
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended June 30, 2018

OR

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

Commission File Number 1-11527

HOSPITALITY PROPERTIES TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

04-3262075

(IRS Employer Identification No.)

Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458

(Address of Principal Executive Offices) (Zip Code)

617-964-8389

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. 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 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

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

Smaller reporting company ☐

Emerging growth company ☐

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

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

Number of registrant's common shares of beneficial interest, \$.01 par value per share, outstanding as of August 8, 2018 : 164,363,747

HOSPITALITY PROPERTIES TRUST

FORM 10-Q

June 30, 2018

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References in this Quarterly Report on Form 10-Q to “HPT”, “we”, “us” or “our” include Hospitality Properties Trust and its consolidated subsidiaries unless otherwise expressly stated or the context indicates otherwise.

Part I Financial Information
Item 1. Financial Statements

HOSPITALITY PROPERTIES TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(dollars in thousands, except share data)

	June 30, 2018	December 31, 2017
ASSETS		
Real estate properties:		
Land	\$ 1,673,113	\$ 1,668,797
Buildings, improvements and equipment	7,899,636	7,758,862
Total real estate properties, gross	9,572,749	9,427,659
Accumulated depreciation	(2,909,488)	(2,784,478)
Total real estate properties, net	6,663,261	6,643,181
Cash and cash equivalents	16,549	24,139
Restricted cash	73,279	73,357
Due from related persons	84,786	78,513
Other assets, net	387,487	331,195
Total assets	<u>\$ 7,225,362</u>	<u>\$ 7,150,385</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Unsecured revolving credit facility	\$ 122,000	\$ 398,000
Unsecured term loan, net	396,994	399,086
Senior unsecured notes, net	3,594,256	3,203,962
Security deposits	131,071	126,078
Accounts payable and other liabilities	207,685	184,788
Due to related persons	12,687	83,049
Total liabilities	<u>4,464,693</u>	<u>4,394,963</u>
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, \$.01 par value; 200,000,000 shares authorized; 164,363,747 and 164,349,141 shares issued and outstanding, respectively	1,644	1,643
Additional paid in capital	4,542,706	4,542,307
Cumulative net income	3,567,068	3,310,017
Cumulative other comprehensive income (loss)	(281)	79,358
Cumulative preferred distributions	(343,412)	(343,412)
Cumulative common distributions	(5,007,056)	(4,834,491)
Total shareholders' equity	<u>2,760,669</u>	<u>2,755,422</u>
Total liabilities and shareholders' equity	<u>\$ 7,225,362</u>	<u>\$ 7,150,385</u>

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

HOSPITALITY PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(dollars in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Hotel operating revenues	\$ 529,599	\$ 489,209	\$ 974,875	\$ 897,445
Rental income	81,018	80,239	163,011	159,378
FF&E reserve income	1,334	1,155	2,698	2,382
Total revenues	611,951	570,603	1,140,584	1,059,205
Expenses:				
Hotel operating expenses	374,081	339,549	689,063	622,272
Depreciation and amortization	99,684	95,155	199,301	188,606
General and administrative	13,121	30,347	24,855	62,693
Total expenses	486,886	465,051	913,219	873,571
Operating income	125,065	105,552	227,365	185,634
Dividend income	626	626	1,252	1,252
Unrealized gains and losses on equity securities, net	20,940	—	45,895	—
Interest income	323	122	615	379
Interest expense (including amortization of debt issuance costs and debt discounts and premiums of \$2,559, \$2,194, \$5,037 and \$4,346, respectively)	(48,741)	(45,189)	(96,281)	(88,755)
Loss on early extinguishment of debt	(160)	—	(160)	—
Income before income taxes and equity in earnings of an investee	98,053	61,111	178,686	98,510
Income tax expense	(771)	(786)	(1,242)	(1,142)
Equity in earnings of an investee	7	374	51	502
Net income	97,289	60,699	177,495	97,870
Other comprehensive income:				
Unrealized gain (loss) on investment securities	—	(8,968)	—	12,650
Equity interest in investee's unrealized gains (losses)	10	58	(83)	179
Other comprehensive income (loss)	10	(8,910)	(83)	12,829
Comprehensive income	\$ 97,299	\$ 51,789	\$ 177,412	\$ 110,699
Net income	\$ 97,289	\$ 60,699	\$ 177,495	\$ 97,870
Preferred distributions	—	—	—	(1,435)
Excess of liquidation preference over carrying value of preferred shares redeemed	—	—	—	(9,893)
Net income available for common shareholders	\$ 97,289	\$ 60,699	\$ 177,495	\$ 86,542
Weighted average common shares outstanding (basic)	164,205	164,123	164,202	164,121
Weighted average common shares outstanding (diluted)	164,243	164,165	164,226	164,157
Net income available for common shareholders per common share (basic and diluted)	\$ 0.59	\$ 0.37	\$ 1.08	\$ 0.53

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

HOSPITALITY PROPERTIES TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 177,495	\$ 97,870
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	199,301	188,606
Amortization of debt issuance costs and debt discounts and premiums as interest	5,037	4,346
Straight line rental income	(6,223)	(6,121)
Security deposits received or replenished	4,986	31,422
Loss on early extinguishment of debt	160	—
Unrealized (gains) and losses on equity securities, net	(45,895)	—
Equity in earnings of an investee	(51)	(502)
Other non-cash (income) expense, net	(1,700)	(1,810)
Changes in assets and liabilities:		
Due from related persons	(243)	(490)
Other assets	(4,689)	(13,661)
Accounts payable and other liabilities	10,196	6,565
Due to related persons	(74,997)	(15,175)
Net cash provided by operating activities	263,377	291,050
Cash flows from investing activities:		
Real estate acquisitions and deposits	(91,221)	(357,679)
Real estate improvements	(67,069)	(62,204)
Hotel managers' purchases with restricted cash	(59,823)	(39,877)
Hotel manager's deposit of insurance proceeds into restricted cash	18,000	—
Net cash used in investing activities	(200,113)	(459,760)
Cash flows from financing activities:		
Proceeds from issuance of senior unsecured notes, after discounts and premiums	389,976	598,246
Redemption of preferred shares	—	(290,000)
Repurchase of convertible senior notes	—	(8,478)
Borrowings under unsecured revolving credit facility	301,000	359,000
Repayments of unsecured revolving credit facility	(577,000)	(272,000)
Deferred financing costs	(12,242)	(5,018)
Repurchase of common shares	(101)	(14)
Distributions to preferred shareholders	—	(6,601)
Distributions to common shareholders	(172,565)	(169,196)
Net cash provided by (used in) financing activities	(70,932)	205,939
Increase (decrease) in cash and cash equivalents and restricted cash	(7,668)	37,229
Cash and cash equivalents and restricted cash at beginning of period	97,496	71,352
Cash and cash equivalents and restricted cash at end of period	\$ 89,828	\$ 108,581
Supplemental disclosure of cash and cash equivalents and restricted cash:		
The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the amount shown in the condensed consolidated statements of cash flows:		
Cash and cash equivalents	\$ 16,549	\$ 49,670
Restricted cash	73,279	58,911
Total cash and cash equivalents and restricted cash	\$ 89,828	\$ 108,581
Supplemental cash flow information:		
Cash paid for interest	\$ 76,509	\$ 75,266

Cash paid for income taxes	2,589	2,226
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The accompanying notes are an integral part of these condensed consolidated financial statements.

HOSPITALITY PROPERTIES TRUST
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements of Hospitality Properties Trust and its subsidiaries, or HPT, we, our or us, are unaudited. Certain information and disclosures required by U.S. generally accepted accounting principles, or GAAP, for complete financial statements have been condensed or omitted. We believe the disclosures made are adequate to make the information presented not misleading. However, the accompanying condensed consolidated financial statements should be read in conjunction with the financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2017, as amended, or our 2017 Annual Report. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for a fair statement of results for the interim period, have been included. These condensed consolidated financial statements include the accounts of HPT and our subsidiaries, all of which are 100% owned directly or indirectly by HPT. All intercompany transactions and balances with or among our consolidated subsidiaries have been eliminated. Our operating results for interim periods and those of our managers and tenants are not necessarily indicative of the results that may be expected for the full year. Reclassifications have been made to the prior years' condensed consolidated financial statements to conform to the current year's presentation.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates. Significant estimates in our condensed consolidated financial statements include the allowance for doubtful accounts, purchase price allocations, useful lives of fixed assets, impairment of real estate and the valuation of intangible assets.

We have determined that each of our wholly owned taxable REIT subsidiaries, or TRSs, is a variable interest entity, or VIE, as defined under the Consolidation Topic of the Financial Accounting Standards Board, or FASB, *Accounting Standards Codification*™. We have concluded that we must consolidate each of our TRSs because we are the entity with the power to direct the activities that most significantly impact such VIEs' performance and we have the obligation to absorb losses or the right to receive benefits from each VIE that could be significant to the VIE and are, therefore, the primary beneficiary of each VIE. The assets of our TRSs were \$38,962 and \$33,305 as of June 30, 2018 and December 31, 2017, respectively, and consist primarily of amounts due from and working capital advances to certain of our hotel managers. The liabilities of our TRSs were \$194,649 and \$140,897 as of June 30, 2018 and December 31, 2017, respectively, and consist primarily of security deposits they hold and amounts payable to certain of our hotel managers. The assets of our TRSs are available to satisfy our TRSs' obligations and we have guaranteed certain obligations of our TRSs.

Note 2. New Accounting Pronouncements

On January 1, 2018, we adopted FASB Accounting Standards Update, or ASU, No. 2014-09 (and related clarifying guidance issued by the FASB), *Revenue From Contracts With Customers*, which outlines a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU No. 2014-09 states that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." While ASU No. 2014-09 specifically references contracts with customers, it may apply to certain other transactions such as the sale of real estate or equipment. The majority of our revenue is from hotels managed under TRS structures. The adoption of this update did not have a material impact on the amount or timing of our revenue recognition for revenues from room, food and beverage, and other hotel level sales of our managed hotels in our condensed consolidated financial statements. A lesser portion of our revenue consists of rental income from leasing arrangements, which are specifically excluded from ASU No. 2014-09. We have adopted ASU No. 2014-09 using the modified retrospective approach.

On January 1, 2018, we adopted FASB ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which changes how entities measure certain equity investments and present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. The implementation of ASU No. 2016-01 resulted in the reclassification of historical changes in the fair value of our available for sale equity securities of \$78,715 from cumulative other comprehensive income to cumulative net income. We also reclassified \$841 from cumulative other comprehensive income to cumulative net income for our share of cumulative other comprehensive income of our equity method investee. Effective January 1, 2018, changes in the fair value of our equity securities are recorded through earnings in accordance with ASU No. 2016-01.

HOSPITALITY PROPERTIES TRUST
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

On January 1, 2018, we adopted FASB ASU No. 2016-18, *Restricted Cash*, which requires companies to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The implementation of ASU 2016-18 resulted in an increase of \$35,175 of net cash provided by operating activities and an increase of \$36,720 of net cash used in investing activities for the six months ended June 30, 2017. This update also requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheets. Restricted cash consisting of amounts escrowed by our hotel operators pursuant to the terms of our management agreements and leases to fund periodic renovations and improvements at our hotels totaled \$73,279 and \$58,911 as of June 30, 2018 and 2017, respectively. See Notes 3 and 8 for further information regarding our FF&E reserves. The adoption of this update did not change our balance sheet presentation.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU No. 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease. A lessee is also required to record a right of use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales type leases, direct financing leases and operating leases. ASU No. 2016-02 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. We are currently assessing the potential impact the adoption of ASU No. 2016-02 will have in our condensed consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326) : Measurement of Credit Losses on Financial Instruments*, which requires that entities use a new forward looking “expected loss” model that generally will result in the earlier recognition of allowance for credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently assessing the potential impact the adoption of ASU No. 2016-13 will have in our condensed consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which aligns the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions. ASU No. 2018-07 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently assessing the potential impact the adoption of ASU No. 2018-07 will have in our condensed consolidated financial statements.

