than 100 Persons (determined without reference to any rules of attribution), (B) result in the Trust being "closely held" within the meaning of Section 856(h) of the Code or (C) cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the Trust's or the Partnership's real property, within the meaning of Section 856(d)(2)(B) of the Code, (y) such number of Equity Shares (rounded up to the nearest whole share) shall be designated Shares-in-Trust and, in accordance with the provisions of Section 2 hereof, transferred automatically and by operation of law to the Share Trust to be held in accordance with that Section 2 and (z) the Prohibited Owner shall submit such number of Equity Shares to the Trust for registration in the name of the Share Trust. Such transfer to a Share Trust and the designation of shares as Shares-in-Trust shall be effective as of the close of business on the business day prior to the date of the Transfer or Non-Transfer Event, as the case may be.

(d) Remedies For Breach. If the Trust, or its designees, shall at any time determine in good faith that a Transfer has taken place in violation of Section 1(B) hereof or that a Person intends to acquire or has attempted to acquire Beneficial Ownership or Constructive Ownership of any Equity Shares in violation of Section 1(B) hereof, the Trust shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or acquisition, including, but not limited to, refusing to give effect to such Transfer on the books of the Trust or instituting proceedings to enjoin such Transfer or acquisition.

(e) Notice of Restricted Transfer. Any Person who acquires or attempts to acquire Equity Shares in violation of Section 1(B) hereof, or any Person who owned Equity Shares that were transferred to a Share Trust pursuant to the provisions of Section 1(C) hereof, shall immediately give written notice to the Trust of such event and shall provide to the Trust such other information as the Trust may request in order to determine the effect, if any, of such Transfer or Non-Transfer Event, as the case may be, on the Trust's status as a REIT.

(f) Owners Required To Provide Information. From the date of the Initial Public Offering and prior to the Restriction Termination Date:

(i) Every Beneficial Owner or Constructive Owner of more than 5%, or such lower percentages as required pursuant to regulations under the Code, of the outstanding Equity Shares of the Trust shall, within 30 days after December 31 of each year, provide to the Trust a written statement or affidavit stating the name and address of such Beneficial Owner or Constructive Owner, the number of Equity Shares Beneficially Owned or Constructively Owned, and a description of how such shares are held. Each such Beneficial Owner or Constructive Owner shall provide to the Trust such additional information as the Trust may request in order to determine the effect, if any, of such Beneficial Ownership or Constructive Ownership on the Trust's status as a REIT and to ensure compliance with the Ownership Limit and the other restrictions set forth in Section 1(B).

(ii) Each Person who is a Beneficial Owner or Constructive Owner of Equity Shares and each Person (including the shareholder of record) who is holding Equity Shares for a Beneficial Owner or Constructive Owner shall provide to the Trust a written statement or affidavit stating such

information as the Trust may request in order to determine the Trust's status as a REIT and to ensure compliance with the Ownership Limit and the other restrictions set forth in Section 1(B).

(g) Exception to Ownership Limit. The Ownership Limit shall not apply to the acquisition of Equity Shares by an underwriter that participates in a public offering of such shares, for a period of 90 days following the purchase by such underwriter of such shares. In addition, the Board of Trustees, upon receipt of advice of counsel or other evidence satisfactory to the Board of Trustees, in its sole and absolute discretion, in each case to the effect that the restrictions contained in Sections 1(B)(3), (4) and (5) hereof will not be violated and that REIT status will not otherwise be lost, may, in its sole and absolute discretion, exempt a Person from the Ownership Limit if such Person is not an individual for purposes of Section 542(a)(2) of the Code, provided that (i) the Board of Trustees obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that no individual's Beneficial Ownership or Constructive Ownership of Equity Shares will violate the Ownership Limit as a result of the exemption and (ii) such Person agrees that any violation or attempted violation of the terms of the exemption will result in a transfer to the Share Trust of Equity Shares pursuant to Section 1(C) hereof.

(h) New York Stock Exchange Transactions. Notwithstanding any provision contained herein to the contrary, nothing in this Declaration of Trust shall preclude the settlement of any transaction entered into through the facilities of the New York Stock Exchange. The fact that the settlement of any transaction occurs shall not negate the effect of any other provision of this Article VII and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VII.

Section 2. Shares-in-Trust.

(a) Share Trust. Any Equity Shares transferred to a Share Trust and designated Shares-in-Trust pursuant to Section 1(C) hereof shall be held for the exclusive benefit of a Beneficiary. The Trust shall name a Beneficiary of each Share Trust within five days after discovery of the existence thereof. Any transfer to a Share Trust, and subsequent designation of Equity Shares as Shares-in-Trust, pursuant to Section 1(C) hereof shall be effective as of the close of business on the business day prior to the date of the Transfer or Non-Transfer Event that results in the transfer to the Share Trust. Shares-in-Trust shall remain issued and outstanding Equity Shares of the Trust and shall be entitled to the same rights and privileges on identical terms and conditions as are all other issued and outstanding Equity Shares of the same class and series. When transferred to a Permitted Transferee in accordance with the provisions of Section 2(E) hereof, such Shares-in-Trust shall cease to be designated as Shares-in-Trust.

(b) Dividend Rights. The Share Trust, as record holder of Shares-in-Trust, shall be entitled to receive all dividends and distributions as may be declared by the Board of Trustees on such Equity Shares and shall hold such dividends or distributions in trust for the benefit of the Beneficiary. The Prohibited Owner with respect to Shares-in-Trust shall repay to the Share Trust the amount of any dividends or distributions received by it that (i) are attributable to any Equity Shares designated Shares-in-Trust and (ii) the record date for which was on or after the date that such shares became Shares-in-Trust. The Trust shall take all measures that it determines reasonably necessary to recover the amount of any such dividend or distribution paid to a Prohibited Owner, including, if necessary, withholding any portion of future dividends or distributions payable on Equity Shares Beneficially Owned or Constructively Owned by the Person who, but for the provisions of Section 1(C) hereof, would Constructively Own or Beneficially Own the Shares-in-Trust; and, as soon as reasonably practicable following the Trust's receipt or withholding thereof, shall pay over to the Share Trust for the benefit of the Beneficiary the dividends so received or withheld, as the case may be.

(c) Rights Upon Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Trust, each holder of Shares-in-Trust shall be entitled to receive, ratably with each other holder of Equity Shares of the same class or series, that portion of the assets of the Trust that is available for distribution to the holders of such class or series of Equity Shares. The Share Trust shall distribute to the Prohibited Owner the amounts received upon such liquidation, dissolution or winding up, or distribution; provided, however, that the Prohibited Owner shall not be entitled to receive amounts pursuant to this Section 2(C) in excess of (i) in the case of a purported Transfer in which the Prohibited Owner gave value for Equity Shares and which Transfer resulted in the transfer of the shares to the Share Trust, the price per share, if any, such Prohibited Owner paid for the Equity Shares and (ii) in the case of a Non-Transfer Event or Transfer in which the Prohibited Owner did not give value for such shares (e.g., if the shares were received through a gift or devise) and which Non-Transfer Event or Transfer, as the case may be, resulted in the transfer of shares to the Share Trust, the price per share equal to the Market Price on the date of such Non-Transfer Event or Transfer. Any remaining amount in such Share Trust shall be distributed to the Beneficiary.

(d) Voting Rights. The Share Trustee shall be entitled to vote all Shares-in-Trust. Any vote by a Prohibited Owner as a holder of Equity Shares prior to the discovery by the Trust that the Equity Shares are Shares-in-Trust shall, subject to Maryland law, be rescinded and shall be void ab initio with respect to such Shares-in-Trust and the Prohibited Owner shall be deemed to have given, as of the close of business on the business day prior to the date of the purported Transfer or Non-Transfer Event that results in the transfer to the Share Trust of Equity Shares under Section 1(C) hereof, an irrevocable proxy to the Share Trustee to vote the Shares-in-Trust in the manner in which the Share Trustee, in its sole and absolute discretion, desires; provided, however, that if the Trust has already taken irreversible trust action, the Share Trustee shall not have the authority to rescind and recast such vote.

(e) Designation of Permitted Transferee. The Share Trustee shall have the exclusive and absolute right to designate a Permitted Transferee of any and all Shares-in-Trust. In an orderly fashion so as not to materially adversely affect the Market Price of the Shares-in-Trust, the Share Trustee shall designate any Person as Permitted Transferee, provided, however, that (i) the Permitted Transferee so designated purchases for valuable consideration (whether in a public or private sale), at a price as set forth in Section 2(G) hereof, the Shares-in-Trust and (ii) the Permitted Transferee so designated may acquire such Shares-in-Trust without such acquisition resulting in a transfer to a Share Trust and the redesignation of such Equity Shares so acquired as Shares-in-Trust under Section 1(C) hereof. Upon the designation by the Share Trustee of a Permitted Transferee in accordance with the provisions of this Section 2(E), the Share Trustee shall (i) cause to be transferred to the Permitted Transferee that number of Shares-in-Trust acquired by the Permitted Transferee, (ii) cause to be recorded on the books of the Trust that the Permitted Transferee is the holder of record of such number of Equity Shares, (iii) cause the Shares-in-Trust to be canceled and (iv) distribute to the Beneficiary any and all amounts held with respect to the Shares-in-Trust after making the payment to the Prohibited Owner pursuant to Section 2(F) hereof.

(f) Compensation to Record Holder of Equity Shares that Become Shares-in-Trust. Any Prohibited Owner shall be entitled (following discovery of the Shares-in-Trust and subsequent designation of the Permitted Transferee in accordance with Section 2(E) hereof or following the acceptance of the offer to purchase such shares in accordance with Section 2(G) hereof) to receive from the Share Trustee following the sale or other disposition of such Shares-in-Trust the lesser of (i) in the case of (a) a purported Transfer in which the Prohibited Owner gave value for Equity Shares and which Transfer resulted in the transfer of the shares to the Share Trust, the price per share, if any, such Prohibited Owner paid for the Equity Shares, or (b) a Non-Transfer Event or Transfer in which the Prohibited Owner did not give value for such shares (e.g., if the shares were received through a gift or devise) and which Non-Transfer Event or Transfer, as the case may be, resulted in the transfer of shares to the Share Trust, the price per share equal to the Market Price on the date

of such Non-Transfer Event or Transfer and (ii) the price per share received by the Share Trustee from the sale or other disposition of such Shares-in-Trust in accordance with Section 2(E) hereof. Any amounts received by the Share Trustee in respect of such Shares-in-Trust and in excess of such amounts to be paid the Prohibited Owner pursuant to this Section 2(F) shall be distributed to the Beneficiary in accordance with the provisions of Section 2(E) hereof. Each Beneficiary and Prohibited Owner waive any and all claims that they may have against the Share Trustee and the Share Trust arising out of the disposition of Shares-in-Trust, except for claims arising out of the gross negligence or willful misconduct of, or any failure to make payments in accordance with this Section 2 by, such Share Trustee or the Trust.

(g) **Purchase Right in Shares-in-Trust.** Shares-in-Trust shall be deemed to have been offered for sale to the Trust, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that created such Shares-in-Trust (or, in the case of devise, gift or Non-Transfer Event, the Market Price at the time of such devise, gift or Non-Transfer Event) and (ii) the Market Price on the date the Trust, or its designee, accepts such offer. The Trust shall have the right to accept such offer for a period of ninety days after the later of (i) the date of the Non-Transfer Event or purported Transfer that resulted in such Shares-in-Trust and (ii) the date the Trust determines in good faith that a Transfer or Non-Transfer Event resulting in Shares-in-Trust has occurred, if the Trust does not receive a notice of such Transfer or Non-Transfer Event pursuant to Section 1(E) hereof.

Section 3. **Remedies Not Limited.** Subject to Section 1(H) hereof, nothing contained in this Article VII shall limit the authority of the Trust to take such other action as it deems necessary or advisable to protect the Trust and the interests of its shareholders by preservation of the Trust's status as a REIT and to ensure compliance with the Ownership Limit.

Section 4. **Ambiguity.** In the case of an ambiguity in the application of any of the provisions of Article VII, including any definition contained in Section 1(A) hereof, the Board of Trustees shall have the power to determine the application of the provisions of this Article VII with respect to any situation based on the facts known to it.

Section 5. **Legend.** Each certificate for Equity Shares shall bear substantially the following legend:

"The [Common or Preferred] Shares evidenced by this certificate are subject to restrictions on transfer. Subject to certain further restrictions and except as provided in the Declaration of Trust of the Trust, no Person may (i) Beneficially or Constructively Own Common Shares in excess of 9.9% of the number of outstanding Common Shares of any class or series, (ii) Beneficially or Constructively Own Preferred Shares in excess of 9.9% of the number of outstanding Preferred Shares of any class or series, (iii) Beneficially Own Equity Shares that would result in the Equity Shares being beneficially owned by fewer than 100 Persons (determined without reference to any rules of attribution), (iv) Beneficially Own Equity Shares that would result in the Trust being "closely held" under Section 856(h) of the Internal Revenue Code of 1986, as amended (the "Code"), or (v) Constructively Own Equity Shares that would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the Trust's or the Partnership's real property, within the meaning of Section 856(d)(2)(B) of the Code. Any Person who attempts to Beneficially or Constructively Own Equity Shares in excess of the above limitations must immediately notify the Trust in writing. If any restrictions above are violated, the Equity Shares evidenced hereby will be transferred automatically to a Share Trust and shall be designated Shares-in-Trust for the benefit of one or more charitable beneficiaries. In addition, upon the occurrence of certain events, attempted transfers in violation of the restrictions described above may be void ab initio. All capitalized terms in this legend have the meanings defined in the Trust's Declaration of Trust, as the same may be further amended from time to time, a copy of which, including the restrictions on transfer, will be sent without charge to each shareholder who

so requests. Such requests must be made to the Secretary of the Trust at its principal office or to the transfer agent.”

In place of the foregoing legend, the certificate may state that the Trust will furnish a full statement about certain restrictions or transferability to a shareholder on request and without charge.

Section 6. Severability. If any provision of this Article VII or any application of any such provision is determined to be invalid by any federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

Section 7. Non-Waiver. No delay or failure on the part of the Trust or the Board of Trustees in exercising any right hereunder shall operate as a waiver of any right of the Trust or the Board of Trustees, as the case may be, except to the extent specifically waived in writing.

ARTICLE VIII SHAREHOLDERS

Section 1. Meetings. There shall be an annual meeting of the shareholders, to be held on proper notice at such time (after the delivery of the annual report) and convenient location as shall be determined by or in the manner prescribed in the Bylaws, for the election of the Trustees, if required, and for the transaction of any other business within the powers of the Trust. If there are no Trustees, the officers of the Trust shall promptly call a special meeting of the shareholders entitled to vote for the election of successor Trustees. Any meeting may be adjourned and reconvened as the Trustees determine or as provided in the Bylaws.

Section 2. Voting Rights. Subject to the provisions of any class or series of Shares then outstanding, the shareholders shall be entitled to vote only on the following matters: (a) termination of REIT status as provided in Article V, Section 1(C), (b) election of Trustees as provided in Article V, Section 2(A) and the removal of Trustees as provided in Article V, Section 3; (c) amendment of the Declaration of Trust as provided in Article X; (d) termination of the Trust as provided in Article XII, Section 2; (e) merger or consolidation of the Trust, or the sale or disposition of substantially all of the Trust Property (as hereinafter defined), as provided in Article XI; and (f) such other matters with respect to which a vote of the shareholders is required by applicable law or the Board of Trustees has adopted a resolution declaring that a proposed action is advisable and directing that the matter be submitted to the shareholders for approval or ratification. Except with respect to the foregoing matters, no action taken by the shareholders at any meeting shall in any way bind the Board of Trustees.

Section 3. Preemptive and Appraisal Rights. Except as may be provided by the Board of Trustees in setting the terms of classified or reclassified Shares pursuant to Article VI, Section 4 or as otherwise may be provided by contract, no holder of Shares shall, as such holder, (a) have any preemptive or preferential right to purchase or subscribe for any additional Shares of the Trust or any other security of the Trust that it may issue or sell or (b), except as expressly required by Title 8, have any right to require the Trust to pay him the fair value of his Shares in an appraisal or similar proceeding.

Section 4. Extraordinary Actions. Except as specifically provided in Article V, Sections 1(C) and 3, Article X, Section 3 and Article XII, Section 2 of this Declaration of Trust, notwithstanding any provision of law permitting or requiring action to be taken or authorized by the affirmative vote of the holders of a greater number of votes, any such action shall be effective and valid if taken or approved by the affirmative vote of holders of Shares entitled to cast a majority of all of the votes entitled to be cast on the matter.

Section 5. Board Approval. The submission of any action to the shareholders for their consideration shall first be approved as advised by the Board of Trustees.

Section 6. Action By Shareholders Without a Meeting. The Bylaws may provide that any action required or permitted to be taken by the shareholders may be taken without a meeting by the written consent of the shareholders entitled to cast a sufficient number of votes to approve the matter as required by statute, the Declaration of Trust or the Bylaws, as the case may be.

ARTICLE IX
LIABILITY LIMITATION, INDEMNIFICATION
AND TRANSACTIONS WITH THE TRUST

Section 1. Limitation of Shareholder Liability. No shareholder shall be liable for any debt, claim, demand, judgment or obligation of any kind of, against or with respect to the Trust by reason of his being a shareholder, nor shall any shareholder be subject to any personal liability whatsoever, in tort, contract or otherwise, to any person in connection with the property or the affairs of the Trust by reason of his being a shareholder.

Section 2. Limitation of Trustee and Officer Liability. To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of trustees and officers of a REIT, no Trustee or officer of the Trust shall be liable to the Trust or to any shareholder for money damages. Neither the amendment nor repeal of this Section, nor the adoption or amendment of any other provision of the Declaration of Trust or Bylaws inconsistent with this Section, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act that occurred prior to such amendment, repeal or adoption. In the absence of any Maryland statute limiting the liability of trustees and officers of a Maryland REIT for money damages in a suit by or on behalf of the Trust or by any shareholder, no Trustee or officer of the Trust shall be liable to the Trust or to any shareholder for money damages except to the extent that (a) the Trustee or officer actually received an improper benefit or profit in money, property or services, for the amount of the benefit or profit in money, property or services actually received; or (b) a judgment or other final adjudication adverse to the Trustee or officer is entered in a proceeding based on a finding in the proceeding that the Trustee's or officer's action or failure to act was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

Section 3. Express Exculpatory Clauses in Instruments. Neither the shareholders nor the Trustees, officers, employees or agents of the Trust shall be liable under any written instrument creating an obligation of the Trust, and all Persons shall look solely to the Trust Property for the payment of any claim under or for the performance of that instrument. The omission of the foregoing exculpatory language from any instrument shall not affect the validity or enforceability of such instrument and shall not render any Shareholder, Trustee, officer, employee or agent liable thereunder to any third party, nor shall the Trustees or any officer, employee or agent of the Trust be liable to anyone for such omission. As used in this Declaration of Trust, "Trust Property" means any and all property, real, personal or otherwise, tangible or intangible, which is transferred or conveyed to the Trust or the Trustees (including all rents, income, profits and gains therefrom), which is owned or held by, or for the account of, the Trust or the Trustees.

Section 4. Indemnification. The Trust shall have the power, to the maximum extent permitted by Maryland law in effect from time to time, to obligate itself to indemnify, and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (a) any individual who is a present or former shareholder, Trustee or officer of the Trust or (b) any individual who, while a Trustee of the Trust and at the request of the Trust, serves or has served as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, real estate investment trust, employee benefit plan or

other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his status as a present or former shareholder, Trustee or officer of the Trust. The Trust shall have the power, with the approval of its Board of Trustees, to provide such indemnification and advancement of expenses to a person who served as a predecessor of the Trust in any of the capacities described in (a) or (b) above, and to any employee or agent of the Trust or a predecessor of the Trust.

Section 5. Transactions Between the Trust and its Trustees, Officers, Employees and Agents. Subject to any express restrictions in the Declaration of Trust or adopted by the Trustees in the Bylaws or by resolution, the Trust may enter into any contract or transaction of any kind with any person, including any Trustee, officer, employee or agent of the Trust or any person affiliated with a Trustee, officer, employee or agent of the Trust, whether or not any of them has a financial interest in such transaction.

ARTICLE X AMENDMENTS

Section 1. General. The Trust reserves the right from time to time to make any amendment to the Declaration of Trust, now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in the Declaration of Trust, of any Shares. All rights and powers conferred by this Declaration of Trust on shareholders, Trustees and officers are granted subject to this reservation. An amendment to the Declaration of Trust (a) shall be signed and acknowledged by at least a majority of the Trustees or an officer duly authorized by at least a majority of the Trustees, (b) shall be filed for record with SDAT as provided in Article XIII, Section 5 and (c) shall become effective as of the later of the time the SDAT accepts the amendment for record or the time established in the amendment, not to exceed 30 days after the amendment is accepted for record. All references to the Declaration of Trust shall include all amendments thereto.

Section 2. By Trustees. The Trustees by a majority vote may amend the Declaration of Trust from time to time in the manner provided by Title 8, without any action by the shareholders, to qualify as a REIT under the Code or under Title 8.

Section 3. By Shareholders. Other than amendments pursuant to Section 2 of this Article X and Section 1 of Article VI, any amendment to the Declaration of Trust shall be valid only if approved by the affirmative vote of at least a majority of all the votes entitled to be cast on the matter, except that any amendment to Article V, Article VII, Article X, Sections 2 and 3 and Article XII, Section 2 of this Declaration of Trust shall be valid only if approved by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter; but in each case only after due authorization, advice and approval of the Board of Trustees.

ARTICLE XI MERGER, CONSOLIDATION OR SALE OF TRUST PROPERTY

Subject to the provisions of any class or series of Shares at the time outstanding, the Trust may (a) merge the Trust into another entity, (b) consolidate the Trust with one or more other entities into a new entity or (c) sell, lease, exchange or otherwise transfer all or substantially all of the Trust Property. Any such action must be approved as advised by the Board of Trustees and, after notice to all shareholders entitled to vote on the matter, by the affirmative vote of a majority of all the votes entitled to be cast on the matter, except where approval of the shareholders is not required by Title 8 or would not be required by the Maryland General Corporation Law if the Trust were a Maryland corporation.

ARTICLE XII
DURATION AND TERMINATION OF TRUST

Section 1. Duration. The Trust shall continue perpetually unless terminated pursuant to Section 2 of this Article XII or pursuant to any applicable provision of Title 8.

Section 2. Termination.

(a) Subject to the provision of any class or series of Shares at the time outstanding, the Trust may be terminated at any meeting of shareholders, by the affirmative vote of two thirds of all the votes entitled to be cast on the matter, after due authorization, advice and approval thereof by a majority of the entire Board of Trustees. Upon the termination of the Trust:

(i) The Trust shall carry on no business except for the purpose of winding up its affairs.

(ii) The Trustees shall proceed to wind up the affairs of the Trust and all of the powers of the Trustees under the Declaration of Trust shall continue, including the powers to fulfill or discharge the Trust's contracts, collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining Trust Property to one or more persons at public or private sale for consideration that may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities and do all other acts appropriate to liquidate its business.

(iii) After paying or adequately providing for the payment of all liabilities, and upon receipt of such releases, indemnities and agreements as it deems necessary for its protection, the Trust may distribute the remaining Trust Property among the shareholders so that after payment in full or the setting apart for payment of such preferential amounts, if any, to which the holders of any Shares at the time outstanding shall be entitled, the remaining Trust Property shall, subject to any participating or similar rights of Shares at the time outstanding, be distributed ratably among the holders of Common Shares at the time outstanding.

(b) After termination of the Trust, the liquidation of its business and the distribution to the shareholders as herein provided, a majority of the Trustees shall execute and file with the Trust's records a document certifying that the Trust has been duly terminated, and the Trustees shall be discharged from all liabilities and duties hereunder, and the rights and interests of all shareholders shall cease.

ARTICLE XIII
MISCELLANEOUS

Section 1. Governing Law. The Declaration of Trust is executed by the undersigned Trustees and delivered in the State of Maryland with reference to the laws thereof, and the rights of all parties and the validity, construction and effect of every provision hereof shall be subject to and construed according to the laws of the State of Maryland without regard to conflicts of laws provisions thereof.

Section 2. Reliance by Third Parties. Any certificate shall be final and conclusive as to any person dealing with the Trust if executed by the Secretary or an Assistant Secretary of the Trust or a Trustee, and if certifying to: (a) the number or identity of Trustees, officers of the Trust or shareholders; (b) the due authorization of the execution of any document; (c) the action or vote taken, and the existence of a quorum, at a meeting of the Board of Trustees or shareholders; (d) a copy of the Declaration of Trust or of the Bylaws as a true and complete copy as then in force; (e) an amendment to the Declaration of Trust; (f) the termination of the Trust; or (g) the existence of any fact relating to the affairs of the Trust. No purchaser,

lender, transfer agent or other person shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trust on its behalf or by any officer, employee or agent of the Trust.

Section 3. Severability.

(a) The provisions of the Declaration of Trust are severable, and if the Board of Trustees shall determine, with the advice of counsel, that any one or more of such provisions (the "Conflicting Provisions") are in conflict with the Code, Title 8 or other applicable federal or state laws, the Conflicting Provisions, to the extent of the conflict, shall be deemed never to have constituted a part of the Declaration of Trust, even without any amendment of the Declaration of Trust pursuant to Article X and without affecting or impairing any of the remaining provisions of the Declaration of Trust or rendering invalid or improper any action taken or omitted prior to such determination. No Trustee shall be liable for making or failing to make such a determination. In the event of any such determination by the Board of Trustees, the Board shall amend the Declaration of Trust in the manner provided in Article X, Section 2.

(b) If any provision of the Declaration of Trust shall be held invalid or unenforceable in any jurisdiction, such holding shall apply only to the extent of any such invalidity or unenforceability and shall not in any manner affect, impair or render invalid or unenforceable such provision in any other jurisdiction or any other provision of the Declaration of Trust in any jurisdiction.

Section 4. Construction. In the Declaration of Trust, unless the context otherwise requires, words used in the singular or in the plural include both the plural and singular and words denoting any gender include all genders. The title and headings of different parts are inserted for convenience and shall not affect the meaning, construction or effect of the Declaration of Trust. In defining or interpreting the powers and duties of the Trust and its Trustees and officers, reference may be made by the Trustees or officers, to the extent appropriate and not inconsistent with the Code or Title 8, to Titles 1 through 3 of the Corporations and Associations Article of the Annotated Code of Maryland. In furtherance and not in limitation of the foregoing, in accordance with the provisions of Title 3, Subtitles 6 and 7, of the Corporations and Associations Article of the Annotated Code of Maryland, the Trust shall be included within the definition of "corporation" for purposes of such provisions.

Section 5. Recordation. The Declaration of Trust and any amendment hereto shall be filed for record with the SDAT and may also be filed or recorded in such other places as the Trustees deem appropriate, but failure to file for record the Declaration of Trust or any amendment hereto in any office other than in the State of Maryland shall not affect or impair the validity or effectiveness of the Declaration of Trust or any part thereof. A restated Declaration of Trust shall, upon filing, be conclusive evidence of all amendments contained therein and may thereafter be referred to in lieu of the original Declaration of Trust and the various amendments thereto.

SECOND: These Articles of Amendment and Restatement have been duly adopted by the Board of Trustees and approved by the Shareholders of the Trust as required by law.

THIRD: The total number of shares of beneficial interest which the Trust had authority to issue immediately prior to the filing of these Articles of Amendment and Restatement was 1,000, all of which were common shares of beneficial interest, par value \$.01 per share. The aggregate par value of all shares of beneficial interest having par value was \$10.00.

The total number of shares of beneficial interest which the Trust has authority to issue pursuant to these Articles of Amendment and Restatement is 110,000,000 consisting of 100,000,000 common shares of beneficial interest, par value \$.01 per share and 10,000,000 of preferred shares of beneficial interest, par

value \$.01 per share. The aggregate par value of all authorized shares of beneficial interest having par value is \$1,100,000.00.

FOURTH: The undersigned Chairman of the Board of Trustees and Chief Executive Officer acknowledges these Articles of Amendment and Restatement to be the trust act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned Chairman of the Board of Trustees and Chief Executive Officer acknowledges that, to the best of his knowledge, information and belief, these matters are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Trust has caused these Articles of Amendment and Restatement to be signed in its name and on its behalf by its Chairman of the Board of Trustees and Chief Executive Officer, and attest to by its Secretary, on this 22nd day of December, 1998.

ATTEST:

HERSHA HOSPITALITY TRUST

/s/Kiran P. Patel
Secretary

/s/ Hasu P. Shah
Hasu P. Shah
Chairman of the Board of Trustees and Chief
Executive Officer

HERSHA HOSPITALITY TRUST
ARTICLES SUPPLEMENTARY

Hersha Hospitality Trust, a Maryland real estate investment trust (the "Trust"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Under a power contained in Article VI of the Trust's Amended and Restated Declaration of Trust (the "Declaration"), the Board of Trustees of the Trust (the "Board of Trustees"), by resolution duly adopted at a meeting duly called and held, classified and designated 350,000 preferred shares of beneficial interest (as defined in the Declaration) as Series A Preferred Shares of beneficial interest, par value \$.01 per share (the "Series A Preferred Shares"), with the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption set forth below. Upon any restatement of the Declaration, Sections 1 through 10 of this Article FIRST shall become part of Article Sixth of the Declaration, with such changes in enumeration as are necessary to complete such restatement.

SERIES A PREFERRED SHARES

1. Designation and Amount; Rank. 350,000 preferred shares of beneficial interest are classified and designated as Series A Preferred Shares of beneficial interest, par value \$.01 per share (the "Series A Preferred Shares"). The Series A Preferred Shares shall rank (i) senior to any class of common shares of the Trust regardless of whether or not existing on the date of filing of these Articles Supplementary, which shall include, without limitation, the Trust's Priority Class A Common Shares, \$.01 par value per share, and the Trust's Class B Common Shares, \$.01 par value per share, and any other class or series of shares of beneficial interest of the Trust, either specifically ranking by its terms junior to the Series A Preferred Shares or not specifically ranking by its terms senior to or on parity with the Series A Preferred Shares (collectively, the "Junior Securities"), (ii) on parity with any class or series of shares of beneficial interest of the Trust specifically ranking by its terms on parity with the Series A Preferred Shares, and (iii) junior to any class or series of shares of beneficial interest of the Trust specifically ranking by its terms senior to the Series A Preferred Shares, in each case, as to payment of dividends, voting, distributions of assets upon liquidation, dissolution or winding-up, whether voluntary or involuntary, or otherwise.

2. Dividend Rights.

(a) Each Series A Preferred Share shall entitle the holder thereof to receive dividends out of any assets legally available therefor, prior to and in preference to any declaration or payment of any dividend on any Junior Securities and pari passu with any shares of beneficial interest ranking on parity with the Series A Preferred Shares. Dividends shall be payable when and as authorized by the Board of Trustees and declared by the Trust. Dividends on each Series A Preferred Share shall accrue at 10.5% per annum (the "Dividend Rate") on the Original Issue Price (as hereafter defined), which dividend shall commence accruing on the Original Issue Date (as hereinafter defined). Dividends on the Series A Preferred Shares shall be cumulative and shall be payable in cash in arrears on a date no later than the twentieth (20th) day after the end of each quarter (each a "Dividend Payment Date"), commencing with the quarter ending June 30, 2003, to holders of record on the close of business on the last Business day of the applicable quarter. Dividends shall accrue whether or not they have been declared and whether or not there are profits, surplus or other funds of the Trust legally available for the payment of dividends. To the extent that any dividend on the Series A Preferred Shares is not paid on the Dividend Payment Date, such dividend shall accumulate, but not compound, from that date at the Dividend Rate until such dividend is paid in full. The date on which the

Trust initially issues a Series A Preferred Share shall be referred to as the "Original Issue Date" regardless of the number of transfers of such shares made on the share records maintained by or for the Trust and regardless of the number of certificates that may be issued to evidence such share.

(b) The Trust shall not (i) pay or set aside for payment any dividends on Junior Securities or (ii) redeem, repurchase or otherwise acquire any Junior Securities, except as required by Article VII of the Declaration of Trust or the excess share and real estate investment trust qualification provisions of applicable law in a manner which satisfies Section 305(b) of the Code, until all accumulated, accrued and unpaid dividends have been paid on the Series A Preferred Shares through the last preceding Dividend Payment Date.

(c) The amount of dividends payable for each quarterly dividend period for the Series A Preferred Shares shall be computed by multiplying the Original Issue Price by the Dividend Rate and dividing the result by four. The amount of dividends payable for the initial dividend period or any other period shorter or longer than a full quarterly period shall be computed on the basis of twelve 30-day months and a 360-day year.

(d) Dividend payments shall be made by wire transfer to an account designated by each holder of the Series A Preferred Shares or, if no account information is provided to the Trust by a holder of the Series A Preferred Shares, dividend payments shall be made by check delivered by first class mail to the address of such holder as set forth in the share records of the Trust.

(e) For the sole purpose of determining whether a distribution (as defined in Section 2-301 of the Maryland General Corporation Law) is permitted under Maryland law, amounts that would be needed, if the Trust were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights on dissolution are superior to those receiving the distribution shall not be added to the Trust's total liabilities.

3. Liquidation Rights.

(a) In the event of any liquidation, dissolution or winding up of the Trust, whether voluntary or involuntary, after payment or provision for payment of debts and other liabilities of the Trust, each holder of Series A Preferred Shares, before any distribution or payment is made upon any Junior Securities, shall be entitled to receive, out of the assets of the Trust available for distribution to the Trust's shareholders, the sum of (A) \$100.00 per share (subject to equitable adjustment to reflect share splits, share combinations, share dividends, recapitalizations, and like occurrences) and (B) all accrued but unpaid dividends (if any) payable with respect to such shares (the "Liquidation Preference").

(b) In the event the assets to be distributed among the holders of the Series A Preferred Shares upon any liquidation, dissolution or winding up of the Trust, whether voluntary or involuntary, shall be insufficient to permit full payment of the Liquidation Preference and similar payments on any other class of shares ranking on a parity with the Series A Preferred Shares upon liquidation, then the holders of the Series A Preferred Shares and such other shares shall share ratably in any such distribution of the Trust's assets in proportion to the full respective distributable amounts to which they are entitled.

(c) Upon any such liquidation, dissolution or winding up of the Trust, after the holders of the Series A Preferred Shares and any other class of beneficial interests ranking on a parity with the Series A Preferred Shares upon liquidation shall have been paid in full in accordance with the rights and preferences to which they are entitled, the remaining net assets of the Trust shall be distributed to the holders of Junior Securities.

(d) Written notice of such liquidation, dissolution or winding up, stating a payment date, the amount of the Liquidation Preference and the place where said sums shall be payable shall be given by mail, postage prepaid, not less than 30 or more than 60 days prior to the payment date stated therein, to the holders of record of the Series A Preferred Shares, such notice to be addressed to each such holder at his post office address as shown on the records of the Trust.

(e) For purposes of this Section, a liquidation, dissolution or winding up of the Trust shall be deemed to be occasioned by, or to include, (A) the acquisition of a majority of the beneficial interests in the Trust by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation, but excluding any merger effected exclusively for the purpose of changing the domicile of the Trust) in which outstanding shares of the Trust are exchanged for securities or other consideration issued, or caused to be issued by the acquiring entity or its subsidiary (an "Acquisition"), or (B) a sale, lease, exchange or other transfer (in one transaction or a series of transactions) of all or substantially all of the assets of the Trust (an "Asset Transfer"), unless in each of the cases set forth in (A) and (B) of this Section 3(e), the Trust's shareholders of record as constituted immediately prior to such Acquisition or Asset Transfer will, immediately after such Acquisition or Asset Transfer (by virtue of securities issued as consideration for the Trust's Acquisition or sale or otherwise) hold at least 50% of the voting power of the surviving, continuing or purchasing entity.

(f) Whenever the distribution provided for in this Section 3 shall be payable in property other than cash, the value of such property shall be the fair market value thereof as determined in good faith by a majority of the independent Trustees then serving on the Board of Trustees. For purposes of this provision, the "independent" Trustees shall be those Trustees serving on the Board of Trustees of the Trust who satisfy the requirements for treatment as an "independent" trustee or "independent" director under the rules of the American Stock Exchange.

4. Conversion. The holders of Series A Preferred Shares shall have the following rights with respect to the conversion of the Series A Preferred Shares into shares of the Trust's Priority Class A Common Shares (the "Conversion Rights"):

(a) Optional Conversion. Subject to and in compliance with the provisions of this Section 4, any Series A Preferred Shares may, at the option of the holder, be converted at any time into fully paid and nonassessable shares of the Trust's Priority Class A Common Shares. The number of shares of Priority Class A Common Shares to which a holder of Series A Preferred Shares shall be entitled upon conversion shall be the product obtained by multiplying the Conversion Rate then in effect (determined as provided in Section 4(b)) by the number of Series A Preferred Shares being converted.

(b) Conversion Rate. The conversion rate in effect at any time for conversion of the Series A Preferred Shares (the "Conversion Rate") shall be the quotient obtained by dividing (x) \$100.00 (hereinafter, the "Original Issue Price"), plus the per share amount of all accrued but unpaid dividends outstanding on the shares to be converted by (y) the Conversion Price, calculated as provided in Section 4(c).

(c) Conversion Price. The conversion price for the Series A Preferred Shares shall initially be equal to \$6.7555 (as adjusted as hereinafter provided, the "Conversion Price"). Such initial Conversion Price shall be adjusted from time to time in accordance with this Section 4. All references to the Conversion Price herein shall mean the Conversion Price as so adjusted.

(d) Mechanics of Conversion.

(i) The Conversion Rights in this Section 4 shall be exercised by the holder thereof by giving written notice that the holder elects to convert a stated number of Series A Preferred

Shares into Priority Class A Common Shares and by surrender of a certificate or certificates for the shares so to be converted and delivery of the undertaking described in Subsection (d)(ii) below, to the Trust at its principal office (or such other office or agency of the Trust as the Trust may designate by notice in writing to the holder or holders of the Series A Preferred Shares) at any time during its usual business hours on the date set forth in such notice, together with a statement of the name or names (with addresses), subject to compliance with Article VII of the Declaration and applicable laws to the extent such designation shall involve a transfer, in which the certificate or certificates for shares of Priority Class A Common Shares shall be issued. Promptly after the receipt by the Trust of the written notice referred to in this Subsection 4(d) and surrender of the certificate or certificates for the share or shares of the Series A Preferred Shares to be converted, the Trust shall issue and deliver, or cause to be issued and delivered, to the holder, within five (5) business days, registered in such name or names as such holder may direct, subject to compliance with Article VII of the Declaration and applicable laws to the extent such designation shall involve a transfer, a certificate or certificates for the number of whole shares of Priority Class A Common Shares issuable upon the conversion of such share or Series A Preferred Shares. To the extent permitted by law, such conversion shall be deemed to have been effected as of the close of business on the date on which such written notice shall have been received by the Trust and the certificate or certificates for such share or shares shall have been surrendered as aforesaid, and at such time the rights of the holder of such Series A Preferred Shares shall cease, and the person or persons in whose name or names any certificate or certificates for shares of Priority Class A Common Shares shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby.

(ii) It shall be a condition to the exercise of the conversion rights hereunder that each proposed registered holder of the Priority Class A Shares shall have executed and delivered to the Trust an undertaking to reimburse the Trust for the amount of any "unearned dividends" with respect to such shares. The per share amount of such "unearned dividends" shall be equal to the product of (A) the amount of the per share dividend paid in respect of the Priority Class A Shares in respect of the next record date which is on or after the effective date of the conversion (which record date is hereafter referred to as the "Current Record Date") multiplied by (B) a fraction, the numerator of which is the number of days in the period beginning with the day following the record date for the preceding dividend payment date (the "Prior Record Date") and ending with the effective date of the conversion and the denominator of which is the number of days in the period beginning with the day following the Prior Record Date and ending on the Current Record Date. Such undertaking shall acknowledge that the certificates representing the Priority Class A Shares may bear a legend referring to the provisions of this clause (ii) and such undertaking, which shall be binding on any transferee of such shares.

(e) Adjustment for Shares Splits and Combinations. If the Trust shall, at any time or from time to time after the Original Issue Date, effect a subdivision of the outstanding Priority Class A Common Shares without a corresponding subdivision of the Series A Preferred Shares, the Conversion Price in effect immediately before that subdivision shall be proportionately decreased. Conversely, if the Trust shall, at any time or from time to time after the Original Issue Date, combine the outstanding shares of Priority Class A Common Shares into a smaller number of shares without a corresponding combination of the Series A Preferred Shares, the Conversion Price in effect immediately before the combination shall be proportionately increased. Any adjustment under this Subsection 4(e) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(f) Adjustment for Reclassification, Exchange and Substitution. If, at any time or from time to time after the Original Issue Date, the Priority Class A Common Shares issuable upon the conversion of the Series A Preferred Shares are changed into the same or a different number of shares of any class or classes of shares, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or share dividend or a reorganization, merger, consolidation or sale of assets provided

for elsewhere in this Section 4), each holder of Series A Preferred Shares shall have the right thereafter to convert such shares into the kind and amount of shares and other securities and property receivable upon such recapitalization, reclassification or other change by holders of the maximum number of shares of Priority Class A Common Shares into which such Series A Preferred Shares could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein or with respect to such other securities or property by the terms thereof.

(g) Reorganizations, Mergers, Consolidations or Sales of Assets. If, at any time or from time to time after the Original Issue Date, there is a capital reorganization of the Priority Class A Common Shares (other than an Acquisition or Asset Transfer as defined in Section 3, or a recapitalization, subdivision, combination, reclassification, exchange or substitution of shares provided for elsewhere in this Section 4), as a part of such capital reorganization, provision shall be made so that the holders of the Series A Preferred Shares shall thereafter be entitled to receive upon conversion of the Series A Preferred Shares the number of shares or other securities or property of the Trust to which a holder of the number of shares of Priority Class A Common Shares deliverable upon conversion would have been entitled on such capital reorganization, subject to adjustment in respect of such shares or securities by the terms thereof. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of Series A Preferred Shares after the capital reorganization such that the provisions of this Section 4 (including adjustment of the Conversion Price then in effect and the number of shares issuable upon conversion of the Series A Preferred Shares) shall be applicable after that event and be as nearly equivalent as practicable.

(h) Sale of HT Common Shares Below Conversion Price.

(i) If, at any time or from time to time after the Original Issue Date, the Trust issues or sells, or is "deemed" by the express provisions of this Subsection 4(h)(i) to have issued or sold (other than in connection with an "Antidilution Carve Out Event"), Additional HT Common Shares (as defined in Subsection 4(h)(iv) below), for an Effective Price (as defined in Subsection 4(h)(iv) below) that is less than eighty-five percent (85%) of the then effective Conversion Price, then and in each such case, the then existing Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, to a price determined by multiplying the Conversion Price by a fraction (i) the numerator of which shall be (A) the number of HT Common Shares deemed outstanding (as defined in the next sentence) immediately prior to such issue or sale, plus (B) the number of HT Common Shares which the aggregate consideration received (as defined in Subsection 4(h)(ii)) by the Trust for the total number of Additional HT Common Shares so issued would purchase at such Conversion Price, and (ii) the denominator of which shall be the number of HT Common Shares deemed outstanding (as defined below) immediately prior to such issue or sale plus the total number of Additional HT Common Shares actually issued. As used herein, the number of HT Common Shares "deemed" to be outstanding as of a given date shall be the sum of (A) the number of HT Common Shares actually outstanding, (B) the number of HT Common Shares into which the then outstanding Series A Preferred Shares could be converted if fully converted on the day immediately preceding the given date, and (C) the number of HT Common Shares which could be obtained through the exercise or conversion of all other rights, options and convertible securities outstanding on the day immediately preceding the given date as set forth in Section 4(h)(ii) below. As used herein, an "Antidilution Carve Out Event" shall mean the issuance of HT Common Shares (A) as a dividend or other distribution on any class of shares, (B) pursuant to a subdivision or combination of HT Common Shares as provided in Section 4(e) above, (C) pursuant to any employee benefit plan approved by the Board of Trustees which plans shall issue, in the aggregate, no more than 650,000 shares of HT Common Shares (an "Approved Employee Benefit Plan"), (D) pursuant to a plan providing for the issuance of additional HT Common Shares upon reinvestment of dividends and additional optional amounts under such plan where the dividends are reinvested at an amount per HT Common Share issued thereunder that is equal to or greater than 95% of the fair market value of such HT Common Shares (a

“DRIP”) or (E) upon exchange of partnership interests in the Operating Partnership pursuant to and in accordance with Section 8.05 of the Amended and Restated Limited Partnership Agreement of Hersha Hospitality Limited Partnership (the “HLP Agreement”).

(ii) For the purpose of making any adjustment required under this Section 4(h), the consideration received by the Trust for any issue or sale of securities shall (A) to the extent it consists of cash, be computed at the net amount of cash received by the Trust, after deduction of any underwriting or similar discount, commission, compensation or concessions paid or allowed by the Trust in connection with such issue or sale, but without deduction of any expenses payable by the Trust, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board of Trustees, and (C) if Additional HT Common Shares, Convertible Securities (as defined in subsection 4(h)(iii)) or rights or options to purchase either Additional HT Common Shares or Convertible Securities are issued or sold together with other stock or securities or other assets of the Trust for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Trust’s Board of Trustees to be allocable to such Additional HT Common Shares, Convertible Securities or rights or options.

(iii) For the purpose of the adjustment required under this Section 4(h), if the Trust issues or sells (i) stock or other securities convertible into Additional HT Common Shares (such convertible stock or securities being herein referred to as “Convertible Securities”) or (ii) rights or options for the purchase of Additional HT Common Shares or Convertible Securities, and if the Effective Price of such Additional HT Common Shares is less than eighty-five percent (85%) of the then effective Conversion Price, then in each such case, the Trust shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional HT Common Shares issuable upon exercise or conversion thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Trust for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Trust upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amount of consideration, if any, payable to the Trust (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion thereof; provided that if in the case of Convertible Securities the minimum amount of such consideration cannot be ascertained, but is a function of antidilution or similar protective clauses, the Trust shall be deemed to have received the minimum amounts of consideration without reference to such clauses; provided further that if the minimum amount of consideration payable to the Trust upon the exercise or conversion of rights, options or Convertible Securities is reduced over time or on the occurrence or non-occurrence of specified events other than by reason of antidilution adjustments, the Effective Price shall be recalculated using the figure to which such minimum amount of consideration is reduced; and provided further that if the minimum amount of consideration payable to the Trust upon the exercise or conversion of such rights, options or Convertible Securities is subsequently increased, the Effective Price shall be again recalculated using the increased minimum amount of consideration payable to the Trust upon the exercise or conversion of such rights, options or Convertible Securities. No further adjustment of the Conversion Price, as adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional HT Common Shares on the exercise of any such rights or options or the conversion of any such Convertible Securities. If any such rights or options or the conversion privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price as adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional HT Common Shares so issued were the Additional HT Common Shares, if any, actually issued or sold on the exercise of such rights or options or rights of conversion of such Convertible Securities, and such Additional HT Common Shares, if any, were issued or sold for the consideration actually received by the Trust

upon such exercise, plus the consideration, if any, actually received by the Trust for the granting of all such rights or options, whether or not exercised, plus the consideration received for issuing or selling the Convertible Securities actually converted, plus the consideration, if any, actually received by the Trust (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion of such Convertible Securities, provided that such readjustment shall not apply to prior conversions of Series A Preferred Shares.

(iv) "HT Common Shares" shall mean and include the Trust's authorized Priority Class A Common Shares, as constituted on the date of filing of these Articles Supplementary; provided, however, that such term, when used to describe the securities receivable upon conversion of shares of the Series A Preferred Shares, shall include only shares designated as HT Common Shares of the Trust on the date of filing of these Articles Supplementary, any shares resulting from any combination or subdivision thereof referred to in Section 4, or in case of any reorganization or reclassification of the outstanding shares thereof, the stock, securities or assets provided for in Section 4). "Additional HT Common Shares" shall mean all HT Common Shares issued by the Trust or deemed to be issued pursuant to this Section 4(h), whether or not subsequently reacquired or retired by the Trust. The "Effective Price" of Additional HT Common Shares shall mean the quotient determined by dividing the aggregate consideration received, or deemed to have been received by the Trust for such issuance or sale or deemed issuance or sale under this Section 4(h), for such Additional HT Common Shares by the total number of Additional HT Common Shares issued or sold, or deemed to have been issued or sold by the Trust under this Section 4(h).

(v) If the Trust proposes to issue or sell Additional HT Common Shares for an Effective Price that is less than eighty-five percent (85%) of the Conversion Price and such issuance or sale will result in a reduction of the Conversion Price pursuant to this Section (h) (an "AMEX Dilutive Issuance"), then the AMEX Dilutive Issuance and the resulting potential issuance of Additional HT Common Shares upon conversion of the Series A Preferred Shares at a Conversion Price below the initial Conversion Price, must be approved by the shareholders of the Trust to the extent required by the rules of the American Stock Exchange. If such holders do not approve the AMEX Dilutive Issuance, and the resulting potential issuance of Additional HT Common Shares upon conversion of the Series A Preferred Shares at a Conversion Price below the initial Conversion Price, as required to be approved by the preceding sentence, then the Trust shall not consummate the AMEX Dilutive Issuance in any manner that would cause a reduction of the Conversion Price pursuant to this Subsection (h).

(i) Certificate of Adjustment. In each case of an adjustment or readjustment of the Conversion Price for the number of Priority Class A Common Shares or other securities issuable upon conversion of any Series A Preferred Shares, if the Series A Preferred Shares are then convertible pursuant to this Section 4, the Trust, at its expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of Series A Preferred Shares at such holder's address as shown in the Trust's books and records. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or deemed to be received by the Trust for any Additional HT Common Shares issued or sold or deemed to have been issued or sold, (ii) the Conversion Price in effect at the time, (iii) the number of Additional HT Common Shares issued or sold or deemed to have been issued or sold and (iv) the type and amount, if any, of other property which at the time would be received upon conversion of the Series A Preferred Shares.

(j) Minimum Adjustment. Notwithstanding anything herein to the contrary, no adjustment of the Conversion Price shall be made pursuant to this Section 4 in an amount less than \$.01 per share, and any such lesser adjustment shall be carried forward and shall be made at the time and together

with the next subsequent adjustment which together with any adjustments so carried forward shall amount to \$.01 per share or more.

(k) Notices of Record Date. Upon (i) any taking by the Trust of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or (ii) any Acquisition (as defined in Section 3) or other capital reorganization of the Trust, any reclassification or recapitalization of the capital stock of the Trust, any merger or consolidation of the Trust with or into any other entity, or any Asset Transfer (as defined in Section 3), or any voluntary or involuntary dissolution, liquidation or winding up of the Trust, the Trust shall mail to each holder of Series A Preferred Shares at least ten (10) days prior to the record date specified therein a notice specifying (A) the date on which any such record is to be taken for the purpose of such dividend or distribution and a description of such dividend or distribution, (B) the date on which any such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Transfer, dissolution, liquidation or winding up is expected to become effective, and (C) the date, if any, that is to be fixed as to when the holders of record of Priority Class A Common Shares (or other securities) shall be entitled to exchange their shares of Priority Class A Common Shares (or other securities) for securities or other property deliverable upon such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Transfer, dissolution, liquidation or winding up.

(l) Optional Redemption by the Trust.

(i) At any time, and from time to time, the Trust, by vote of a majority of the members of the Board of Trustees, may redeem all or any part of the outstanding Series A Preferred Shares (which number shall be in an amount not less than the lesser of the number of such shares outstanding or 50,000 shares), by giving written notice at least 30 but not more than 90 days prior to the Call Date (as defined below) (the "Redemption Notice") to those holders whose Series A Preferred Shares the Trust wishes to redeem of the date on which such redemption will occur (the "Call Date"), during which period (the "Redemption Notice Period"), the holders of the Series A Preferred Shares who have received a Redemption Notice may in lieu of having their shares redeemed, elect to convert the Series A Preferred Shares covered by the Redemption Notice in accordance with the conversion provisions set forth in Section 4(d). Notice having been mailed as aforesaid, from and after the Call Date (unless the Trust shall fail to make available an amount of cash necessary to effect such redemption), (i) except as otherwise provided herein, dividends on the Series A Preferred Shares so called for redemption shall cease to accrue, (ii) such shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Series A Preferred Shares shall cease (except the rights to convert and to receive the cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon as described in clause (iii) below). The Trust's obligation to provide cash in accordance with the preceding sentence shall be deemed fulfilled if, on or before the Call Date, the Trust shall, in a segregated account separate from the Trust's general assets, deposit with a bank or trust company (which may be an affiliate of the Trust) that has an office in the Borough of Manhattan, City of New York, and that has, or is an affiliate of a bank or trust company that has, capital and surplus of at least \$50,000,000, the cash necessary for such redemption, in trust, with irrevocable instructions that such cash be applied to the redemption of the Series A Preferred Shares so called for redemption. No interest shall accrue for the benefit of the holders of Series A Preferred Shares to be redeemed on any cash so set aside by the Trust. Subject to applicable escheat laws, any such cash unclaimed at the end of two years from the Call Date shall revert to the general funds of the Trust, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Trust for the payment of such cash.

Promptly after the surrender (in accordance with such notice) of the certificates for any such shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and if the notice

shall so state), such shares shall be exchanged for any cash (without interest thereon) for which such shares have been redeemed. If fewer than all the outstanding Series A Preferred Shares are to be redeemed, shares to be redeemed shall be selected by the Trust from outstanding Series A Preferred Shares not previously called for redemption pro rata (as nearly as may be), by lot or by any other method determined by the Trust in its sole discretion to be equitable. If fewer than all the Series A Preferred Shares evidenced by any certificate are redeemed, then new certificates evidencing the unredeemed shares shall be issued without cost to the holder thereof.

(ii) The Redemption Notice shall set forth (A) the number of shares to be redeemed, (B) the Call Date, (C) the amount of the Redemption Price and (D) all other relevant terms. The Redemption Notice shall be mailed by the Trust, postage prepaid, to each holder whose shares are to be redeemed at its address shown on the records of the Trust. If the Trust elects to redeem any Series A Preferred Shares pursuant to this Section 4(l), such election shall not be revocable by the Trust and the Trust shall be obligated to redeem at the Redemption Price all shares to be redeemed on the Call Date set forth in the Redemption Notice, as described above.

(iii) The per share Redemption Price shall be the sum of (A) the Original Issue Price, (B) all accrued but unpaid dividends thereon pursuant to Section 2(a) hereof, through and including the Call Date, without interest, and (C) a premium (the "Premium"), which Premium shall decline on a straight line basis over a ten (10) year period equal to: \$10.50 per share, with respect to redemptions noticed during the first twelve month period immediately following the Original Issue Date; \$9.45 per share with respect to redemptions noticed during the second twelve month period immediately following the Original Issue Date; \$8.40 per share with respect to redemptions noticed during the third twelve month period immediately following the Original Issue Date; \$7.35 per share with respect to redemptions noticed during the fourth twelve month period immediately following the Original Issue Date; \$6.30 per share with respect to redemptions noticed during the fifth twelve month period immediately following the Original Issue Date; \$5.25 per share with respect to redemptions noticed during the sixth twelve month period immediately following the Original Issue Date; \$4.20 per share with respect to redemptions noticed during the seventh twelve month period immediately following the Original Issue Date; \$3.15 per share with respect to redemptions noticed during the eighth twelve month period immediately following the Original Issue Date; \$2.10 per share with respect to redemptions noticed during the ninth twelve month period immediately following the Original Issue Date; \$1.05 per share with respect to redemptions noticed during the tenth twelve month period immediately following the Original Issue Date; and, no premium with respect to redemptions noticed after completion of the tenth twelve month period immediately following the Original Issue Date. If the Call Date falls after a dividend payment record date and prior to the corresponding Dividend Payment Date, then each holder of Series A Preferred Shares at the close of business on such dividend payment record date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding any redemption of such shares before such Dividend Payment Date. Except as provided above, the Trust shall make no payment or allowance for unpaid dividends, whether or not in arrears, on Series A Preferred Shares called for redemption.

(m) Fractional Shares. No fractional shares of Priority Class A Common Shares shall be issued upon conversion of Series A Preferred Shares. All shares of Priority Class A Common Shares (including fractions thereof) issuable upon conversion of more than one share of Series A Preferred Shares by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of any fractional share, the Trust shall, in lieu of issuing any fractional shares, pay cash equal to the product of such fraction multiplied by the Priority Class A Common Shares' fair market value per share on the date of conversion (as reported by the securities exchange on which the Priority Class A Common Shares are then

listed for trading, or if none, the most recently reported "over the counter" trade price or if none, as determined in good faith by the Board of Trustees).

(n) Reservation of Shares Issuable Upon Conversion. The Trust shall at all times reserve and keep available out of its authorized but unissued shares of Priority Class A Common Shares, solely for the purpose of effecting the conversion of the shares of the Series A Preferred Shares, such number of its shares of Priority Class A Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series A Preferred Shares. If at any time the number of authorized but unissued shares of Priority Class A Common Shares shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Preferred Shares, the Trust shall, prior to exceeding such number of authorized but unissued shares, take such Trust action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Priority Class A Common Shares to such number of shares as shall be sufficient for such purpose.

(o) Notices. Any notice required by the provisions of this Section 4 shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All notices shall be addressed to each holder of record at the address of such holder appearing on the books of the Trust.

(p) Payment of Taxes. The Trust shall pay any and all stamp, transfer and other similar taxes payable or determined to be payable in connection with the issuance of the Series A Preferred Shares and all Priority Class A Common Shares issuable upon exchange of the Convertible Preferred Units, or conversion of the Series A Preferred Shares.

5. Voting Rights.

(a) General Rights. Holders of Series A Preferred Shares shall have the right to notice of and to vote, on an as converted basis, and as a single class with holders of Priority Class A Common Shares on all matters which holders of Priority Class A Common Shares have a right to vote by law, rules of any securities exchange on which any of the Trust's securities are listed, provision of the Declaration, or otherwise, and as a separate class on those matters set forth in Section 5(c) hereof; provided, however, that holders of Series A Preferred Shares shall not have the right to participate in the designation, election or removal of trustees except as provided in Section 5(b) below.

(b) Board of Trustees Designees. If a Voting Event (as defined below) occurs, the holders of the Series A Preferred Shares, voting separately as a class, shall, have the right to nominate and elect at least one member and in any event no less than 11.1% of the total members of the Board of Trustees (the "Series A Preferred Share Trustees") at each meeting of holders of shares of HT's shares of beneficial interest held (or pursuant to action by written consent taken) for the purpose of electing members of the Board of Trustees. Further, if either (x) the Trust fails to pay in full for two consecutive quarters the dividend required pursuant to Section 2 hereof, or the Operating Partnership, pursuant to the HLP Agreement, fails to pay two consecutive quarterly dividends or distributions with respect to its 10.5% Series A Preferred Units (the "Convertible Preferred Units"), as the case may be, or (y) the Trust fails to maintain its status as a real estate investment trust under the Internal Revenue Code of 1986, as amended, (the "Code"), then, upon notice from the holders of a majority of the Series A Preferred Shares outstanding (if any), either (A) 40% of the Board of Trustees shall resign and the holders of a majority of the Series A Preferred Shares shall have the right to elect members to the Board of Trustees to fill the vacancies created by such resignations, or (B) the

Trust shall cause (and promptly take all Trust action as may be necessary to cause) the Declaration and/or the Trust's Bylaws to be amended to increase the size of the Board of Trustees and the holders of a majority of the Series A Preferred Shares outstanding (if any) shall have the right to elect such number of members of the increased Board of Trustees as shall constitute 40% of the number of members of the increased Board of Trustees. In the event 40% of the Board of Trustees, absent an increase, does not equal a whole number of Trustees, the Trust shall cause (and promptly take all Trust action as may be necessary to cause) the Declaration and/or the Trust's Bylaws to be amended to increase or decrease (at the option of the Trust) the size of the Board of Trustees such that 40% of the total number of Trustees that the holders of a majority of the outstanding Series A Preferred Shares have the right to elect shall equal a whole number of Trustees. While such voting rights continue, only the holders of a majority of the Series A Preferred Shares shall nominate and elect the Series A Preferred Share Trustees and the Series A Preferred Share Trustees shall be removed and replaced and their vacancies filled only by the affirmative vote of the holders of a majority of the Series A Preferred Shares. One Series A Preferred Share Trustee shall be a member of all committees and sub-committees of the Board of Trustees. In the event such Series A Preferred Share Trustee shall, by virtue of any law or the rules and regulations of the SEC or any national securities exchange on which the Trust's Priority Class A Common Shares are listed for trading, be precluded from being a member of the Trust's audit or other committee, then the Series A Preferred Share Trustee shall have the right to observe and be present, but not vote, at all such committee meetings and shall have all other rights attendant to members of such committees but shall not be counted for purposes of determining whether a quorum is present. A "Voting Event" shall mean any of: (w) the receipt by the holder of a majority of the Series A Preferred Shares of a favorable ruling (a "Private Letter Ruling") from the Internal Revenue Service which permits such holder of a majority of the Series A Preferred Shares to continue to qualify as a real estate investment trust within the meaning of Section 856 et seq. of the Code in the event such securities qualified as securities described in Section 856(c)(4)(A) of the Code as of the close of a quarter but failed to so qualify as of the close of a subsequent quarter and also failed to satisfy the requirements of Section 856(c)(4)(B)(iii) of the Code as of the close of such subsequent quarter or the close of any quarter thereafter, provided certain other requirements are met, (x) a change in law providing for relief comparable to that sought in the above referenced Private Letter Ruling, (y) the receipt by the holder of a majority of the Series A Preferred Shares of an opinion of counsel that is consistent with the relief sought in the above referenced Private Letter Ruling, or (z) a transfer of Convertible Preferred Units whereby the holder of a majority of the Series A Preferred Shares was a transferee of Convertible Preferred Units of the Operating Partnership which were converted into Series A Preferred Shares and such holder of a majority of the Series A Preferred Shares could hold such securities without causing such holder to violate the requirements of Section 856(c)(4) of the Code in the event such securities were to fail to qualify as securities defined in Section 856(c)(4)(A) of the Code and 856(c)(4)(B)(iii) of the Code as of the close of any quarter (including, for this purpose, a holder of Series A Preferred Shares which has not made an election to be taxable as a real estate investment trust pursuant to the provisions of Section 856 et seq. of the Code). The right to nominate and elect members of the Board of Trustees hereunder shall only exist at such times as holders of the Series A Preferred Shares hold that number of Series A Preferred Shares and other convertible and exchangeable securities that represents, on an as converted/exchanged basis, at least 5% of the HT Common Shares then issued and outstanding, on a fully diluted basis (which shall assume the conversion and/or exchange of all the Trust's and the Operating Partnership's securities convertible into or exchangeable for HT Common Shares):

(c) Separate Class Voting Rights. In addition to any other vote or consent required herein or by law, the vote or written consent of the holders of at least a majority of the then outstanding Series A Preferred Shares shall be necessary for effecting the following actions, except for any such action that provides that all holders of Series A Preferred Shares shall as a result of and simultaneously with such action receive a distribution of cash which is not less than the Liquidation Preference, plus the applicable Premium calculated pursuant to Section 4(l)(iii), provided, that the separate voting rights of the holders of Series A Preferred Shares described in clauses (v), (vi), (vii), (x) and (xi) below, shall only exist at such times as

holders of the Series A Preferred Shares hold that number of Series A Preferred Shares that represents on an as converted basis at least 5% of the HT Common Shares then issued and outstanding, on a fully diluted basis (which shall assume the conversion and/or exchange of all the Trust's and the Operating Partnership's securities convertible into or exchangeable for HT Common Shares):

(i) (A) any authorization or any designation, whether by reclassification or otherwise, of any new class or series of shares of beneficial interest or any other security convertible into equity securities of the Trust (or any increase in the authorized or designated number of any such new class or series) ranking senior to the Series A Preferred Shares as to payment of dividends, distribution of assets upon liquidation, dissolution or winding-up (whether voluntary or involuntary), voting or otherwise; or (B) other than in connection with a "Voting/Preemptive Rights Carve Out Event" as defined below, any issuance of any class or series of equity interest of the Trust or the Operating Partnership prior, in the case of the events set forth in this Subsection (i)(B), to the first to occur of (1) the issuance and sale of an aggregate 250,000 Convertible Preferred Units pursuant to the terms of the Securities Purchase Agreement or (2) a "SPA Termination," defined as the termination of the Securities Purchase Agreement pursuant to Section 7.1 or 7.2 of the Securities Purchase Agreement. As used herein, "Voting/Preemptive Rights Carve Out Event" shall mean (w) at any time after the consummation of the First Closing and the Second Closing under the Securities Purchase Agreement, the issuance of Common Units in exchange for a contribution of properties to the Operating Partnership approved by the Board of Trustees, (x) the issuance of Class B Common Shares upon redemption of Common Units, pursuant to the HLP Agreement, (y) the issuance of any securities pursuant to an Approved Employee Benefit Plan, which plans shall issue, in the aggregate, no more than 650,000 shares of HT Class A Common Shares or (z) the issuance of securities pursuant to a DRIP;

(ii) Any purchase, redemption or other acquisition for value (or payment into or setting aside as a sinking fund for such purpose) of any shares of Junior Securities or any partnership or other interest in the Operating Partnership (other than the issuance of Class B Common Shares upon redemption of Common Units) in accordance with Section 8.05 of the HLP Agreement;

(iii) Any action that results in the declaration or payment of dividends or any other distribution, direct or indirect on account of the Junior Securities, or any partnership or other interest in the Operating Partnership or the setting aside of any funds for any such purpose provided, that no such vote or consent shall be required if the Trust or the Operating Partnership (as the case may be) is not in default of its obligations to pay quarterly dividends on the Series A Preferred Shares or quarterly distributions on the Convertible Preferred Units at the time of such action;

(iv) Any action that results in any amendment, alteration, or repeal (by merger or consolidation or otherwise) of any provisions of these Articles Supplementary, the Declaration, the Trust's Bylaws, or of the HLP Agreement, the certificate of limited partnership of the Operating Partnership or any certificate amendatory thereof which eliminates, amends or affects any term (adversely or otherwise) of the Series A Preferred Shares and/or the Class A Shares or shares of any series ranking senior to the Series A Preferred Shares, including, without limitation, the redemption, dividend, voting, preemptive, antidilution and other powers, rights and preferences of such shares or adversely affects any holder thereof;

(v) Any action where the Trust, the Operating Partnership or any of its or their subsidiaries merges with or into or consolidates with any other entity;

(vi) Any action where the Trust, the Operating Partnership or any of its or their subsidiaries directly or indirectly sells, leases (other than in the case of operating leases entered into in the Trust's and/or the Operating Partnership's ordinary course of business), transfers, conveys or assigns

(whether in a single transaction or series of related transactions) all or substantially all of the Trust's, the Operating Partnership's or any of its or their subsidiaries assets;

(vii) All transactions involving the Trust, the Operating Partnership or any of its subsidiaries of the type referred in paragraph (a) of Rule 145 under the Securities Act of 1933, as amended, and all transactions involving the Trust constituting a change-in-control within the meaning of Rule 14(f) under the Securities Exchange Act of 1934, as amended;

(viii) Any action where the Trust, the Operating Partnership or any of its or their subsidiaries files any voluntary, or consents to the filing of any involuntary, petition for relief under title 11 of the United States Code or any successor statute or under any reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law with respect to the Trust, the Operating Partnership or any of its or their subsidiaries;

(ix) Any action where the Trust, the Operating Partnership or any of its or their subsidiaries appoints or consents to, or acquiesces in, the appointment of a receiver, conservator, trustee or other similar official charged with the administration, control, management, operation, liquidation, dissolution or valuation of the Trust, the Operating Partnership or any of their subsidiaries, or any of their respective businesses or assets;

(x) Any action where the Trust, the Operating Partnership or any of its or their subsidiaries, or Hersha Hospitality Management, L.P., a Pennsylvania limited partnership, on the one hand, engages in any transaction with an affiliate of the Trust on the other hand, provided, however, to the extent such transactions are of the type which, but for their affiliated nature, would fall within the ordinary course of business and day-to day affairs of the Trust, such actions need not be approved on a transaction-by-transaction basis but may be entered into pursuant to annual budgets and purchase plans approved by the holders of the Series A Preferred Shares. For purposes of this provision and these Articles Supplementary, "affiliate", and all derivations thereof, shall have the meaning set forth in Rule 12b-2 of the Exchange Act and shall include, without limitation, for the avoidance of doubt, (a) the trustees and senior officers of HT, HLP and any Subsidiary, his or her spouse, parent, sibling, mother-in-law, father in-law, brother-in-law, sister-in-law, aunt, uncle, or first cousin, (b) any Person directly or indirectly owning, controlling or holding the power to vote 5% or more of the outstanding voting securities of HT, HLP or any Subsidiary, and (c) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by HT, HLP or any subsidiary.