Note 3. Revenue Recognition

We report hotel operating revenues for managed hotels in our condensed consolidated statements of comprehensive income. We generally recognize hotel operating revenues, consisting primarily of room and food and beverage sales, when goods and services are provided.

We report rental income for leased hotels and travel centers in our condensed consolidated statements of comprehensive income. We recognize rental income from operating leases on a straight line basis over the term of the lease agreements. Rental income includes \$3,144 and \$6,223 for the three and six months ended June 30, 2018, respectively, and \$3,113 and \$6,121 for the three and six months ended June 30, 2017, respectively, of adjustments necessary to record scheduled rent increases under certain of our leases, the deferred rent obligations payable to us under our leases with TravelCenters of America LLC, or TA, and the estimated future payments to us under our TA leases for the cost of removing underground storage tanks at our travel centers on a straight line basis. See Notes 8 and 10 for further information regarding our TA leases. Due from related persons includes \$60,249 and \$54,219 and other assets, net, includes \$2,885 and \$2,691 of straight line rent receivables at June 30, 2018 and December 31, 2017, respectively.

We determine percentage rent due to us under our leases annually and recognize it when all contingencies have been met and the rent is earned. We had deferred estimated percentage rent of \$950 and \$1,784 for the three and six months ended June 30, 2018, respectively, and \$346 and \$949 for the three and six months ended June 30, 2017, respectively.

HOSPITALITY PROPERTIES TRUST
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

We own all the FF&E reserve (as defined in Note 8) escrows for our hotels. We report deposits by our third party tenants into the escrow accounts as FF&E reserve income. We do not report the amounts which are escrowed as FF&E reserves for our managed hotels as FF&E reserve income.

Note 4. Weighted Average Common Shares

The following table provides a reconciliation of the weighted average number of common shares used in the calculation of basic and diluted earnings per share:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Weighted average common shares for basic earnings per share	164,205	164,123	164,202	164,121
Effect of dilutive securities: Unvested share awards	38	42	24	36
Weighted average common shares for diluted earnings per share	164,243	164,165	164,226	164,157

Note 5. Shareholders' Equity

Share Awards

On April 12, 2018 , in accordance with our Trustee compensation arrangements, and in connection with the election of one of our Managing Trustees, we granted 3,000 of our common shares, valued at \$25.07 per common share, the closing price of our common shares on The Nasdaq Stock Market LLC, or Nasdaq, on that day, to the Managing Trustee who was elected as a Managing Trustee that day.

On June 14, 2018 , in accordance with our Trustee compensation arrangements, we granted 3,000 of our common shares, valued at \$28.44 per common share, the closing price of our common shares on the Nasdaq on that day to each of our five Trustees as part of their annual compensation.

Share Purchases

On January 1, 2018 , we purchased an aggregate of 3,394 of our common shares for \$29.85 per common share, the closing price of our common shares on Nasdaq on December 29, 2017, from a former officer of The RMR Group LLC, or RMR LLC, in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of our common shares.

Distributions

On February 22, 2018 , we paid a regular quarterly distribution to our common shareholders of record on January 29, 2018 of \$0.52 per share, or \$85,460 . On May 17, 2018 , we paid a regular quarterly distribution to common shareholders of record on April 30, 2018 of \$0.53 per share, or \$87,105 . On July 19, 2018 , we declared a regular quarterly distribution to common shareholders of record on July 30, 2018 of \$0.53 per share, or \$87,113 . We expect to pay this amount on or about August 16, 2018 .

Cumulative Other Comprehensive Income (Loss)

Cumulative other comprehensive income (loss), as of June 30, 2018 , represents our share of the comprehensive loss of Affiliates Insurance Company, or AIC. See Note 10 for further information regarding this investment. The following table presents changes in the amounts we recognized in cumulative other comprehensive income (loss) by component for the three and six months ended June 30, 2018 :

HOSPITALITY PROPERTIES TRUST
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

Three Months Ended June 30, 2018

	Unrealized Gain (Loss) on Investment Securities, net	Equity in Unrealized Gain (loss) of Investees	Total
Balance at March 31, 2018	\$ —	\$ 550	\$ 550
Amounts reclassified from cumulative other comprehensive income to retained earnings	—	(841)	(841)
Current period other comprehensive income	—	10	10
Balance at June 30, 2018	\$ —	\$ (281)	\$ (281)

Six Months Ended June 30, 2018

	Unrealized Gain (Loss) on Investment Securities, net	Equity in Unrealized Gain (loss) of Investees	Total
Balance at December 31, 2017	\$ 78,715	\$ 643	\$ 79,358
Amounts reclassified from cumulative other comprehensive income to retained earnings	(78,715)	(841)	(79,556)
Current period other comprehensive loss	—	(83)	(83)
Balance at June 30, 2018	\$ —	\$ (281)	\$ (281)

Note 6. Indebtedness

Our principal debt obligations at June 30, 2018 were: (1) \$122,000 of outstanding borrowings under our \$1,000,000 unsecured revolving credit facility; (2) our \$400,000 unsecured term loan; and (3) \$3,650,000 aggregate outstanding principal amount of senior unsecured notes. Our revolving credit facility and our term loan are governed by a credit agreement with a syndicate of institutional lenders.

We have a \$1,000,000 revolving credit facility that is available for general business purposes, including acquisitions. Our revolving credit facility provides that we can borrow, repay and reborrow funds available under our revolving credit facility until maturity, and no principal repayment is due until maturity. On May 10, 2018, we amended and restated the credit agreement governing our revolving credit facility and our term loan. As a result of the amendment, the interest rate payable on borrowings under our revolving credit facility was reduced from a rate of LIBOR plus a premium of 110 basis points per annum to a rate of LIBOR plus a premium of 100 basis points per annum. The facility fee remained unchanged at 20 basis points per annum on the total amount of lending commitments under this facility. The interest rate premium and facility fee are each subject to adjustment based upon changes to our credit ratings. Also as a result of the amendment, the stated maturity date of this facility was extended from July 15, 2018 to July 15, 2022, and, subject to the payment of an extension fee and meeting certain other conditions, we have an option to further extend the maturity date of the facility for two additional six month periods. As a result of this amendment, we recognized a loss on early extinguishment of debt related to the revolving credit facility of \$90 during the three months ended June 30, 2018 to write off unamortized debt issuance costs.

As of June 30, 2018, the annual interest rate payable on borrowings under our revolving credit facility was 2.98%. The weighted average annual interest rate for borrowings under our revolving credit facility was 3.32% and 3.02% for the three and six months ended June 30, 2018, respectively, and 2.15% and 2.07% for the three and six months ended June 30, 2017, respectively. As of June 30, 2018, we had \$122,000 outstanding and \$878,000 available under our revolving credit facility. As of August 8, 2018, we had \$89,000 outstanding and \$911,000 available to borrow under our revolving credit facility.

As a result of the amendment to our credit agreement, the interest rate payable on borrowings under our term loan was reduced from a rate of LIBOR plus a premium of 120 basis points per annum to a rate of LIBOR plus a premium of 110 basis points per annum, subject to adjustment based upon changes to our credit ratings. Also as a result of the amendment, the stated maturity date of the term loan was extended from April 15, 2019 to July 15, 2023. Our term loan is prepayable without penalty at any time. As a result of this amendment, we recognized a loss on early extinguishment of debt related to the term loan of \$70 during the three months ended June 30, 2018 to write off unamortized debt issuance costs.

HOSPITALITY PROPERTIES TRUST
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

As of June 30, 2018, the annual interest rate for the amount outstanding under our term loan was 3.08%. The weighted average annual interest rate for borrowings under our term loan was 3.06% and 2.93% for the three and six months ended June 30, 2018, respectively, and 2.20% and 2.09% for the three and six months ended June 30, 2017, respectively.

Our credit agreement also includes a feature under which maximum aggregate borrowings may be increased to up to \$2,300,000 on a combined basis in certain circumstances. Our credit agreement and our unsecured senior notes indentures and their supplements provide for acceleration of payment of all amounts outstanding upon the occurrence and continuation of certain events of default, such as, in the case of our credit agreement, a change of control of us, which includes RMR LLC ceasing to act as our business manager. Our credit agreement and our unsecured senior notes indentures and their supplements also contain a number of covenants, including covenants that restrict our ability to incur debts or to make distributions under certain circumstances and generally require us to maintain certain financial ratios. We believe we were in compliance with the terms and conditions of our credit agreement and our unsecured senior notes indentures and their supplements at June 30, 2018.

On February 2, 2018, we issued \$400,000 principal amount of 4.375% senior notes due 2030 in a public offering. Net proceeds from this offering were \$386,400 after discounts and expenses.

Note 7. Real Estate Properties

At June 30, 2018, we owned 325 hotels and 199 travel centers.

During the six months ended June 30, 2018, we funded \$71,077 for improvements to certain of our properties which, pursuant to the terms of our management and lease agreements with our hotel managers and tenants, resulted in increases in our contractual annual minimum returns and rents of \$5,139. See Notes 8 and 10 for further information about our management and lease agreements and our fundings of improvements to certain of our properties.

Acquisitions

During the six months ended June 30, 2018, we acquired two hotels. We accounted for these transactions as acquisitions of assets. Our allocation of the purchase price of each of these acquisitions based on the estimated fair value of the acquired assets and assumed liabilities is presented in the table below.

Acquisition Date	Location	Purchase Price	Land	Land Improvements	Building and Improvements	Furniture, Fixtures and Equipment
6/15/2018	Minneapolis, MN ⁽¹⁾	75,438	\$ 2,192	\$ —	\$ 68,263	\$ 4,983
6/15/2018	Baton Rouge, LA ⁽²⁾	16,015	2,241	173	12,836	765
		<u>\$ 91,453</u>	<u>\$ 4,433</u>	<u>\$ 173</u>	<u>\$ 81,099</u>	<u>\$ 5,748</u>

(1) On June 15, 2018, we acquired the 360 room Radisson Blu® hotel in Minneapolis, MN for a purchase price of \$75,438, including capitalized acquisition costs of \$438. We added this hotel to our management agreement with Radisson Hospitality, Inc., or Radisson.

(2) On June 15, 2018, we acquired the 117 suite Staybridge Suites® at Louisiana State University in Baton Rouge, LA for a purchase price of \$16,015 including capitalized acquisition costs of \$265. We added this hotel to our management agreement with InterContinental Hotels Group, plc, or InterContinental.

See Note 8 for further information regarding our Radisson and InterContinental agreements.

Note 8. Hotel Management Agreements and Leases

As of June 30, 2018, we owned 325 hotels and 199 travel centers, which were included in 13 operating agreements. We do not operate any of our properties.

As of June 30, 2018, 323 of our hotels were leased to our TRSs and managed by independent hotel operating companies and two hotels were leased to third parties. As of June 30, 2018, our hotel properties were managed by or leased to separate subsidiaries of Marriott International, Inc., or Marriott, InterContinental, Sonesta International Hotels Corporation, or Sonesta, Wyndham Hotels & Resorts, Inc., or Wyndham, Hyatt Hotels Corporation, or Hyatt, and Radisson under eight agreements.

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These hotel agreements have initial terms expiring between 2019 and 2038. Each of these agreements is for between one and 100 of our hotels. In general, the agreements contain renewal options for all, but not less than all, of the affected properties included in each agreement, and the renewal terms range between 20 to 60 years. Most of these agreements require the third party manager or tenant to: (1) make payments to us of minimum returns or minimum rents; (2) deposit a percentage of total hotel sales into reserves established for the regular refurbishment of our hotels, or FF&E reserves; and (3) for our managed hotels, make payments to our TRSs of additional returns to the extent of available cash flows after payment of operating expenses, funding of the FF&E reserves, payment of our minimum returns, payment of certain management fees and replenishment of security deposits or guarantees. Some of our managers or tenants or their affiliates have provided deposits or guarantees to secure their obligations to pay us.