(xi) The conduct by the Trust of any trade or business or the ownership of any asset (other than partnership interests in the Operating Partnership), in each case, other than through the Operating Partnership;

(xii) For the Trust, the Operating Partnership or any of its or their Subsidiaries to engage in any business where either the operation of such business or ownership of the assets related to such business will result in the Trust failing to satisfy the provisions of Section 856 of the Code;

(xiii) The termination of the Trust's status as a REIT for federal income tax purposes; and

(xiv) Any agreement to do any of the transactions set forth in this Section.

6. Preemptive Rights.

Pursuant to Article VIII, Section 3 of the Declaration, each of the holders of the Series A Preferred Shares shall have the following preemptive rights:

(a) Sale. At all times commencing on the Original Issue Date and terminating three years thereafter, before the Trust offers to any party (a "Sale") any shares of any class or series or any equity security, or any obligation or instrument convertible into or exchangeable for shares of any class or series of equity security of the Trust (the "Offered Securities"), other than in connection with the issuance of securities pursuant to a Voting/Preemptive Rights Carve Out Event, the Trust shall provide written notice at least fifteen (15) days in advance of the consummation of such Sale (the "Offer Notice") to each holder of Series A Preferred Shares. The holders of Series A Preferred Shares shall have no rights under this Section 6 in connection with the ultimate conversion or exchange of convertible or exchangeable securities if, prior to issuing such convertible or exchangeable securities, such convertible or exchangeable securities were offered to the holders of Series A Preferred Shares pursuant to this Section 6.

(b) Offer. The Offer Notice shall be irrevocable and shall constitute an offer by the Trust to sell to each holder of the Series A Preferred Shares at the per share sale price which the Trust would receive upon consummation of such proposed Sale (the "Sales Price") up to such number of Offered Securities (or in the event the Trust desires to sell a fixed number of securities to a particular third party, such number of additional securities of the same class or series to permit the Trust to sell such fixed number of securities to such third party and satisfy its obligations under this Section 6) equal to the percentage which (i) the total number of shares of Priority Class A Common Shares into which such holders' equity securities in the Trust and the Operating Partnership are convertible plus the number of Priority Class A Common Shares such Holder then holds, bears to (ii) the total number of shares of Priority Class A Common Shares into which any outstanding equity securities of the Trust and the Operating Partnership (which are convertible into Priority Class A Common Shares) are convertible plus the total number of Priority Class A Common Shares then issued and outstanding (the "Pro Rata Share").

(c) Response Period. Each holder of the Series A Preferred Shares shall have a period of fifteen (15) days after receipt of the Offer Notice in which to elect to purchase up to its Pro Rata Share of the Offered Securities at the Sales Price, such election to be made by such holder by written notice (the "Acceptance Notice"). Each Acceptance Notice shall also specify the maximum amount of additional Offered Securities which such holder desires to purchase in the event any other Holder fails to elect to purchase all of its Pro Rata Share of Offered Securities pursuant to the immediately preceding sentence on a timely basis or elects in writing not to do so (such unpurchased Offered Securities are hereinafter referred to as the "Remaining Securities"). In the event that there are Remaining Securities available for purchase, each holder of the Series A Preferred Shares having specified in its Acceptance Notice a desire to purchase such Remaining Securities shall purchase such Remaining Securities on a pro rata basis (up to the amount of Remaining Securities specified by such holder in its Acceptance Notice), or in such other proportions as such holders may all agree, on the terms set forth herein.

(d) Closing and Payment. The closing of the sale and delivery of the share certificates representing the Offered Securities purchased hereunder by any such holder of the Series A Preferred Shares, and payment therefor (which shall be made by wire transfer in immediately available funds to an account designated by the Trust), shall be at a time and place designated by the Trust on the tenth (10th) day following the Trust's receipt of such holder's Acceptance Notice or such later date agreed to by a majority of the participating holders of Series A Preferred Shares. The closing of any sale of Offered Securities to the participating holders of Series A Preferred Shares shall be conditioned on the closing of the initial proposed Sale.

(e) Authorization of Securities. The Trust shall reserve from time to time a sufficient number of Priority Class A Common Shares so that the holders of the Series A Preferred Shares may exercise the rights set forth in this Article 6 hereof to the fullest extent permitted hereunder.

7. Tax Procedures. While any Series A Preferred Shares are outstanding, the Trust shall (i) maintain such controls and procedures designed to ensure REIT compliance as are specified pursuant to Section 5.2(s) of the Securities Purchase Agreement, and (ii) within a reasonable period of time prior to consummation of any acquisition, disposition or other extraordinary corporate transaction, deliver to holders of the Series A Preferred Shares, any summary of the material terms and an analysis of the federal and state tax implications of such transaction delivered to any member of the Board of Trustees.

8. Appraisal Rights. Each holder of Series A Preferred Shares shall have the same rights to require the Trust to make payment of the fair value of its shares in an appraisal or similar proceeding, as set forth in Title 3 Subtitle 2 of the MGCL.

9. No Waiver. Except as otherwise modified or provided for herein, the holders of Series A Preferred Shares shall also be entitled to, and shall not be deemed to have waived, any other applicable rights granted to such holders under applicable law.

10. No Impairment. The Trust shall not by amendment of its Declaration, or these Articles Supplementary, through any reorganization, transfer of assets, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Trust but will at all times in good faith, assist in the carrying out of all the provisions of these Articles Supplementary and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights and liquidation preferences granted hereunder to the holders of the Series A Preferred Shares against impairment.

SECOND: The Series A Preferred Shares have been classified and designated by the Board of Trustees under the authority contained in the Declaration.

THIRD: These Articles Supplementary have been approved by the Board of Trustees in the manner and by the vote required by law.

FOURTH: The undersigned President and Chief Executive Officer acknowledges these Articles Supplementary to be the trust act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned President and Chief Executive Officer acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Trust has caused these Articles Supplementary to be executed on behalf of the Trust by its President and Chief Executive Officer and attested to by its Secretary this 21st day of April 2003.

ATTEST:

HERSHA HOSPITALITY TRUST

/s/Kiran P. Patel
Name: Kiran P. Patel
Title: Secretary

/s/ Hasu P. Shah
Name: Hasu P. Shah
Title: President and Chief Executive Officer

HERSHA HOSPITALITY TRUST
ARTICLES SUPPLEMENTARY
ESTABLISHING AND FIXING THE RIGHTS AND PREFERENCES
OF

8.00% SERIES A CUMULATIVE REDEEMABLE PREFERRED SHARES

Pursuant to Section 8-203 of
Title 8 of the Corporations and Associations Article
of the Annotated Code of Maryland

Hersha Hospitality Trust, a Maryland real estate investment trust (the "Trust"), hereby certifies to the State Department of Assessments and Taxation of the State ("SDAT") of Maryland that:

FIRST: Pursuant to the authority expressly vested in the Board of Trustees of the Trust by Article VI of its Amended and Restated Declaration of Trust (which, as hereafter restated or amended from time to time, are together with these Articles Supplementary herein referred to as the "Declaration"), the Board of Trustees has, by unanimous written consent, duly redesignated and reclassified its previously classified but unissued Series A preferred shares of beneficial interest of the Trust into a newly classified series of 2,400,000 preferred shares of beneficial interest designated the 8.00% Series A Cumulative Redeemable Preferred Shares of beneficial interest, par value \$.01 per share (the "Series A Preferred Shares"), and has provided for the issuance of such series. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Declaration.

SECOND: Subject in all cases to the provisions of the Declaration, including without limitation, Article VII with respect to limitations on the transfer and ownership of shares of beneficial interest of the Trust, the Series A Preferred Shares shall have the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption as set forth below:

(1) Designation and Number. A series of preferred shares of beneficial interest, par value \$.01 per share, designated the "8.00% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest" (the "Series A Preferred Shares"), is hereby established. The number of Series A Preferred Shares hereby authorized shall be 2,400,000. The terms of these Articles Supplementary replace in their entirety the terms of the Articles Supplementary designating the series A preferred shares of beneficial interest and filed with the SDAT on April 18, 2003.

(2) Rank. The Series A Preferred Shares shall, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Trust, rank (a) senior to all classes or series of Common Shares of the Trust, and to all equity securities issued by the Trust ranking junior to such Series A Preferred Shares; (b) on a parity with all other equity securities issued by the Trust the terms of which specifically provide that such equity securities rank on a parity with the Series A Preferred Shares as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up; and (c) junior to (i) all indebtedness of the Trust and (ii) equity securities issued by the Trust the terms of which specifically provide that such equity securities rank senior to the Series A Preferred Shares as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up. The term "equity securities" shall not include convertible debt securities.

(3) Dividends.

(a) Holders of the then outstanding Series A Preferred Shares shall be entitled to receive, when and as declared by the Board of Trustees, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.00% per year of the \$25.00 liquidation preference (equivalent to a fixed annual amount of \$2.00 per share). Dividends on the Series A Preferred Shares are payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year and, if such day is not a business day, the next succeeding business day, commencing on October 15, 2005 (each, a "Dividend Payment Date"). The quarterly period between Dividend Payment Dates is referred to herein as a "dividend period" and the dividend which shall accrue in respect of any full dividend period shall be \$0.50 regardless of the actual number of days in such full dividend period. The first dividend will be for less than a full quarter and will cover the period from August 5, 2005 to October 15, 2005. Such dividend and any dividend payable on the Series A Preferred Shares for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Trust at the close of business on the applicable record date, which shall be the first day of the calendar month in which the applicable Dividend Payment Date falls or on such other date designated by the Board of Trustees of the Trust as the record date for the payment of dividends on the Series A Preferred Shares that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date").

(b) No dividends on Series A Preferred Shares shall be declared by the Board of Trustees of the Trust or paid or set apart for payment by the Trust at such time as the terms and provisions of any agreement of the Trust, including any agreement relating to its indebtedness, (i) prohibits such declaration, payment or setting apart for payment of dividends or (ii) provides that such declaration, payment or setting apart for payment of dividends would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(c) Notwithstanding the foregoing, dividends on the Series A Preferred Shares shall accrue whether or not the terms and provisions set forth in Section 3(b) hereof at any time prohibit the current payment of dividends, whether or not the Trust has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared.

(d) Accrued but unpaid dividends on the Series A Preferred Shares will accumulate as of the Dividend Payment Date on which they first become payable. Except as provided in Section 3(e) below, no dividends will be declared or paid or set apart for payment, and no distribution will be made on any shares of beneficial interest in the Trust or any other series of Preferred Shares ranking, as to dividends, on a parity with or junior to the Series A Preferred Shares other than a dividend that consists of the Trust's Common Shares or shares of any other class of shares of beneficial interest ranking junior to the Series A Preferred Shares as to dividends and upon liquidation, for any period unless full cumulative dividends on the Series A Preferred Shares have been or contemporaneously are declared and paid, or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series A Preferred Shares for all dividend periods ending on or prior to the date of such action with respect to our Common Shares or any other series of Preferred Shares ranking, as to dividends, on a parity with or junior to the Series A Preferred Shares.

(e) When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Shares and the shares of any other series of Preferred Shares ranking on a parity as to dividends with the Series A Preferred Shares, all dividends declared upon the Series A Preferred Shares and any other series of Preferred Shares ranking on a parity as to dividends with the Series A Preferred Shares shall be declared pro rata so that the amount of dividends declared per share of Series A Preferred Shares and such other series of Preferred Shares shall in all cases bear to each other the

same ratio that accrued dividends per share on the Series A Preferred Shares and such other series of Preferred Shares (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such Preferred Shares do not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on Series A Preferred Shares which may be in arrears.

(f) Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series A Preferred Shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods, no dividends (other than dividends paid in Common Shares or other shares of beneficial interest ranking junior to the Series A Preferred Shares as to dividends and upon liquidation) shall be declared or paid or set aside for payment, nor shall any other distribution be declared or made, upon the Common Shares or any other shares of beneficial interest of the Trust ranking junior to or on a parity with the Series A Preferred Shares as to dividends or upon liquidation, nor shall any Common Shares, or any other shares of beneficial interest of the Trust ranking junior to or on a parity with the Series A Preferred Shares as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Trust (except by conversion into or exchange for other shares of beneficial interest of the Trust ranking junior to the Series A Preferred Shares as to dividends and upon liquidation and except for the redemption, purchase or acquisition of "Shares-in-Trust" under the Declaration, which are intended to assist the Trust in qualifying as a REIT for federal income tax purposes).

(g) Holders of the Series A Preferred Shares shall not be entitled to any dividend, whether payable in cash, property or shares of beneficial interest in excess of full cumulative dividends on the Series A Preferred Shares as provided above. Any dividend payment made on Series A Preferred Shares shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

(4) Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Trust, the holders of Series A Preferred Shares then outstanding are entitled to be paid out of the assets of the Trust legally available for distribution to its shareholders a liquidation preference of \$25.00 per share, plus an amount equal to any accrued and unpaid dividends to the date of payment, before any distribution of assets is made to holders of Common Shares or any other class or series of shares of beneficial interest of the Trust that ranks junior to the Series A Preferred Shares as to liquidation rights. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series A Preferred Shares will have no right or claim to any of the remaining assets of the Trust.

(b) In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Trust are insufficient to pay the amount of the liquidating distributions on all outstanding Series A Preferred Shares and the corresponding amounts payable on all shares of other classes or series of shares of beneficial interest of the Trust ranking on a parity with the Series A Preferred Shares in the distribution of assets, then the holders of the Series A Preferred Shares and all other such classes or series of shares of beneficial interest shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

(c) Written notice of any such liquidation, dissolution or winding up of the Trust, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage pre-paid, not less than 30 nor more

than 60 days prior to the payment date stated therein, to each record holder of the Series A Preferred Shares at the respective addresses of such holders as the same shall appear on the stock transfer records of the Trust.

(d) The consolidation, combination or merger of the Trust with or into any other corporation, trust or entity or consolidation or merger of any other corporation with or into the Trust, or the sale, lease or conveyance of all or substantially all of the Trust's assets, property or business or any statutory share exchange, shall not be deemed to constitute a liquidation, dissolution or winding up of the Trust.

(5) Redemption.

(a) Right of Optional Redemption. The Series A Preferred Shares are not redeemable prior to August 5, 2010. However, in an effort to ensure that the Trust remains a qualified real estate investment trust ("REIT") for federal income tax purposes, the Series A Preferred Shares are, together with all other classes or series of shares of beneficial interest of the Trust, subject in all respects to the provisions of Article VII of the Declaration. Accordingly, pursuant to Article VII of the Declaration, a purported Transfer (as defined in Article VII) of Series A Preferred Shares as a result of which any person would maintain Beneficial Ownership (as defined in Article VII) of more than 9.9% of the outstanding Series A Preferred Shares will cause the number of Series A Preferred shares in excess of the Ownership Limit (rounded up to the nearest whole share) to be designated Shares-in -Trust and in accordance with the provisions of Article VII of the Declaration, be transferred to a Share Trust (as such term is defined in the Declaration), and the Trust will have the right to purchase such Shares-in -Trust from the holder. On and after August 5, 2010, the Trust, at its option and upon not less than 30 nor more than 60 days' written notice, may redeem the Series A Preferred Shares, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption (except as provided in Section 5(c) below), without interest. If less than all of the outstanding Series A Preferred Shares is to be redeemed, the Series A Preferred Shares to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by any other equitable method determined by the Trust.

(b) Limitations on Redemption. Unless full cumulative dividends on all Series A Preferred Shares shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no Series A Preferred Shares shall be redeemed unless all outstanding Series A Preferred Shares are simultaneously redeemed, and the Trust shall not purchase or otherwise acquire directly or indirectly any Series A Preferred Shares (except by exchange for shares of beneficial interest of the Trust ranking junior to the Series A Preferred Shares as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase by the Trust of Shares-in -Trust in order to ensure that the Trust remains qualified as a REIT for federal income tax purposes or the purchase or acquisition of Series A Preferred Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series A Preferred Shares.

(c) Payment of Dividends in Connection with Redemption. Immediately prior to any redemption of Series A Preferred Shares, the Trust shall pay, in cash, any accumulated and unpaid dividends through the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series A Preferred Shares at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Except as provided above, the Trust will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series A Preferred Shares which are redeemed.

(d) Procedures for Redemption.

(i) Notice of redemption will be given (A) by publication in the New York Times, Wall Street Journal or other newspaper of similar general circulation in the city of New York, such publication to be made once a week for two successive weeks commencing not less than 30 nor more than 60 days prior to the redemption date, and (B) mailed by the Trust, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series A Preferred Shares to be redeemed at their respective addresses as they appear on the stock transfer records of the Trust. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series A Preferred Shares except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which Series A Preferred Shares may be listed or admitted to trading, such notice shall state: (A) the redemption date; (B) the redemption price; (C) the number of Series A Preferred Shares to be redeemed; (D) the place or places where the Series A Preferred Shares are to be surrendered for payment of the redemption price; and (E) that dividends on the shares to be redeemed will cease to accrue on such redemption date. If less than all of the Series A Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of Series A Preferred Shares held by such holder to be redeemed.

(iii) If notice of redemption of any Series A Preferred Shares has been given and if the funds necessary for such redemption have been set aside by the Trust in trust for the benefit of the holders of any Series A Preferred Shares so called for redemption, then from and after the redemption date dividends will cease to accrue on such Series A Preferred Shares, such Series A Preferred Shares shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price. Holders of Series A Preferred Shares to be redeemed shall surrender such Series A Preferred Shares at the place designated in such notice and, upon surrender in accordance with said notice of the certificates for Series A Preferred Shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and the notice shall so state), such Series A Preferred Shares shall be redeemed by the Trust at the redemption price plus any accrued and unpaid dividends payable upon such redemption. In case less than all the Series A Preferred Shares represented by any such certificate are redeemed, a new certificate or certificates shall be issued representing the unredeemed Series A Preferred Shares without cost to the holder thereof.

(iv) The deposit of funds with a bank or trust corporation for the purpose of redeeming Series A Preferred Shares shall be irrevocable except that:

(A) the Trust shall be entitled to receive from such bank or trust corporation the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any shares redeemed shall have no claim to such interest or other earnings; and

(B) any balance of monies so deposited by the Trust and unclaimed by the holders of the Series A Preferred Shares entitled thereto at the expiration of two years from the applicable redemption dates shall be repaid, together with any interest or other earnings thereon, to the Trust, and after any such repayment, the holders of the shares entitled to the funds so repaid to the Trust shall look only to the Trust for payment without interest or other earnings.

(e) Shares- In- Trust Provisions. The Series A Preferred Shares are subject to the provisions of Article VII of the Declaration, including, without limitation, the provision for the purchase of Shares-in -Trust. In addition to the purchase right set forth in Article VII of the Declaration, Shares-in -Trust

issued upon exchange of Series A Preferred Shares pursuant to such Article VII may be redeemed, in whole or in part, at any time when outstanding Series A Preferred Shares are being redeemed, for cash, at a redemption price of \$25.00 per Series A Preferred Share, plus all accrued and unpaid dividends on the Series A Preferred Shares that were exchanged for such Shares-in-Trust, through the date of such exchange, without interest. If the Trust elects to redeem Shares-in-Trust pursuant to the redemption right set forth in the preceding sentence, such Shares-in-Trust shall be redeemed in such proportion and in accordance with such procedures as Series A Preferred Shares are being redeemed.

(f) Status of Redeemed Shares. Any Series A Preferred Shares that shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued Preferred Shares, without designation as to series until such shares are thereafter designated as part of a particular series by the Board of Trustees.

(6) Voting Rights.

(a) Holders of the Series A Preferred Shares will not have any voting rights, except as set forth below or as otherwise from time to time required by law.

(b) Whenever dividends on any Series A Preferred Shares shall be in arrears for six or more quarterly periods, whether or not consecutive (a "Preferred Dividend Default"), the holders of Series A Preferred Shares (voting separately as a class with the holders of all other series of Preferred Shares ranking on a parity with the Series A Preferred Shares as to dividends or upon liquidation ("Parity Preferred") upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of a total of two trustees of the Trust (the "Preferred Share Trustees") at a special meeting of the shareholders called by the holders of record of at least 20% of the Series A Preferred Shares or the holders of 20% of any other series of Parity Preferred so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of shareholders), and at each subsequent annual meeting until all dividends accrued on such Series A Preferred Shares for the past dividend periods shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment.

(c) If and when all accumulated dividends on the Series A Preferred Shares shall have been paid in full or declared and set aside for payment in full, the holders of Series A Preferred Shares shall be divested of the voting rights set forth in Section 6(b) hereof (subject to re-vesting in the event of each and every Preferred Dividend Default) and, if all accumulated dividends have been paid in full or declared and set aside for payment in full on all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Share Trustee so elected shall terminate. Any Preferred Share Trustee may be removed at any time with or without cause by the vote of, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding Series A Preferred Shares when they have the voting rights set forth in Section 6(b) (voting separately as a class with all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable). So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Preferred Share Trustee may be filled by written consent of the Preferred Share Trustee remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding Series A Preferred Shares when they have the voting rights set forth in Section 6(b) (voting separately as a class with all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable). The Preferred Share Trustees shall each be entitled to one vote per trustee on any matter.

(d) So long as any Series A Preferred Shares remain outstanding, the Trust shall not, without the affirmative vote or consent of the holders of at least two-thirds of the Series A Preferred Shares outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a

class), (i) authorize or create, or increase the authorized or issued amount of, any class or series of shares of beneficial interest ranking senior to the Series A Preferred Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up or reclassify any authorized shares of beneficial interest of the Trust into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares or (ii) amend, alter or repeal the provisions of the Declaration, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series A Preferred Shares or the holders thereof; provided, however, that with respect to the occurrence of any event set forth in (ii) above, the occurrence of any such event will not be deemed to materially and adversely affect any right, preference, privilege or voting power of the Series A Preferred Shares or the holders thereof so long as the Series A Preferred Shares remain outstanding with the terms thereof materially unchanged or, if the Trust is not the surviving entity in such transaction, are exchanged for a security of the surviving entity with terms that are materially the same as the Series A Preferred Shares, the occurrence of any such event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the holders of the Series A Preferred Shares and; provided, further, that (x) any increase in the amount of the authorized Common Shares or Preferred Shares or the creation or issuance of any other series of Common Shares or Preferred Shares, in each case ranking on a parity with or junior to the Series A Preferred Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, (y) any change to the number or classification of our trustees, or (z) any amendment to Article VII of the Declaration relating to Shares-In-Trust, the Ownership Limit or any other matter described therein of any type or nature shall in no event be deemed to materially and adversely affect such rights, preferences, privileges or voting powers so long as after such amendment any single holder may maintain "beneficial ownership" (as defined in Article VII prior to or after such amendment) 9.9% of the outstanding Series A Preferred Shares and 9.9% of any other class or series of shares of beneficial interest without violating the Ownership Limit.

(e) The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required to be effected, all outstanding Series A Preferred Shares shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

(7) Conversion. The Series A Preferred Shares are not convertible into or exchangeable for any other property or securities of the Trust, except that the Series A Preferred Shares will automatically be exchanged by the Trust for Shares-In-Trust, in accordance with Article VII of the Declaration in the same manner that Common Shares are exchanged for Shares-In-Trust pursuant thereto, in order to ensure that the Trust remains qualified as a REIT for federal income tax purposes.

THIRD: The Series A Preferred Shares have been classified and designated by the Board of Trustees under the authority contained in the Declaration.

FOURTH: These Articles Supplementary have been approved by the Board of Trustees in the manner and by the vote required by law.

FIFTH: The undersigned President and Chief Operating Officer acknowledges these Articles Supplementary to be the trust act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned President and Chief Operating Officer acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Trust has caused these Articles Supplementary to be executed on behalf of the Trust by its President and Chief Operating Officer and attested to by its Secretary this 2nd day of August 2005.

By: /s/ Jay H. Shah
Jay H. Shah
President and Chief Operating Officer

Attest:

By: /s/ Kiran P. Patel
Kiran P. Patel
Secretary

**HERSHA HOSPITALITY TRUST
ARTICLES OF AMENDMENT TO DECLARATION OF TRUST**

Hersha Hospitality Trust, a Maryland real estate investment trust (the "Trust"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Pursuant to the authority expressly vested in the Board of Trustees of the Trust by Article VI of its Amended and Restated Declaration of Trust (the "Declaration of Trust"), the Board of Trustees of the Trust has, by unanimous written consent, duly authorized an increase in the aggregate number of Common Shares (as defined below) that the Trust has authority to issue from 81,000,000 Common Shares to 151,000,000 Common Shares, of which 150,000,000 shares now will be Priority Common Shares (as defined below) and 1,000,000 shares will continue to be Class B Common Shares (as defined below). In furtherance thereof, Section 1 of Article VI of the Declaration of Trust is hereby amended and replaced in its entirety by the following:

"Section 1. Authorized Shares. The beneficial interest of the Trust shall be divided into shares of beneficial interest (the "Shares"). The Trust has authority to issue: (i) one hundred fifty one million (151,000,000) common shares of beneficial interest, \$0.01 par value per share ("Common Shares"), of which one hundred fifty million (150,000,000) will be Priority Class A Common Shares (the "Priority Common Shares") and one million (1,000,000) will be Class B Common Shares (the "Class B Common Shares"); and (ii) twenty nine million (29,000,000) will be preferred shares of beneficial interest, \$0.01 par value per share ("Preferred Shares"). If Shares of one class are classified or reclassified into Shares of another class pursuant to this Article VI, the number of authorized Shares of the former class shall be automatically decreased and the number of Shares of the latter class shall be automatically increased, in each case by the number of Shares so classified or reclassified, so that the aggregate number of Shares of all classes that the Trust has the authority to issue shall not be more than the total number of Shares set forth in the second sentence of this paragraph. The Board of Trustees, without any action by the shareholders of the Trust, may amend the Declaration of Trust to increase or decrease the aggregate number of Shares or the number of Shares of any class or series that the Trust has authority to issue."

SECOND: The Shares have been authorized by the Board of Trustees under the authority contained in the Declaration of Trust.

THIRD: These Articles of Amendment to the Declaration of Trust (this "Amendment") have been duly adopted by the Board of Trustees of the Trust in the manner and by the vote required by law.

FOURTH: The undersigned Chief Executive Officer of the Trust acknowledges this Amendment to be the act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned Chief Executive Officer of the Trust acknowledges that, to the best of his knowledge, information and belief, these matters are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Trust has caused these Articles of Amendment to be signed in its name and on its behalf by its Chief Executive Officer, and attested to by its Secretary, on this 26 day of May, 2009.

ATTEST:

HERSHA HOSPITALITY TRUST

By: /s/ David L. Desfor
Name: David L. Desfor
Title: Treasurer and Corporate Secretary

By: /s/ Jay H. Shah
Name: Jay H. Shah
Title: Chief Executive Officer

HERSHA HOSPITALITY TRUST

ARTICLES OF AMENDMENT TO DECLARATION OF TRUST

Hersha Hospitality Trust, a Maryland real estate investment trust (the "Trust"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Pursuant to the authority expressly vested in the Board of Trustees of the Trust by Article VI of its Amended and Restated Declaration of Trust (the "Declaration of Trust"), the Board of Trustees of the Trust has duly authorized an increase in the aggregate number of Common Shares (as defined below) that the Trust has authority to issue from 151,000,000 Common Shares to 301,000,000 Common Shares, of which 300,000,000 shares now will be Priority Common Shares (as defined below) and 1,000,000 shares will continue to be Class B Common Shares (as defined below). In furtherance thereof, Section 1 of Article VI of the Declaration of Trust is hereby amended and replaced in its entirety by the following:

"Section 1. Authorized Shares. The beneficial interest of the Trust shall be divided into shares of beneficial interest (the "Shares"). The Trust has authority to issue: (i) 301,000,000 common shares of beneficial interest, \$0.01 par value per share ("Common Shares"), of which 300,000,000 will be Priority Class A Common Shares (the "Priority Common Shares") and 1,000,000 will be Class B Common Shares (the "Class B Common Shares"); and (ii) 29,000,000 will be preferred shares of beneficial interest, \$0.01 par value per share ("Preferred Shares"). If Shares of one class are classified or reclassified into Shares of another class pursuant to this Article VI, the number of authorized Shares of the former class shall be automatically decreased and the number of Shares of the latter class shall be automatically increased, in each case by the number of Shares so classified or reclassified, so that the aggregate number of Shares of all classes that the Trust has the authority to issue shall not be more than the total number of Shares set forth in the second sentence of this paragraph. The Board of Trustees, without any action by the shareholders of the Trust, may amend the Declaration of Trust to increase or decrease the aggregate number of Shares or the number of Shares of any class or series that the Trust has authority to issue."

SECOND: The Shares have been authorized by the Board of Trustees under the authority contained in the Declaration of Trust.

THIRD: These Articles of Amendment to the Declaration of Trust (this "Amendment") have been duly adopted by the Board of Trustees of the Trust in the manner and by the vote required by law.

FOURTH: The undersigned Chief Executive Officer of the Trust acknowledges this Amendment to be the act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned Chief Executive Officer of the Trust acknowledges that, to the best of his knowledge, information and belief, these matters are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Trust has caused these Articles of Amendment to be signed in its name and on its behalf by its Chief Executive Officer, and attested to by its Secretary, on this 18th day of March, 2010.

ATTEST:

HERSHA HOSPITALITY TRUST

By: /s/ David L. Desfor
Name: David L. Desfor
Title: Treasurer and Corporate Secretary

By: /s/ Jay H. Shah
Name: Jay H. Shah
Title: Chief Executive Officer

HERSHA HOSPITALITY TRUST
ARTICLES SUPPLEMENTARY
ESTABLISHING AND FIXING THE RIGHTS AND PREFERENCES
OF
8.00% SERIES B CUMULATIVE REDEEMABLE PREFERRED SHARES

Pursuant to Section 8-203 of
Title 8 of the Corporations and Associations Article
of the Annotated Code of Maryland

Hersha Hospitality Trust, a Maryland real estate investment trust (the "**Trust**"), hereby certifies to the State Department of Assessments and Taxation of the State of Maryland ("**SDAT**") that:

FIRST: Pursuant to the authority expressly vested in the Board of Trustees of the Trust by Article VI of its Amended and Restated Declaration of Trust (which, as hereafter restated or amended from time to time, are together with these Articles Supplementary herein referred to as the "**Declaration**"), the Board of Trustees has duly classified and designated 4,600,000 authorized but unissued preferred shares of beneficial interest, par value \$.01 per share, of the Trust as 8.00% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$.01 per share (the "**Series B Preferred Shares**"), and has provided for the issuance of such series. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Declaration.