Marriott No. 1 agreement. Our management agreement with Marriott for 53 hotels, or our Marriott No. 1 agreement, provides that, as of June 30, 2018, we are to be paid an annual minimum return of \$69,317 to the extent that gross revenues of the hotels, after payment of hotel operating expenses and funding of the FF&E reserve, are sufficient to do so. Marriott's base and incentive management fees are only earned after we receive our minimum returns. We realized minimum returns of \$18,536 and \$17,222 during the three months ended June 30, 2018 and 2017, respectively, and minimum returns of \$34,619 and \$34,410 during the six months ended June 30, 2018 and 2017, respectively, under this agreement. We also realized additional returns of \$2,529 during both the three and six months ended June 30, 2018 and \$3,204 during both the three and six months ended June 30, 2017, which represent our share of hotel cash flows in excess of the minimum returns due to us for these periods. We do not have any security deposits or guarantees for our minimum returns from the 53 hotels included in our Marriott No. 1 agreement. Accordingly, the minimum returns we receive from these hotels managed by Marriott are limited to the hotels' available cash flows after payment of operating expenses and funding of the FF&E reserve.

We funded \$854 for capital improvements to certain of the hotels included in our Marriott No. 1 agreement during the six months ended June 30, 2018. We currently expect to fund approximately \$10,300 for capital improvements to certain hotels under our Marriott No. 1 agreement during the last six months of 2018. As we fund these improvements, the annual minimum returns payable to us increase by 10% of the amounts funded.

Marriott No. 234 agreement. Our management agreement with Marriott for 68 hotels, or our Marriott No. 234 agreement, provides that, as of June 30, 2018, we are to be paid an annual minimum return of \$106,869. We realized minimum returns of \$26,717 and \$26,590 during the three months ended June 30, 2018 and 2017, respectively, and \$53,427 and \$53,180 during the six months ended June 30, 2018 and 2017, respectively, under this agreement. Pursuant to our Marriott No. 234 agreement, Marriott has provided us with a security deposit to cover minimum return payment shortfalls, if any. Under this agreement, this security deposit may be replenished and increased up to \$64,700 from a share of hotel cash flows in excess of the minimum returns due to us. Marriott's base and incentive management fees are only earned after we receive our minimum returns. During the six months ended June 30, 2018, our available security deposit was replenished by \$4,985 from a share of hotel cash flows in excess of the minimum returns due to us during the period. The available balance of this security deposit was \$30,956 as of June 30, 2018. Pursuant to our Marriott No. 234 agreement, Marriott has also provided us with a limited guarantee which expires in 2019 for shortfalls up to 90% of our minimum returns, if and after the available security deposit has been depleted. The available balance of the guarantee was \$30,672 as of June 30, 2018.

We funded \$3,680 for capital improvements to certain of the hotels included in our Marriott No. 234 agreement during the six months ended June 30, 2018. We currently expect to fund approximately \$5,600 for capital improvements to certain hotels under our Marriott No. 234 agreement during the last six months of 2018. As we fund these improvements, the annual minimum returns payable to us increase by 9% of the amounts funded.

Marriott No. 5 agreement. We lease one hotel in Kauai, HI to Marriott which requires that, as of June 30, 2018, we are paid annual minimum rents of \$10,321. This lease is guaranteed by Marriott and we realized \$2,580 and \$2,540 of rent for this hotel during the three months ended June 30, 2018 and 2017, respectively, and \$5,160 and \$5,080 during the six months ended June 30, 2018 and 2017, respectively. The guarantee provided by Marriott with respect to this leased hotel is unlimited. Marriott has four renewal options for 15 years each. On August 31, 2016, Marriott notified us that it will not exercise its renewal option at the expiration of the current lease term ending on December 31, 2019.

InterContinental agreement. Our management agreement with InterContinental for 100 hotels, or our InterContinental agreement, provides that, as of June 30, 2018, we are to be paid annual minimum returns and rents of \$190,521. We realized minimum returns and rents of \$47,371 and \$43,637 during the three months ended June 30, 2018 and 2017, respectively, and \$94,686 and \$85,245 during the six months ended June 30, 2018 and 2017, respectively, under this agreement. We also realized

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additional returns under this agreement of \$1,720 and \$3,261 during the three months ended June 30, 2018 and 2017, respectively, and \$1,720 and \$3,572 during the six months ended June 30, 2018 and 2017, respectively, from our share of hotel cash flows in excess of the minimum returns and rents due to us for that period.

Pursuant to our InterContinental agreement, InterContinental has provided us with a security deposit to cover minimum payment shortfalls, if any. Under this agreement, InterContinental is required to maintain a minimum security deposit of \$37,000 and this security deposit may be replenished and increased up to \$100,000 from a share of future cash flows from the hotels in excess of our minimum returns and rents. During the three months ended June 30, 2018, the available security deposit was replenished by \$5,868 from the hotels' cash flows in excess of the minimum returns due to us for the period. The available balance of the InterContinental security deposit was at the maximum contractual amount of \$100,000 as of June 30, 2018.

We did not fund any capital improvements to our InterContinental hotels during the six months ended June 30, 2018. We currently expect to fund approximately \$52,000 during the last six months of 2018 and approximately \$42,500 during 2019 for capital improvements to certain hotels under our InterContinental agreement. As we fund these improvements, the annual minimum returns and rents payable to us increase by 8% of the amounts funded.

Sonesta agreement. As of June 30, 2018, Sonesta managed 11 of our full service hotels and 39 of our limited service hotels pursuant to management agreements for each of the hotels, which we refer to collectively as our Sonesta agreement, and a pooling agreement, which combines those management agreements for purposes of calculating gross revenues, payment of hotel operating expenses, payment of fees and distributions and minimum returns due to us.

Our Sonesta agreement provides that we are paid a fixed annual minimum return equal to 8% of our invested capital, as defined therein, which was \$121,451 as of June 30, 2018, if gross revenues of the hotels, after payment of hotel operating expenses and management and related fees (other than Sonesta's incentive fee, if applicable), are sufficient to do so. Our Sonesta agreement further provides that we are paid an additional return based upon operating profits, as defined therein, after payment of Sonesta's incentive fee, if applicable. We do not have any security deposits or guarantees for our hotels managed by Sonesta. Accordingly, the returns we receive from our hotels managed by Sonesta are limited to the hotels' available cash flows after payment of operating expenses, including management and related fees. We realized returns of \$27,902 and \$24,405 during the three months ended June 30, 2018 and 2017, respectively, and \$39,874 and \$35,067 during the six months ended June 30, 2018 and 2017, respectively, under our Sonesta agreement.

Pursuant to our Sonesta agreement, we recognized management, reservation and system fees and reimbursement costs for certain guest loyalty, marketing program and third party reservation transmission fees payable to Sonesta of \$9,483 and \$7,558 for the three months ended June 30, 2018 and 2017, respectively, and \$16,808 and \$13,287 for the six months ended June 30, 2018 and 2017, respectively. In addition, we recognized procurement and construction supervision fees payable to Sonesta of \$789 and \$113 for the three months ended June 30, 2018 and 2017, respectively, and \$1,194 and \$194 for the six months ended June 30, 2018 and 2017, respectively, pursuant to our Sonesta agreement. These amounts are included in hotel operating expenses or have been capitalized, as appropriate, in our condensed consolidated financial statements.

Our Sonesta agreement does not require FF&E escrow deposits, but does require us to fund capital expenditures that we approve at our hotels managed by Sonesta. We funded \$36,875 for renovations and other capital improvements to certain hotels included in our Sonesta agreement during the six months ended June 30, 2018, which resulted in increases in our contractual annual minimum returns of \$2,218. We currently expect to fund approximately \$63,100 during the last six months of 2018 and approximately \$72,200 during 2019 for renovations and other capital improvements to certain of our hotels managed by Sonesta, including The Clift Hotel, which was added to our Sonesta agreement on May 8, 2018. We previously leased The Clift Hotel, which is located in San Francisco, CA, to a subsidiary of Morgans Hotel Group, or Morgans. On May 8, 2018, pursuant to a settlement agreement with Morgans and SBE Entertainment Group, LLC, or SBE, our Morgans lease was terminated and Morgans surrendered possession of the hotel to us. We rebranded this hotel to the Royal Sonesta® brand and added it to our management agreement with Sonesta. The terms of the management agreement are consistent with the terms of our other management agreements with Sonesta for full service hotels. The annual minimum returns due to us under the Sonesta agreement increase by 8% of the capital expenditure amounts we fund in excess of threshold amounts, as defined therein. We owed Sonesta \$8,979 and \$2,438 for capital expenditure and other reimbursements at June 30, 2018 and 2017, respectively. Amounts due from Sonesta are included in due from related persons and amounts owed to Sonesta are included in due to related persons in our condensed consolidated balance sheets.

See Note 10 for further information regarding our relationship with Sonesta.

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Morgans agreement. Prior to May 8, 2018, we leased The Clift Hotel in San Francisco, CA to Morgans. This lease was scheduled to expire in 2103 and required annual rent to us of \$7,595. During the period of April 1, 2018 through May 8, 2018, all contractual rent due to us under the Morgans lease was paid to us. As noted above, this lease was terminated on May 8, 2018. See above for further information regarding this lease and The Clift Hotel.

Wyndham agreements. Our management agreement with Wyndham for 22 hotels, or our Wyndham agreement, provides that, as of June 30, 2018, we are to be paid annual minimum returns of \$27,614. Pursuant to our Wyndham agreement, Wyndham has provided us with a guarantee, which was limited to \$35,656, subject to an annual payment limit of \$17,828, and expires on July 28, 2020. This guarantee was depleted during 2017 and may be replenished from a share of future cash flows from these hotels in excess of our minimum returns. We also lease 48 vacation units in one of our hotels to a subsidiary of Wyndham Destinations, Inc. (NYSE: WYND), or Destinations, which requires that, as of June 30, 2018, we are paid annual minimum rents of \$1,449. The guaranty provided by Destinations with respect to the Destinations lease for part of one hotel is unlimited. The Wyndham agreement provides that if the hotel cash flows available after payment of hotel operating expenses are less than the minimum returns due to us and if the guaranty is depleted, to avoid a default Wyndham is required to pay us the greater of the available hotel cash flows after payment of hotel operating expenses and 85% of the contractual amount due to us. During the three and six months ended June 30, 2018, we realized returns of \$5,862 and \$11,719, respectively, which represents 85% of the minimum returns due for the period, under this agreement. During the three and six months ended June 30, 2017, we realized returns of \$6,841 and \$13,642, respectively, under this agreement. We recognized the contractual rents of \$454 during the three months ended June 30, 2018 and 2017 and \$908 during the six months ended June 30, 2018 and 2017 under our Destinations lease agreement. Our lease with Destinations for 48 vacation units is subject to termination in the event of a manager default under our Wyndham agreement. Rental income for the three months ended June 30, 2018 and 2017 for this lease includes \$91 and \$102, respectively, and \$182 and \$204 for the six months ended June 30, 2018 and 2017, respectively, of adjustments necessary to record rent on a straight line basis.

Our Wyndham agreement requires FF&E escrow deposits equal to 5% of total hotel sales for all hotels included in the agreement subject to available cash flows after payment of our minimum return. No FF&E escrow deposits were made during the six months ended June 30, 2018.

We funded \$660 for capital improvements to certain of the hotels included in our Wyndham agreement during the six months ended June 30, 2018. We currently expect to fund approximately \$8,300 for capital improvements to certain hotels under our Wyndham agreement during the last six months of 2018. As we fund these improvements, the annual minimum returns payable to us increase by 8% of the amounts funded.

Hyatt agreement. Our management agreement with Hyatt for 22 hotels, or our Hyatt agreement, provides that, as of June 30, 2018, we are to be paid an annual minimum return of \$22,037. We realized minimum returns of \$5,509 during each of the three months ended June 30, 2018 and 2017 and minimum returns of \$11,019 during each of the six months ended June 30, 2018 and 2017 under this agreement. Pursuant to our Hyatt agreement, Hyatt has provided us with a guarantee, which is limited to \$50,000. During the six months ended June 30, 2018, the available guarantee was replenished by \$2,714 from a share of hotel cash flows in excess of the minimum returns due to us. The available balance of the guarantee was \$23,820 as of June 30, 2018.

Radisson agreement. Our management agreement with Radisson for nine hotels, or our Radisson agreement, provides that, as of June 30, 2018, we are to be paid an annual minimum return of \$18,920. We realized minimum returns of \$3,493 and \$3,230 during the three months ended June 30, 2018 and 2017, respectively, and \$6,723 and \$6,460 during the six months ended June 30, 2018 and 2017, respectively, under this agreement. In connection with our acquisition of the Radisson Blu[®] hotel described in Note 7, the available balance of the guaranty under our Radisson agreement was increased by \$6,000 and the guaranty cap was increased to \$46,000. During the six months ended June 30, 2018, our available guarantee was replenished by \$2,597 from a share of hotel cash flows in excess of the minimum returns due to us. The available balance of the guarantee was \$41,961 as of June 30, 2018.

We did not fund any capital improvement costs at hotels included in our Radisson agreement during the six months ended June 30, 2018. We currently expect to fund approximately \$6,100 during the last six months of 2018 and approximately \$28,900 during 2019 for capital improvements to certain hotels under our Radisson agreement. Our annual minimum returns, the available balance of the guaranty and the limited guaranty cap under our Radisson agreement will increase by 8% of any amounts we fund.

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TA leases. As of June 30, 2018 , we leased to TA a total of 199 travel centers under five leases.

We recognized rental income from TA of \$74,468 and \$72,616 for the three months ended June 30, 2018 and 2017 , respectively, and \$148,661 and \$144,141 for the six months ended June 30, 2018 and 2017 , respectively. Rental income for the three months ended June 30, 2018 and 2017 includes \$3,046 and \$3,007 , respectively, and \$6,029 and \$5,919 for the six months ended June 30, 2018 and 2017 , respectively, of adjustments to record the deferred rent obligations under our TA leases and the estimated future payments to us by TA for the cost of removing underground storage tanks on a straight line basis. As of June 30, 2018 and December 31, 2017 , we had receivables for current rent amounts owed to us by TA and straight line rent adjustments of \$84,786 and \$78,513 , respectively. These amounts are included in due from related persons in our condensed consolidated balance sheets.

Our TA leases do not require FF&E escrow deposits. However, TA is required to maintain the leased travel centers, including structural and non-structural components.

Under our TA leases, TA may request that we fund capital improvements in return for increases in TA's annual minimum rent equal to 8.5% of the amounts funded. We funded \$28,836 and \$50,403 for the six months ended June 30, 2018 and 2017 , respectively, of capital improvements to our TA leases. As a result, TA's annual minimum rent payable to us increased by \$2,451 and \$4,284 , respectively. We currently expect to fund approximately \$22,800 for renovations and other capital improvements to our travel centers during the last six months of 2018 . TA is not obligated to request and we are not obligated to fund any such improvements.

In addition to the rental income that we recognized during the three months ended June 30, 2018 and 2017 as described above, our TA leases require TA to pay us percentage rent based upon increases in certain sales. We determine percentage rent due under our TA leases annually and recognize any resulting amount as rental income when all contingencies are met. We had aggregate deferred percentage rent under our TA leases of \$861 and \$346 for the three months ended June 30, 2018 and 2017 , respectively, and \$1,696 and \$949 for the six months ended June 30, 2018 and 2017 , respectively.

See Note 10 for further information regarding our relationship with TA.

Guarantees and security deposits generally. When we reduce the amounts of the security deposits we hold for payment deficiencies at our managed and leased hotels, we record income equal to the amounts by which this deposit is reduced up to the minimum return or minimum rent due to us. However, reducing the security deposits does not result in additional cash flows to us of the deficiency amounts, but reducing amounts of security deposits may reduce the refunds due to the respective tenants or managers who have provided us with these deposits upon expiration of the respective lease or management agreement. The security deposits are non-interest bearing and are not held in escrow. Under these agreements, any amount of the security deposits which are applied to payment deficits may be replenished from a share of future cash flows from the applicable hotel operations pursuant to the terms of the respective agreements.

Certain of our managed hotel portfolios had net operating results that were, in the aggregate, \$1,434 less than the minimum returns due to us for the three months ended June 30, 2018 and \$22,113 and \$14,299 less than the minimum returns due to us for the six months ended June 30, 2018 and 2017 , respectively. The net operating results of our managed hotel portfolios exceeded, in the aggregate, the minimum returns due to us for the three months ended June 30, 2017. When managers of these hotels are required to fund the shortfalls under the terms of our management agreements or their guarantees, we reflect such fundings (including security deposit applications) in our condensed consolidated statements of comprehensive income as a reduction of hotel operating expenses. There was no reduction to hotel operating expenses for the three months ended June 30, 2018 and 2017 and there were reductions of \$3,278 and \$3,716 for the six months ended June 30, 2018 and 2017 , respectively. We had shortfalls at certain of our managed hotel portfolios not funded by the managers of these hotels under the terms of our management agreements of \$2,284 and \$18,835 for the three and six months ended June 30, 2018 , respectively, which represent the unguaranteed portions of our minimum returns from our Sonesta and Wyndham agreements. We had shortfalls at certain of our managed hotel portfolios not funded by the managers of these hotels under the terms of our management agreements of \$10,583 for the six months ended June 30, 2017 , which represents the unguaranteed portion of our minimum returns from Sonesta. We had no shortfalls during the three months ended June 30, 2017 .

Certain of our managed hotel portfolios had net operating results that were, in the aggregate, \$32,512 and \$36,559 more than the minimum returns due to us for the three months ended June 30, 2018 and 2017 , respectively, and \$26,879 and \$36,724 more than the minimum returns due to us for the six months ended June 30, 2018 and 2017 , respectively. Certain of our guarantees and our security deposits may be replenished by a share of future cash flows from the applicable hotel operations in

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excess of the minimum returns due to us pursuant to the terms of the respective agreements. When our guarantees and our security deposits are replenished by cash flows from hotel operations, we reflect such replenishments in our condensed consolidated statements of comprehensive income as an increase to hotel operating expenses. We had \$16,593 and \$14,682 of guarantee and security deposit replenishments for the three months ended June 30, 2018 and 2017, respectively, and \$10,295 and \$13,240 of guarantee and security deposit replenishments for the six months ended June 30, 2018 and 2017, respectively.

Note 9. Business and Property Management Agreements with RMR LLC

We have no employees. The personnel and various services we require to operate our business are provided to us by RMR LLC. We have two agreements with RMR LLC to provide management services to us: (1) a business management agreement, which relates to our business generally, and (2) a property management agreement, which relates to our property level operations of the office building component of one of our hotels.

Pursuant to our business management agreement with RMR LLC, we recognized net business management fees of \$9,894 and \$27,892 for the three months ended June 30, 2018 and 2017, respectively, and \$19,618 and \$57,661 for the six months ended June 30, 2018 and 2017, respectively. Based on our common share total return, as defined in our business management agreement, as of June 30, 2018, no 2018 incentive fees are included in the net business management fees we recognized for the three and six months ended June 30, 2018. The actual amount of annual incentive fees for 2018, if any, will be based on our common share total return, as defined in our business management agreement, for the three year period ending December 31, 2018, and will be payable in 2019. The net business management fees we recognized for the three and six months ended June 30, 2017 included \$17,750 and \$37,370, respectively, of then estimated 2017 incentive fees; in January 2018, we paid RMR LLC an incentive fee of \$74,573 for 2017. These amounts are included in general and administrative expenses in our condensed consolidated statements of comprehensive income.

Pursuant to our property management agreement with RMR LLC, we recognized property management fees of \$12 and \$10 for the three months ended June 30, 2018 and 2017, respectively, and \$25 and \$21 for the six months ended June 30, 2018 and 2017, respectively. These fees are payable in connection with the management of the office building component of one of our hotels. These amounts are included in hotel operating expenses in our condensed consolidated statements of comprehensive income.

We are generally responsible for all of our operating expenses, including certain expenses incurred by RMR LLC on our behalf. We reimbursed RMR LLC \$45 for property management related expenses related to the office building component of one of our hotels for the three months ended June 30, 2018 and 2017 and \$111 and \$91 for the six months ended June 30, 2018 and 2017, respectively, which amounts are included in hotel operating expenses in our condensed consolidated statements of comprehensive income. In addition, we are responsible for our share of RMR LLC's costs for providing our internal audit function. The amounts recognized as expense for internal audit costs were \$54 and \$67 for the three months ended June 30, 2018 and 2017, respectively, and \$124 and \$135 for the six months ended June 30, 2018 and 2017, respectively. These amounts are included in general and administrative expenses in our condensed consolidated statements of comprehensive income for these periods.

Note 10. Related Person Transactions

We have relationships and historical and continuing transactions with TA, Sonesta, RMR LLC, The RMR Group Inc., or RMR Inc., AIC and others related to them, including other companies to which RMR LLC or its subsidiaries provide management services and which have trustees, directors and officers who are also our Trustees or officers.

TA. TA is our largest tenant and property operator, leasing 34% of our gross carrying value of real estate properties as of June 30, 2018. We lease all of our travel centers to TA under the TA leases. We are also TA's largest shareholder; as of June 30, 2018, we owned 3,420,000 common shares of TA, representing approximately 8.6% of TA's outstanding common shares. RMR LLC provides management services to both us and TA, and Adam D. Portnoy, one of our Managing Trustees, also serves as a managing director of TA. See Note 8 for further information regarding our relationships, agreements and transactions with TA and Note 13 for further information regarding our investment in TA.

Sonesta. Sonesta is a private company owned in part by Adam D. Portnoy, one of our Managing Trustees. As of June 30, 2018, Sonesta managed 50 of our hotels pursuant to management and pooling agreements. See Note 8 for further information regarding our relationships, agreements and transactions with Sonesta.

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Our Manager, RMR LLC. We have two agreements with RMR LLC to provide management services to us. See Note 9 for further information regarding our management agreements with RMR LLC.

RMR Inc. RMR LLC is a majority owned subsidiary of RMR Inc. and RMR Inc. is the managing member of RMR LLC. Adam D. Portnoy, one of our Managing Trustees, is the sole trustee, an officer and the controlling shareholder of ABP Trust, which is the controlling shareholder of RMR Inc., and a managing director, president and chief executive officer of RMR Inc. and an officer of RMR LLC. John G. Murray, our other Managing Trustee and our President and Chief Executive Officer, also serves as an executive officer of RMR LLC. Other officers of RMR LLC also serve as our officers. As of June 30, 2018, we owned 2,503,777 shares of class A common stock of RMR Inc. See Note 13 for further information regarding our investment in RMR Inc.

AIC. We, ABP Trust, TA and four other companies to which RMR LLC provides management services currently own AIC in equal amounts. We and the other AIC shareholders participate in a combined property insurance program arranged and reinsured in part by AIC. We currently expect to pay, as of June 30, 2018, aggregate annual premiums, including taxes and fees, of approximately \$5,738 in connection with this insurance program for the policy year ending June 30, 2019, which amount may be adjusted from time to time as we acquire and dispose of properties that are included in this insurance program.

As of June 30, 2018 and December 31, 2017, our investment in AIC had a carrying value of \$8,160 and \$8,192, respectively. These amounts are included in other assets in our condensed consolidated balance sheets. We recognized income related to our investment in AIC, which is presented as equity in earnings of an investee in our condensed consolidated statements of comprehensive income. Our other comprehensive income includes our proportionate part of unrealized gains and (losses) on securities that are owned by AIC related to our investment in AIC.

For further information about these and certain other such relationships and certain other related person transactions, refer to our 2017 Annual Report.