SECOND: Subject in all cases to the provisions of the Declaration, including without limitation, Article VII with respect to limitations on the transfer and ownership of shares of beneficial interest of the Trust, the Series B Preferred Shares shall have the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption as set forth below:

1. **Designation and Number.** A series of preferred shares of beneficial interest, par value \$.01 per share, designated the "8.00% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest" is hereby established. The number of Series B Preferred Shares hereby authorized shall be 4,600,000.

2. **Rank.** The Series B Preferred Shares shall, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Trust, rank (a) senior to all classes or series of Common Shares of the Trust, and to all equity securities issued by the Trust ranking junior to such Series B Preferred Shares; (b) on a parity with the Trust's 8.00% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$.01 per share, and all other equity securities issued by the Trust the terms of which specifically provide that such equity securities rank on a parity with the Series B Preferred Shares as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up; and (c) junior to (i) all indebtedness of the Trust and (ii) equity securities issued by the Trust the terms of which specifically provide that such equity securities rank senior to the Series B Preferred Shares as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up. The term "equity securities" shall not include convertible debt securities.

3. Dividends.

(a) Holders of the then outstanding Series B Preferred Shares shall be entitled to receive, when and as declared by the Board of Trustees, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.00% per year of the \$25.00 liquidation preference (equivalent to a fixed annual amount of \$2.00 per share). Dividends on the Series B Preferred Shares are payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year and, if such day is not a business day, the next succeeding business day, commencing on July 15, 2011 (each, a "**Dividend Payment Date**"). The quarterly period between Dividend Payment Dates is referred to herein as a "dividend period" and the dividend which shall accrue in respect of any full dividend period shall be \$[0.50] regardless of the actual number of days in such full dividend period. The first dividend will be for less than a full quarter and will cover the period from May 18, 2011 to June 30, 2011. Such dividend and any dividend payable on the Series B Preferred Shares for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Trust at the close of business on the applicable record date, which shall be the first day of the calendar month in which the applicable Dividend Payment Date falls or on such other date designated by the Board of Trustees of the Trust as the record date for the payment of dividends on the Series B Preferred Shares that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "**Dividend Record Date**").

(b) No dividends on Series B Preferred Shares shall be declared by the Board of Trustees of the Trust or paid or set apart for payment by the Trust at such time as the terms and provisions of any agreement of the Trust, including any agreement relating to its indebtedness, (i) prohibits such declaration, payment or setting apart for payment of dividends or (ii) provides that such declaration, payment or setting apart for payment of dividends would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(c) Notwithstanding the foregoing, dividends on the Series B Preferred Shares shall accrue whether or not the terms and provisions set forth in Section 3(b) hereof at any time prohibit the current payment of dividends, whether or not the Trust has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared.

(d) Accrued but unpaid dividends on the Series B Preferred Shares will accumulate as of the Dividend Payment Date on which they first become payable. Except as provided in Section 3(e) below, no dividends will be declared or paid or set apart for payment, and no distribution will be made on any shares of beneficial interest in the Trust or any other series of Preferred Shares ranking, as to dividends, on a parity with or junior to the Series B Preferred Shares other than a dividend that consists of the Trust's Common Shares or shares of any other class of shares of beneficial interest ranking junior to the Series B Preferred Shares as to dividends and upon liquidation, for any period unless full cumulative dividends on the Series B Preferred Shares have been or contemporaneously are declared and paid, or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series B Preferred Shares for all dividend periods ending on or prior to the date of such action with respect to our Common Shares or any other series of Preferred Shares ranking, as to dividends, on a parity with or junior to the Series B Preferred Shares.

(e) When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series B Preferred Shares and the shares of any other series of Preferred Shares ranking on a parity as to dividends with the Series B Preferred Shares, all dividends declared upon the Series B Preferred Shares and any other series of Preferred Shares ranking on a parity as to dividends with the Series B Preferred Shares shall be declared pro rata so that the amount of dividends declared per share of Series B Preferred Shares and such other series of Preferred Shares shall in all cases bear to each other the

same ratio that accrued dividends per share on the Series B Preferred Shares and such other series of Preferred Shares (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such Preferred Shares do not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on Series B Preferred Shares which may be in arrears.

(f) Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series B Preferred Shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods, no dividends (other than dividends paid in Common Shares or other shares of beneficial interest ranking junior to the Series B Preferred Shares as to dividends and upon liquidation) shall be declared or paid or set aside for payment, nor shall any other distribution be declared or made upon the Common Shares or any other shares of beneficial interest of the Trust ranking junior to or on a parity with the Series B Preferred Shares as to dividends or upon liquidation, nor shall any Common Shares, or any other shares of beneficial interest of the Trust ranking junior to or on a parity with the Series B Preferred Shares as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Trust (except by conversion into or exchange for other shares of beneficial interest of the Trust ranking junior to the Series B Preferred Shares as to dividends and upon liquidation and except for the redemption, purchase or acquisition of "Shares-in-Trust" under the Declaration, which are intended to assist the Trust in qualifying as a REIT for federal income tax purposes).

(g) Holders of the Series B Preferred Shares shall not be entitled to any dividend, whether payable in cash, property or shares of beneficial interest in excess of full cumulative dividends on the Series B Preferred Shares as provided above. Any dividend payment made on Series B Preferred Shares shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

4. Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Trust, the holders of Series B Preferred Shares then outstanding are entitled to be paid out of the assets of the Trust legally available for distribution to its shareholders a liquidation preference of \$25.00 per share, plus an amount equal to any accrued and unpaid dividends to the date of payment, before any distribution of assets is made to holders of Common Shares or any other class or series of shares of beneficial interest of the Trust that ranks junior to the Series B Preferred Shares as to liquidation rights. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series B Preferred Shares will have no right or claim to any of the remaining assets of the Trust.

(b) In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Trust are insufficient to pay the amount of the liquidating distributions on all outstanding Series B Preferred Shares and the corresponding amounts payable on all shares of other classes or series of shares of beneficial interest of the Trust ranking on a parity with the Series B Preferred Shares in the distribution of assets, then the holders of the Series B Preferred Shares and all other such classes or series of shares of beneficial interest shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

(c) Written notice of any such liquidation, dissolution or winding up of the Trust, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage pre-paid, not less than 30 nor more

than 60 days prior to the payment date stated therein, to each record holder of the Series B Preferred Shares at the respective addresses of such holders as the same shall appear on the stock transfer records of the Trust.

(d) The consolidation, combination or merger of the Trust with or into any other corporation, trust or entity or consolidation or merger of any other corporation with or into the Trust, or the sale, lease or conveyance of all or substantially all of the Trust's assets, property or business or any statutory share exchange, shall not be deemed to constitute a liquidation, dissolution or winding up of the Trust.

5. Redemption.

(a) Optional Redemption. The Series B Preferred Shares are not redeemable prior to May 18, 2016, except as otherwise provided in this Section 5 and Section 6 below. On and after May 18, 2016, the Trust, at its option and upon not less than 30 nor more than 60 days' written notice, may redeem the Series B Preferred Shares, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption (except as provided in Section 5(c) below), without interest. If less than all of the outstanding Series B Preferred Shares is to be redeemed, the Series B Preferred Shares to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by lot or by any other equitable method determined by the Trust. If such redemption is to be by lot and, as a result of such redemption, any holder of Series B Preferred Shares would become a holder of a number of Series B Preferred Shares in excess of the Ownership Limit because such holder's Series B Preferred Shares were not redeemed, or were only redeemed in part then, except as otherwise provided in the Declaration, the Trust will redeem the requisite number of Series B Preferred Shares of such holder such that no holder will hold in excess of the Ownership Limit subsequent to such redemption.

(b) REIT Qualification. In an effort to ensure that the Trust remains qualified as a real estate investment trust ("REIT") for federal income tax purposes, the Series B Preferred Shares are, together with all other classes or series of shares of beneficial interest of the Trust, subject in all respects to the provisions of Article VII of the Declaration. Accordingly, pursuant to Article VII of the Declaration, a purported Transfer (as defined in Article VII) of Series B Preferred Shares as a result of which any person would maintain Beneficial Ownership (as defined in Article VII) of more than 9.9% of the outstanding Series B Preferred Shares will cause the number of Series B Preferred shares in excess of the Ownership Limit (rounded up to the nearest whole share) to be designated Shares-in -Trust and in accordance with the provisions of Article VII of the Declaration, be transferred to a Share Trust (as such term is defined in the Declaration), and the Trust will have the right to purchase such Shares-in -Trust from the holder.

(c) Limitations on Redemption. Unless full cumulative dividends on all Series B Preferred Shares shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no Series B Preferred Shares shall be redeemed unless all outstanding Series B Preferred Shares are simultaneously redeemed, and the Trust shall not purchase or otherwise acquire directly or indirectly any Series B Preferred Shares (except by exchange for shares of beneficial interest of the Trust ranking junior to the Series B Preferred Shares as to dividends and upon liquidation); *provided, however*, that the foregoing shall not prevent the purchase by the Trust of Shares-in -Trust in order to ensure that the Trust remains qualified as a REIT for federal income tax purposes or the purchase or acquisition of Series B Preferred Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series B Preferred Shares.

(d) Payment of Dividends in Connection with Redemption. Immediately prior to any redemption of Series B Preferred Shares, the Trust shall pay, in cash, any accumulated and unpaid dividends

to the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series B Preferred Shares at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Except as provided above, the Trust will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series B Preferred Shares which are redeemed.

(e) Procedures for Redemption.

(i) Notice of redemption will be given (A) by publication in the New York Times, Wall Street Journal or other newspaper of similar general circulation in the city of New York, such publication to be made once a week for two successive weeks commencing not less than 30 nor more than 60 days prior to the redemption date, and (B) mailed by the Trust, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series B Preferred Shares to be redeemed at their respective addresses as they appear on the stock transfer records of the Trust. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series B Preferred Shares except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which Series B Preferred Shares may be listed or admitted to trading, such notice shall state: (A) the redemption date; (B) the redemption price; (C) the number of Series B Preferred Shares to be redeemed; (D) the place or places where the Series B Preferred Shares are to be surrendered for payment of the redemption price; and (E) that dividends on the shares to be redeemed will cease to accrue on such redemption date. If less than all of the Series B Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of Series B Preferred Shares held by such holder to be redeemed.

(iii) If notice of redemption of any Series B Preferred Shares has been given and if the funds necessary for such redemption have been set aside by the Trust in trust for the benefit of the holders of any Series B Preferred Shares so called for redemption, then from and after the redemption date dividends will cease to accrue on such Series B Preferred Shares, such Series B Preferred Shares shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price; *provided, however*, if the redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, each holder of Series B Preferred Shares so called for redemption at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Holders of Series B Preferred Shares to be redeemed shall surrender such Series B Preferred Shares at the place designated in such notice and, upon surrender in accordance with said notice of the certificates for Series B Preferred Shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and the notice shall so state), such Series B Preferred Shares shall be redeemed by the Trust at the redemption price plus any accrued and unpaid dividends payable upon such redemption. In case less than all the Series B Preferred Shares represented by any such certificate are redeemed, a new certificate or certificates shall be issued representing the unredeemed Series B Preferred Shares without cost to the holder thereof. Notwithstanding the foregoing, if the Series B Preferred Shares are held in book-entry form through the facilities of The Depository Trust Company ("DTC"), such notice shall comply with applicable procedures of DTC.

(iv) The deposit of funds with a bank or trust corporation for the purpose of redeeming Series B Preferred Shares shall be irrevocable except that:

(A) the Trust shall be entitled to receive from such bank or trust corporation the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any shares redeemed shall have no claim to such interest or other earnings; and

(B) any balance of monies so deposited by the Trust and unclaimed by the holders of the Series B Preferred Shares entitled thereto at the expiration of two years from the applicable redemption dates shall be repaid, together with any interest or other earnings thereon, to the Trust, and after any such repayment, the holders of the shares entitled to the funds so repaid to the Trust shall look only to the Trust for payment without interest or other earnings.

(f) Shares-In-Trust Provisions. The Series B Preferred Shares are subject to the provisions of Article VII of the Declaration, including, without limitation, the provision for the purchase of Shares-in-Trust. In addition to the purchase right set forth in Article VII of the Declaration, Shares-in-Trust issued upon exchange of Series B Preferred Shares pursuant to such Article VII may be redeemed, in whole or in part, at any time when outstanding Series B Preferred Shares are being redeemed, for cash, at a redemption price of \$25.00 per Series B Preferred Share, plus all accrued and unpaid dividends on the Series B Preferred Shares that were exchanged for such Shares-in-Trust, through the date of such exchange, without interest. If the Trust elects to redeem Shares-in-Trust pursuant to the redemption right set forth in the preceding sentence, such Shares-in-Trust shall be redeemed in such proportion and in accordance with such procedures as Series B Preferred Shares are being redeemed.

(g) Status of Redeemed Shares. Any Series B Preferred Shares that shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued Preferred Shares, without designation as to series until such shares are thereafter designated as part of a particular series by the Board of Trustees.

6. Special Optional Redemption.

(a) Upon the occurrence of a Change of Control (as defined in Section 6(b)(ii) below), the Trust, at its option and upon giving notice not less than 30 nor more than 60 days in advance of the date fixed for redemption, may redeem the Series B Preferred Shares, in whole or in part, within 120 days after the first date on which such Change of Control occurred, at a cash redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends to the date fixed for redemption (the "**Special Optional Redemption Right**").

(b) A "**Change of Control**" is when, after the original issuance of the Series B Preferred Shares, the following have occurred and are continuing:

(i) the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of beneficial interest of the Trust entitling such person to exercise more than 50% of the total voting power of all shares of beneficial interest of the Trust entitled to vote generally in elections of trustees (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

(ii) following the closing of any transaction referred to in Section 6(b)(i) above, neither the Trust nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the New York Stock Exchange (the "NYSE"), the NYSE Amex Equities (the "NYSE Amex"), or the NASDAQ Stock Market ("NASDAQ") or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or NASDAQ.

(c) If fewer than all of the outstanding Series B Preferred Shares are to be redeemed pursuant to the Special Optional Redemption Right, the shares to be redeemed shall be selected pro rata (as nearly as practicable without creating fractional shares) or by lot or in such other equitable method prescribed by the Trust. If such redemption is to be by lot and, as a result of such redemption, any holder of Series B Preferred Shares would become a holder of a number of Series B Preferred Shares in excess of the Share Ownership Limit because such holder's Series B Preferred Shares were not redeemed, or were only redeemed in part then, except as otherwise provided in the Declaration, the Trust will redeem the requisite number of Series B Preferred Shares of such holder such that no holder will hold in excess of the Share Ownership Limit subsequent to such redemption.

(d) Limitations on Special Optional Redemption. Unless full cumulative dividends on all Series B Preferred Shares shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no Series B Preferred Shares shall be redeemed pursuant to the Special Optional Redemption Right unless all outstanding Series B Preferred Shares are simultaneously redeemed pursuant to the Special Optional Redemption Right, and the Trust shall not purchase or otherwise acquire directly or indirectly any Series B Preferred Shares (except by exchange for shares of beneficial interest of the Trust ranking junior to the Series B Preferred Shares as to dividends and upon liquidation); *provided, however*, that the foregoing shall not prevent the purchase by the Trust of Shares-in-Trust in order to ensure that the Trust remains qualified as a REIT for federal income tax purposes or the purchase or acquisition of Series B Preferred Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series B Preferred Shares.

(e) Payment of Dividends in Connection with Special Optional Redemption. Immediately prior to any redemption of Series B Preferred Shares pursuant to the Special Optional Redemption Right, the Trust shall pay, in cash, any accumulated and unpaid dividends to the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series B Preferred Shares at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Except as provided above, the Trust will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series B Preferred Shares which are redeemed.

(f) Procedures for Special Optional Redemption.

(i) Notice of redemption will be given (A) by publication in the New York Times, Wall Street Journal or other newspaper of similar general circulation in the city of New York, such publication to be made once a week for two successive weeks commencing not less than 30 nor more than 60 days prior to the redemption date, and (B) mailed by the Trust, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series B Preferred Shares to be redeemed pursuant to the Special Optional Redemption Right at their respective addresses as they appear on the stock transfer records of the Trust. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series B Preferred Shares except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which the Series B Preferred Shares may be listed or admitted to trading, the redemption notice contemplated by this Section 6 shall state: (A) the redemption date; (B) the redemption price; (C) the number of Series B Preferred Shares to be redeemed pursuant to the Special Optional Redemption Right; (D) the place or places where the certificates for the Series B Preferred Shares, to the extent Series B Preferred Shares are certificated, are to be surrendered (if so required in the notice) for payment of the redemption price; (E) a brief description of the transaction or transactions constituting such Change of Control and that holders of the Series B Preferred Shares to which the notice relates will not be able to tender such Series B Preferred Shares for conversion in connection with the Change of Control and each Series B Preferred Share tendered for conversion that is selected, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related redemption date instead of converted on the Change of Control Conversion Date; and (F) that distributions on the Series B Preferred Shares to be redeemed will cease to accumulate on such redemption date. If fewer than all of the Series B Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of Series B Preferred Shares held by such holder to be redeemed pursuant to the Special Optional Redemption Right.

(iii) If notice of redemption of any Series B Preferred Shares pursuant to the Special Optional Redemption Right has been given and if the funds necessary for such redemption have been set aside by the Trust in trust for the benefit of the holders of any Series B Preferred Shares so called for redemption pursuant to the Special Optional Redemption Right, then from and after the redemption date dividends will cease to accrue on such Series B Preferred Shares, such Series B Preferred Shares shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price; *provided, however*, if the redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, each holder of Series B Preferred Shares so called for redemption at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Holders of Series B Preferred Shares to be redeemed pursuant to the Special Optional Redemption Right shall surrender such Series B Preferred Shares at the place designated in such notice and, upon surrender in accordance with said notice of the certificates for Series B Preferred Shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and the notice shall so state), such Series B Preferred Shares shall be redeemed by the Trust at the redemption price plus any accrued and unpaid dividends payable upon such redemption. In case less than all the Series B Preferred Shares represented by any such certificate are redeemed pursuant to the Special Optional Redemption Right, a new certificate or certificates shall be issued representing the unredeemed Series B Preferred Shares without cost to the holder thereof. Notwithstanding the foregoing, if the Series B Preferred Shares are held in book-entry form through the facilities of DTC, such notice shall comply with applicable procedures of DTC.

(iv) The deposit of funds with a bank or trust corporation for the purpose of redeeming Series B Preferred Shares pursuant to the Special Optional Redemption Right shall be irrevocable except that:

(A) the Trust shall be entitled to receive from such bank or trust corporation the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any shares redeemed shall have no claim to such interest or other earnings; and

(B) any balance of monies so deposited by the Trust and unclaimed by the holders of the Series B Preferred Shares entitled thereto at the expiration of two years from the applicable redemption dates shall be repaid, together with any interest or other earnings thereon, to the Trust, and after any such repayment, the holders of the shares entitled to the funds so repaid to the Trust shall look only to the Trust for payment without interest or other earnings.

(g) Status of Redeemed Shares. Any Series B Preferred Shares that shall at any time have been redeemed pursuant to the Special Optional Redemption Right shall, after such redemption, have the status of authorized but unissued Preferred Shares, without designation as to series until such shares are thereafter designated as part of a particular series by the Board of Trustees.

7. Change of Control Rights. The Series B Preferred Shares are not convertible into or exchangeable for any other property or securities of the Trust, except upon the occurrence of a Change of Control as provided in this Section Z.

(a) Change of Control. Upon the occurrence of a Change of Control (as defined in Section 6(b) above), each holder of Series B Preferred Shares shall have the right, unless, prior to the Change of Control Conversion Date (as defined in Section 7(b)(v) hereof), the Trust provides notice of its election to redeem the Series B Preferred Shares pursuant to the redemption right set forth in Section 5 above or Special Optional Redemption Right set forth in Section 6 above, to convert some or all of the Series B Preferred Shares held by such holder (the "**Change of Control Conversion Right**") on the Change of Control Conversion Date into a number Common Shares, per Series B Preferred Share to be converted (the "**Common Share Conversion Consideration**") equal to the lesser of: (A) the quotient obtained by dividing (i) the sum of (x) the \$25.00 liquidation preference plus (y) the amount of any accrued and unpaid distributions to the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case no additional amount for such accrued and unpaid distribution will be included in such sum) by (ii) the Common Share Price (as defined in Section 7(b)(vi) hereof); and (B) 8.2237 Common Shares (the "**Share Cap**"), subject to the immediately succeeding paragraph.

(i) The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a Common Share distribution), subdivisions or combinations (in each case, a "**Share Split**") with respect to Common Shares. The adjusted Share Cap as the result of a Share Split shall be the number of Common Shares that is equivalent to the product obtained by multiplying (A) the Share Cap in effect immediately prior to such Share Split by (B) a fraction, the numerator of which is the number of Common Shares outstanding after giving effect to such Share Split and the denominator of which is the number of Common Shares outstanding immediately prior to such Share Split.

(ii) For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of Common Shares (or equivalent Alternative Conversion Consideration (as defined below), as applicable) issuable in connection with the exercise of the Change of Control Conversion Right shall not exceed 37,829,020 Common Shares (or equivalent Alternative Conversion Consideration, as applicable) (the "**Exchange Cap**"). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap.

(iii) In the case of a Change of Control pursuant to which Common Shares shall be converted into cash, securities or other property or assets (including any combination thereof) (the "**Alternative Form Consideration**"), a holder of Series B Preferred Shares shall receive upon conversion of such Series B Preferred Shares the kind and amount of Alternative Form Consideration which such holder of Series B Preferred Shares would have owned or been entitled to receive upon the Change of Control had such holder of Series B Preferred Shares held a number of Common Shares equal to the Common Share Conversion Consideration immediately prior to the effective time of the Change of Control (the "**Alternative Conversion Consideration**"; and the Common Share Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Change of Control, shall be referred to herein as the "**Conversion Consideration**").

(iv) In the event that holders of Common Shares have the opportunity to elect the form of consideration to be received in the Change of Control, the consideration that the holders of Series B Preferred Shares shall receive shall be the form of consideration elected by the holders of the Common Shares who participate in the determination (based on the weighted average of elections) and shall be subject to any limitations to which all holders of Common Shares are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Change of Control.

(v) The “**Change of Control Conversion Date**” shall be a date fixed by the Board of Trustees, in its sole discretion, as the date the Series B Preferred Shares shall be converted pursuant to the Change of Control Conversion Right, which shall be a business day set forth in the notice of Change of Control provided in accordance with Section 7(d) below that is no less than 20 days nor more than 35 days after the date on which the Trust provides such notice.

(vi) The “**Common Share Price**” shall be (i) the amount of cash consideration per Common Share, if the consideration to be received in the Change of Control by holders of Common Shares is solely cash, and (ii) the average of the closing prices per Common Share on the NYSE for the ten consecutive trading days immediately preceding, but not including, the effective date of the Change of Control, if the consideration to be received in the Change of Control by holders of Common Shares is other than solely cash.

(b) No fractional Common Shares shall be issued upon the conversion of Series B Preferred Shares. In lieu of fractional shares, holders shall be entitled to receive the cash value of such fractional shares based on the Common Share Price.

(c) Within 15 days following the occurrence of a Change of Control, a notice of occurrence of the Change of Control, describing the resulting Change of Control Conversion Right, shall be delivered to the holders of record of the Series B Preferred Shares at their addresses as they appear on the Trust’s share transfer records and notice shall be provided to the Trust’s transfer agent. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the conversion of any Series B Preferred Shares except as to the holder to whom notice was defective or not given. Each notice shall state: (i) the events constituting the Change of Control; (ii) the date of the Change of Control; (iii) the Change of Control Conversion Date; (iv) the method and period for calculating the Common Share Price; (v) that if, prior to the Change of Control Conversion Date, the Trust provides notice of its election to redeem all or any portion of the Series B Preferred Shares, the holder will not be able to convert Series B Preferred Shares and such Series B Preferred Shares shall be redeemed on the related redemption date, even if they have already been tendered for conversion pursuant to the Change of Control Conversion Right; (vi) if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per Series B Preferred Share; (vii) the name and address of the paying agent and the conversion agent; and (viii) the procedures that the holders of Series B Preferred Shares must follow to exercise the Change of Control Conversion Right.

(d) The Trust shall issue a press release for publication on the Dow Jones & Company, Inc., Business Wire, PR Newswire, Bloomberg Business News or such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public, or post notice on the Trust’s website, in any event prior to the opening of business on the first business day following any date on which the Trust provides notice pursuant to Section 7(c) above to the holders of Series B Preferred Shares.

(e) In order to exercise the Change of Control Conversion Right, a holder of Series B Preferred Shares shall be required to deliver to the Trust’s transfer agent, on or before the close of business on the business day prior to the Change of Control Conversion Date, the certificates evidencing the Series B

Preferred Shares, to the extent such shares are certificated, to be converted, duly endorsed for transfer, together with a written conversion notice. Such conversion notice shall state: (i) the relevant Change of Control Conversion Date; (ii) the number of Series B Preferred Shares to be converted; and (iii) that terms of the Series B Preferred Shares pursuant to which the Series B Preferred Shares are to be converted. Notwithstanding the foregoing, if the Series B Preferred Shares are held in book-entry form through the facilities of DTC, such notice shall comply with applicable procedures of DTC.

(f) Holders of Series B Preferred Shares may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to the Trust's transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal must state: (i) the number of withdrawn Series B Preferred Shares; (ii) if certificated Series B Preferred Shares have been issued, the certificate numbers of the withdrawn Series B Preferred Shares; and (iii) the number of Series B Preferred Shares, if any, which remain subject to the conversion notice. Notwithstanding the foregoing, if the Series B Preferred Shares are held in book-entry form through the facilities of DTC, such notice shall comply with applicable procedures of DTC.

(g) Series B Preferred Shares as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn shall be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless, prior to the close of business on the Change of Control Conversion Date, the Trust provides notice of its election to redeem such Series B Preferred Shares, whether pursuant to its Redemption Right or Special Optional Redemption Right. If the Trust elects to redeem Series B Preferred Shares that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such Series B Preferred Shares shall not be so converted and the holders of such shares shall be entitled to receive on the applicable redemption date \$25.00 per share, plus any accrued and unpaid distributions thereon to, but not including, the redemption date.

(h) The Trust shall deliver the applicable Conversion Consideration no later than the third business day following the Change of Control Conversion Date.

(i) Limitations on Conversion. Notwithstanding anything to the contrary contained herein, no holder of Series B Preferred Shares will be entitled to convert such Series B Preferred Shares into Common Shares to the extent that receipt of such Common Shares would cause the holder of such Common Shares (or any other person) to Beneficially Own or Constructively Own, within the meaning of the Declaration, Common Shares of the Trust in excess of the Share Ownership Limit, as such term is defined in the Declaration, as applicable.

8. Voting Rights.

(a) Holders of the Series B Preferred Shares will not have any voting rights, except as set forth below or as otherwise from time to time required by law.

(b) Whenever dividends on any Series B Preferred Shares shall be in arrears for six or more quarterly periods, whether or not consecutive (a "**Preferred Dividend Default**"), the holders of Series B Preferred Shares (voting separately as a class with the holders of all other series of Preferred Shares ranking on a parity with the Series B Preferred Shares as to dividends or upon liquidation ("**Parity Preferred**") upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of a total of two trustees of the Trust (the "**Preferred Share Trustees**") at a special meeting of the shareholders called by the holders of record of at least 20% of the Series B Preferred Shares or the holders of 20% of any other series of Parity Preferred so in arrears (unless such request is received less than 90 days before the

date fixed for the next annual or special meeting of shareholders), and at each subsequent annual meeting until all dividends accrued on such Series B Preferred Shares for the past dividend periods shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment.

(c) If and when all accumulated dividends on the Series B Preferred Shares shall have been paid in full or declared and set aside for payment in full, the holders of Series B Preferred Shares shall be divested of the voting rights set forth in Section 8(b) hereof (subject to reversion in the event of each and every Preferred Dividend Default) and, if all accumulated dividends have been paid in full or declared and set aside for payment in full on all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Share Trustee so elected shall terminate. Any Preferred Share Trustee may be removed at any time with or without cause by the vote of, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding Series B Preferred Shares when they have the voting rights set forth in Section 8(b) (voting separately as a class with all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable). So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Preferred Share Trustee may be filled by written consent of the Preferred Share Trustee remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding Series B Preferred Shares when they have the voting rights set forth in Section 8(b) (voting separately as a class with all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable). The Preferred Share Trustees shall each be entitled to one vote per trustee on any matter.

(d) So long as any Series B Preferred Shares remain outstanding, the Trust shall not, without the affirmative vote or consent of the holders of at least two-thirds of the Series B Preferred Shares outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), (i) authorize or create, or increase the authorized or issued amount of, any class or series of shares of beneficial interest ranking senior to the Series B Preferred Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up or reclassify any authorized shares of beneficial interest of the Trust into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares or (ii) amend, alter or repeal the provisions of the Declaration, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series B Preferred Shares or the holders thereof; *provided, however*, that with respect to the occurrence of any event set forth in (ii) above, the occurrence of any such event will not be deemed to materially and adversely affect any right, preference, privilege or voting power of the Series B Preferred Shares or the holders thereof so long as the Series B Preferred Shares remain outstanding with the terms thereof materially unchanged or, if the Trust is not the surviving entity in such transaction, are exchanged for a security of the surviving entity with terms that are materially the same as the Series B Preferred Shares, the occurrence of any such event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the holders of the Series B Preferred Shares and; *provided, further*, that (x) any increase in the amount of the authorized Common Shares or Preferred Shares or the creation or issuance of any other series of Common Shares or Preferred Shares, in each case ranking on a parity with or junior to the Series B Preferred Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, (y) any change to the number or classification of our trustees, or (z) any amendment to Article VII of the Declaration relating to Shares-In-Trust, the Ownership Limit or any other matter described therein of any type or nature shall in no event be deemed to materially and adversely affect such rights, preferences, privileges or voting powers so long as after such amendment any single holder may maintain "beneficial ownership" (as defined in Article VII prior to or after such amendment) 9.9% of the outstanding Series B Preferred Shares and 9.9% of any other class or series of shares of beneficial interest without violating the Ownership Limit.

(e) The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required to be effected, all outstanding Series B Preferred Shares shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

9. Conversion. Except as set forth in Section 7 above upon the occurrence of a Change of Control, the Series B Preferred Shares are not convertible into or exchangeable for any other property or securities of the Trust, except that the Series B Preferred Shares will automatically be exchanged by the Trust for Shares-In-Trust, in accordance with Article VII of the Declaration in the same manner that Common Shares are exchanged for Shares-In-Trust pursuant thereto, in order to ensure that the Trust remains qualified as a REIT for federal income tax purposes.

10. Information Rights. During any period in which the Trust is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any Series B Preferred Shares are outstanding, the Trust will: (a) transmit by mail or other permissible means under the Exchange Act to all holders of Series B Preferred Shares as their names and addresses appear in the Trust's record books and without cost to such holders, copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that the Trust would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if the Trust were subject thereto (other than any exhibits that would have been required); and (b) within 15 days following written request, supply copies of such reports to any prospective holder of the Series B Preferred Shares. The Trust will mail (or otherwise provide) the reports to the holders of Series A Preferred Shares within 15 days after the respective dates by which the Trust would have been required to file such reports with the SEC if the Trust was subject to Section 13 or 15(d) of the Exchange Act.

THIRD: The Series B Preferred Shares have been classified and designated by the Board of Trustees under the authority contained in the Declaration.

FOURTH: These Articles Supplementary have been approved by the Board of Trustees in the manner and by the vote required by law.

FIFTH: The undersigned President and Chief Operating Officer acknowledges these Articles Supplementary to be the trust act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned President and Chief Operating Officer acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[Signature page follows.]

IN WITNESS WHEREOF, the Trust has caused these Articles Supplementary to be executed on behalf of the Trust by its President and Chief Operating Officer and attested to by its Assistant Secretary this 17th day of May 2011.

Date

By: /s/ Neil H. Shah
Name: Neil H. Shah
Title: President and Chief Operating
Officer

Attest:

By: /s/ Ashish R. Parikh
Name: Ashish R. Parikh
Title: Assistant Secretary

Articles Supplementary
Series B Preferred Shares

HERSHA HOSPITALITY TRUST
ARTICLES SUPPLEMENTARY
ESTABLISHING AND FIXING THE RIGHTS AND PREFERENCES
OF
6.875% SERIES C CUMULATIVE REDEEMABLE PREFERRED SHARES

Pursuant to Section 8-203 of
Title 8 of the Corporations and Associations Article
of the Annotated Code of Maryland

Hersha Hospitality Trust, a Maryland real estate investment trust (the "**Trust**"), hereby certifies to the State Department of Assessments and Taxation of the State of Maryland ("**SDAT**") that:

FIRST: Pursuant to the authority expressly vested in the Board of Trustees of the Trust by Article VI of its Amended and Restated Declaration of Trust (which, as hereafter restated or amended from time to time, are together with these Articles Supplementary herein referred to as the "**Declaration**"), the Board of Trustees has duly classified and designated 3,000,000 authorized but unissued preferred shares of beneficial interest, par value \$.01 per share, of the Trust as 6.875% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$.01 per share (the "**Series C Preferred Shares**"), and has provided for the issuance of such series. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Declaration.

SECOND: Subject in all cases to the provisions of the Declaration, including without limitation, Article VII with respect to limitations on the transfer and ownership of shares of beneficial interest of the Trust, the Series C Preferred Shares shall have the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption as set forth below:

1. **Designation and Number.** A series of preferred shares of beneficial interest, par value \$.01 per share, designated the "6.875% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest" is hereby established. The number of Series C Preferred Shares hereby authorized shall be 3,000,000.

2. **Rank.** The Series C Preferred Shares shall, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Trust, rank (a) senior to all classes or series of Common Shares of the Trust and to all equity securities issued by the Trust ranking junior to such Series C Preferred Shares; (b) on a parity with the Trust's 8.00% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$.01 per share (the "**Series A Preferred Shares**"), the Trust's 8.00% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$.01 per share (the "**Series B Preferred Shares**"), and all other equity securities issued by the Trust, the terms of which specifically provide that such equity securities rank on a parity with the Series C Preferred Shares as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Trust; and (c) junior to (i) all indebtedness of the Trust and (ii) equity securities issued by the Trust, the terms of which specifically provide that such equity securities rank senior to the Series C Preferred Shares as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Trust. The term "equity securities" shall not include convertible debt securities.

3. Dividends.

(a) Holders of the then outstanding Series C Preferred Shares shall be entitled to receive, when and as declared by the Board of Trustees, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 6.875% per year of the \$25.00 liquidation preference (equivalent to a fixed annual amount of \$1.71875 per share). Dividends on the Series C Preferred Shares are payable quarterly in arrears on January 15th, April 15th, July 15th and October 15th of each year and, if such day is not a business day, the next succeeding business day, commencing on April 15, 2013 (each, a "**Dividend Payment Date**"). The quarterly period beginning on, and including, each Dividend Payment Date and ending on, but excluding, the next succeeding Dividend Payment Date is referred to herein as a "dividend period" and the dividend which shall accrue in respect of any full dividend period shall be \$0.4296875 regardless of the actual number of days in such full dividend period. The first dividend will be for less than a full quarter and will cover the period from, and including, March 6, 2013 to, but excluding, April 15, 2013. Such dividend and any dividend payable on the Series C Preferred Shares for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Trust at the close of business on the applicable record date, which shall be the first day of the calendar month in which the applicable Dividend Payment Date falls or on such other date designated by the Board of Trustees of the Trust as the record date for the payment of dividends on the Series C Preferred Shares that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "**Dividend Record Date**").

(b) No dividends on Series C Preferred Shares shall be declared by the Board of Trustees of the Trust or paid or set apart for payment by the Trust at such time as the terms and provisions of any agreement of the Trust, including any agreement relating to its indebtedness, (i) prohibits such declaration, payment or setting apart for payment of dividends or (ii) provides that such declaration, payment or setting apart for payment of dividends would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(c) Notwithstanding the foregoing, dividends on the Series C Preferred Shares shall accrue whether or not the terms and provisions set forth in Section 3(b) hereof at any time prohibit the current payment of dividends, whether or not the Trust has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared.

(d) Accrued but unpaid dividends on the Series C Preferred Shares will accumulate as of the Dividend Payment Date on which they first become payable. Except as provided in Section 3(e) below, no dividends will be declared or paid or set apart for payment, and no distribution will be made on any shares of beneficial interest in the Trust or any other series of Preferred Shares ranking, as to dividends, on a parity with or junior to the Series C Preferred Shares (other than a dividend that consists of the Trust's Common Shares or shares of any other class of shares of beneficial interest ranking junior to the Series C Preferred Shares as to dividends and upon liquidation), for any period unless full cumulative dividends on the Series C Preferred Shares have been or contemporaneously are declared and paid, or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series C Preferred Shares for all dividend periods ending on or prior to the date of such action with respect to our Common Shares or any other series of Preferred Shares ranking, as to dividends, on a parity with or junior to the Series C Preferred Shares.

(e) When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series C Preferred Shares and the shares of any other series of Preferred Shares ranking on a parity as to dividends with the Series C Preferred Shares, all dividends declared upon the Series C Preferred Shares and any other series of Preferred Shares ranking on a parity as to dividends with the Series C Preferred Shares shall be declared pro rata so that the amount of dividends declared per share of

Series C Preferred Shares and such other series of Preferred Shares shall in all cases bear to each other the same ratio that accrued dividends per share on the Series C Preferred Shares and such other series of Preferred Shares (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such Preferred Shares do not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on Series C Preferred Shares which may be in arrears.

(f) Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series C Preferred Shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods, no dividends (other than dividends paid in Common Shares or other shares of beneficial interest ranking junior to the Series C Preferred Shares as to dividends and upon liquidation) shall be declared or paid or set aside for payment, nor shall any other distribution be declared or made upon the Common Shares or any other shares of beneficial interest of the Trust ranking junior to or on a parity with the Series C Preferred Shares as to dividends or upon liquidation, nor shall any Common Shares, or any other shares of beneficial interest of the Trust ranking junior to or on a parity with the Series C Preferred Shares as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Trust (except by conversion into or exchange for other shares of beneficial interest of the Trust ranking junior to the Series C Preferred Shares as to dividends and upon liquidation and except for the redemption, purchase or acquisition of "**Shares-in-Trust**" under the Declaration, which are intended to assist the Trust in qualifying as a REIT for federal income tax purposes).

(g) Holders of the Series C Preferred Shares shall not be entitled to any dividend, whether payable in cash, property or shares of beneficial interest in excess of full cumulative dividends on the Series C Preferred Shares as provided above. Any dividend payment made on Series C Preferred Shares shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

4. Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Trust, the holders of Series C Preferred Shares then outstanding are entitled to be paid out of the assets of the Trust legally available for distribution to its shareholders a liquidation preference of \$25.00 per share, plus an amount equal to any accrued and unpaid dividends to the date of payment, before any distribution of assets is made to holders of Common Shares or any other class or series of shares of beneficial interest of the Trust that ranks junior to the Series C Preferred Shares as to liquidation rights. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series C Preferred Shares will have no right or claim to any of the remaining assets of the Trust.

(b) In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up of the Trust, the available assets of the Trust are insufficient to pay the amount of the liquidating distributions on all outstanding Series C Preferred Shares and the corresponding amounts payable on all shares of other classes or series of shares of beneficial interest of the Trust ranking on a parity with the Series C Preferred Shares in the distribution of assets, then the holders of the Series C Preferred Shares and all other such classes or series of shares of beneficial interest shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

(c) Written notice of any such liquidation, dissolution or winding up of the Trust, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage pre-paid, not less than 30 nor more than 60 days prior to the payment date stated therein, to each record holder of the Series C Preferred Shares at the respective addresses of such holders as the same shall appear on the stock transfer records of the Trust.

(d) The consolidation, combination or merger of the Trust with or into any other corporation, trust or entity or consolidation or merger of any other corporation with or into the Trust, or the sale, lease or conveyance of all or substantially all of the Trust's assets, property or business or any statutory share exchange, shall not be deemed to constitute a liquidation, dissolution or winding up of the Trust.

5. Redemption.

(a) Optional Redemption. The Series C Preferred Shares are not redeemable prior to March 6, 2018, except as otherwise provided in this Section 5 and Section 6 below. On and after March 6, 2018, the Trust, at its option and upon not less than 30 nor more than 60 days' written notice, may redeem the Series C Preferred Shares, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption (except as provided in Section 5(c) below), without interest. If less than all of the outstanding Series C Preferred Shares is to be redeemed, the Series C Preferred Shares to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by lot or by any other equitable method determined by the Trust. If such redemption is to be by lot and, as a result of such redemption, any holder of Series C Preferred Shares would become a holder of a number of Series C Preferred Shares in excess of the Ownership Limit because such holder's Series C Preferred Shares were not redeemed, or were only redeemed in part then, except as otherwise provided in the Declaration, the Trust will redeem the requisite number of Series C Preferred Shares of such holder such that no holder will hold in excess of the Ownership Limit subsequent to such redemption.

(b) REIT Qualification. In an effort to ensure that the Trust remains qualified as a real estate investment trust ("REIT") for federal income tax purposes, the Series C Preferred Shares are, together with all other classes or series of shares of beneficial interest of the Trust, subject in all respects to the provisions of Article VII of the Declaration. Accordingly, pursuant to Article VII of the Declaration, a purported Transfer (as defined in Article VII) of Series C Preferred Shares as a result of which any person would maintain Beneficial Ownership (as defined in Article VII) of more than 9.9% of the outstanding Series C Preferred Shares will cause the number of Series C Preferred shares in excess of the Ownership Limit (rounded up to the nearest whole share) to be designated Shares-in-Trust and in accordance with the provisions of Article VII of the Declaration, be transferred to a Share Trust (as such term is defined in the Declaration), and the Trust will have the right to purchase such Shares-in-Trust from the holder.

(c) Limitations on Redemption. Unless full cumulative dividends on all Series C Preferred Shares shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no Series C Preferred Shares shall be redeemed unless all outstanding Series C Preferred Shares are simultaneously redeemed, and the Trust shall not purchase or otherwise acquire directly or indirectly any Series C Preferred Shares (except by exchange for shares of beneficial interest of the Trust ranking junior to the Series C Preferred Shares as to dividends and upon liquidation); *provided, however*, that the foregoing shall not prevent the purchase by the Trust of Shares-in-Trust in order to ensure that the Trust remains qualified as a REIT for federal income tax purposes or the purchase or acquisition of Series C Preferred Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series C Preferred Shares.

(d) Payment of Dividends in Connection with Redemption. Immediately prior to any redemption of Series C Preferred Shares, the Trust shall pay, in cash, any accumulated and unpaid dividends to the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series C Preferred Shares at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Except as provided above, the Trust will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series C Preferred Shares which are redeemed.

(e) Procedures for Redemption.

(i) Notice of redemption will be mailed by the Trust, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series C Preferred Shares to be redeemed at their respective addresses as they appear on the stock transfer records of the Trust. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series C Preferred Shares except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which Series C Preferred Shares may be listed or admitted to trading, such notice shall state: (A) the redemption date; (B) the redemption price; (C) the number of Series C Preferred Shares to be redeemed; (D) the place or places where the Series C Preferred Shares are to be surrendered for payment of the redemption price; and (E) that dividends on the shares to be redeemed will cease to accrue on such redemption date. If less than all of the Series C Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of Series C Preferred Shares held by such holder to be redeemed.

(iii) If notice of redemption of any Series C Preferred Shares has been given and if the funds necessary for such redemption have been set aside by the Trust in trust for the benefit of the holders of any Series C Preferred Shares so called for redemption, then from and after the redemption date dividends will cease to accrue on such Series C Preferred Shares, such Series C Preferred Shares shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price; *provided, however*, if the redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, each holder of Series C Preferred Shares so called for redemption at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Holders of Series C Preferred Shares to be redeemed shall surrender such Series C Preferred Shares at the place designated in such notice and, upon surrender in accordance with said notice of the certificates for Series C Preferred Shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and the notice shall so state), such Series C Preferred Shares shall be redeemed by the Trust at the redemption price plus any accrued and unpaid dividends payable upon such redemption. In case less than all the Series C Preferred Shares represented by any such certificate are redeemed, a new certificate or certificates shall be issued representing the unredeemed Series C Preferred Shares without cost to the holder thereof. Notwithstanding the foregoing, if the Series C Preferred Shares are held in book-entry form through the facilities of The Depository Trust Company ("DTC"), such notice shall comply with applicable procedures of DTC.

(iv) The deposit of funds with a bank or trust corporation for the purpose of redeeming Series C Preferred Shares shall be irrevocable except that:

(A) the Trust shall be entitled to receive from such bank or trust corporation the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any shares redeemed shall have no claim to such interest or other earnings; and

(B) any balance of monies so deposited by the Trust and unclaimed by the holders of the Series C Preferred Shares entitled thereto at the expiration of two years from the applicable redemption dates shall be repaid, together with any interest or other earnings thereon, to the Trust, and after any such repayment, the holders of the shares entitled to the funds so repaid to the Trust shall look only to the Trust for payment without interest or other earnings.

(f) Shares-In-Trust Provisions. The Series C Preferred Shares are subject to the provisions of Article VII of the Declaration, including, without limitation, the provision for the purchase of Shares-in-Trust. In addition to the purchase right set forth in Article VII of the Declaration, Shares-in-Trust issued upon exchange of Series C Preferred Shares pursuant to such Article VII may be redeemed, in whole or in part, at any time when outstanding Series C Preferred Shares are being redeemed, for cash, at a redemption price of \$25.00 per Series C Preferred Share, plus all accrued and unpaid dividends on the Series C Preferred Shares that were exchanged for such Shares-in-Trust, through the date of such exchange, without interest. If the Trust elects to redeem Shares-in-Trust pursuant to the redemption right set forth in the preceding sentence, such Shares-in-Trust shall be redeemed in such proportion and in accordance with such procedures as Series C Preferred Shares are being redeemed.

(g) Status of Redeemed Shares. Any Series C Preferred Shares that shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued Preferred Shares, without designation as to series until such shares are thereafter designated as part of a particular series by the Board of Trustees.

6. Special Optional Redemption.

(a) Upon the occurrence of a Change of Control (as defined in Section 6(b)(ii) below), the Trust, at its option and upon giving notice not less than 30 nor more than 60 days in advance of the date fixed for redemption, may redeem the Series C Preferred Shares, in whole or in part, within 120 days after the first date on which such Change of Control occurred, at a cash redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends to the date fixed for redemption (the "**Special Optional Redemption Right**").

(b) A "**Change of Control**" is when, after the original issuance of the Series C Preferred Shares, the following have occurred and are continuing:

(i) the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of beneficial interest of the Trust entitling such person to exercise more than 50% of the total voting power of all shares of beneficial interest of the Trust entitled to vote generally in elections of trustees (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

(ii) following the closing of any transaction referred to in Section 6(b)(i) above, neither the Trust nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the New York Stock Exchange (the "NYSE"), the NYSE MKT LLC (the "NYSE MKT") or the NASDAQ Stock Market ("NASDAQ"), or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ.

(c) If fewer than all of the outstanding Series C Preferred Shares are to be redeemed pursuant to the Special Optional Redemption Right, the shares to be redeemed shall be selected pro rata (as nearly as practicable without creating fractional shares) or by lot or in such other equitable method prescribed by the Trust. If such redemption is to be by lot and, as a result of such redemption, any holder of Series C Preferred Shares would become a holder of a number of Series C Preferred Shares in excess of the Share Ownership Limit because such holder's Series C Preferred Shares were not redeemed, or were only redeemed in part then, except as otherwise provided in the Declaration, the Trust will redeem the requisite number of Series C Preferred Shares of such holder such that no holder will hold in excess of the Share Ownership Limit subsequent to such redemption.

(d) Limitations on Special Optional Redemption. Unless full cumulative dividends on all Series C Preferred Shares shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no Series C Preferred Shares shall be redeemed pursuant to the Special Optional Redemption Right unless all outstanding Series C Preferred Shares are simultaneously redeemed pursuant to the Special Optional Redemption Right, and the Trust shall not purchase or otherwise acquire directly or indirectly any Series C Preferred Shares (except by exchange for shares of beneficial interest of the Trust ranking junior to the Series C Preferred Shares as to dividends and upon liquidation); *provided, however*, that the foregoing shall not prevent the purchase by the Trust of Shares-in-Trust in order to ensure that the Trust remains qualified as a REIT for federal income tax purposes or the purchase or acquisition of Series C Preferred Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series C Preferred Shares.

(e) Payment of Dividends in Connection with Special Optional Redemption. Immediately prior to any redemption of Series C Preferred Shares pursuant to the Special Optional Redemption Right, the Trust shall pay, in cash, any accumulated and unpaid dividends to the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series C Preferred Shares at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Except as provided above, the Trust will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series C Preferred Shares which are redeemed.

(f) Procedures for Special Optional Redemption.

(i) Notice of redemption will be mailed by the Trust, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series C Preferred Shares to be redeemed pursuant to the Special Optional Redemption Right at their respective addresses as they appear on the stock transfer records of the Trust. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series C Preferred Shares except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which the Series C Preferred Shares may be listed or admitted to trading, the redemption notice contemplated by this Section 6 shall state: (A) the redemption date; (B) the redemption price; (C) the

number of Series C Preferred Shares to be redeemed pursuant to the Special Optional Redemption Right; (D) the place or places where the certificates for the Series C Preferred Shares, to the extent Series C Preferred Shares are certificated, are to be surrendered (if so required in the notice) for payment of the redemption price; (E) a brief description of the transaction or transactions constituting such Change of Control and that holders of the Series C Preferred Shares to which the notice relates will not be able to tender such Series C Preferred Shares for conversion in connection with the Change of Control and each Series C Preferred Share tendered for conversion that is selected, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related redemption date instead of converted on the Change of Control Conversion Date; and (F) that distributions on the Series C Preferred Shares to be redeemed will cease to accumulate on such redemption date. If fewer than all of the Series C Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of Series C Preferred Shares held by such holder to be redeemed pursuant to the Special Optional Redemption Right.

(iii) If notice of redemption of any Series C Preferred Shares pursuant to the Special Optional Redemption Right has been given and if the funds necessary for such redemption have been set aside by the Trust in trust for the benefit of the holders of any Series C Preferred Shares so called for redemption pursuant to the Special Optional Redemption Right, then from and after the redemption date dividends will cease to accrue on such Series C Preferred Shares, such Series C Preferred Shares shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price; *provided, however*, if the redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, each holder of Series C Preferred Shares so called for redemption at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Holders of Series C Preferred Shares to be redeemed pursuant to the Special Optional Redemption Right shall surrender such Series C Preferred Shares at the place designated in such notice and, upon surrender in accordance with said notice of the certificates for Series C Preferred Shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and the notice shall so state), such Series C Preferred Shares shall be redeemed by the Trust at the redemption price plus any accrued and unpaid dividends payable upon such redemption. In case less than all the Series C Preferred Shares represented by any such certificate are redeemed pursuant to the Special Optional Redemption Right, a new certificate or certificates shall be issued representing the unredeemed Series C Preferred Shares without cost to the holder thereof. Notwithstanding the foregoing, if the Series C Preferred Shares are held in book-entry form through the facilities of DTC, such notice shall comply with applicable procedures of DTC.

(iv) The deposit of funds with a bank or trust corporation for the purpose of redeeming Series C Preferred Shares pursuant to the Special Optional Redemption Right shall be irrevocable except that:

(A) the Trust shall be entitled to receive from such bank or trust corporation the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any shares redeemed shall have no claim to such interest or other earnings; and

(B) any balance of monies so deposited by the Trust and unclaimed by the holders of the Series C Preferred Shares entitled thereto at the expiration of two years from the applicable redemption dates shall be repaid, together with any interest or other earnings thereon, to the Trust, and after any such repayment, the holders of the shares entitled to the funds so repaid to the Trust shall look only to the Trust for payment without interest or other earnings.

(g) Status of Redeemed Shares. Any Series C Preferred Shares that shall at any time have been redeemed pursuant to the Special Optional Redemption Right shall, after such redemption, have

the status of authorized but unissued Preferred Shares, without designation as to series until such shares are thereafter designated as part of a particular series by the Board of Trustees.

7. **Change of Control Rights.** The Series C Preferred Shares are not convertible into or exchangeable for any other property or securities of the Trust, except upon the occurrence of a Change of Control as provided in this Section 7.

(a) **Change of Control.** Upon the occurrence of a Change of Control (as defined in Section 6(b) above), each holder of Series C Preferred Shares shall have the right, unless, prior to the Change of Control Conversion Date (as defined in Section 7(b)(v) hereof), the Trust provides notice of its election to redeem the Series C Preferred Shares pursuant to the redemption right set forth in Section 5 above or Special Optional Redemption Right set forth in Section 6 above, to convert some or all of the Series C Preferred Shares held by such holder (the "**Change of Control Conversion Right**") on the Change of Control Conversion Date into a number Common Shares, per Series C Preferred Share to be converted (the "**Common Share Conversion Consideration**") equal to the lesser of: (A) the quotient obtained by dividing (i) the sum of (x) the \$25.00 liquidation preference plus (y) the amount of any accrued and unpaid distributions to the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case no additional amount for such accrued and unpaid distribution will be included in such sum) by (ii) the Common Share Price (as defined in Section 7(b)(vi) hereof); and (B) 9.2421 Common Shares (the "**Share Cap**"), subject to the immediately succeeding paragraph.

(i) The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a Common Share distribution), subdivisions or combinations (in each case, a "**Share Split**") with respect to Common Shares. The adjusted Share Cap as the result of a Share Split shall be the number of Common Shares that is equivalent to the product obtained by multiplying (A) the Share Cap in effect immediately prior to such Share Split by (B) a fraction, the numerator of which is the number of Common Shares outstanding after giving effect to such Share Split and the denominator of which is the number of Common Shares outstanding immediately prior to such Share Split.

(ii) For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of Common Shares (or equivalent Alternative Conversion Consideration (as defined below), as applicable) issuable in connection with the exercise of the Change of Control Conversion Right shall not exceed 27,726,300 Common Shares (or equivalent Alternative Conversion Consideration, as applicable) (the "**Exchange Cap**"). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap.

(iii) In the case of a Change of Control pursuant to which Common Shares shall be converted into cash, securities or other property or assets (including any combination thereof) (the "**Alternative Form Consideration**"), a holder of Series C Preferred Shares shall receive upon conversion of such Series C Preferred Shares the kind and amount of Alternative Form Consideration which such holder of Series C Preferred Shares would have owned or been entitled to receive upon the Change of Control had such holder of Series C Preferred Shares held a number of Common Shares equal to the Common Share Conversion Consideration immediately prior to the effective time of the Change of Control (the "**Alternative Conversion Consideration**"; and the Common Share Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Change of Control, shall be referred to herein as the "**Conversion Consideration**").

(iv) In the event that holders of Common Shares have the opportunity to elect the form of consideration to be received in the Change of Control, the consideration that the holders of Series C Preferred Shares shall receive shall be the form of consideration elected by the holders of the

Common Shares who participate in the determination (based on the weighted average of elections) and shall be subject to any limitations to which all holders of Common Shares are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Change of Control.

(v) The **"Change of Control Conversion Date"** shall be a date fixed by the Board of Trustees, in its sole discretion, as the date the Series C Preferred Shares shall be converted pursuant to the Change of Control Conversion Right, which shall be a business day set forth in the notice of Change of Control provided in accordance with Section 7(d) below that is no less than 20 days nor more than 35 days after the date on which the Trust provides such notice.

(vi) The **"Common Share Price"** shall be (i) the amount of cash consideration per Common Share, if the consideration to be received in the Change of Control by holders of Common Shares is solely cash, and (ii) the average of the closing prices per Common Share on the NYSE for the ten consecutive trading days immediately preceding, but not including, the effective date of the Change of Control, if the consideration to be received in the Change of Control by holders of Common Shares is other than solely cash.

(b) No fractional Common Shares shall be issued upon the conversion of Series C Preferred Shares. In lieu of fractional shares, holders shall be entitled to receive the cash value of such fractional shares based on the Common Share Price.

(c) Within 15 days following the occurrence of a Change of Control, a notice of occurrence of the Change of Control, describing the resulting Change of Control Conversion Right, shall be delivered to the holders of record of the Series C Preferred Shares at their addresses as they appear on the Trust's share transfer records and notice shall be provided to the Trust's transfer agent. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the conversion of any Series C Preferred Shares except as to the holder to whom notice was defective or not given. Each notice shall state: (i) the events constituting the Change of Control; (ii) the date of the Change of Control; (iii) the Change of Control Conversion Date; (iv) the method and period for calculating the Common Share Price; (v) that if, prior to the Change of Control Conversion Date, the Trust provides notice of its election to redeem all or any portion of the Series C Preferred Shares, the holder will not be able to convert Series C Preferred Shares and such Series C Preferred Shares shall be redeemed on the related redemption date, even if they have already been tendered for conversion pursuant to the Change of Control Conversion Right; (vi) if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per Series C Preferred Share; (vii) the name and address of the paying agent and the conversion agent; and (viii) the procedures that the holders of Series C Preferred Shares must follow to exercise the Change of Control Conversion Right.

(d) The Trust shall issue a press release for publication on the Dow Jones & Company, Inc., Business Wire, PR Newswire, Bloomberg Business News or such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public, or post notice on the Trust's website, in any event prior to the opening of business on the first business day following any date on which the Trust provides notice pursuant to Section 7(c) above to the holders of Series C Preferred Shares.

(e) In order to exercise the Change of Control Conversion Right, a holder of Series C Preferred Shares shall be required to deliver to the Trust's transfer agent, on or before the close of business on the business day prior to the Change of Control Conversion Date, the certificates evidencing the Series C Preferred Shares, to the extent such shares are certificated, to be converted, duly endorsed for transfer, together with a written conversion notice. Such conversion notice shall state: (i) the relevant Change of Control Conversion Date; (ii) the number of Series C Preferred Shares to be converted; and (iii) that terms of

the Series C Preferred Shares pursuant to which the Series C Preferred Shares are to be converted. Notwithstanding the foregoing, if the Series C Preferred Shares are held in book-entry form through the facilities of DTC, such notice shall comply with applicable procedures of DTC.

(f) Holders of Series C Preferred Shares may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to the Trust's transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal must state: (i) the number of withdrawn Series C Preferred Shares; (ii) if certificated Series C Preferred Shares have been issued, the certificate numbers of the withdrawn Series C Preferred Shares; and (iii) the number of Series C Preferred Shares, if any, which remain subject to the conversion notice. Notwithstanding the foregoing, if the Series C Preferred Shares are held in book-entry form through the facilities of DTC, such notice shall comply with applicable procedures of DTC.

(g) Series C Preferred Shares as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn shall be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless, prior to the close of business on the Change of Control Conversion Date, the Trust provides notice of its election to redeem such Series C Preferred Shares, whether pursuant to its Redemption Right or Special Optional Redemption Right. If the Trust elects to redeem Series C Preferred Shares that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such Series C Preferred Shares shall not be so converted and the holders of such shares shall be entitled to receive on the applicable redemption date \$25.00 per share, plus any accrued and unpaid distributions thereon to, but not including, the redemption date.

(h) The Trust shall deliver the applicable Conversion Consideration no later than the third business day following the Change of Control Conversion Date.

(i) Limitations on Conversion. Notwithstanding anything to the contrary contained herein, no holder of Series C Preferred Shares will be entitled to convert such Series C Preferred Shares into Common Shares to the extent that receipt of such Common Shares would cause the holder of such Common Shares (or any other person) to Beneficially Own or Constructively Own, within the meaning of the Declaration, Common Shares of the Trust in excess of the Share Ownership Limit, as such term is defined in the Declaration, as applicable.

8. Voting Rights.

(a) Holders of the Series C Preferred Shares will not have any voting rights, except as set forth below or as otherwise from time to time required by law.

(b) Whenever dividends on any Series C Preferred Shares shall be in arrears for six or more quarterly periods, whether or not consecutive (a "**Preferred Dividend Default**"), the number of trustees then constituting the Board of Trustees shall be increased by two, if not already increased by reason of similar types of provisions with respect to another series of Parity Preferred (as defined below), and the holders of Series C Preferred Shares (voting together as a single class with the holders of all other series of Preferred Shares ranking on a parity with the Series C Preferred Shares as to dividends or upon liquidation ("**Parity Preferred**") upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of a total of two trustees of the Trust (the "**Preferred Share Trustees**"), if not already elected by the holders of Parity Preferred by reason of similar types of provisions with respect to Preferred Share Trustees, at a special meeting of the shareholders called by the holders of record of at least 20% of the Series C Preferred Shares or the holders of 20% of any other series of Parity Preferred so in arrears (unless

such request is received less than 90 days before the date fixed for the next annual or special meeting of shareholders), and at each subsequent annual meeting until all dividends accrued on such Series C Preferred Shares for the past dividend periods shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment.

(c) If and when all accumulated dividends on the Series C Preferred Shares shall have been paid in full or declared and set aside for payment in full, the holders of Series C Preferred Shares shall be divested of the voting rights set forth in Section 8(b) hereof (subject to reversion in the event of each and every Preferred Dividend Default) and, if all accumulated dividends have been paid in full or declared and set aside for payment in full on all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Share Trustee so elected shall terminate. Any Preferred Share Trustee may be removed at any time with or without cause by the vote of, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding Series C Preferred Shares when they have the voting rights set forth in Section 8(b) (voting together as a single class with all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable). So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Preferred Share Trustee may be filled by written consent of the Preferred Share Trustee remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding Series C Preferred Shares when they have the voting rights set forth in Section 8(b) (voting together as a single class with all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable). The Preferred Share Trustees shall each be entitled to one vote per trustee on any matter.

(d) So long as any Series C Preferred Shares remain outstanding, the Trust shall not, without the affirmative vote or consent of the holders of at least two-thirds of the Series C Preferred Shares outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), (i) authorize or create, or increase the authorized or issued amount of, any class or series of shares of beneficial interest ranking senior to the Series C Preferred Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Trust or reclassify any authorized shares of beneficial interest of the Trust into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares or (ii) amend, alter or repeal the provisions of the Declaration, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series C Preferred Shares or the holders thereof; *provided, however*, that with respect to the occurrence of any event set forth in (ii) above, the occurrence of any such event will not be deemed to materially and adversely affect any right, preference, privilege or voting power of the Series C Preferred Shares or the holders thereof so long as the Series C Preferred Shares remain outstanding with the terms thereof materially unchanged or, if the Trust is not the surviving entity in such transaction, are exchanged for a security of the surviving entity with terms that are materially the same as the Series C Preferred Shares, the occurrence of any such event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the holders of the Series C Preferred Shares and; *provided, further*, that (x) any increase in the amount of the authorized Common Shares or Preferred Shares or the creation or issuance of any other series of Common Shares or Preferred Shares, in each case ranking on a parity with or junior to the Series C Preferred Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Trust, (y) any change to the number or classification of our trustees, or (z) any amendment to Article VII of the Declaration relating to Shares-In-Trust, the Ownership Limit or any other matter described therein of any type or nature shall in no event be deemed to materially and adversely affect such rights, preferences, privileges or voting powers so long as after such amendment any single holder may maintain "beneficial ownership" (as defined in Article VII prior to or after such amendment) 9.9% of the outstanding Series C Preferred Shares and 9.9% of any other class or series of shares of beneficial interest without violating the Ownership Limit.

(e) The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required to be effected, all outstanding Series C Preferred Shares shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

9. Conversion. Except as set forth in Section 7 above upon the occurrence of a Change of Control, the Series C Preferred Shares are not convertible into or exchangeable for any other property or securities of the Trust, except that the Series C Preferred Shares will automatically be exchanged by the Trust for Shares-In-Trust, in accordance with Article VII of the Declaration in the same manner that Common Shares are exchanged for Shares-In-Trust pursuant thereto, in order to ensure that the Trust remains qualified as a REIT for federal income tax purposes.

10. Information Rights. During any period in which the Trust is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any Series C Preferred Shares are outstanding, the Trust will: (a) transmit by mail or other permissible means under the Exchange Act to all holders of Series C Preferred Shares as their names and addresses appear in the Trust's record books and without cost to such holders, copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that the Trust would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if the Trust were subject thereto (other than any exhibits that would have been required); and (b) within 15 days following written request, supply copies of such reports to any prospective holder of the Series C Preferred Shares. The Trust will mail (or otherwise provide) the reports to the holders of Series C Preferred Shares within 15 days after the respective dates by which the Trust would have been required to file such reports with the SEC if the Trust was subject to Section 13 or 15(d) of the Exchange Act.

THIRD: The Series C Preferred Shares have been classified and designated by the Board of Trustees under the authority contained in the Declaration.

FOURTH: These Articles Supplementary have been approved by the Board of Trustees in the manner and by the vote required by law.

FIFTH: The undersigned President and Chief Operating Officer acknowledges these Articles Supplementary to be the trust act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned President and Chief Operating Officer acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[Signature page follows.]

IN WITNESS WHEREOF, the Trust has caused these Articles Supplementary to be executed on behalf of the Trust by its President and Chief Operating Officer and attested to by its Assistant Secretary this 1st day of March, 2013.

By: /s/ Neil H. Shah
Name: Neil H. Shah
Title: President and Chief Operating
Officer

Attest:

By: /s/ Ashish R. Parikh
Name: Ashish R. Parikh
Title: Assistant Secretary

Articles Supplementary
Series C Preferred Shares

HERSHA HOSPITALITY TRUST

ARTICLES OF AMENDMENT

Hersha Hospitality Trust, a Maryland real estate investment trust (the "Trust"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: The declaration of trust of the Trust (the "Declaration") is hereby amended to provide that, immediately upon the Reverse Share Split Effective Time (as defined below), every four Priority Class A Common Shares of beneficial interest, \$0.01 par value per share ("Priority Common Shares"), of the Trust that were issued and outstanding immediately prior to the Reverse Share Split Effective Time shall be combined into one issued and outstanding Priority Common Share with a par value of \$0.04 per share.