Note 11. Income Taxes

We have elected to be taxed as a real estate investment trust, or REIT, under the United States Internal Revenue Code of 1986, as amended, or the IRC, and, as such, are generally not subject to federal and most state income taxation on our operating income provided we distribute our taxable income to our shareholders and meet certain organization and operating requirements. We are subject to income tax in Canada, Puerto Rico and certain states despite our qualification for taxation as a REIT. Further, we lease our managed hotels to our wholly owned TRSs that, unlike most of our subsidiaries, file a separate consolidated tax return and are subject to federal, state and foreign income taxes. Our consolidated income tax provision includes the income tax provision related to the operations of our TRSs and certain state and foreign income taxes incurred by us despite our qualification for taxation as a REIT.

During the three and six months ended June 30, 2018, we recognized income tax expense of \$771 and \$1,242, respectively, which includes \$211 and \$340, respectively, of foreign taxes and \$560 and \$902, respectively, of state taxes. During the three and six months ended June 30, 2017, we recognized income tax expense of \$786 and \$1,142, respectively, which includes \$246 and \$361, respectively, of foreign taxes, \$25 and \$36, respectively, of federal taxes and \$515 and \$745, respectively, of state taxes.

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Note 12. Segment Information

We aggregate our hotels and travel centers into two reportable segments, hotel investments and travel center investments, based on their similar operating and economic characteristics.

	For the Three Months Ended June 30, 2018			
	Hotels	Travel Centers	Corporate	Consolidated
Revenues:				
Hotel operating revenues	\$ 529,599	\$ —	\$ —	\$ 529,599
Rental income	6,550	74,468	—	81,018
FF&E reserve income	1,334	—	—	1,334
Total revenues	537,483	74,468	—	611,951
Expenses:				
Hotel operating expenses	374,081	—	—	374,081
Depreciation and amortization	62,953	36,731	—	99,684
General and administrative	—	—	13,121	13,121
Total expenses	437,034	36,731	13,121	486,886
Operating income (loss)	100,449	37,737	(13,121)	125,065
Dividend income	—	—	626	626
Unrealized gains and losses on equity securities, net	—	—	20,940	20,940
Interest income	—	—	323	323
Interest expense	—	—	(48,741)	(48,741)
Loss on early extinguishment of debt	—	—	(160)	(160)
Income (loss) before income taxes and equity in earnings of an investee	100,449	37,737	(40,133)	98,053
Income tax expense	—	—	(771)	(771)
Equity in earnings of an investee	—	—	7	7
Net income (loss)	\$ 100,449	\$ 37,737	\$ (40,897)	\$ 97,289

	For the Six Months Ended June 30, 2018			
	Hotels	Travel Centers	Corporate	Consolidated
Revenues:				
Hotel operating revenues	\$ 974,875	\$ —	\$ —	\$ 974,875
Rental income	14,350	148,661	—	163,011
FF&E reserve income	2,698	—	—	2,698
Total revenues	991,923	148,661	—	1,140,584
Expenses:				
Hotel operating expenses	689,063	—	—	689,063
Depreciation and amortization	125,399	73,902	—	199,301
General and administrative	—	—	24,855	24,855
Total expenses	814,462	73,902	24,855	913,219
Operating income (loss)	177,461	74,759	(24,855)	227,365
Dividend income	—	—	1,252	1,252
Unrealized gains and losses on equity securities, net	—	—	45,895	45,895
Interest income	—	—	615	615
Interest expense	—	—	(96,281)	(96,281)
Loss on early extinguishment of debt	—	—	(160)	(160)

Income (loss) before income taxes and equity in earnings of an investee	177,461	74,759	(73,534)	178,686
Income tax expense	—	—	(1,242)	(1,242)
Equity in earnings of an investee	—	—	51	51
Net income (loss)	<u>\$ 177,461</u>	<u>\$ 74,759</u>	<u>\$ (74,725)</u>	<u>\$ 177,495</u>

As of June 30, 2018

	Hotels	Travel Centers	Corporate	Consolidated
Total assets	<u>\$ 4,542,777</u>	<u>\$ 2,436,855</u>	<u>\$ 245,730</u>	<u>\$ 7,225,362</u>

HOSPITALITY PROPERTIES TRUST
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

For the Three Months Ended June 30, 2017				
	Hotels	Travel Centers	Corporate	Consolidated
Revenues:				
Hotel operating revenues	\$ 489,209	\$ —	\$ —	\$ 489,209
Rental income	7,623	72,616	—	80,239
FF&E reserve income	1,155	—	—	1,155
Total revenues	497,987	72,616	—	570,603
Expenses:				
Hotel operating expenses	339,549	—	—	339,549
Depreciation and amortization	59,403	35,752	—	95,155
General and administrative	—	—	30,347	30,347
Total expenses	398,952	35,752	30,347	465,051
Operating income (loss)	99,035	36,864	(30,347)	105,552
Dividend income	—	—	626	626
Interest income	—	—	122	122
Interest expense	—	—	(45,189)	(45,189)
Income (loss) before income taxes and equity in earnings of an investee	99,035	36,864	(74,788)	61,111
Income tax expense	—	—	(786)	(786)
Equity in earnings of an investee	—	—	374	374
Net income (loss)	\$ 99,035	\$ 36,864	\$ (75,200)	\$ 60,699
For the Six Months Ended June 30, 2017				
	Hotels	Travel Centers	Corporate	Consolidated
Revenues:				
Hotel operating revenues	\$ 897,445	\$ —	\$ —	\$ 897,445
Rental income	15,237	144,141	—	159,378
FF&E reserve income	2,382	—	—	2,382
Total revenues	915,064	144,141	—	1,059,205
Expenses:				
Hotel operating expenses	622,272	—	—	622,272
Depreciation and amortization	117,506	71,100	—	188,606
General and administrative	—	—	62,693	62,693
Total expenses	739,778	71,100	62,693	873,571
Operating income (loss)	175,286	73,041	(62,693)	185,634
Dividend income	—	—	1,252	1,252
Interest income	—	—	379	379
Interest expense	—	—	(88,755)	(88,755)
Income (loss) before income taxes and equity in earnings of an investee	175,286	73,041	(149,817)	98,510
Income tax expense	—	—	(1,142)	(1,142)
Equity in earnings of an investee	—	—	502	502
Net income (loss)	\$ 175,286	\$ 73,041	\$ (150,457)	\$ 97,870
As of December 31, 2017				
	Hotels	Travel Centers	Corporate	Consolidated

Total assets	\$ 4,477,512	\$ 2,476,073	\$ 196,800	\$ 7,150,385
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HOSPITALITY PROPERTIES TRUST
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

Note 13. Fair Value of Assets and Liabilities

The table below presents certain of our assets carried at fair value at June 30, 2018, categorized by the level of inputs, as defined in the fair value hierarchy under GAAP, used in the valuation of each asset.

		Fair Value at June 30, 2018 Using			
		Quoted Prices in		Significant Other	Significant
	Carrying Value at	Active Markets for		Observable Inputs	Unobservable Inputs
Description	June 30, 2018	Identical Assets		(Level 2)	(Level 3)
(Level 1)					
(Level 2)					
(Level 3)					
Recurring Fair Value Measurement Assets:					
Investment in TA ⁽¹⁾	\$ 11,970	\$ 11,970	\$ —	\$ —	\$ —
Investment in RMR Inc. ⁽²⁾	\$ 196,421	\$ 196,421	\$ —	\$ —	\$ —

(1) Our 3,420,000 common shares of TA, which are included in other assets in our condensed consolidated balance sheets, are reported at fair value which is based on quoted market prices (Level 1 inputs). Our historical cost basis for these shares is \$17,407 as of June 30, 2018. During the three and six months ended June 30, 2018, we recorded unrealized losses of \$342 and \$2,052, respectively, to adjust the carrying value of our investment in TA shares to their fair value as of June 30, 2018.

(2) Our 2,503,777 shares of class A common stock of RMR Inc., which are included in other assets in our condensed consolidated balance sheets, are reported at fair value which is based on quoted market prices (Level 1 inputs). Our historical cost basis for these shares is \$66,374 as of June 30, 2018. During the three and six months ended June 30, 2018, we recorded unrealized gains of \$21,282 and \$47,947, respectively, to adjust the carrying value of our investment in RMR Inc. shares to their fair value as of June 30, 2018.

In addition to the investment securities included in the table above, our financial instruments include our cash and cash equivalents, restricted cash, rents receivable, revolving credit facility, term loan, senior notes and security deposits. At June 30, 2018 and December 31, 2017, the fair values of these additional financial instruments approximated their carrying values in our condensed consolidated balance sheets due to their short term nature or variable interest rates, except as follows:

	June 30, 2018		December 31, 2017	
	Carrying Value ⁽¹⁾	Fair Value	Carrying Value ⁽¹⁾	Fair Value
Senior Unsecured Notes, due 2021 at 4.25%	\$ 396,218	\$ 404,978	\$ 395,497	\$ 413,676
Senior Unsecured Notes, due 2022 at 5.00%	495,004	516,013	494,398	533,908
Senior Unsecured Notes, due 2023 at 4.50%	499,186	504,185	499,104	523,275
Senior Unsecured Notes, due 2024 at 4.65%	347,687	350,730	347,484	368,804
Senior Unsecured Notes, due 2025 at 4.50%	345,399	342,886	345,055	363,589
Senior Unsecured Notes, due 2026 at 5.25%	341,391	357,082	340,826	377,431
Senior Unsecured Notes, due 2027 at 4.95%	393,514	396,806	393,137	422,914
Senior Unsecured Notes, due 2028 at 3.95%	389,035	364,276	388,461	390,930
Senior Unsecured Notes, due 2030 at 4.375%	386,822	370,932	—	—
Total financial liabilities	\$ 3,594,256	\$ 3,607,888	\$ 3,203,962	\$ 3,394,527

(1) Carrying value includes unamortized discounts and premiums and issuance costs.

At June 30, 2018 and December 31, 2017, we estimated the fair values of our senior notes using an average of the bid and ask price of our then outstanding issuances of senior notes (Level 2 inputs).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our 2017 Annual Report.

Overview (dollar amounts in thousands, except share amounts)

We are a REIT organized under the laws of the State of Maryland.

Management agreements and leases . At June 30, 2018 , we owned 325 hotels operated under eight agreements; 323 of these hotels are leased by us to our wholly owned TRSs and managed by hotel operating companies and two are leased to hotel operating companies. At June 30, 2018 , our 199 owned travel centers were leased to TA under five agreements. Our condensed consolidated statements of comprehensive income include operating revenues and expenses of our managed hotels and rental income from our leased hotels and travel centers.

Many of our operating agreements contain security features, such as guarantees and security deposits, which are intended to protect minimum returns and rents due to us in accordance with our agreements regardless of property performance. However, the effectiveness of various security features to provide us uninterrupted receipt of minimum returns and rents is not assured, especially if economic conditions generally decline for a prolonged period. Also, certain of the guarantees that we hold are limited in amount and duration and do not provide for payment of the entire amount of the applicable minimum returns. If our tenants, managers or guarantors do not earn or pay the minimum returns and rents due to us, our cash flows will decline and we may be unable to repay our debt, fund our debt service obligations, pay distributions to our shareholders or the amounts of our distributions may decline.

Hotel operations . During the three and six months ended June 30, 2018 , the U.S. hotel industry generally realized increases in occupancy, average daily rate, or ADR, and revenue per available room, or RevPAR, compared to the same period in 2017 . During the three months ended June 30, 2018 , our 305 comparable hotels that we owned continuously since April 1, 2017 produced aggregate year over year increases in ADR and RevPar below the industry generally and a decline in occupancy. During the six months ended June 30, 2018 , our 303 comparable hotels that we owned continuously since January 1, 2017 produced aggregate year over year increases in ADR and RevPAR below the industry generally and a decline in occupancy. We believe these results are, in part, due to the disruption and displacement at certain of our hotels undergoing renovations, increased competition from new hotel room supply in certain markets and decreased business activity in areas where some of our hotels are located.