SECOND: No fractional Priority Common Shares will be or remain issued upon such amendment and each shareholder otherwise entitled to a fractional share shall be entitled to receive in lieu thereof cash in an amount equal to the product of the fraction of a share multiplied by the closing price of the Priority Common Shares as reported by the New York Stock Exchange on the date of the Reverse Share Split Effective Time; *provided, however*, that holders of any Priority Common Shares issued pursuant to the Trust's Dividend Reinvestment Plan ("DRIP Priority Common Shares") shall be entitled to receive fractional shares with respect to such Drip Priority Common Shares upon the Reverse Share Split Effective Time to the extent applicable.

THIRD: The amendment to the Declaration as set forth in Article FIRST above has been duly approved by a majority of the Board of Trustees of the Trust as required by the Maryland REIT Law (the "MRL"). The amendment set forth in Article FIRST above is limited to a change expressly authorized by Section 8-501(f)(2) of the MRL to be made without action by the shareholders of the Trust.

FOURTH: The Declaration is hereby amended, effective immediately after the Reverse Share Split Effective Time, to decrease the par value of the Priority Common Shares issued and outstanding at the Reverse Share Split Effective Time from \$0.04 per share to \$0.01 per share.

FIFTH: The amendment to the Declaration as set forth in Article FOURTH above has been duly approved by a majority of the entire Board of Trustees of the Trust as required by the MRL. The amendment set forth in Article FOURTH above is limited to a change expressly authorized by Section 8-501(e)(2) of the MRL to be made without action by the shareholders of the Trust.

SIXTH: These Articles of Amendment shall become effective at 5:00 p.m., Eastern Time, on June 22, 2015 (the "Reverse Share Split Effective Time").

SEVENTH: The amendments to the Declaration as set forth above do not increase the authorized shares of the Trust.

EIGHTH: The undersigned officer of the Trust acknowledges these Articles of Amendment to be the trust act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned officer acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

-Signature page follows-

IN WITNESS WHEREOF, the Trust has caused these Articles of Amendment to be executed in its name and on its behalf by its Chief Financial Officer and Assistant Secretary and attested to by its Treasurer and Corporate Secretary on this 18 day of June, 2015.

ATTEST:

HERSHA HOSPITALITY TRUST

By: /s/ David L. Desfor
Name: David L. Desfor
Title: Treasurer and Corporate Secretary

By: /s/ Ashish R. Parikh(SEAL)
Name: Ashish R. Parikh
Title: Chief Financial Officer and Assistant Secretary

HERSHA HOSPITALITY TRUST

ARTICLES OF AMENDMENT

Hersha Hospitality Trust, a Maryland real estate investment trust (the "**Trust**"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: The declaration of trust of the Trust (the "**Declaration**") is hereby amended by deleting therefrom in its entirety the first two sentences of Section 1 of Article VI and inserting in lieu thereof two new sentences to read as follows:

The beneficial interest of the Trust shall be divided into shares of beneficial interest (the "Shares"). The Trust has authority to issue: (i) 76,000,000 common shares of beneficial interest, \$0.01 par value per share ("Common Shares"), of which 75,000,000 will be Priority Class A Common Shares (the "Priority Common Shares") and 1,000,000 will be Class B Common Shares (the "Class B Common Shares"); and (ii) 29,000,000 preferred shares of beneficial interest, \$0.01 par value per share ("Preferred Shares").

SECOND: The total number of shares of beneficial interest which the Trust had authority to issue immediately prior to the foregoing amendment of the Declaration was (i) 301,000,000 common shares of beneficial interest, \$0.01 par value per share, consisting of 300,000,000 Priority Class A Common Shares and 1,000,000 Class B Common Shares; and (ii) 29,000,000 preferred shares of beneficial interest, \$0.01 par value per share. The aggregate par value of all authorized shares of beneficial interest having par value was \$3,300,000.

THIRD: The total number of shares of beneficial interest which the Trust has authority to issue pursuant to the foregoing amendment of the Declaration is 76,000,000 common shares of beneficial interest, \$0.01 par value per share, consisting of 75,000,000 Priority Class A Common Shares and 1,000,000 Class B Common Shares; and (ii) 29,000,000 preferred shares of beneficial interest, \$0.01 par value per share. The aggregate par value of all authorized shares of beneficial interest having par value is \$1,050,000.

FOURTH: The amendment to the Declaration as set forth above has been duly approved by the Board of Trustees of the Trust as required by law. Pursuant to Section 8-203(a)(8) of the Maryland REIT Law and Section 1 of Article VI of the Declaration, no shareholder approval was required.

The undersigned officer of the Trust acknowledges these Articles of Amendment to be the trust act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned officer acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Trust has caused these Articles of Amendment to be executed in its name and on its behalf by its Chief Financial Officer and Assistant Secretary and attested to by its Treasurer and Corporate Secretary on this 10th day of May, 2016.

ATTEST:

HERSHA HOSPITALITY TRUST

By: /s/ Michael R. Gillespie
Name: Michael R. Gillespie
Title: Chief Accounting Office & Assistant
Corporate Secretary

By: /s/ Ashish R. Parikh(SEAL)
Name: Ashish R. Parikh
Title: Chief Financial Officer and Assistant
Corporate Secretary

HERSHA HOSPITALITY TRUST
ARTICLES SUPPLEMENTARY
ESTABLISHING AND FIXING THE RIGHTS AND PREFERENCES
OF
6.50% SERIES D CUMULATIVE REDEEMABLE PREFERRED SHARES

Pursuant to Section 8-203 of
Title 8 of the Corporations and Associations Article
of the Annotated Code of Maryland

Hersha Hospitality Trust, a Maryland real estate investment trust (the "**Trust**"), hereby certifies to the State Department of Assessments and Taxation of the State of Maryland ("**SDAT**") that:

FIRST: Pursuant to the authority expressly vested in the Board of Trustees (the "**Board of Trustees**") of the Trust by Article VI of its Declaration of Trust (which, as hereafter restated or amended from time to time, are together with these Articles Supplementary herein referred to as the "**Declaration**"), the Board of Trustees has duly classified and designated 8,050,000 authorized but unissued preferred shares of beneficial interest, par value \$.01 per share, of the Trust as 6.50% Series D Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share (the "**Series D Preferred Shares**"), and has provided for the issuance of such series. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Declaration.

SECOND: Subject in all cases to the provisions of the Declaration, including, without limitation, Article VII with respect to limitations on the transfer and ownership of shares of beneficial interest of the Trust, the Series D Preferred Shares shall have the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption as set forth below:

1. **Designation and Number.** A series of preferred shares of beneficial interest, par value \$0.01 per share, designated the "6.50% Series D Cumulative Redeemable Preferred Shares of Beneficial Interest" is hereby established. The number of Series D Preferred Shares hereby authorized shall be 8,050,000.

2. **Rank.** The Series D Preferred Shares shall, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Trust, rank (a) senior to all classes or series of Common Shares of the Trust and to all equity securities issued by the Trust ranking junior to such Series D Preferred Shares; (b) on a parity with the Trust's 8.00% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share (the "**Series B Preferred Shares**"), the Trust's 6.875% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share (the "**Series C Preferred Shares**"), and all other equity securities issued by the Trust, the terms of which specifically provide that such equity securities rank on a parity with the Series D Preferred Shares as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Trust; and (c) junior to (i) all indebtedness of the Trust and (ii) equity securities issued by the Trust, the terms of which specifically provide that such equity securities rank senior to the Series D Preferred Shares as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Trust. The term "equity securities" shall not include convertible debt securities.

3. Dividends.

(a) Holders of the then outstanding Series D Preferred Shares shall be entitled to receive, when and as authorized by the Board of Trustees and declared by the Trust, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 6.50% per year of the \$25.00 liquidation preference (equivalent to a fixed annual amount of \$1.625 per share). Dividends on the Series D Preferred Shares are payable quarterly in arrears on January 15th, April 15th, July 15th and October 15th of each year and, if such day is not a business day, the next succeeding business day, commencing on July 15, 2016 (each, a "**Dividend Payment Date**"). The quarterly period beginning on, and including, each Dividend Payment Date and ending on, but excluding, the next succeeding Dividend Payment Date is referred to herein as a "dividend period" and the dividend which shall accrue in respect of any full dividend period shall be \$1.625 regardless of the actual number of days in such full dividend period. The first dividend will be for less than a full quarter and will cover the period from, and including, May 31, 2016 to, but excluding, July 15, 2016. Such dividend and any dividend payable on the Series D Preferred Shares for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Trust at the close of business on the applicable record date, which shall be the first day of the calendar month in which the applicable Dividend Payment Date falls or on such other date designated by the Board of Trustees of the Trust as the record date for the payment of dividends on the Series D Preferred Shares that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "**Dividend Record Date**").

(b) No dividends on Series D Preferred Shares shall be authorized by the Board of Trustees or declared by the Trust or paid or set apart for payment by the Trust at such time as the terms and provisions of any agreement of the Trust, including any agreement relating to its indebtedness, (i) prohibits such authorization, declaration, payment or setting apart for payment of dividends or (ii) provides that such authorization, declaration, payment or setting apart for payment of dividends would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(c) Notwithstanding the foregoing, dividends on the Series D Preferred Shares shall accrue whether or not the terms and provisions set forth in Section 3(b) hereof at any time prohibit the current payment of dividends, whether or not the Trust has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared.

(d) Accrued but unpaid dividends on the Series D Preferred Shares will accumulate as of the Dividend Payment Date on which they first become payable. Except as provided in Section 3(e) below, no dividends will be declared or paid or set apart for payment, and no distribution will be made on any shares of beneficial interest in the Trust or any other series of Preferred Shares ranking, as to dividends, on a parity with or junior to the Series D Preferred Shares (other than a dividend that consists of the Common Shares or shares of any other class of shares of beneficial interest ranking junior to the Series D Preferred Shares as to dividends and upon liquidation), for any period unless full cumulative dividends on the Series D Preferred Shares have been or contemporaneously are declared and paid, or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series D Preferred Shares for all past dividend periods.

(e) When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series D Preferred Shares and the shares of any other series of Preferred Shares ranking on a parity as to dividends with the Series D Preferred Shares, all dividends declared upon the Series D Preferred Shares and any other series of Preferred Shares ranking on a parity as to dividends with the Series D Preferred Shares shall be declared pro rata so that the amount of dividends declared per share of Series D Preferred Shares and such other series of Preferred Shares shall in all cases bear to each other the same ratio that accrued dividends per share on the Series D Preferred Shares and such other series of

Preferred Shares (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such Preferred Shares do not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on Series D Preferred Shares which may be in arrears.

(f) Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series D Preferred Shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods, no dividends (other than dividends paid in Common Shares or other shares of beneficial interest ranking junior to the Series D Preferred Shares as to dividends and upon liquidation) shall be declared or paid or set aside for payment, nor shall any other distribution be declared or made upon the Common Shares or any other shares of beneficial interest of the Trust ranking junior to or on a parity with the Series D Preferred Shares as to dividends or upon liquidation, nor shall any Common Shares, or any other shares of beneficial interest of the Trust ranking junior to or on a parity with the Series D Preferred Shares as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Trust (except by conversion into or exchange for other shares of beneficial interest of the Trust ranking junior to the Series D Preferred Shares as to dividends and upon liquidation and except for the redemption, purchase or acquisition of "Shares-in-Trust" under the Declaration, which are intended to assist the Trust in qualifying as a REIT for federal income tax purposes).

(g) Holders of the Series D Preferred Shares shall not be entitled to any dividend, whether payable in cash, property or shares of beneficial interest in excess of full cumulative dividends on the Series D Preferred Shares as provided above. Any dividend payment made on Series D Preferred Shares shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

4. Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Trust, the holders of Series D Preferred Shares then outstanding are entitled to be paid out of the assets of the Trust legally available for distribution to its shareholders a liquidation preference of \$25.00 per share, plus an amount equal to any accrued and unpaid dividends to the date of payment, before any distribution of assets is made to holders of Common Shares or any other class or series of shares of beneficial interest of the Trust that ranks junior to the Series D Preferred Shares as to liquidation rights. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series D Preferred Shares will have no right or claim to any of the remaining assets of the Trust.

(b) In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up of the Trust, the available assets of the Trust are insufficient to pay the amount of the liquidating distributions on all outstanding Series D Preferred Shares and the corresponding amounts payable on all shares of other classes or series of shares of beneficial interest of the Trust ranking on a parity with the Series D Preferred Shares in the distribution of assets upon liquidation, then the holders of the Series D Preferred Shares and all other such classes or series of shares of beneficial interest shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

(c) Written notice of any such liquidation, dissolution or winding up of the Trust, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage pre-paid, not less than 30 nor more

than 60 days prior to the payment date stated therein, to each record holder of the Series D Preferred Shares at the respective addresses of such holders as the same shall appear on the stock transfer records of the Trust.

(d) The consolidation, conversion, combination or merger of the Trust with or into any other corporation, trust or entity or consolidation, conversion or merger of any other corporation with or into the Trust, or the sale, lease or conveyance of all or substantially all of the Trust's assets, property or business or any statutory share exchange, shall not be deemed to constitute a liquidation, dissolution or winding up of the Trust.

5. Redemption.

(a) Optional Redemption. The Series D Preferred Shares are not redeemable prior to May 31, 2021, except as otherwise provided in this Section 5 and Section 6 below. On and after May 31, 2021, the Trust, at its option and upon not less than 30 nor more than 60 days' written notice, may redeem the Series D Preferred Shares, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption (except as provided in Section 5(d) below), without interest. If less than all of the outstanding Series D Preferred Shares is to be redeemed, the Series D Preferred Shares to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by lot or by any other equitable method determined by the Trust. If such redemption is to be by lot and, as a result of such redemption, any holder of Series D Preferred Shares would become a holder of a number of Series D Preferred Shares in excess of the Ownership Limit because such holder's Series D Preferred Shares were not redeemed, or were only redeemed in part then, except as otherwise provided in the Declaration, the Trust will redeem the requisite number of Series D Preferred Shares of such holder such that no holder will hold in excess of the Ownership Limit subsequent to such redemption.

(b) REIT Qualification. The Series D Preferred Shares are, together with all other classes or series of shares of beneficial interest of the Trust, subject in all respects to the provisions of Article VII of the Declaration. Accordingly, pursuant to Article VII of the Declaration, a purported Transfer (as defined in Article VII) of Series D Preferred Shares as a result of which any person would maintain Beneficial Ownership (as defined in Article VII) of more than 9.9% of the outstanding Series D Preferred Shares will cause the number of Series D Preferred shares in excess of the Ownership Limit (rounded up to the nearest whole share) to be designated Shares-in-Trust and in accordance with the provisions of Article VII of the Declaration, be transferred to a Share Trust (as such term is defined in the Declaration), and the Trust will have the right to purchase such Shares-in-Trust from the holder.

(c) Limitations on Redemption. Unless full cumulative dividends on all Series D Preferred Shares shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no Series D Preferred Shares shall be redeemed unless all outstanding Series D Preferred Shares are simultaneously redeemed, and the Trust shall not purchase or otherwise acquire directly or indirectly any Series D Preferred Shares (except by exchange for shares of beneficial interest of the Trust ranking junior to the Series D Preferred Shares as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase by the Trust of Shares-in-Trust in order to ensure that the Trust remains qualified as a real estate investment trust ("REIT") for federal income tax purposes or the purchase or acquisition of Series D Preferred Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series D Preferred Shares.

(d) Payment of Dividends in Connection with Redemption. Immediately prior to any redemption of Series D Preferred Shares, the Trust shall pay, in cash, any accumulated and unpaid dividends to the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series D Preferred Shares at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Except as provided above, the Trust will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series D Preferred Shares which are redeemed.

(e) Procedures for Redemption.

(i) Notice of redemption will be mailed by the Trust, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series D Preferred Shares to be redeemed at their respective addresses as they appear on the stock transfer records of the Trust. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series D Preferred Shares except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which Series D Preferred Shares may be listed or admitted to trading, such notice shall state: (A) the redemption date; (B) the redemption price; (C) the number of Series D Preferred Shares to be redeemed; (D) the place or places where the certificates evidencing Series D Preferred Shares are to be surrendered for payment of the redemption price; and (E) that dividends on the shares to be redeemed will cease to accrue on such redemption date. If less than all of the Series D Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of Series D Preferred Shares held by such holder to be redeemed.

(iii) If notice of redemption of any Series D Preferred Shares has been given and if the funds necessary for such redemption have been set aside by the Trust in trust for the benefit of the holders of any Series D Preferred Shares so called for redemption, then from and after the redemption date dividends will cease to accrue on such Series D Preferred Shares, such Series D Preferred Shares shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price; provided, however, if the redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, each holder of Series D Preferred Shares so called for redemption at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Holders of Series D Preferred Shares to be redeemed shall surrender certificates evidencing such Series D Preferred Shares at the place designated in such notice and, upon surrender in accordance with said notice of the certificates for Series D Preferred Shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and the notice shall so state), such Series D Preferred Shares shall be redeemed by the Trust at the redemption price plus any accrued and unpaid dividends payable upon such redemption. In case less than all the Series D Preferred Shares evidenced by any such certificate are redeemed, a new certificate or certificates shall be issued evidencing the unredeemed Series D Preferred Shares without cost to the holder thereof. Notwithstanding the foregoing, if the Series D Preferred Shares are held in book-entry form through the facilities of The Depository Trust Company ("DTC"), such notice shall comply with applicable procedures of DTC.

(iv) The deposit of funds with a bank or trust corporation for the purpose of redeeming Series D Preferred Shares shall be irrevocable except that:

(A) the Trust shall be entitled to receive from such bank or trust corporation the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any shares redeemed shall have no claim to such interest or other earnings; and

(B) any balance of monies so deposited by the Trust and unclaimed by the holders of the Series D Preferred Shares entitled thereto at the expiration of two years from the applicable redemption dates shall be repaid, together with any interest or other earnings thereon, to the Trust, and after any such repayment, the holders of the shares entitled to the funds so repaid to the Trust shall look only to the Trust for payment without interest or other earnings.

(f) Shares-In-Trust Provisions. The Series D Preferred Shares are subject to the provisions of Article VII of the Declaration, including, without limitation, the provision for the purchase of Shares-in-Trust. In addition to the purchase right set forth in Article VII of the Declaration, Shares-in-Trust issued upon exchange of Series D Preferred Shares pursuant to such Article VII may be redeemed, in whole or in part, at any time when outstanding Series D Preferred Shares are being redeemed, for cash, at a redemption price of \$25.00 per Series D Preferred Share, plus all accrued and unpaid dividends on the Series D Preferred Shares that were exchanged for such Shares-in-Trust, through the date of such exchange, without interest. If the Trust elects to redeem Shares-in-Trust pursuant to the redemption right set forth in the preceding sentence, such Shares-in-Trust shall be redeemed in such proportion and in accordance with such procedures as Series D Preferred Shares are being redeemed.

(g) Status of Redeemed Shares. Any Series D Preferred Shares that shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued Preferred Shares, without designation as to series until such shares are thereafter designated as part of a particular series by the Board of Trustees.

6. Special Optional Redemption.

(a) Upon the occurrence of a Change of Control (as defined in Section 6(b) below), the Trust, at its option and upon giving notice not less than 30 nor more than 60 days in advance of the date fixed for redemption, may redeem the Series D Preferred Shares, in whole or in part, within 120 days after the first date on which such Change of Control occurred, at a cash redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends to the date fixed for redemption (the "**Special Optional Redemption Right**").

(b) A "**Change of Control**" is when, after the original issuance of the Series D Preferred Shares, the following have occurred and are continuing:

(i) the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of beneficial interest of the Trust entitling such person to exercise more than 50% of the total voting power of all shares of beneficial interest of the Trust entitled to vote generally in elections of trustees (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

(ii) following the closing of any transaction referred to in Section 6(b)(i) above, neither the Trust nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the New York Stock Exchange (the "NYSE"), the NYSE MKT LLC (the "NYSE MKT") or the NASDAQ Stock Market ("NASDAQ"), or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ.

(c) If fewer than all of the outstanding Series D Preferred Shares are to be redeemed pursuant to the Special Optional Redemption Right, the shares to be redeemed shall be selected pro rata (as nearly as practicable without creating fractional shares) or by lot or in such other equitable method prescribed by the Trust. If such redemption is to be by lot and, as a result of such redemption, any holder of Series D Preferred Shares would become a holder of a number of Series D Preferred Shares in excess of the Ownership Limit because such holder's Series D Preferred Shares were not redeemed, or were only redeemed in part then, except as otherwise provided in the Declaration, the Trust will redeem the requisite number of Series D Preferred Shares of such holder such that no holder will hold in excess of the Ownership Limit subsequent to such redemption.

(d) Limitations on Special Optional Redemption. Unless full cumulative dividends on all Series D Preferred Shares shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no Series D Preferred Shares shall be redeemed pursuant to the Special Optional Redemption Right unless all outstanding Series D Preferred Shares are simultaneously redeemed pursuant to the Special Optional Redemption Right, and the Trust shall not purchase or otherwise acquire directly or indirectly any Series D Preferred Shares (except by exchange for shares of beneficial interest of the Trust ranking junior to the Series D Preferred Shares as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase by the Trust of Shares-in-Trust in order to ensure that the Trust remains qualified as a REIT for federal income tax purposes or the purchase or acquisition of Series D Preferred Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series D Preferred Shares.

(e) Payment of Dividends in Connection with Special Optional Redemption. Immediately prior to any redemption of Series D Preferred Shares pursuant to the Special Optional Redemption Right, the Trust shall pay, in cash, any accumulated and unpaid dividends to the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series D Preferred Shares at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Except as provided above, the Trust will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series D Preferred Shares which are redeemed.

(f) Procedures for Special Optional Redemption.

(i) Notice of redemption will be mailed by the Trust, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series D Preferred Shares to be redeemed pursuant to the Special Optional Redemption Right at their respective addresses as they appear on the stock transfer records of the Trust. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series D Preferred Shares except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which the Series D Preferred Shares may be listed or admitted to trading, the redemption notice contemplated by this Section 6 shall state: (A) the redemption date; (B) the redemption price; (C) the

number of Series D Preferred Shares to be redeemed pursuant to the Special Optional Redemption Right; (D) the place or places where the certificates for the Series D Preferred Shares, to the extent Series D Preferred Shares are certificated, are to be surrendered (if so required in the notice) for payment of the redemption price; (E) that the Series D Preferred Shares are being redeemed pursuant to the Special Optional Redemption Right and a brief description of the transaction or transactions constituting such Change of Control and that holders of the Series D Preferred Shares to which the notice relates will not be able to tender such Series D Preferred Shares for conversion in connection with the Change of Control and each Series D Preferred Share tendered for conversion that is selected, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related redemption date instead of converted on the Change of Control Conversion Date; and (F) that distributions on the Series D Preferred Shares to be redeemed will cease to accumulate on such redemption date. If fewer than all of the Series D Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of Series D Preferred Shares held by such holder to be redeemed pursuant to the Special Optional Redemption Right.

(iii) If notice of redemption of any Series D Preferred Shares pursuant to the Special Optional Redemption Right has been given and if the funds necessary for such redemption have been set aside by the Trust in trust for the benefit of the holders of any Series D Preferred Shares so called for redemption pursuant to the Special Optional Redemption Right, then from and after the redemption date dividends will cease to accrue on such Series D Preferred Shares, such Series D Preferred Shares shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price; provided, however, if the redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, each holder of Series D Preferred Shares so called for redemption at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Holders of Series D Preferred Shares to be redeemed pursuant to the Special Optional Redemption Right shall surrender such Series D Preferred Shares at the place designated in such notice and, upon surrender in accordance with said notice of the certificates for Series D Preferred Shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and the notice shall so state), such Series D Preferred Shares shall be redeemed by the Trust at the redemption price plus any accrued and unpaid dividends payable upon such redemption. In case less than all the Series D Preferred Shares evidenced by any such certificate are redeemed pursuant to the Special Optional Redemption Right, a new certificate or certificates shall be issued evidencing the unredeemed Series D Preferred Shares without cost to the holder thereof. Notwithstanding the foregoing, if the Series D Preferred Shares are held in book-entry form through the facilities of DTC, such notice shall comply with applicable procedures of DTC.

(iv) The deposit of funds with a bank or trust corporation for the purpose of redeeming Series D Preferred Shares pursuant to the Special Optional Redemption Right shall be irrevocable except that:

(A) the Trust shall be entitled to receive from such bank or trust corporation the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any shares redeemed shall have no claim to such interest or other earnings; and

(B) any balance of monies so deposited by the Trust and unclaimed by the holders of the Series D Preferred Shares entitled thereto at the expiration of two years from the applicable redemption dates shall be repaid, together with any interest or other earnings thereon, to the Trust, and after any such repayment, the holders of the shares entitled to the funds so repaid to the Trust shall look only to the Trust for payment without interest or other earnings.

(g) Status of Redeemed Shares. Any Series D Preferred Shares that shall at any time have been redeemed pursuant to the Special Optional Redemption Right shall, after such redemption, have the status of authorized but unissued Preferred Shares, without designation as to series until such shares are thereafter designated as part of a particular series by the Board of Trustees.

7. Change of Control Rights. The Series D Preferred Shares are not convertible into or exchangeable for any other property or securities of the Trust, except upon the occurrence of a Change of Control as provided in this Section 7.

(a) Change of Control. Upon the occurrence of a Change of Control (as defined in Section 6(b) above), each holder of Series D Preferred Shares shall have the right, unless, prior to the Change of Control Conversion Date (as defined in Section 7(b)(v) hereof), the Trust provides notice of its election to redeem the Series D Preferred Shares pursuant to the redemption right set forth in Section 5 above or Special Optional Redemption Right set forth in Section 6 above, to convert some or all of the Series D Preferred Shares held by such holder (the "**Change of Control Conversion Right**") on the Change of Control Conversion Date into a number Common Shares, per Series D Preferred Share to be converted (the "**Common Share Conversion Consideration**") equal to the lesser of: (A) the quotient obtained by dividing (i) the sum of (x) the \$25.00 liquidation preference plus (y) the amount of any accrued and unpaid distributions to the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case no additional amount for such accrued and unpaid distribution will be included in such sum) by (ii) the Common Share Price (as defined in Section 7(b)(vi) hereof); and (B) 2.87687 Common Shares (the "**Share Cap**"), subject to the immediately succeeding paragraph.

(i) The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a Common Share distribution), subdivisions or combinations (in each case, a "**Share Split**") with respect to Common Shares. The adjusted Share Cap as the result of a Share Split shall be the number of Common Shares that is equivalent to the product obtained by multiplying (A) the Share Cap in effect immediately prior to such Share Split by (B) a fraction, the numerator of which is the number of Common Shares outstanding after giving effect to such Share Split and the denominator of which is the number of Common Shares outstanding immediately prior to such Share Split.

(ii) For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of Common Shares (or equivalent Alternative Conversion Consideration (as defined below), as applicable) issuable in connection with the exercise of the Change of Control Conversion Right shall not exceed 20,138,090 Common Shares (or equivalent Alternative Conversion Consideration, as applicable), subject to increase to the extent the underwriters exercise an option to purchase additional Series D Preferred Shares in the initial public offering of the Series D Preferred Shares, not to exceed 23,158,804 Common Shares (or equivalent Alternative Conversion Consideration, as applicable), subject to increase on a pro rata basis if the Trust issues additional Series D Preferred Shares (the "**Exchange Cap**"). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap.

(iii) In the case of a Change of Control pursuant to which Common Shares shall be converted into cash, securities or other property or assets (including any combination thereof) (the "**Alternative Form Consideration**"), a holder of Series D Preferred Shares shall receive upon conversion of such Series D Preferred Shares the kind and amount of Alternative Form Consideration which such holder of Series D Preferred Shares would have owned or been entitled to receive upon the Change of Control had such holder of Series D Preferred Shares held a number of Common Shares equal to the Common Share Conversion Consideration immediately prior to the effective time of the Change of Control (the "**Alternative**").

Conversion Consideration"; and the Common Share Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Change of Control, shall be referred to herein as the "**Conversion Consideration**").

(iv) In the event that holders of Common Shares have the opportunity to elect the form of consideration to be received in the Change of Control, the consideration that the holders of Series D Preferred Shares shall receive shall be the form of consideration elected by the holders of the Common Shares who participate in the determination (based on the weighted average of elections) and shall be subject to any limitations to which all holders of Common Shares are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Change of Control.

(v) The "**Change of Control Conversion Date**" shall be a date fixed by the Board of Trustees, in its sole discretion, as the date the Series D Preferred Shares shall be converted pursuant to the Change of Control Conversion Right, which shall be a business day set forth in the notice of Change of Control provided in accordance with Section 7(d) below that is no less than 20 days nor more than 35 days after the date on which the Trust provides such notice.

(vi) The "**Common Share Price**" shall be (i) the amount of cash consideration per Common Share, if the consideration to be received in the Change of Control by holders of Common Shares is solely cash, and (ii) the average of the closing prices per Common Share on the NYSE for the ten consecutive trading days immediately preceding, but not including, the effective date of the Change of Control, if the consideration to be received in the Change of Control by holders of Common Shares is other than solely cash.

(b) No fractional Common Shares shall be issued upon the conversion of Series D Preferred Shares. In lieu of fractional shares, holders shall be entitled to receive the cash value of such fractional shares based on the Common Share Price.

(c) Within 15 days following the occurrence of a Change of Control, a notice of occurrence of the Change of Control, describing the resulting Change of Control Conversion Right, shall be delivered to the holders of record of the Series D Preferred Shares at their addresses as they appear on the Trust's share transfer records and notice shall be provided to the Trust's transfer agent. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the conversion of any Series D Preferred Shares except as to the holder to whom notice was defective or not given. Each notice shall state: (i) the events constituting the Change of Control; (ii) the date of the Change of Control; (iii) the Change of Control Conversion Date; (iv) the method and period for calculating the Common Share Price; (v) that if, prior to the Change of Control Conversion Date, the Trust provides notice of its election to redeem all or any portion of the Series D Preferred Shares, the holder will not be able to convert Series D Preferred Shares and such Series D Preferred Shares shall be redeemed on the related redemption date, even if they have already been tendered for conversion pursuant to the Change of Control Conversion Right; (vi) if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per Series D Preferred Share; (vii) the name and address of the paying agent and the conversion agent; and (viii) the procedures that the holders of Series D Preferred Shares must follow to exercise the Change of Control Conversion Right.

(d) The Trust shall issue a press release for publication on the Wall Street Journal, Business Wire, PR Newswire, Bloomberg Business News or such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public, or post notice on the Trust's website, in any event prior to the opening of business on the first business day following any date on which the Trust provides notice pursuant to Section 7(c) above to the holders of Series D Preferred Shares.

(e) In order to exercise the Change of Control Conversion Right, a holder of Series D Preferred Shares shall be required to deliver to the Trust's transfer agent, on or before the close of business on the business day prior to the Change of Control Conversion Date, the certificates evidencing the Series D Preferred Shares, to the extent such shares are certificated, to be converted, duly endorsed for transfer, together with a written conversion notice. Such conversion notice shall state: (i) the relevant Change of Control Conversion Date; (ii) the number of Series D Preferred Shares to be converted; and (iii) that terms of the Series D Preferred Shares pursuant to which the Series D Preferred Shares are to be converted. Notwithstanding the foregoing, if the Series D Preferred Shares are held in book-entry form through the facilities of DTC, such notice shall comply with applicable procedures of DTC.

(f) Holders of Series D Preferred Shares may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to the Trust's transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal must state: (i) the number of withdrawn Series D Preferred Shares; (ii) if certificated Series D Preferred Shares have been issued, the certificate numbers of the withdrawn Series D Preferred Shares; and (iii) the number of Series D Preferred Shares, if any, which remain subject to the conversion notice. Notwithstanding the foregoing, if the Series D Preferred Shares are held in book-entry form through the facilities of DTC, such notice shall comply with applicable procedures of DTC.

(g) Series D Preferred Shares as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn shall be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless, prior to the close of business on the Change of Control Conversion Date, the Trust provides notice of its election to redeem such Series D Preferred Shares, whether pursuant to its Redemption Right or Special Optional Redemption Right. If the Trust elects to redeem Series D Preferred Shares that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such Series D Preferred Shares shall not be so converted and the holders of such shares shall be entitled to receive on the applicable redemption date \$25.00 per share, plus any accrued and unpaid distributions thereon to, but not including, the redemption date.

(h) The Trust shall deliver the applicable Conversion Consideration no later than the third business day following the Change of Control Conversion Date.

(i) Notwithstanding anything to the contrary contained herein, no holder of Series D Preferred Shares will be entitled to convert such Series D Preferred Shares into Common Shares to the extent that receipt of such Common Shares would cause the holder of such Common Shares (or any other person) to Beneficially Own or Constructively Own, within the meaning of the Declaration, Common Shares of the Trust in excess of the Ownership Limit, as such term is defined in the Declaration, as applicable.

8. Voting Rights.

(a) Holders of the Series D Preferred Shares will not have any voting rights, except as set forth below.

(b) Whenever dividends on any Series D Preferred Shares shall be in arrears for six or more quarterly periods, whether or not consecutive (a "Preferred Dividend Default"), the number of trustees then constituting the Board of Trustees shall be increased by two, if not already increased by reason of similar types of provisions with respect to another series of Parity Preferred (as defined below), and the holders of Series D Preferred Shares (voting together as a single class with the holders of all other series of Preferred Shares ranking on a parity with the Series D Preferred Shares as to dividends or upon liquidation ("

Parity Preferred") upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of a total of two trustees of the Trust (the **Preferred Share Trustees**"), if not already elected by the holders of Parity Preferred by reason of similar types of provisions with respect to Preferred Share Trustees, at a special meeting of the shareholders called by the holders of record of at least 20% of the Series D Preferred Shares or the holders of 20% of any other series of Parity Preferred so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of shareholders), and at each subsequent annual meeting until all dividends accrued on such Series D Preferred Shares for the past dividend periods shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment.

(c) If and when all accumulated dividends on the Series D Preferred Shares shall have been paid in full or declared and set aside for payment in full, the holders of Series D Preferred Shares shall be divested of the voting rights set forth in Section 8(b) hereof (subject to revesting in the event of each and every Preferred Dividend Default) and, if all accumulated dividends have been paid in full or declared and set aside for payment in full on all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Share Trustee so elected shall terminate. Any Preferred Share Trustee may be removed at any time with or without cause by the vote of, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding Series D Preferred Shares when they have the voting rights set forth in Section 8(b) (voting together as a single class with all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable). So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Preferred Share Trustee may be filled by written consent of the Preferred Share Trustee remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding Series D Preferred Shares when they have the voting rights set forth in Section 8(b) (voting together as a single class with all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable). The Preferred Share Trustees shall each be entitled to one vote per trustee on any matter.

(d) So long as any Series D Preferred Shares remain outstanding, the Trust shall not, without the affirmative vote or consent of the holders of at least two-thirds of the Series D Preferred Shares outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), (i) authorize or create, or increase the authorized or issued amount of, any class or series of shares of beneficial interest ranking senior to the Series D Preferred Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Trust or reclassify any authorized shares of beneficial interest of the Trust into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares or (ii) amend, alter or repeal the provisions of the Declaration, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series D Preferred Shares or the holders thereof; provided, however, that with respect to the occurrence of any event set forth in (ii) above, the occurrence of any such event will not be deemed to materially and adversely affect any right, preference, privilege or voting power of the Series D Preferred Shares or the holders thereof so long as the Series D Preferred Shares remain outstanding with the terms thereof materially unchanged or, if the Trust is not the surviving entity in such transaction, are exchanged for a security of the consolidated surviving entity with terms that are materially the same as the Series D Preferred Shares, the occurrence of any such event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the holders of the Series D Preferred Shares and; provided, further, that any increase in the amount of the authorized Common Shares or Preferred Shares or the creation or issuance of any other series of Common Shares or Preferred Shares, in each case ranking on a parity with or junior to the Series D Preferred Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Trust, (y) any change to the number or classification of our trustees, or any amendment to Article VII of the Declaration relating to Shares-In-Trust, the Ownership Limit or any other matter described therein of any

type or nature shall in no event be deemed to materially and adversely affect such rights, preferences, privileges or voting powers so long as after such amendment any single holder may maintain "beneficial ownership" (as defined in Article VII prior to or after such amendment) of 9.9% of the outstanding Series D Preferred Shares and 9.9% of any other class or series of shares of beneficial interest without violating the Ownership Limit.

(e) The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required to be effected, all outstanding Series D Preferred Shares shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

9. Conversion. Except as set forth in Section 7 above upon the occurrence of a Change of Control, the Series D Preferred Shares are not convertible into or exchangeable for any other property or securities of the Trust, except that the Series D Preferred Shares will automatically be exchanged by the Trust for Shares-In-Trust, in accordance with Article VII of the Declaration in the same manner that Common Shares are exchanged for Shares-In-Trust pursuant thereto, in order to ensure that the Trust remains qualified as a REIT for federal income tax purposes.

10. Information Rights. During any period in which the Trust is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any Series D Preferred Shares are outstanding, the Trust will: (a) transmit by mail or other permissible means under the Exchange Act to all holders of Series D Preferred Shares as their names and addresses appear in the Trust's record books and without cost to such holders, copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that the Trust would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if the Trust were subject thereto (other than any exhibits that would have been required); and (b) within 15 days following written request, supply copies of such reports to any prospective holder of the Series D Preferred Shares. The Trust will mail (or otherwise provide) the reports to the holders of Series D Preferred Shares within 15 days after the respective dates by which the Trust would have been required to file such reports with the SEC if the Trust was subject to Section 13 or 15(d) of the Exchange Act.

THIRD: The Series D Preferred Shares have been classified and designated by the Board of Trustees under the authority contained in the Declaration.

FOURTH: These Articles Supplementary have been approved by the Board of Trustees in the manner and by the vote required by law.

FIFTH: The undersigned President and Chief Operating Officer acknowledges these Articles Supplementary to be the trust act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned President and Chief Operating Officer acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[Signature page follows.]

IN WITNESS WHEREOF, the Trust has caused these Articles Supplementary to be executed on behalf of the Trust by its President and Chief Operating Officer and attested to by its Assistant Secretary this 27th day of May, 2016.

HERSHA HOSPITALITY TRUST

By: /s/ Neil H. Shah
Name: Neil H. Shah
Title: President and Chief Operating Officer

Attest:

By: /s/ Ashish R. Parikh
Name: Ashish R. Parikh
Title: Assistant Secretary

Articles Supplementary
Series D Preferred Shares

HERSHA HOSPITALITY TRUST

ARTICLES OF AMENDMENT

Hersha Hospitality Trust, a Maryland real estate investment trust (the "**Trust**"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: The declaration of trust of the Trust (the "**Declaration**") is hereby amended by deleting therefrom in its entirety the first two sentences of Section 1 of Article VI and inserting in lieu thereof two new sentences to read as follows:

The beneficial interest of the Trust shall be divided into shares of beneficial interest (the "Shares"). The Trust has authority to issue: (i) 91,000,000 common shares of beneficial interest, \$0.01 par value per share ("Common Shares"), of which 90,000,000 will be Priority Class A Common Shares (the "Priority Common Shares") and 1,000,000 will be Class B Common Shares (the "Class B Common Shares"); and (ii) 29,000,000 preferred shares of beneficial interest, \$0.01 par value per share ("Preferred Shares").

SECOND: The total number of shares of beneficial interest which the Trust had authority to issue immediately prior to the foregoing amendment of the Declaration was (i) 76,000,000 common shares of beneficial interest, \$0.01 par value per share, consisting of 75,000,000 Priority Class A Common Shares and 1,000,000 Class B Common Shares; and (ii) 29,000,000 preferred shares of beneficial interest, \$0.01 par value per share, of which 3,000,000 shares are classified as 6.875% Series C Cumulative Redeemable Preferred Shares and 8,050,000 shares are classified as 6.50% Series D Cumulative Redeemable Preferred Shares. The aggregate par value of all authorized shares of beneficial interest having par value was \$1,050,000.

THIRD: The total number of shares of beneficial interest which the Trust has authority to issue pursuant to the foregoing amendment of the Declaration is 91,000,000 common shares of beneficial interest, \$0.01 par value per share, consisting of 90,000,000 Priority Class A Common Shares and 1,000,000 Class B Common Shares; and (ii) 29,000,000 preferred shares of beneficial interest, \$0.01 par value per share, of which 3,000,000 shares are classified as 6.875% Series C Cumulative Redeemable Preferred Shares and 8,050,000 shares are classified as 6.50% Series D Cumulative Redeemable Preferred Shares. The aggregate par value of all authorized shares of beneficial interest having par value is \$1,200,000.

FOURTH: The amendment to the Declaration as set forth above has been duly approved by the Board of Trustees of the Trust as required by law. Pursuant to Section 8-203(a)(8) of the Maryland REIT Law and Section 1 of Article VI of the Declaration, no shareholder approval was required.

The undersigned officer of the Trust acknowledges these Articles of Amendment to be the trust act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned officer acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Trust has caused these Articles of Amendment to be executed in its name and on its behalf by its Chief Financial Officer and Assistant Secretary and attested to by its Treasurer and Corporate Secretary on this 4th day of November, 2016.

ATTEST:

HERSHA HOSPITALITY TRUST

By: /s/ David S. Desfor
Name: David S. Desfor
Title: Treasurer and Corporate Secretary

By: /s/ Ashish R. Parikh(SEAL)
Name: Ashish R. Parikh
Title: Chief Financial Officer and Assistant Secretary

[Signature Page to Articles of Amendment]

HERSHA HOSPITALITY TRUST
ARTICLES SUPPLEMENTARY
ESTABLISHING AND FIXING THE RIGHTS AND PREFERENCES
OF
6.50% SERIES E CUMULATIVE REDEEMABLE PREFERRED SHARES

Pursuant to Section 8-203 of
Title 8 of the Corporations and Associations Article
of the Annotated Code of Maryland

Hersha Hospitality Trust, a Maryland real estate investment trust (the "**Trust**"), hereby certifies to the State Department of Assessments and Taxation of the State of Maryland ("**SDAT**") that:

FIRST: Pursuant to the authority expressly vested in the Board of Trustees (the "**Board of Trustees**") of the Trust by Article VI of its Declaration of Trust (which, as hereafter restated or amended from time to time, are together with these Articles Supplementary herein referred to as the "**Declaration**"), the Board of Trustees has duly classified and designated 4,600,000 authorized but unissued preferred shares of beneficial interest, par value \$.01 per share, of the Trust as 6.50% Series E Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share (the "**Series E Preferred Shares**"), and has provided for the issuance of such series. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Declaration.

SECOND: Subject in all cases to the provisions of the Declaration, including, without limitation, Article VII with respect to limitations on the transfer and ownership of shares of beneficial interest of the Trust, the Series E Preferred Shares shall have the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption as set forth below:

1. **Designation and Number.** A series of preferred shares of beneficial interest, par value \$0.01 per share, designated the "6.50% Series E Cumulative Redeemable Preferred Shares of Beneficial Interest" is hereby established. The number of Series E Preferred Shares hereby authorized shall be 4,600,000.

2. **Rank.** The Series E Preferred Shares shall, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Trust, rank (a) senior to all classes or series of Common Shares of the Trust and to all equity securities issued by the Trust ranking junior to such Series E Preferred Shares; (b) on a parity with the Trust's 6.875% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share, the Trust's 6.50% Series D Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share, and all other equity securities issued by the Trust, the terms of which specifically provide that such equity securities rank on a parity with the Series E Preferred Shares as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Trust; and (c) junior to (i) all indebtedness of the Trust and (ii) equity securities issued by the Trust, the terms of which specifically provide that such equity securities rank senior to the Series E Preferred Shares as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Trust. The term "equity securities" shall not include convertible debt securities.

3. Dividends.

(a) Holders of the then outstanding Series E Preferred Shares shall be entitled to receive, when and as authorized by the Board of Trustees and declared by the Trust, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 6.50% per year of the \$25.00 liquidation preference (equivalent to a fixed annual amount of \$1.625 per share). Dividends on the Series E Preferred Shares are payable quarterly in arrears on January 15th, April 15th, July 15th and October 15th of each year and, if such day is not a business day, the next succeeding business day, commencing on January 15, 2017 (each, a "**Dividend Payment Date**"). The quarterly period beginning on, and including, each Dividend Payment Date and ending on, but excluding, the next succeeding Dividend Payment Date is referred to herein as a "dividend period" and the dividend which shall accrue in respect of any full dividend period shall be \$1.625 regardless of the actual number of days in such full dividend period. The first dividend will be for less than a full quarter and will cover the period from, and including, November 7, 2016 to, but excluding, January 15, 2017. Such dividend and any dividend payable on the Series E Preferred Shares for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Trust at the close of business on the applicable record date, which shall be the first day of the calendar month in which the applicable Dividend Payment Date falls or on such other date designated by the Board of Trustees of the Trust as the record date for the payment of dividends on the Series E Preferred Shares that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "**Dividend Record Date**").

(b) No dividends on Series E Preferred Shares shall be authorized by the Board of Trustees or declared by the Trust or paid or set apart for payment by the Trust at such time as the terms and provisions of any agreement of the Trust, including any agreement relating to its indebtedness, (i) prohibits such authorization, declaration, payment or setting apart for payment of dividends or (ii) provides that such authorization, declaration, payment or setting apart for payment of dividends would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(c) Notwithstanding the foregoing, dividends on the Series E Preferred Shares shall accrue whether or not the terms and provisions set forth in Section 3(b) hereof at any time prohibit the current payment of dividends, whether or not the Trust has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared.

(d) Accrued but unpaid dividends on the Series E Preferred Shares will accumulate as of the Dividend Payment Date on which they first become payable. Except as provided in Section 3(e) below, no dividends will be declared or paid or set apart for payment, and no distribution will be made on any shares of beneficial interest in the Trust or any other series of Preferred Shares ranking, as to dividends, on a parity with or junior to the Series E Preferred Shares (other than a dividend that consists of the Common Shares or shares of any other class of shares of beneficial interest ranking junior to the Series E Preferred Shares as to dividends and upon liquidation), for any period unless full cumulative dividends on the Series E Preferred Shares have been or contemporaneously are declared and paid, or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series E Preferred Shares for all past dividend periods.

(e) When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series E Preferred Shares and the shares of any other series of Preferred Shares ranking on a parity as to dividends with the Series E Preferred Shares, all dividends declared upon the Series E Preferred Shares and any other series of Preferred Shares ranking on a parity as to dividends with the Series E Preferred Shares shall be declared pro rata so that the amount of dividends declared per share of Series E Preferred Shares and such other series of Preferred Shares shall in all cases bear to each other the same ratio that accrued dividends per share on the Series E Preferred Shares and such other series of Preferred Shares

(which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such Preferred Shares do not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on Series E Preferred Shares which may be in arrears.

(f) Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series E Preferred Shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods, no dividends (other than dividends paid in Common Shares or other shares of beneficial interest ranking junior to the Series E Preferred Shares as to dividends and upon liquidation) shall be declared or paid or set aside for payment, nor shall any other distribution be declared or made upon the Common Shares or any other shares of beneficial interest of the Trust ranking junior to or on a parity with the Series E Preferred Shares as to dividends or upon liquidation, nor shall any Common Shares, or any other shares of beneficial interest of the Trust ranking junior to or on a parity with the Series E Preferred Shares as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Trust (except by conversion into or exchange for other shares of beneficial interest of the Trust ranking junior to the Series E Preferred Shares as to dividends and upon liquidation and except for the redemption, purchase or acquisition of "**Shares-in-Trust**" under the Declaration, which are intended to assist the Trust in qualifying as a REIT for federal income tax purposes).

(g) Holders of the Series E Preferred Shares shall not be entitled to any dividend, whether payable in cash, property or shares of beneficial interest in excess of full cumulative dividends on the Series E Preferred Shares as provided above. Any dividend payment made on Series E Preferred Shares shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

4. Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Trust, the holders of Series E Preferred Shares then outstanding are entitled to be paid out of the assets of the Trust legally available for distribution to its shareholders a liquidation preference of \$25.00 per share, plus an amount equal to any accrued and unpaid dividends to the date of payment, before any distribution of assets is made to holders of Common Shares or any other class or series of shares of beneficial interest of the Trust that ranks junior to the Series E Preferred Shares as to liquidation rights. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series E Preferred Shares will have no right or claim to any of the remaining assets of the Trust.

(b) In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up of the Trust, the available assets of the Trust are insufficient to pay the amount of the liquidating distributions on all outstanding Series E Preferred Shares and the corresponding amounts payable on all shares of other classes or series of shares of beneficial interest of the Trust ranking on a parity with the Series E Preferred Shares in the distribution of assets upon liquidation, then the holders of the Series E Preferred Shares and all other such classes or series of shares of beneficial interest shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

(c) Written notice of any such liquidation, dissolution or winding up of the Trust, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage pre-paid, not less than 30 nor more

than 60 days prior to the payment date stated therein, to each record holder of the Series E Preferred Shares at the respective addresses of such holders as the same shall appear on the stock transfer records of the Trust.

(d) The consolidation, conversion, combination or merger of the Trust with or into any other corporation, trust or entity or consolidation, conversion or merger of any other corporation with or into the Trust, or the sale, lease or conveyance of all or substantially all of the Trust's assets, property or business or any statutory share exchange, shall not be deemed to constitute a liquidation, dissolution or winding up of the Trust.

5. Redemption.

(a) Optional Redemption. The Series E Preferred Shares are not redeemable prior to November 7, 2021, except as otherwise provided in this Section 5 and Section 6 below. On and after November 7, 2021, the Trust, at its option and upon not less than 30 nor more than 60 days' written notice, may redeem the Series E Preferred Shares, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption (except as provided in Section 5(d) below), without interest. If less than all of the outstanding Series E Preferred Shares is to be redeemed, the Series E Preferred Shares to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by lot. If such redemption is to be by lot and, as a result of such redemption, any holder of Series E Preferred Shares would become a holder of a number of Series E Preferred Shares in excess of the Ownership Limit because such holder's Series E Preferred Shares were not redeemed, or were only redeemed in part then, except as otherwise provided in the Declaration, the Trust will redeem the requisite number of Series E Preferred Shares of such holder such that no holder will hold in excess of the Ownership Limit subsequent to such redemption.

(b) REIT Qualification. The Series E Preferred Shares are, together with all other classes or series of shares of beneficial interest of the Trust, subject in all respects to the provisions of Article VII of the Declaration. Accordingly, pursuant to Article VII of the Declaration, a purported Transfer (as defined in Article VII) of Series E Preferred Shares as a result of which any person would maintain Beneficial Ownership (as defined in Article VII) of more than 9.9% of the outstanding Series E Preferred Shares will cause the number of Series E Preferred shares in excess of the Ownership Limit (rounded up to the nearest whole share) to be designated Shares-in -Trust and, in accordance with the provisions of Article VII of the Declaration, be transferred to a Share Trust (as such term is defined in the Declaration), and the Trust will have the right to purchase such Shares-in -Trust from the holder.

(c) Limitations on Redemption. Unless full cumulative dividends on all Series E Preferred Shares shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no Series E Preferred Shares shall be redeemed unless all outstanding Series E Preferred Shares are simultaneously redeemed, and the Trust shall not purchase or otherwise acquire directly or indirectly any Series E Preferred Shares (except by exchange for shares of beneficial interest of the Trust ranking junior to the Series E Preferred Shares as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase by the Trust of Shares-in -Trust in order to ensure that the Trust remains qualified as a real estate investment trust ("REIT") for federal income tax purposes or the purchase or acquisition of Series E Preferred Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series E Preferred Shares.

(d) Payment of Dividends in Connection with Redemption. Immediately prior to any redemption of Series E Preferred Shares, the Trust shall pay, in cash, any accumulated and unpaid dividends to the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series E Preferred Shares at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Except as provided above, the Trust will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series E Preferred Shares which are redeemed.

(e) Procedures for Redemption.

(i) Notice of redemption will be mailed by the Trust, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series E Preferred Shares to be redeemed at their respective addresses as they appear on the stock transfer records of the Trust. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series E Preferred Shares except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which Series E Preferred Shares may be listed or admitted to trading, such notice shall state: (A) the redemption date; (B) the redemption price; (C) the number of Series E Preferred Shares to be redeemed; (D) the place or places where the certificates evidencing Series E Preferred Shares, to the extent Series E Preferred Shares are certificated, are to be surrendered for payment of the redemption price; and (E) that dividends on the shares to be redeemed will cease to accrue on such redemption date except as otherwise provided herein. If less than all of the Series E Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of Series E Preferred Shares held by such holder to be redeemed.

(iii) If notice of redemption of any Series E Preferred Shares has been given and if the funds necessary for such redemption have been set aside by the Trust in trust for the benefit of the holders of any Series E Preferred Shares so called for redemption, then from and after the redemption date dividends will cease to accrue on such Series E Preferred Shares, such Series E Preferred Shares shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price; provided, however, if the redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, each holder of Series E Preferred Shares so called for redemption at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Holders of Series E Preferred Shares to be redeemed shall surrender any certificates evidencing such Series E Preferred Shares at the place designated in such notice and, upon surrender in accordance with said notice of the certificates for Series E Preferred Shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and the notice shall so state), such Series E Preferred Shares shall be redeemed by the Trust at the redemption price plus any accrued and unpaid dividends payable upon such redemption. In case less than all the Series E Preferred Shares evidenced by any such certificate are redeemed, a new certificate or certificates shall be issued evidencing the unredeemed Series E Preferred Shares without cost to the holder thereof. Notwithstanding the foregoing, if the Series E Preferred Shares are held in book-entry form through the facilities of The Depository Trust Company ("DTC"), such notice shall comply with applicable procedures of DTC.

(iv) The deposit of funds with a bank or trust corporation for the purpose of redeeming Series E Preferred Shares shall be irrevocable except that:

(A) the Trust shall be entitled to receive from such bank or trust corporation the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any shares redeemed shall have no claim to such interest or other earnings; and

(B) any balance of monies so deposited by the Trust and unclaimed by the holders of the Series E Preferred Shares entitled thereto at the expiration of two years from the applicable redemption dates shall be repaid, together with any interest or other earnings thereon, to the Trust, and after any such repayment, the holders of the shares entitled to the funds so repaid to the Trust shall look only to the Trust for payment without interest or other earnings.

(f) Shares-In-Trust Provisions. The Series E Preferred Shares are subject to the provisions of Article VII of the Declaration, including, without limitation, the provision for the purchase of Shares-in-Trust. In addition to the purchase right set forth in Article VII of the Declaration, Shares-in-Trust issued upon exchange of Series E Preferred Shares pursuant to such Article VII may be redeemed, in whole or in part, at any time when outstanding Series E Preferred Shares are being redeemed, for cash, at a redemption price of \$25.00 per Series E Preferred Share, plus all accrued and unpaid dividends on the Series E Preferred Shares that were exchanged for such Shares-in-Trust, through the date of such exchange, without interest except as otherwise provided herein. If the Trust elects to redeem Shares-in-Trust pursuant to the redemption right set forth in the preceding sentence, such Shares-in-Trust shall be redeemed in such proportion and in accordance with such procedures as Series E Preferred Shares are being redeemed.

(g) Status of Redeemed Shares. Any Series E Preferred Shares that shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued Preferred Shares, without designation as to series until such shares are thereafter designated as part of a particular series by the Board of Trustees.

6. Special Optional Redemption.

(a) Upon the occurrence of a Change of Control (as defined in Section 6(b) below), the Trust, at its option and upon giving notice not less than 30 nor more than 60 days in advance of the date fixed for redemption, may redeem the Series E Preferred Shares, in whole or in part, within 120 days after the first date on which such Change of Control occurred, at a cash redemption price of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends to the date fixed for redemption (except as provided in Section 6(c) below), without interest (the "**Special Optional Redemption Right**").

(b) A "**Change of Control**" is when, after the original issuance of the Series E Preferred Shares, the following have occurred and are continuing:

(i) the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of beneficial interest of the Trust entitling such person to exercise more than 50% of the total voting power of all shares of beneficial interest of the Trust entitled to vote generally in elections of trustees (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

(ii) following the closing of any transaction referred to in Section 6(b)(i) above, neither the Trust nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the New York Stock Exchange (the "**NYSE**"), the

NYSE MKT LLC (the “NYSE MKT”) or the NASDAQ Stock Market (“NASDAQ”), or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ.

(c) If fewer than all of the outstanding Series E Preferred Shares are to be redeemed pursuant to the Special Optional Redemption Right, the shares to be redeemed shall be selected pro rata (as nearly as practicable without creating fractional shares) or by lot. If such redemption is to be by lot and, as a result of such redemption, any holder of Series E Preferred Shares would become a holder of a number of Series E Preferred Shares in excess of the Ownership Limit because such holder’s Series E Preferred Shares were not redeemed, or were only redeemed in part then, except as otherwise provided in the Declaration, the Trust will redeem the requisite number of Series E Preferred Shares of such holder such that no holder will hold in excess of the Ownership Limit subsequent to such redemption.

(d) Limitations on Special Optional Redemption. Unless full cumulative dividends on all Series E Preferred Shares shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no Series E Preferred Shares shall be redeemed pursuant to the Special Optional Redemption Right unless all outstanding Series E Preferred Shares are simultaneously redeemed pursuant to the Special Optional Redemption Right, and the Trust shall not purchase or otherwise acquire directly or indirectly any Series E Preferred Shares (except by exchange for shares of beneficial interest of the Trust ranking junior to the Series E Preferred Shares as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase by the Trust of Shares-in-Trust in order to ensure that the Trust remains qualified as a REIT for federal income tax purposes or the purchase or acquisition of Series E Preferred Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series E Preferred Shares.

(e) Payment of Dividends in Connection with Special Optional Redemption. Immediately prior to any redemption of Series E Preferred Shares pursuant to the Special Optional Redemption Right, the Trust shall pay, in cash, any accumulated and unpaid dividends to the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series E Preferred Shares at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Except as provided above, the Trust will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series E Preferred Shares which are redeemed.

(f) Procedures for Special Optional Redemption.

(i) Notice of redemption will be mailed by the Trust, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series E Preferred Shares to be redeemed pursuant to the Special Optional Redemption Right at their respective addresses as they appear on the stock transfer records of the Trust. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series E Preferred Shares except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which the Series E Preferred Shares may be listed or admitted to trading, the redemption notice contemplated by this Section 6 shall state: (A) the redemption date; (B) the redemption price; (C) the number of Series E Preferred Shares to be redeemed pursuant to the Special Optional Redemption Right; (D) the place or places where the certificates for the Series E Preferred Shares, to the extent Series E Preferred Shares are certificated, are to be surrendered (if so required in the notice) for payment of the redemption price; (E) that the Series E Preferred Shares are being redeemed pursuant to the Special Optional

Redemption Right and a brief description of the transaction or transactions constituting such Change of Control and that holders of the Series E Preferred Shares to which the notice relates will not be able to tender such Series E Preferred Shares for conversion in connection with the Change of Control and each Series E Preferred Share tendered for conversion that is selected, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related redemption date instead of converted on the Change of Control Conversion Date; and (F) that distributions on the Series E Preferred Shares to be redeemed will cease to accumulate on such redemption date except as otherwise provided herein. If fewer than all of the Series E Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of Series E Preferred Shares held by such holder to be redeemed pursuant to the Special Optional Redemption Right.

(iii) If notice of redemption of any Series E Preferred Shares pursuant to the Special Optional Redemption Right has been given and if the funds necessary for such redemption have been set aside by the Trust in trust for the benefit of the holders of any Series E Preferred Shares so called for redemption pursuant to the Special Optional Redemption Right, then from and after the redemption date dividends will cease to accrue on such Series E Preferred Shares, such Series E Preferred Shares shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price; provided, however, if the redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, each holder of Series E Preferred Shares so called for redemption at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Holders of Series E Preferred Shares to be redeemed pursuant to the Special Optional Redemption Right shall surrender such Series E Preferred Shares at the place designated in such notice and, upon surrender in accordance with said notice of the certificates for Series E Preferred Shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and the notice shall so state), such Series E Preferred Shares shall be redeemed by the Trust at the redemption price plus any accrued and unpaid dividends payable upon such redemption. In case less than all the Series E Preferred Shares evidenced by any such certificate are redeemed pursuant to the Special Optional Redemption Right, a new certificate or certificates shall be issued evidencing the unredeemed Series E Preferred Shares without cost to the holder thereof. Notwithstanding the foregoing, if the Series E Preferred Shares are held in book-entry form through the facilities of DTC, such notice shall comply with applicable procedures of DTC.

(iv) The deposit of funds with a bank or trust corporation for the purpose of redeeming Series E Preferred Shares pursuant to the Special Optional Redemption Right shall be irrevocable except that:

(A) the Trust shall be entitled to receive from such bank or trust corporation the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any shares redeemed shall have no claim to such interest or other earnings; and

(B) any balance of monies so deposited by the Trust and unclaimed by the holders of the Series E Preferred Shares entitled thereto at the expiration of two years from the applicable redemption dates shall be repaid, together with any interest or other earnings thereon, to the Trust, and after any such repayment, the holders of the shares entitled to the funds so repaid to the Trust shall look only to the Trust for payment without interest or other earnings.

(g) Status of Redeemed Shares. Any Series E Preferred Shares that shall at any time have been redeemed pursuant to the Special Optional Redemption Right shall, after such redemption, have the status of authorized but unissued Preferred Shares, without designation as to series until such shares are thereafter designated as part of a particular series by the Board of Trustees.

7. **Change of Control Rights.** The Series E Preferred Shares are not convertible into or exchangeable for any other property or securities of the Trust, except upon the occurrence of a Change of Control as provided in this Section 7.

(a) **Change of Control.** Upon the occurrence of a Change of Control (as defined in Section 6(b) above), each holder of Series E Preferred Shares shall have the right, unless, prior to the Change of Control Conversion Date (as defined in Section 7(b)(v) hereof), the Trust provides notice of its election to redeem the Series E Preferred Shares pursuant to the redemption right set forth in Section 5 above or Special Optional Redemption Right set forth in Section 6 above, to convert some or all of the Series E Preferred Shares held by such holder (the "**Change of Control Conversion Right**") on the Change of Control Conversion Date into a number Common Shares, per Series E Preferred Share to be converted (the "**Common Share Conversion Consideration**") equal to the lesser of: (A) the quotient obtained by dividing (i) the sum of (x) the \$25.00 liquidation preference plus (y) the amount of any accrued and unpaid distributions to the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case no additional amount for such accrued and unpaid distribution will be included in such sum) by (ii) the Common Share Price (as defined in Section 7(b)(vi) hereof); and (B) 2.80584 Common Shares (the "**Share Cap**"), subject to the immediately succeeding paragraph.

(i) The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a Common Share distribution), subdivisions or combinations (in each case, a "**Share Split**") with respect to Common Shares. The adjusted Share Cap as the result of a Share Split shall be the number of Common Shares that is equivalent to the product obtained by multiplying (A) the Share Cap in effect immediately prior to such Share Split by (B) a fraction, the numerator of which is the number of Common Shares outstanding after giving effect to such Share Split and the denominator of which is the number of Common Shares outstanding immediately prior to such Share Split.

(ii) For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of Common Shares (or equivalent Alternative Conversion Consideration (as defined below), as applicable) issuable in connection with the exercise of the Change of Control Conversion Right shall not exceed 11,223,360 Common Shares (or equivalent Alternative Conversion Consideration, as applicable), subject to increase to the extent the underwriters exercise an option to purchase additional Series E Preferred Shares in the initial public offering of the Series E Preferred Shares, not to exceed 12,906,864 Common Shares (or equivalent Alternative Conversion Consideration, as applicable), subject to increase on a pro rata basis if the Trust issues additional Series E Preferred Shares (the "**Exchange Cap**"). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap and is subject to increase in the event that additional Series E Preferred Shares are issued in the future.

(iii) In the case of a Change of Control pursuant to which Common Shares shall be converted into cash, securities or other property or assets (including any combination thereof) (the "**Alternative Form Consideration**"), a holder of Series E Preferred Shares shall receive upon conversion of such Series E Preferred Shares the kind and amount of Alternative Form Consideration which such holder of Series E Preferred Shares would have owned or been entitled to receive upon the Change of Control had such holder of Series E Preferred Shares held a number of Common Shares equal to the Common Share Conversion Consideration immediately prior to the effective time of the Change of Control (the "**Alternative Conversion Consideration**"; and the Common Share Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Change of Control, shall be referred to herein as the "**Conversion Consideration**").

(iv) In the event that holders of Common Shares have the opportunity to elect the form of consideration to be received in the Change of Control, the consideration that the holders of Series E Preferred Shares shall receive shall be the form of consideration elected by the holders of the Common Shares who participate in the determination (based on the weighted average of elections) and shall be subject to any limitations to which all holders of Common Shares are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Change of Control.

(v) The “**Change of Control Conversion Date**” shall be a date fixed by the Board of Trustees, in its sole discretion, as the date the Series E Preferred Shares shall be converted pursuant to the Change of Control Conversion Right, which shall be a business day set forth in the notice of Change of Control provided in accordance with Section 7(c) below that is no less than 20 days nor more than 35 days after the date on which the Trust provides such notice.

(vi) The “**Common Share Price**” shall be (i) the amount of cash consideration per Common Share, if the consideration to be received in the Change of Control by holders of Common Shares is solely cash, and (ii) the average of the closing prices per Common Share on the NYSE for the ten consecutive trading days immediately preceding, but not including, the effective date of the Change of Control, if the consideration to be received in the Change of Control by holders of Common Shares is other than solely cash.

(b) No fractional Common Shares shall be issued upon the conversion of Series E Preferred Shares. In lieu of fractional shares, holders shall be entitled to receive the cash value of such fractional shares based on the Common Share Price.

(c) Within 15 days following the occurrence of a Change of Control, a notice of occurrence of the Change of Control, describing the resulting Change of Control Conversion Right, shall be delivered to the holders of record of the Series E Preferred Shares at their addresses as they appear on the Trust’s share transfer records and notice shall be provided to the Trust’s transfer agent. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the conversion of any Series E Preferred Shares except as to the holder to whom notice was defective or not given. Each notice shall state: (i) the events constituting the Change of Control; (ii) the date of the Change of Control; (iii) the Change of Control Conversion Date; (iv) the method and period for calculating the Common Share Price; (v) that if, prior to the Change of Control Conversion Date, the Trust provides notice of its election to redeem all or any portion of the Series E Preferred Shares, the holder will not be able to convert Series E Preferred Shares and such Series E Preferred Shares shall be redeemed on the related redemption date, even if they have already been tendered for conversion pursuant to the Change of Control Conversion Right; (vi) if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per Series E Preferred Share; (vii) the name and address of the paying agent and the conversion agent; and (viii) the procedures that the holders of Series E Preferred Shares must follow to exercise the Change of Control Conversion Right.