For the three months ended June 30, 2018 compared to the same period in 2017 for our 305 comparable hotels that we have owned continuously since April 1, 2017 : ADR increased 2.5% to \$132.89 ; occupancy decreased 0.4 percentage points to 79.7% ; and RevPAR increased 2.0% to \$105.91 .

For the three months ended June 30, 2018 compared to the same period in 2017 for all our 325 hotels: ADR increased 2.4% to \$132.78 ; occupancy decreased 2.0 percentage points to 78.0% ; and RevPAR decreased 0.1% to \$103.57 .

For the six months ended June 30, 2018 compared to the same period in 2017 for our 303 comparable hotels that we have owned continuously since January 1, 2017 : ADR increased 2.1% to \$129.79 ; occupancy decreased 0.2 percentage points to 75.6% ; and RevPAR increased 1.9% to \$98.12 .

For the six months ended June 30, 2018 compared to the same period in 2017 for all our 325 hotels: ADR increased 2.2% to \$130.52 ; occupancy decreased 1.4 percentage points to 74.2% ; and RevPAR increased 0.3% to \$96.85 .

Additional details of our hotel operating agreements and agreements with TA are set forth in Notes 8 and 10 to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q and in the table and notes thereto on pages 31 through 33 below.

Results of Operations (dollar amounts in thousands, except share amounts)

Three Months Ended June 30, 2018 Compared to the Three Months Ended June 30, 2017

	For the Three Months Ended June 30,			
	2018	2017	Increase (Decrease)	% Increase (Decrease)
Revenues:				
Hotel operating revenues	\$ 529,599	\$ 489,209	\$ 40,390	8.3 %
Rental income - hotels	6,550	7,623	(1,073)	(14.1)%
Rental income - travel centers	74,468	72,616	1,852	2.6 %
Total rental income	81,018	80,239	779	1.0 %
FF&E reserve income	1,334	1,155	179	15.5 %
Expenses:				
Hotel operating expenses	374,081	339,549	34,532	10.2 %
Depreciation and amortization - hotels	62,953	59,403	3,550	6.0 %
Depreciation and amortization - travel centers	36,731	35,752	979	2.7 %
Total depreciation and amortization	99,684	95,155	4,529	4.8 %
General and administrative	13,121	30,347	(17,226)	(56.8)%
Operating income	125,065	105,552	19,513	18.5 %
Dividend income	626	626	—	—
Unrealized gains and losses on equity securities, net	20,940	—	20,940	—
Interest income	323	122	201	164.8 %
Interest expense	(48,741)	(45,189)	(3,552)	7.9 %
Loss on early extinguishment of debt	(160)	—	(160)	—
Income before income taxes and equity earnings of an investee	98,053	61,111	36,942	60.5 %
Income tax expense	(771)	(786)	15	(1.9)%
Equity in earnings of an investee	7	374	(367)	(98.1)%
Net income available for common shareholders	\$ 97,289	\$ 60,699	\$ 36,590	60.3 %
Weighted average shares outstanding (basic)	164,205	164,123	82	n/m
Weighted average shares outstanding (diluted)	164,243	164,165	78	n/m
Net income available for common shareholders per common share (basic and diluted)	\$ 0.59	\$ 0.37	\$ 0.22	59.5 %

References to changes in the income and expense categories below relate to the comparison of consolidated results for the three months ended June 30, 2018 , compared to the three months ended June 30, 2017 .

Hotel operating revenues. The increase in hotel operating revenues is a result of our hotel acquisitions since April 1, 2017 (\$27,417), increased revenues at certain of our managed hotels due to increases in ADR and higher occupancies (\$21,458) and the conversion of one hotel from a leased to managed property during the 2018 period (\$4,915), partially offset by decreased revenues at certain of our managed hotels primarily as a result of lower occupancies (\$8,978), decreased revenues as a result of our hotel dispositions since April 1, 2017 (\$3,233) and decreased revenues at certain of our managed hotels undergoing renovations during all or part of the 2018 period resulting primarily from lower occupancies (\$1,189). Additional operating statistics of our hotels are included in the table on page 34 .

Rental income - hotels. The decrease in rental income - hotels is primarily the result of the conversion of one hotel from a leased to managed property during the 2018 period (\$1,123), partially offset by contractual rent increases under certain of our hotel leases and increases in the minimum rents due to us as we funded improvements at certain of our leased hotels since April 1, 2017 (\$50). Rental income - hotels for the 2018 and 2017 periods includes \$98 and \$106, respectively, of adjustments to record rent on a straight line basis.

Rental income - travel centers. The increase in rental income - travel centers is a result of increases in the minimum rents due to us for improvements we purchased at certain of our travel centers since April 1, 2017 (\$1,647) and our travel center acquisitions since April 1, 2017 (\$205). Rental income - travel centers for the 2018 and 2017 periods includes \$3,046 and \$3,007, respectively, of adjustments necessary to record scheduled rent increases under our TA leases, the deferred rent obligations payable to us under our TA leases and the estimated future payments to us under our TA leases for the cost of removing underground storage tanks on a straight line basis.

FF&E reserve income. FF&E reserve income represents amounts paid by certain of our hotel tenants into restricted accounts owned by us to accumulate funds for future capital expenditures. The terms of our hotel leases require these amounts to be calculated as a percentage of total sales at our hotels. We do not report the amounts, if any, which are escrowed as FF&E reserves for our managed hotels as FF&E reserve income. The increase in FF&E reserve income is the result of increased sales at certain of our leased hotels in the 2018 period.

Hotel operating expenses. The increase in hotel operating expenses is a result of our hotel acquisitions since April 1, 2017 (\$22,375), an increase in wage and benefit costs, sales and marketing expenses and other operating costs at certain of our managed hotels resulting primarily from higher occupancies and general price increases (\$7,969), the conversion of one hotel from a leased to managed property during the 2018 period (\$5,360) and an increase in the amount of guaranty and security deposit replenishment under certain of our hotel management agreements (\$1,911), partially offset by our hotel dispositions since April 1, 2017 (\$2,863) and operating expense decreases at certain managed hotels undergoing renovations during all or part of the 2018 period resulting primarily from lower occupancies (\$220). Certain guarantees and security deposits which have been applied to past payment deficits may be replenished from a share of subsequent cash flows from the applicable hotel operations pursuant to the terms of the respective management agreements. When our guarantees and our security deposits are replenished by cash flows from hotel operations, we reflect such replenishments in our condensed consolidated statements of comprehensive income as an increase to hotel operating expenses. Hotel operating expenses were increased by \$16,593 and \$14,682 during the three months ended June 30, 2018 and 2017, respectively, as a result of such replenishments.

Depreciation and amortization - hotels. The increase in depreciation and amortization - hotels is a result of the depreciation and amortization of improvements acquired with funds from our FF&E reserves or directly funded by us since April 1, 2017 (\$4,588) and our hotel acquisitions since April 1, 2017 (\$3,480), partially offset by certain of our depreciable assets becoming fully depreciated since April 1, 2017 (\$4,518).

Depreciation and amortization - travel centers. The increase in depreciation and amortization - travel centers is a result of the depreciation and amortization of travel center improvements we purchased since April 1, 2017 (\$1,350) and our travel center acquisitions since April 1, 2017 (\$116), partially offset by certain of our depreciable assets becoming fully depreciated since April 1, 2017 (\$487).

General and administrative. The decrease in general and administrative costs is primarily due to a decrease in business management fees as a result of no incentive fees being accrued for the 2018 period.

Operating income. Our operating income increased in the 2018 period compared to the 2017 period primarily due to the revenue and expense changes discussed above.

Dividend income. Dividend income represents the dividends we received from our investment in RMR Inc.

Unrealized gains and losses on equity securities, net. Unrealized gains and losses on equity securities, net represent the adjustment required to adjust the carrying value of our investments in RMR Inc. and TA common shares to their fair value as of June 30, 2018 in accordance with new GAAP standards effective January 1, 2018.

Interest income. The increase in interest income is due to higher average cash balances and interest rates during the 2018 period.

Interest expense. The increase in interest expense is due to higher average outstanding borrowings, partially offset by a lower weighted average interest rate in the 2018 period.

Loss on early extinguishment of debt. We recorded a loss of \$160 on early extinguishment of debt in the 2018 period in connection with the amendment of our revolving credit facility and term loan.

Income tax expense. We recognized lower foreign taxes during the 2018 period primarily due to an decrease in the amount of foreign sourced income subject to income taxes.

Equity in earnings of an investee. Equity in earnings of an investee represents our proportionate share of the earnings of AIC.

Net income available for common shareholders. Our net income available for common shareholders and net income available for common shareholders per common share (basic and diluted) each increased in the 2018 period compared to the 2017 period primarily due to the revenue and expense changes discussed above.

Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017

	For the Six Months Ended June 30,			
	2018	2017	Increase (Decrease)	% Increase (Decrease)
Revenues:				
Hotel operating revenues	\$ 974,875	\$ 897,445	\$ 77,430	8.6 %
Rental income - hotels	14,350	15,237	(887)	(5.8)%
Rental income - travel centers	148,661	144,141	4,520	3.1 %
Total rental income	163,011	159,378	3,633	2.3 %
FF&E reserve income	2,698	2,382	316	13.3 %
Expenses:				
Hotel operating expenses	689,063	622,272	66,791	10.7 %
Depreciation and amortization - hotels	125,399	117,506	7,893	6.7 %
Depreciation and amortization - travel centers	73,902	71,100	2,802	3.9 %
Total depreciation and amortization	199,301	188,606	10,695	5.7 %
General and administrative	24,855	62,693	(37,838)	(60.4)%
Operating income	227,365	185,634	41,731	22.5 %
Dividend income	1,252	1,252	—	—
Unrealized gains and losses on equity securities, net	45,895	—	45,895	—
Interest income	615	379	236	62.3 %
Interest expense	(96,281)	(88,755)	(7,526)	8.5 %
Loss on early extinguishment of debt	(160)	—	(160)	—
Income before income taxes and equity earnings of an investee	178,686	98,510	80,176	81.4 %
Income tax expense	(1,242)	(1,142)	(100)	8.8 %
Equity in earnings of an investee	51	502	(451)	(89.8)%
Net income	177,495	97,870	79,625	81.4 %
Preferred distributions	—	(1,435)	1,435	—
Excess of liquidation preference over carrying value of preferred shares redeemed	—	(9,893)	9,893	—
Net income available for common shareholders	\$ 177,495	\$ 86,542	\$ 90,953	105.1 %
Weighted average shares outstanding (basic)	164,202	164,121	81	n/m
Weighted average shares outstanding (diluted)	164,226	164,157	69	n/m
Net income available for common shareholders per common share (basic and diluted)	\$ 1.08	\$ 0.53	\$ 0.55	103.8 %

References to changes in the income and expense categories below relate to the comparison of consolidated results for the six months ended June 30, 2018 , compared to the six months ended June 30, 2017 .

Hotel operating revenues. The increase in hotel operating revenues is a result of our hotel acquisitions since January 1, 2017 (\$60,161), increased revenues at certain of our managed hotels due to increases in ADR and higher occupancies (\$38,923) and the conversion of one hotel from a leased to managed property during the 2018 period (\$4,915), partially offset by decreased revenues at certain of our managed hotels primarily as a result of lower occupancies (\$14,791), decreased revenues as a result of our hotel dispositions since January 1, 2017 (\$6,755) and decreased revenues at certain of our managed hotels undergoing renovations during all or part of the 2018 period resulting primarily from lower occupancies (\$5,023). Additional operating statistics of our hotels are included in the table on page 34 .

Rental income - hotels. The decrease in rental income - hotels is primarily a result of the conversion of one hotel from a leased to managed property during the 2018 period (\$1,123), partially offset by contractual rent increases under certain of our hotel leases and increases in the minimum rents due to us as we funded improvements at certain of our leased hotels since

January 1, 2017 (\$236). Rental income - hotels for the 2018 and 2017 periods includes \$194 and \$202, respectively, of adjustments to record rent on a straight line basis.