(d) The Trust shall issue a press release for publication on the Wall Street Journal, Business Wire, PR Newswire, Bloomberg Business News or such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public, or post notice on the Trust’s website, in any event prior to the opening of business on the first business day following any date on which the Trust provides notice pursuant to Section 7(c) above to the holders of Series E Preferred Shares.

(e) In order to exercise the Change of Control Conversion Right, a holder of Series E Preferred Shares shall be required to deliver to the Trust’s transfer agent, on or before the close of business on the business day prior to the Change of Control Conversion Date, the certificates evidencing the Series E

Preferred Shares, to the extent such shares are certificated, to be converted, duly endorsed for transfer, together with a written conversion notice. Such conversion notice shall state: (i) the relevant Change of Control Conversion Date; (ii) the number of Series E Preferred Shares to be converted; and (iii) that terms of the Series E Preferred Shares pursuant to which the Series E Preferred Shares are to be converted. Notwithstanding the foregoing, if the Series E Preferred Shares are held in book-entry form through the facilities of DTC, such notice shall comply with applicable procedures of DTC.

(f) Holders of Series E Preferred Shares may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to the Trust's transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal must state: (i) the number of withdrawn Series E Preferred Shares; (ii) if certificated Series E Preferred Shares have been issued, the certificate numbers of the withdrawn Series E Preferred Shares; and (iii) the number of Series E Preferred Shares, if any, which remain subject to the conversion notice. Notwithstanding the foregoing, if the Series E Preferred Shares are held in book-entry form through the facilities of DTC, such notice shall comply with applicable procedures of DTC.

(g) Series E Preferred Shares as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn shall be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless, prior to the close of business on the Change of Control Conversion Date, the Trust provides notice of its election to redeem such Series E Preferred Shares, whether pursuant to its Redemption Right or Special Optional Redemption Right. If the Trust elects to redeem Series E Preferred Shares that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such Series E Preferred Shares shall not be so converted and the holders of such shares shall be entitled to receive on the applicable redemption date \$25.00 per share, plus any accrued and unpaid distributions thereon to, but not including, the redemption date.

(h) The Trust shall deliver the applicable Conversion Consideration no later than the third business day following the Change of Control Conversion Date.

(i) Notwithstanding anything to the contrary contained herein, no holder of Series E Preferred Shares will be entitled to convert such Series E Preferred Shares into Common Shares to the extent that receipt of such Common Shares would cause the holder of such Common Shares (or any other person) to Beneficially Own or Constructively Own, within the meaning of the Declaration, Common Shares of the Trust in excess of the Ownership Limit, as such term is defined in the Declaration, as applicable.

8. Voting Rights.

(a) Holders of the Series E Preferred Shares will not have any voting rights, except as set forth below.

(b) Whenever dividends on any Series E Preferred Shares shall be in arrears for six or more quarterly periods, whether or not consecutive (a "**Preferred Dividend Default**"), the number of trustees then constituting the Board of Trustees shall be increased by two, if not already increased by reason of similar types of provisions with respect to another series of Parity Preferred (as defined below), and the holders of Series E Preferred Shares (voting together as a single class with the holders of all other series of Preferred Shares ranking on a parity with the Series E Preferred Shares as to dividends or upon liquidation ("**Parity Preferred**") upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of a total of two trustees of the Trust (the "**Preferred Share Trustees**"), if not already elected by the holders of Parity Preferred by reason of similar types of provisions with respect to Preferred

Share Trustees, at a special meeting of the shareholders called by the holders of record of at least 20% of the Series E Preferred Shares or the holders of 20% of any other series of Parity Preferred so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of shareholders), and at each subsequent annual meeting until all dividends accrued on such Series E Preferred Shares for the past dividend periods shall have been fully paid.

(c) If and when all accumulated dividends on the Series E Preferred Shares shall have been paid in full, the holders of Series E Preferred Shares shall be divested of the voting rights set forth in Section 8(b) hereof (subject to reversion in the event of each and every Preferred Dividend Default) and, if all accumulated dividends have been paid in full on all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Share Trustee so elected shall terminate. Any Preferred Share Trustee may be removed at any time with or without cause by the vote of, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding Series E Preferred Shares when they have the voting rights set forth in Section 8(b) (voting together as a single class with all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable). So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Preferred Share Trustee may be filled by written consent of the Preferred Share Trustee remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding Series E Preferred Shares when they have the voting rights set forth in Section 8(b) (voting together as a single class with all other series of Parity Preferred upon which like voting rights have been conferred and are exercisable). The Preferred Share Trustees shall each be entitled to one vote per trustee on any matter.

(d) So long as any Series E Preferred Shares remain outstanding, the Trust shall not, without the affirmative vote or consent of the holders of at least two-thirds of the Series E Preferred Shares outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), (i) authorize or create, or increase the authorized or issued amount of, any class or series of shares of beneficial interest ranking senior to the Series E Preferred Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Trust or reclassify any authorized shares of beneficial interest of the Trust into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares or (ii) amend, alter or repeal the provisions of the Declaration, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series E Preferred Shares or the holders thereof; provided, however, that with respect to the occurrence of any event set forth in (ii) above, the occurrence of any such event will not be deemed to materially and adversely affect any right, preference, privilege or voting power of the Series E Preferred Shares or the holders thereof so long as the Series E Preferred Shares remain outstanding with the terms thereof materially unchanged or, if the Trust is not the surviving entity in such transaction, are exchanged for a security of the consolidated surviving entity with terms that are materially the same as the Series E Preferred Shares, the occurrence of any such event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the holders of the Series E Preferred Shares and; provided, further, that (x) any increase in the amount of the authorized Common Shares or Preferred Shares or the creation or issuance of any other series of Common Shares or Preferred Shares, in each case ranking on a parity with or junior to the Series E Preferred Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Trust, (y) any change to the number or classification of our trustees, or (z) any amendment to Article VII of the Declaration relating to Shares-In-Trust, the Ownership Limit or any other matter described therein of any type or nature shall in no event be deemed to materially and adversely affect such rights, preferences, privileges or voting powers so long as after such amendment any single holder may maintain "beneficial ownership" (as defined in Article VII prior to or after such amendment) of 9.9% of the outstanding Series E Preferred Shares and 9.9% of any other class or series of shares of beneficial interest without violating the Ownership Limit.

(e) The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required to be effected, all outstanding Series E Preferred Shares shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

9. Conversion. Except as set forth in Section 7 above upon the occurrence of a Change of Control, the Series E Preferred Shares are not convertible into or exchangeable for any other property or securities of the Trust, except that the Series E Preferred Shares will automatically be exchanged by the Trust for Shares-In-Trust, in accordance with Article VII of the Declaration in the same manner that Common Shares are exchanged for Shares-In-Trust pursuant thereto, in order to ensure that the Trust remains qualified as a REIT for federal income tax purposes.

10. Information Rights. During any period in which the Trust is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any Series E Preferred Shares are outstanding, the Trust will: (a) transmit by mail or other permissible means under the Exchange Act to all holders of Series E Preferred Shares as their names and addresses appear in the Trust's record books and without cost to such holders, copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that the Trust would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if the Trust were subject thereto (other than any exhibits that would have been required); and (b) within 15 days following written request, supply copies of such reports to any prospective holder of the Series E Preferred Shares. The Trust will mail (or otherwise provide) the reports to the holders of Series E Preferred Shares within 15 days after the respective dates by which the Trust would have been required to file such reports with the Securities and Exchange Commission if the Trust was subject to Section 13 or 15(d) of the Exchange Act.

THIRD: The Series E Preferred Shares have been classified and designated by the Board of Trustees under the authority contained in the Declaration.

FOURTH: These Articles Supplementary have been approved by the Board of Trustees in the manner and by the vote required by law.

FIFTH: The undersigned President and Chief Operating Officer acknowledges these Articles Supplementary to be the trust act of the Trust and, as to all matters or facts required to be verified under oath, the undersigned President and Chief Operating Officer acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[Signature page follows.]

IN WITNESS WHEREOF, the Trust has caused these Articles Supplementary to be executed on behalf of the Trust by its President and Chief Operating Officer and attested to by its Assistant Secretary this 4th day of November, 2016.

HERSHA HOSPITALITY TRUST

By: /s/ Neil H. Shah
Name: Neil H. Shah
Title: President and Chief Operating Officer

Attest:

By: /s/ Ashish R. Parikh
Name: Ashish R. Parikh
Title: Assistant Secretary

Articles Supplementary
Series E Preferred Shares

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Section 3: EX-12.1 (EX-12.1)

Exhibit 12.1

Hersha Hospitality Trust

Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Share Dividends

(dollars in thousands)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Earnings					
Pre-tax income from continuing operations before income (loss) from equity investees	\$ 118,392	\$ 38,101	\$ 66,558	\$ 16,988	\$ 6,267
Interest expensed and amortized premiums, discounts and capitalized expenses related to indebtedness	44,352	43,557	43,357	40,935	38,070
Distributed income of equity investees	1,574	1,446	1,262	568	1,387
	\$ 164,318	\$ 83,104	\$ 111,177	\$ 58,491	\$ 45,724
Combined Fixed Charges and Preferred Share Dividends					
Interest expensed and amortized premiums, discounts and capitalized expenses related to indebtedness	44,352	43,557	43,357	40,935	38,070
Interest capitalized	-	-	458	1,320	1,542
Preferred share distributions	17,380	14,356	14,356	14,611	14,000
	\$ 61,732	\$ 57,913	\$ 58,171	\$ 56,866	\$ 53,612
Ratio of earnings to combined fixed charges and preferred share dividends	2.66	1.43	1.91	1.03	0.85

For the year ended December 31, 2012, combined fixed charges and preferred share dividends exceeded earnings. The following table notes the amounts by which combined fixed charges and preferred share dividends exceeded earnings:

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Combined fixed charged and preferred share dividends in excess of earnings	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 7,888

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Section 4: EX-21.1 (EX-21.1)

Exhibit 21.1

Name of Entity	Ownership	Jurisdiction of Incorporation or Organization
2144 Associates - Hershey (LP)	1% by Hersha Hospitality Limited Liability Company - Hershey 99% by HHLP	PA
2144 Associates - New Columbia	1% by Hersha Hospitality Limited Liability Company - New Columbia 99% by HHLP	PA
2144 Associates - Selinsgrove (LP)	1% by Hersha Hospitality Limited Liability Company - Selinsgrove 99% by HHLP	PA
2444 Associates (LP)	1% by Hersha Hospitality Limited Liability Company - West Hanover 99% by HHLP	PA
2801 Roosevelt Development Master Property Owners' Association, Inc.	100% by HHLP Key West One Associates, LLC	FL
2844 Associates, LP	1% by HH LLC 99% by HHLP	PA
3044 Associates, LP	1% by HH LLC 99% by HHLP	PA
3144 Associates, LP	1% by HH LLC 99% by HHLP	PA
315 Trumbull Street Associates, LLC	88% by Mystic Partners, LLC 12% by a third party	CT
320 Pearl Street, Inc.	100% by HHLP	NY
44 Aarti Associates, LP	1% by HH LLC 99% by HHLP	PA
44 Alexandria Hotel Management, LLC	100% by 44 New England Management Company	DE
44 Alexandria Hotel, LLC	100% by HHLP	DE
44 Brookline Hotel, LLC	1% by 44 Brookline Manager, LLC 99% by HHLP	DE
44 Brookline Management, LLC	100% by 44 New England Management Company	DE
44 Brookline Manager, LLC	100% by HHLP	DE

44 Cambridge Associates, LLC	100% by HHLP	MA
44 Carlisle Associates (LP)	1% by Hersha Hospitality, LLC 99% by HHLP	PA
44 Chester Management, LLC	100% by 44 New England Management Company	NY
44 Dartmouth, LLC	100% by 44 New England Management Company	DE
44 Delaware One, LLC	100% by 44 New England Management Company	DE
44 Delaware Three, LLC	100% by 44 New England Management Company	DE
44 Duane Street Lessee, LLC	100% by 44 New England Management Company	NY
44 Duane Street, LLC	100% by HHLP	DE
44 Framingham Associates, LLC	100% by HHLP	MA
44 Franklin Managing Member, LLC	100% by HHLP	MA
44 Frederick Associates, LP	1% by HH LLC 99% by 3044 Associates, LP	PA
44 Gaithersburg, LLC	100% by 44 New England Management Company	DE
44 Greenbelt One, LLC	100% by 44 New England Management Company	DE
44 Greenbelt Two, LLC	100% by 44 New England Management Company	DE
44 Harrisburg Friendship Lessee, LLC	100% by 44 New England Management Company	PA
44 Hersha Smithfield, LLC	99% by HHLP 1% by Hersha Smithfield Managing Member, LLC	RI
44 LA Westside Lessee, LLC	100% by 44 New England Management Company	DE
44 Metro, LLC	100% by 44 New England Management Company	DE
44 New England Management Company	100% by HHLP	VA
44 Norwood Managing Member, LLC	100% by HHLP	DE
44 Pearl Street Lessee, LLC	100% by 44 New England Management Company	DE
44 Pleasant Hill, LLC	100% by 44 New England Management Company	DE

Name of Entity	Ownership	Jurisdiction of Incorporation or Organization
44 Pleasanton, LLC	100% by 44 New England Management Company	DE
44 Scottsdale, LLC	100% by 44 New England Management Company	DE
44 Smith Street Lessee, LLC	100% by 44 New England Management Company	NY
44 Tyson's Corner, LLC	100% by 44 New England Management Company	DE
44 White Plains, LLC	100% by 44 New England Management Company	DE
5444 Associates (LP)	99% by HHLP 1% by 44 Duane Street, LLC	PA
63 RB Holding Company LLC	100% by Hiren Boston, LLC	MA
Adriaen's Landing Hotel, LLC	95.662% by Mystic Partners, LLC 0.651% by HHLP 3.687% by a third party	CT
Affordable Hospitality Associates, LP	99% by HHLP 1% by Race Street, LLC	PA
Brentwood Greenbelt, LLC	1% by Hersha Hospitality Greenbelt, LLC 99% by HHLP	VA
Brisam Management (DE) LLC	99% by HHLP 1% by HHLP Brisam 29 Manager, LLC	DE
Cindat Hersha Lessee JV Associates, LLC	100% by Cindat Hersha Lessee JV, LLC	DE
Cindat Hersha Lessee JV, LLC	70% by Cindat Manhattan Hotel Portfolio (US) LLC 30% by HCIN NYC Lessee, LLC	DE
Cindat Hersha Owner JV Associates, LLC	100% by Cindat Hersha Owner JV, LLC	DE
Cindat Hersha Owner JV, LLC	70% by Cindat Manhattan Hotel Portfolio (US) LLC 30% by HCIN NYC Owner, LLC	DE
Exit 88 Hotel, LLC	99.9% by Mystic Partners, LLC 0.1% by Mystic Special Purpose Corp.	CT
Golden Triangle Greenbelt, LLC	74% by Brentwood Greenbelt, LLC 26% by third parties	MD
H Metro Delaware, LLC	100% by HHLP	DE
HCIN Chelsea East Associates, LLC	100% by Cindat Hersha Owner JV Associates, LLC	DE
HCIN Chelsea East Lessee, LLC	100% by Cindat Hersha Lessee JV Associates, LLC	DE
HCIN Duo One Associates, LLC	100% by Cindat Hersha Owner JV Associates, LLC	DE
HCIN Duo One Lessee, LLC	100% by Cindat Hersha Lessee JV Associates, LLC	DE
HCIN Duo Three Associates, LLC	100% by Cindat Hersha Owner JV Associates, LLC	DE
HCIN Duo Three Lessee, LLC	100% by Cindat Hersha Lessee JV Associates, LLC	DE
HCIN Duo Two Associates, LLC	100% by Cindat Hersha Owner JV Associates, LLC	DE
HCIN Duo Two Lessee, LLC	100% by Cindat Hersha Lessee JV Associates, LLC	DE
HCIN Herald Square Associates, LLC	100% by Cindat Hersha Owner JV Associates, LLC	DE
HCIN Herald Square Lessee, LLC	100% by Cindat Hersha Lessee JV Associates, LLC	DE
HCIN Maiden Hotel Associates, LLC	100% by Cindat Hersha Owner JV Associates, LLC	DE
HCIN Maiden Hotel Lessee, LLC	100% by Cindat Hersha Lessee JV Associates, LLC	DE
HCIN NYC Lessee, LLC	100% by 44 New England Management Company	DE
HCIN NYC Owner, LLC	100% by Hersha Hospitality Limited Partnership	DE
HCIN Water Street Associates, LLC	100% by Cindat Hersha Owner JV Associates, LLC	DE
HCIN Water Street Lessee, LLC	100% by Cindat Hersha Lessee JV Associates, LLC	DE
Hersha Conduit Associates, LLC	100% by HHLP	NY
Hersha Hospitality Greenbelt, LLC	100% by HHLP	VA
Hersha Hospitality Limited Partnership ("HHLP") (the "Operating Partnership")	96.0% by Hersha Hospitality Trust (General Partnership Interest) 4.0% by Hersha Affiliates (Limited Partnership Interest)	VA
Hersha Hospitality Trust	N/A	MD
Hersha Hospitality, LLC ("HH LLC")	100% by HHLP	VA
HHLP 52nd Associates, LLC	99% by HHLP 1% by HHLP 52nd Manager, LLC	DE

Name of Entity	Ownership	Jurisdiction of Incorporation or Organization
HHLP 52nd Lessee, LLC	100% by 44 New England Management Company	DE
HHLP 52nd Manager, LLC	100% by HHLP	DE
HHLP Ambrose Associates, LLC	99% by HHLP 1% by HHLP Ambrose Manager, LLC	DE
HHLP Ambrose Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Ambrose Manager, LLC	100% by HHLP	DE
HHLP Blue Moon Associates, LLC	99% by HHLP, 1% by HHLP Blue Moon Manager, LLC	DE
HHLP Blue Moon Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Blue Moon Manager, LLC	100% by HHLP	DE
HHLP Boston One, LLC	100% by HHLP	MA
HHLP Boston Seaport Associates, LLC	99% by HHLP 1% by HHLP Boston Seaport Manager, LLC	DE
HHLP Boston Seaport Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Boston Seaport Manager, LLC	100% by HHLP	DE
HHLP Boston Two, LLC	100% by HHLP	MA
HHLP Brisam 29 Manager, LLC	100% by HHLP	DE
HHLP Bulfinch Associates, LLC	99% by HHLP 1% by HHLP Bulfinch Manager, LLC	DE
HHLP Bulfinch Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Bulfinch Manager, LLC	100% by HHLP	DE
HHLP Cambridge Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Capitol Hill Associates, LLC	100% by HHLP Capitol Hill Holding, LLC	DE
HHLP Capitol Hill Holding, LLC	1% by HHLP Capitol Hill Manager LLC 99% by HHLP	DE
HHLP Capitol Hill Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Capitol Hill Manager, LLC	100% by HHLP	DE
HHLP Chester Associates, LLC	100% by HHLP	NY
HHLP Coconut Grove Associates, LLC	99% by HHLP, 1% by HHLP Coconut Grove Manager, LLC	DE
HHLP Coconut Grove Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Coconut Grove Manager, LLC	100% by HHLP	DE
HHLP Conduit Lessee, LLC	100% by 44 New England Management Company	NY
HHLP Coral Gables Associates, LLC	99% by HHLP 1% by HHLP Coral Gables Manager, LLC	DE
HHLP Coral Gables Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Coral Gables Manager, LLC	100% by HHLP	DE
HHLP Dartmouth One Associates, LLC	99% by HHLP 1% by 44 Dartmouth One, LLC	MA
HHLP DC Convention Center Associates, LLC	1% by HHLP DC Convention Center Manager, LLC 99% by HHLP	DE
HHLP DC Convention Center Lessee, LLC	100% by 44 New England Management Company	DE
HHLP DC Convention Center Manager, LLC	100% by HHLP	DE
HHLP Framingham Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Franklin Associates, LLC	99% by HHLP 1% by Franklin Managing Member, LLC	MA
HHLP Gaithersburg Associates, LLC	100% by HHLP	DE
HHLP Georgetown Associates, LLC	99% by HHLP 1% by HHLP Georgetown Manager, LLC	DE
HHLP Georgetown II Associates, LLC	99% by HHLP 1% by HHLP Georgetown II Manager, LLC	DE
HHLP Georgetown II Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Georgetown II Manager, LLC	100% HHLP	DE
HHLP Georgetown Lessee, LLC	100% by 44 New England Management Company	DE

Name of Entity	Ownership	Jurisdiction of Incorporation or Organization
HHLP Georgetown Manager, LLC	100% HHLP	DE
HHLP Harrisburg Friendship GP, LLC	100% by HHLP	PA
HHLP Harrisburg Friendship, LP	99% by HHLP 1% by HHLP Harrisburg Friendship GP, LLC	PA
HHLP Holdings, LLC	99.5% by HHLP .5% by Hersha Hospitality Trust	DE
HHLP Key West One Associates, LLC	99% by HHLP 1% by HHLP Key West One Manager, LLC	DE
HHLP Key West One Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Key West One Manager, LLC	100% by HHLP	DE
HHLP King of Prussia Associates, LP	1% by HHLP King of Prussia, Inc. 99% by HHLP	PA
HHLP King of Prussia, Inc.	100% by HHLP	PA
HHLP LA Westside Associates, LLC	1% by HHLP LA Westside Manager LLC 99% by HHLP	DE
HHLP LA Westside Manager, LLC	100% by HHLP	DE
HHLP Langhorne One Associates, LP	1% by HHLP Langhorne One, LLC 99% by HHLP	PA
HHLP Langhorne One, LLC	100% by HHLP	PA
HHLP Langhorne Two Associates, LP	1% by HHLP Langhorne Two, LLC 99% by HHLP	PA
HHLP Langhorne Two, LLC	100% by HHLP	PA
HHLP Malvern Associates 2, LP	99% by HHLP 1% by HHLP Malvern 2, LLC	PA
HHLP Miami Beach Associates, LLC	1% by HHLP Miami Beach Manager, LLC 99% by HHLP	DE
HHLP Miami Beach Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Miami Beach Manager, LLC	100% by HHLP	DE
HHLP Norwood Associates, LLC	99% by HHLP 1% by 44 Norwood Managing Member, LLC	MA
HHLP Oxford Valley Associates, LP	1% by HHLP Oxford Valley, Inc. 99% by HHLP	PA
HHLP Oxford Valley, Inc.	100% by HHLP	PA
HHLP Parkside Associates LLC	1% by HHLP Parkside Manager LLC 99% by HHLP	DE
HHLP Parkside Lessee LLC	100% by 44 New England Management Company	DE
HHLP Parkside Manager LLC	100% by HHLP	DE
HHLP Pearl Street Associates, LLC	1% by HHLP Pearl Street Managing Member, LLC 99% by HHLP	DE
HHLP Pearl Street Managing Member, LLC	100% by HHLP	DE
HHLP Pleasant Hill Associates, LLC	100% by HHLP	DE
HHLP Pleasanton Associates, LLC	100% by HHLP	DE
HHLP Rittenhouse Associates, LLC	99% by HHLP 1% by HHLP Rittenhouse Manager, LLC	DE
HHLP Rittenhouse Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Rittenhouse Manager, LLC	100% by HHLP	DE
HHLP Saint Gregory Associates, LLC	99% by HHLP 1% by HHLP Saint Gregory Manager, LLC	DE
HHLP Saint Gregory Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Saint Gregory Manager, LLC	100% by HHLP	DE
HHLP San Diego Associates, LLC	99% by HHLP 1% by HHLPSan Diego Manager, LLC	DE
HHLP San Diego Lessee, LLC	100% by 44 New England Management Company	DE
HHLP San Diego Manager, LLC	100% by HHLP	DE
HHLP Sanctuary Associates, LLC	99% by HHLP 1% by HHLP Sanctuary Manager, LLC	DE
HHLP Sanctuary Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Sanctuary Manager, LLC	100% HHLP	DE
HHLP Santa Barbara I Associates, LLC	99% by HHLP, 1% by HHLP Santa Barbara I Manager, LLC	DE
HHLP Santa Barbara I Lessee, LLC	100% by 44 New England Management Company	DE

Name of Entity	Ownership	Jurisdiction of Incorporation or Organization
HHLP Santa Barbara I Manager, LLC	100% by HHLP	DE
HHLP Scottsdale Associates, LLC	100% by HHLP	DE
HHLP Smith Street Associates, LLC	100% by HHLP Smith Street Holding, LLC	NY
HHLP Smith Street Holding, LLC	99% by HHLP 1% by HHLP Smith Street Managing Member, LLC	NY
HHLP Smith Street Managing Member, LLC	100% by HHLP	NY
HHLP Sunny Associates, LLC	99% by HHLP 1% by HHLP Sunny Manager, LLC	DE
HHLP Sunny Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Sunny Manager, LLC	100% by HHLP	DE
HHLP Sunnyvale TPS Associates, LLC	99% by HHLP 1% by HHLP Sunnyvale TPS Manager, LLC	DE
HHLP Sunnyvale TPS Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Sunnyvale TPS Manager, LLC	100% by HHLP	DE
HHLP Tyson's Corner Associates, LLC	100% by HHLP	DE
HHLP Union Square Associates, LLC	100% by HHLP	DE
HHLP Union Square Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Union Square Manager, LLC	100% by HHLP	DE
HHLP Valley Forge Associates (LP)	1% by HH LLC 99% by HHLP	PA
HHLP White Plains Associates, LLC	100% by HHLP	DE
HHLP Wilmington, Inc.	100% by HHLP	DE
HHLP Winter Haven Associates, LLC	99% by HHLP, 1% by HHLP Winterhaven Manager, LLC	DE
HHLP Winter Haven Lessee, LLC	100% by 44 New England Management Company	DE
HHLP Winter Haven Manager, LLC	100% by HHLP	DE
HHLP York Street, LLC	100% by HHLP	DE
Hiren Boston, LLC	49.9% by HHLP Boston One, LLC 50.1% by third parties	MA
HT-315 Trumbull Street Associates, LLC	88% by Mystic Partners Leaseco, LLC 12% by a third party	DE
HT-Adriaen's Landing Hotel TRS, LLC	95.662% by Mystic Partners Leaseco, LLC 0.651% by 44 New England Management Company 3.687% by a third party	DE
HT-Exit 88 Hotel TRS, LLC	100% by Mystic Partners Leaseco, LLC	DE
HT-Norwich Hotel TRS, LLC	99% by Mystic Partners Leaseco, LLC 1% by Mystic Special Purpose Corp.	DE
Market 8 Hotel Associates GP, LLC	100% by 44 New England Management Company	DE
Metro 29th Sublessee, LLC	100% by 44 New England Management Company	NY
Metro JFK Associates, LLC	1% by Metro JFK Managing Member, LLC 99% by HHLP	NY
Metro JFK Managing Member, LLC	100% by HHLP	NY
Mystic Partners Leaseco, LLC	Varying Percentages (based on certain assets owned by Mystic Partners Leaseco, LLC) by 44 New England Management Company and third parties	DE
Mystic Partners, LLC	Varying Percentages (based on certain assets owned by Mystic Partners, LLC) by HHLP and by third parties	DE
Mystic Special Purpose Corp.	100% by Mystic Partners, LLC	DE
Norwich Hotel, LLC	99% by Mystic Partners, LLC 1% by Mystic Special Purpose Corp.	CT
Philly One TRS, LLC	100% by 44 New England Management Company	PA
Race Street, LLC	100% by HHLP	PA
Risingsam Hospitality, LLC	99% by HHLP 1% by Hersha Conduit Associates, LLC	NY
SB Partners, LLC	49.9% by HHLP Boston Two, LLC 50.1% by third parties	MA
Seaport Hospitality, LLC	99% by HHLP 1% 320 Pearl Street, Inc.	NY
Seaport TRS, LLC	100% by 44 New England Management Company	DE
South Bay Boston, LLC	49.9% by 44 New England Management Company 50.1% by third parties	DE

Name of Entity	Ownership	Jurisdiction of Incorporation or Organization
South Bay Sandeep, LLC	100% by SB Partners, LLC	MA
The Village on Roosevelt Property Owners' Association, Inc.	100% by HHLP Key West One Associates, LLC	FL
York Street Lessee DE, LLC	100% by 44 New England Management Company	DE
York Street LLC	100% by HHLP York Street, LLC	DE

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Section 5: EX-23.1 (EX-23.1)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Trustees of
Hersha Hospitality Trust:

We consent to the incorporation by reference in the registration statements (No. 333-82666, No. 333-113058, No. 333-142073, No. 333-142075, No. 333-147113, No. 333-156661, No. 333-163123, No. 333-167891, No. 333-169658, No. 333-187239, No. 333-196175) on Form S-3 and (No. 333-122657, No. 333-151314, No. 333-179847, No. 333-196181) on Form S-8 of Hersha Hospitality Trust and subsidiaries of our reports dated February 23, 2017, with respect to the consolidated balance sheets of Hersha Hospitality Trust and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2016, which reports appear in the annual report on Form 10-K of Hersha Hospitality Trust.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 23, 2017

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Section 6: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION

I, Jay H. Shah, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2016 of Hersha Hospitality Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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 23, 2017

/s/ Jay H. Shah
Jay H. Shah
Chief Executive Officer

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Section 7: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION

I, Ashish R. Parikh, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2016 of Hersha Hospitality Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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 23, 2017

/s/ Ashish R. Parikh
Ashish R. Parikh
Chief Financial Officer

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Section 8: EX-32.1 (EX-32.1)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Hersha Hospitality Trust (the "Company") for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jay H. Shah, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 23, 2017

/s/ Jay H. Shah
Jay H. Shah
Chief Executive Officer

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Section 9: EX-32.2 (EX-32.2)

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Hersha Hospitality Trust (the "Company") for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ashish R. Parikh, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 23, 2017

/s/ Ashish R. Parikh
Ashish R. Parikh
Chief Financial Officer

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HERSHA

BOARD OF TRUSTEES

Hasu P. Shah
Chairman,
Hersha Hospitality Trust

Jay H. Shah
Chief Executive Officer,
Hersha Hospitality Trust

Donald J. Landry
Lead Director, Hersha Hospitality Trust
Former President & CEO, Sunburst Hospitality Inc.

Michael A. Leven
Former President and Chief Operating Officer,
Las Vegas Sands Corp.

Thomas J. Hutchison III
Former CEO,
CNL Hotels & Resorts
and CNL Retirement Properties, Inc.

Dianna F. Morgan
Former Senior Vice President,
Walt Disney World Co.

John M. Sabin
Executive Vice President and CFO,
Revolution LLC. and Case Foundation

MANAGEMENT TEAM

Jay H. Shah
Chief Executive Officer

Neil H. Shah
President and Chief Operating Officer

Ashish R. Parikh
Chief Financial Officer

Michael R. Gillespie
Chief Accounting Officer

David L. Desfor
Treasurer and Corporate Secretary

William J. Walsh
Senior Vice President of Asset Management

Robert C. Hazard III
Senior Vice President of Acquisitions and Development

Bennett Thomas
Senior Vice President of Finance and Sustainability

EXECUTIVE OFFICES

One Washington Square
510 Walnut Street, 9th Floor
Philadelphia, PA 19106
Telephone: (215) 238-1046
Fax: (215) 238-0157

CORPORATE/SECURITIES COUNSEL

Hunton & Williams LLP

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP

REGISTRANT ADDRESS

44 Hersha Drive
Harrisburg, PA 17102
Telephone: (717) 236-4400
Fax: (717) 774-7383

REGISTRAR

& STOCK TRANSFER AGENT

American Stock Transfer & Trust Company

COMMON STOCK INFORMATION

The Common Stock of Hersha Hospitality Trust is traded on the New York Stock Exchange under the Symbol "HT"

MANAGEMENT CERTIFICATIONS

The Company's Chief Executive Officer and Chief Financial Officer provided certifications to the Securities and Exchange Commission as required by Section 302 of the Sarbanes-Oxley Act of 2002 and these certifications are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. In addition, as required by Section 303A.12(a) of the New York Stock Exchange (NYSE) Listed Company Manual, on June 27, 2016 the Company's Chief Executive Officer submitted to the NYSE the annual CEO certification regarding the Company's compliance with the NYSE's corporate governance listing standards.

ANNUAL REPORT ON FORM 10-K

Shareholders may obtain a copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission free of charge (except for exhibits), by writing to the Company's Investor Relations Manager, Hersha Hospitality Trust, 510 Walnut Street, 9th Floor, Philadelphia, PA 19106; or, visit the Company's website at www.hersha.com and refer to the Company's SEC Filings.

ANNUAL MEETING

The annual meeting of shareholders of Hersha Hospitality Trust will be held at 9:00 A.M. (EDT) on Thursday, June 1, 2017. The annual shareholders meeting will take place at The Ritz-Carlton, Boston, 10 Avery Street, Boston, MA 02111, in The Avery Room.

WWW.HERSHA.COM