Rental income - travel centers. The increase in rental income - travel centers is a result of increases in the minimum rents due to us for improvements we purchased at certain of our travel centers since January 1, 2017 (\$3,728) and our travel center acquisitions since January 1, 2017 (\$792). Rental income - travel centers for the 2018 and 2017 periods includes \$6,029 and \$5,919, respectively, of adjustments necessary to record scheduled rent increases under our TA leases, the deferred rent obligations payable to us under our TA leases and the estimated future payments to us under our TA leases for the cost of removing underground storage tanks on a straight line basis.

FF&E reserve income. The increase in FF&E reserve income is the result of increased sales at certain of our leased hotels in the 2018 period.

Hotel operating expenses. The increase in hotel operating expenses is a result of our hotel acquisitions since January 1, 2017 (\$51,671), an increase in wage and benefit costs, sales and marketing expenses and other operating costs at certain of our managed hotels resulting primarily from higher occupancies and general price increases (\$18,902) and the conversion of one hotel from a leased to managed property during the 2018 period (\$5,360), partially offset by our hotel dispositions since January 1, 2017 (\$5,846), an increase in the amount of guaranty and security deposit utilization under certain of our hotel management agreements (\$2,506) and operating expense decreases at certain managed hotels undergoing renovations during all or part of the 2018 period resulting primarily from lower occupancies (\$790). Hotel operating expenses were increased by \$10,295 and \$13,240 during the six months ended June 30, 2018 and 2017, respectively, as a result of replenishment of security deposits and guarantees under certain of our hotel management agreements. When our guarantees and our security deposits are utilized to cover shortfalls of hotels' cash flows from the minimum payments due to us, we reflect such replenishments in our condensed consolidated statements of comprehensive income as a decrease to hotel operating expenses. Hotel operating expenses were decreased by \$3,278 and \$3,716 during the six months ended June 30, 2018 and 2017, respectively, as a result of such utilization.

Depreciation and amortization - hotels. The increase in depreciation and amortization - hotels is a result of the depreciation and amortization of our hotel acquisitions since January 1, 2017 (\$7,909) and improvements acquired with funds from our FF&E reserves or directly funded by us since January 1, 2017 (\$7,626), partially offset by certain of our depreciable assets becoming fully depreciated since January 1, 2017 (\$7,642).

Depreciation and amortization - travel centers. The increase in depreciation and amortization - travel centers is a result of the depreciation and amortization of travel center improvements we purchased since January 1, 2017 (\$3,292) and our travel center acquisitions since January 1, 2017 (\$335), partially offset by certain of our depreciable assets becoming fully depreciated since January 1, 2017 (\$825).

General and administrative. The decrease in general and administrative costs is primarily due to a decrease in business management fees as a result of no incentive fees being accrued for the 2018 period.

Operating income. Our operating income increased in the 2018 period compared to the 2017 period primarily due to the revenue and expense changes discussed above.

Dividend income. Dividend income represents the dividends we received from our investment in RMR Inc.

Unrealized gains and losses on equity securities, net. Unrealized gains and losses on equity securities, net represent the adjustment required to adjust the carrying value of our investments in RMR Inc. and TA common shares to their fair value as of June 30, 2018 in accordance with new GAAP standards effective January 1, 2018.

Interest income. The increase in interest income is due to higher average cash balances and interest rates during the 2018 period.

Interest expense. The increase in interest expense is due to higher average outstanding borrowings, partially offset by a lower weighted average interest rate in the 2018 period.

Loss on early extinguishment of debt. We recorded a loss of \$160 on early extinguishment of debt in the 2018 period in connection with the amendment of our revolving credit facility and term loan.

Income tax expense. We recognized higher state taxes during the 2018 period primarily due to an increase in the amount of state sourced income subject to income taxes.

Equity in earnings of an investee. Equity in earnings of an investee represents our proportionate share of the earnings of AIC.

Preferred distributions. The decrease in preferred distributions is the result of the redemption of all of our outstanding 7.125% Series D cumulative redeemable preferred shares in February 2017.

Excess of liquidation preference over carrying value of preferred shares redeemed. The excess of liquidation preference over carrying value of preferred shares redeemed is the amount by which the liquidation preference for our 7.125% Series D cumulative redeemable preferred shares that were redeemed during the 2017 period exceeded our carrying amount for those preferred shares as of the date of redemption.

Net income and net income available for common shareholders. Our net income, net income available for common shareholders and net income available for common shareholders per common share (basic and diluted) each increased in the 2018 period compared to the 2017 period primarily due to the revenue and expense changes discussed above.

Liquidity and Capital Resources (dollar amounts in thousands, except share amounts)

Our Managers and Tenants

As of June 30, 2018, 324 of our hotels (including one leased hotel) were included in seven combination portfolio agreements and one of our hotels was not included in a portfolio; and all 325 hotels were managed by or leased to hotel operating companies. Our 199 travel centers are leased under five portfolio agreements. All costs of operating and maintaining our properties are paid by the hotel managers as agents for us or by our tenants for their own account. Our hotel managers and tenants derive their funding for property operating expenses and for returns and rents due to us generally from property operating revenues and, to the extent that these parties themselves fund our minimum returns and rents, from their separate resources. Our hotel managers and tenants include Marriott, InterContinental, Sonesta, Wyndham, Hyatt and Radisson. Our travel centers are leased to TA.

We define coverage for each of our hotel management agreements or leases as total property level revenues minus all property level expenses and FF&E reserve escrows which are not subordinated to the minimum returns or rents due to us divided by the minimum returns or rents due to us. More detail regarding coverage, guarantees and other features of our hotel operating agreements is presented in the tables and related notes on pages 31 through 33. For the twelve months ended June 30, 2018, two of our eight hotel operating agreements, representing 18% of our total annual minimum returns and minimum rents, generated coverage of less than 1.0x (with a range among those two hotel operating agreements of 0.71x to 0.79x).

We define coverage for our travel center leases as property level revenues minus all property level expenses divided by the minimum rents due to us. For the twelve months ended June 30, 2018, the operating results from our 199 properties in our five travel center leases generated combined coverage of 1.61x. Because a large percentage of TA's business is conducted at properties leased from us, property level rent coverage may not be an appropriate way to evaluate TA's ability to pay rents due to us. We believe property level rent coverage is nonetheless one useful indicator of the performance and value of our properties as we believe it is what an operator interested to acquire these properties or the leaseholds might use to evaluate the contribution of these properties to their earnings before corporate level expenses.

Three hundred ninety-nine (399) of our properties, representing 74% of our aggregate annual minimum returns and rents as of June 30, 2018, are operated under 10 management arrangements or leases which are subject to full or limited guarantees or are secured by a security deposit which we control. These guarantees may provide us with continued payments if the property level cash flows fail to equal or exceed guaranteed amounts due to us. Some of our managers and tenants, or their affiliates, may also supplement cash flows from our properties in order to make payments to us and preserve their rights to continue operating our properties even if they are not required to do so by guarantees or security deposits. Guarantee payments, security deposit applications or supplemental payments to us, if any, made under any of our management agreements or leases do not subject us to repayment obligations, but, under some of our agreements, the manager or tenant may recover these guarantee or supplemental payments and the security deposits may be replenished from subsequent cash flows from our properties after our future minimum returns and rents are paid.

When cash flows from our hotels under certain of our agreements are less than the minimum returns or rents contractually due to us, we have utilized the applicable security features in our agreements to cover some of these shortfalls. However, several of the guarantees and all the security deposits we hold are for limited amounts, are for limited durations and may be exhausted or expire, especially if our hotel renovation and rebranding activities do not result in improved operating results at these hotels. Accordingly, the effectiveness of our various security features to provide uninterrupted payments to us is not assured. If any of our hotel managers, tenants or guarantors default in their payment obligations to us, our cash flows will

decline and we may become unable to continue to pay distributions to our shareholders or the amount of the distributions may decline. In particular, Wyndham's guarantee of the minimum returns due from our hotels which are managed by Wyndham was depleted during 2017 and remained depleted as of June 30, 2018. The Wyndham agreement provides that if the hotel cash flows available after payment of hotel operating expenses are less than the minimum returns due to us and the guaranty has been depleted, to avoid default Wyndham is required to pay us the greater of the available hotel cash flows after payment of hotel operating expenses and 85% of the contractual amount due. During the three and six months ended June 30, 2018, Wyndham paid 85% of the minimum returns due under the management agreement, which payments were an aggregate of \$1,035 and \$2,065, respectively, less than the minimum returns due for that period. We can provide no assurance as to whether Wyndham will continue to pay at least the greater of available hotel cash flows after payment of hotel operating expenses and 85% of the minimum returns due to us or if Wyndham will default on its payments.

On May 8, 2018, pursuant to a settlement agreement with Morgans and SBE, our lease with Morgans for our one hotel with Morgans was terminated and Morgans surrendered possession of that hotel to us. The contractual rent due to us under the Morgans lease through May 8, 2018 was paid to us. We rebranded this hotel to the Royal Sonesta® brand and added it to our management agreement with Sonesta.

Our Operating Liquidity and Capital Resources

Our principal sources of funds to meet operating and capital expenses, pay debt service obligations and make distributions to our shareholders are minimum returns from our managed hotels, minimum rents from our leased hotels and travel centers and borrowings under our revolving credit facility. We receive minimum returns and rents from our managers and tenants monthly. We may receive additional returns, percentage rents and our share of the operating profits of our managed hotels after payment of management fees and other deductions, if any, either monthly or quarterly, and these amounts are usually subject to annual reconciliations. We believe that these sources of funds will be sufficient to meet our operating and capital expenses, pay debt service obligations and make distributions to our shareholders for the next twelve months and for the foreseeable future thereafter. However, as a result of economic conditions or otherwise, our managers and tenants may become unable or unwilling to pay minimum returns and rents to us when due, and, as a result, our cash flows and net income would decline and we may need to reduce the amount of, or even eliminate, our distributions to common shareholders.

Changes in our cash flows for the six months ended June 30, 2018 compared to the same period in 2017 were as follows: (1) cash flows provided by operating activities decreased from \$291,050 in 2017 to \$263,377 in 2018; (2) cash used in investing activities decreased from \$459,760 in 2017 to \$200,113 in 2018; and (3) cash flows from financing activities changed from \$205,939 of cash provided by financing activities in 2017 to \$70,932 of cash used in financing activities in 2018.

The decrease in cash flows provided by operating activities for the six months ended June 30, 2018 as compared to the prior year period is primarily due to an increase in incentive business management fees paid to RMR LLC with respect to 2017 and higher interest payments in the 2018 period, partially offset by an increase in the minimum returns and rents paid to us in the 2018 period due to our acquisitions and funding of improvements to our hotels and travel centers since January 1, 2017. The decrease in cash used in investing activities for the six months ended June 30, 2018 as compared to the prior year period is primarily due to our lower real estate acquisition activity in the 2018 period, partially offset by an increase in our capital improvement fundings in the 2018 period. The change from cash flows provided by financing activities in the 2017 period to cash used in financing activities in the 2018 period is primarily due to our lower net borrowings in the 2018 period under our revolving credit facility, partially offset by the redemption of our 7.125% Series D cumulative redeemable preferred shares in the 2017 period and lower proceeds from the issuance of notes in the 2018 period compared to the 2017 period.

We maintain our qualification for taxation as a REIT under the IRC by meeting certain requirements. As a REIT, we do not expect to pay federal income taxes on the majority of our income; however, the income realized by our TRSs in excess of the rent they pay to us is subject to U.S. federal income tax at corporate tax rates. In addition, the income we receive from our hotels in Canada and Puerto Rico is subject to taxes in those jurisdictions and we are subject to taxes in certain states where we have properties despite our qualification for taxation as a REIT.

Our Investment and Financing Liquidity and Capital Resources

Various percentages of total sales at some of our hotels are escrowed as FF&E reserves to fund future capital improvements. During the six months ended June 30, 2018, our hotel managers and tenants deposited \$55,211 to these accounts and spent \$59,823 from the FF&E reserve escrow accounts to renovate and refurbish our hotels. As of June 30, 2018, there was \$73,279 on deposit in these escrow accounts, which was held directly by us and is reflected in our condensed consolidated balance sheets as restricted cash.

Our hotel operating agreements generally provide that, if necessary, we may provide our managers and tenants with funding for capital improvements to our hotels in excess of amounts otherwise available in escrowed FF&E reserves or when no FF&E reserves are available. To the extent we make such additional fundings, our annual minimum returns or rents generally increase by a percentage of the amount we fund. During the six months ended June 30, 2018, we funded \$42,069 for capital improvements in excess of FF&E reserve fundings available from hotel operations to our hotels as follows:

- During the six months ended June 30, 2018, we funded \$854 for capital improvements to certain hotels under our Marriott No. 1 agreement using cash on hand and borrowings under our revolving credit facility. We currently expect to fund approximately \$10,300 for capital improvements under this agreement during the last six months of 2018 using cash on hand or borrowings under our revolving credit facility. As we fund these improvements, the contractual minimum returns payable to us increase.
- During the six months ended June 30, 2018, we funded \$3,680 for capital improvements to certain hotels under our Marriott No. 234 agreement using cash on hand and borrowings under our revolving credit facility. We currently expect to fund approximately \$5,600 for capital improvements under this agreement during the last six months of 2018 using cash on hand or borrowings under our revolving credit facility. As we fund these improvements, the contractual minimum returns payable to us increase.
- We did not fund any capital improvements to hotels under our InterContinental agreement during the six months ended June 30, 2018. We currently expect to fund approximately \$52,000 during the last six months of 2018 and approximately \$42,500 during 2019 for capital improvements under this agreement using cash on hand or borrowings under our revolving credit facility. As we fund these improvements, the contractual minimum returns payable to us increase.
- Our Sonesta agreement does not require FF&E escrow deposits. Under our Sonesta agreement, we are required to fund capital expenditures made at our hotels. During the six months ended June 30, 2018, we funded \$36,875 for capital improvements to hotels included in our Sonesta agreement using cash on hand and borrowings under our revolving credit facility. We currently expect to fund approximately \$63,100 during the last six months of 2018 and approximately \$72,200 during 2019 for capital improvements under this agreement using cash on hand or borrowings under our revolving credit facility. These investments primarily relate to planned renovations to the 15 hotels we acquired in 2017 and one hotel added to the portfolio in 2018 and converted to Sonesta brands. As we fund these improvements, the contractual minimum returns payable to us increase to the extent amounts funded exceed threshold amounts, as defined in our Sonesta agreement.
- Our Wyndham agreement requires FF&E escrow deposits only if there are excess cash flows after payment of our minimum returns. No FF&E escrow deposits were required during the six months ended June 30, 2018. During the six months ended June 30, 2018, we funded \$660 for capital improvements to hotels included in our Wyndham agreement using cash on hand or borrowings under our revolving credit facility. We currently expect to fund approximately \$8,300 for capital improvements under this agreement during the last six months of 2018 using cash on hand or borrowings under our revolving credit facility. As we fund these improvements, the contractual minimum returns payable to us increase.
- Pursuant to an agreement we entered into with Radisson in June 2017, we have agreed to fund up to \$35,000 for renovation costs at certain hotels under our Radisson agreement. We did not fund any renovation costs to hotels under our Radisson agreement during the six months ended June 30, 2018. We currently expect to fund approximately \$6,100 during the last six months of 2018 and approximately \$28,900 during 2019 for these renovations using cash on hand or borrowings under our revolving credit facility. As we fund these renovations, the contractual minimum returns payable to us will increase.

Our travel center leases with TA do not require FF&E escrow deposits. However, TA is required to maintain the leased travel centers, including structural and non-structural components. Under all of our TA leases, TA may request that we purchase qualifying capital improvements to the leased facilities in return for minimum rent increases. We funded \$28,836 for purchases of capital improvements under these lease provisions during the six months ended June 30, 2018. We currently expect to fund approximately \$22,800 for the purchase of capital improvements under these agreements during the last six months of 2018 using cash on hand or borrowings under our revolving credit facility. TA is not obligated to request and we are not obligated to purchase any such improvements.

On February 2, 2018, we issued \$400,000 principal amount of 4.375% senior notes due 2030 in an underwritten public offering. Net proceeds from this offering were \$386,400 after discounts and expenses and were used to repay amounts outstanding under our revolving credit facility and for general business purposes.

On February 22, 2018, we paid a regular quarterly distribution to our common shareholders of record on January 29, 2018 of \$0.52 per share, or \$85,460. On May 17, 2018, we paid a regular quarterly distribution to common shareholders of record on April 30, 2018 of \$0.53 per share, or \$87,105. We funded these distributions using cash on hand and borrowings under our revolving credit facility. On July 19, 2018, we declared a regular quarterly distribution to common shareholders of record on July 30, 2018 of \$0.53 per share, or \$87,113. We expect to pay this amount on or about August 16, 2018 using cash on hand and borrowings under our revolving credit facility.

On June 15, 2018, we acquired the 360 room Radisson Blu® hotel in Minneapolis, MN for a purchase price of \$75,000, excluding capitalized acquisition costs of \$438, using cash on hand and borrowings under our revolving credit facility.

Also on June 15, 2018, we acquired the 117 suite Staybridge Suites® hotel at Louisiana State University in Baton Rouge, LA for a purchase price of \$15,750, excluding capitalized acquisition costs of \$265, using cash on hand and borrowings under our revolving credit facility.

In order to fund acquisitions and to meet cash needs that may result from our desire or need to make distributions or pay operating or capital expenses, we maintain a \$1,000,000 revolving credit facility and \$400,000 term loan. Our revolving credit facility and our term loan are governed by a credit agreement with a syndicate of institutional lenders. On May 10, 2018, we amended and restated our credit agreement. As a result of the amendment, the interest rate payable on borrowings under our revolving credit facility was reduced from a rate of LIBOR plus a premium of 110 basis points per annum to a rate of LIBOR plus a premium of 100 basis points per annum, and the facility fee remained unchanged at 20 basis points per annum on the total amount of lending commitments under this facility. The interest rate premium and the facility fee are subject to adjustment based upon changes to our credit ratings. Also as a result of the amendment, the stated maturity date of this facility was extended from July 15, 2018 to July 15, 2022, and, subject to the payment of an extension fee and meeting certain other conditions, we have an option to further extend the maturity date of this facility for two additional six month periods. We can borrow, repay and reborrow funds available under our revolving credit facility until maturity, and no principal repayment is due until maturity. As of June 30, 2018, the annual interest rate payable on borrowings under our revolving credit facility was 2.98%. As of June 30, 2018 and August 8, 2018, we had \$122,000 and \$89,000, respectively, outstanding and \$878,000 and \$911,000, respectively, available to borrow under our revolving credit facility.

As a result of the amendment to our credit agreement, the interest rate payable on borrowings under our term loan was reduced from a rate of LIBOR plus a premium of 120 basis points per annum to a rate of LIBOR plus a premium of 110 basis points per annum, subject to adjustment based upon changes to our credit ratings. Also as a result of the amendment, the stated maturity date of the term loan was extended from April 15, 2019 to July 15, 2023. Our term loan is prepayable without penalty at any time. As of June 30, 2018, the annual interest rate for the amount outstanding under our term loan was 3.08%.

Our credit agreement also includes a feature under which the maximum borrowing availability may be increased to up to \$2,300,000 on a combined basis in certain circumstances.

Our term debt maturities (other than our revolving credit facility and term loan) as of June 30, 2018 were as follows: \$400,000 in 2021, \$500,000 in 2022, \$500,000 in 2023, \$350,000 in 2024, \$350,000 in 2025, \$350,000 in 2026, \$400,000 in 2027, \$400,000 in 2028 and \$400,000 in 2030.

None of our unsecured debt obligations require principal or sinking fund payments prior to their maturity dates.

We currently expect to use cash on hand, the cash flows from our operations, borrowings under our revolving credit facility, net proceeds from any property sales and net proceeds of offerings of equity or debt securities to fund our future debt maturities, operations, capital expenditures, distributions to our shareholders, property acquisitions and other general business purposes.

When significant amounts are outstanding for an extended period of time under our revolving credit facility, or the maturities of our indebtedness approach, we currently expect to explore refinancing alternatives. Such alternatives may include incurring additional debt, issuing new equity securities and the sale of properties. We have an effective shelf registration statement that allows us to issue public securities on an expedited basis, but it does not assure that there will be buyers for such securities. We may also seek to participate in joint ventures or other arrangements that may provide us additional sources of financing. Although we have not historically done so, we may also assume mortgage debt on properties we may acquire or obtain mortgage financing on our existing properties.

While we believe we will have access to various types of financings, including debt or equity, to fund our future acquisitions and to pay our debts and other obligations, we cannot be sure that we will be able to complete any debt or equity offerings or other types of financings or that our cost of any future public or private financings will not increase.

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Our ability to complete, and the costs associated with, future debt transactions depends primarily upon credit market conditions and our then creditworthiness. We have no control over market conditions. Our credit ratings depend upon evaluations by credit rating agencies of our business practices and plans, including our ability to maintain our earnings, to stagger our debt maturities and to balance our use of debt and equity capital so that our financial performance and leverage ratios afford us flexibility to withstand any reasonably anticipated adverse changes. Similarly, our ability to raise equity capital in the future will depend primarily upon equity capital market conditions and our ability to conduct our business to maintain and grow our operating cash flows. We intend to conduct our business activities in a manner which will afford us reasonable access to capital for investment and financing activities, but we cannot be sure that we will be able to successfully carry out that intention.

Off Balance Sheet Arrangements

As of June 30, 2018, we had no off balance sheet arrangements that have had or that we expect would be reasonably likely to have a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Debt Covenants

Our debt obligations at June 30, 2018 consisted of outstanding borrowings under our \$1,000,000 revolving credit facility, our \$400,000 term loan and \$3,650,000 of publicly issued term debt. Our publicly issued term debt is governed by our indentures and related supplements. These indentures and related supplements and our credit agreement contain a number of covenants which generally restrict our ability to incur debts, including debts secured by mortgages on our properties, in excess of calculated amounts, and require us to maintain various financial ratios and our credit agreement restricts our ability to make distributions under certain circumstances. Our credit agreement and our unsecured senior notes indentures and their supplements provide for acceleration of payment of all amounts outstanding upon the occurrence and continuation of certain events of default, such as, in the case of our credit agreement, a change of control of us, which includes RMR LLC ceasing to act as our business manager. As of June 30, 2018, we believe we were in compliance with all of the covenants under our indentures and their supplements and our credit agreement.

Neither our indentures and their supplements nor our credit agreement contain provisions for acceleration which could be triggered by a change in our debt ratings. However, under our credit agreement, our highest senior debt rating is used to determine the fees and interest rates we pay. Accordingly, if that debt rating is downgraded, our interest expense and related costs under our revolving credit facility and term loan would increase.

Our public debt indentures and their supplements contain cross default provisions to any other debt of \$20,000 or more (\$50,000 or more in the case of our indenture entered into in February 2016 and its supplements). Similarly, our credit agreement has cross default provisions to other indebtedness that is recourse of \$25,000 or more and indebtedness that is non-recourse of \$75,000 or more.

Management Agreements, Leases and Operating Statistics (dollar amounts in thousands)

As of June 30, 2018, 324 of our hotels (including one leased hotel) were included in seven portfolio agreements and one hotel was not included in a portfolio and was leased. As of June 30, 2018, our hotels were managed by or leased to separate affiliates of Marriott, InterContinental, Sonesta, Wyndham, Hyatt and Radisson under eight agreements. Our 199 travel centers are leased to and operated by TA under five portfolio agreements.

The table and related notes below through page 34 summarize significant terms of our leases and management agreements as of June 30, 2018. These tables also include statistics reported to us or derived from information reported to us by our managers and tenants. These statistics include coverage of our minimum returns or minimum rents and occupancy, ADR and RevPAR for our hotel properties. We consider these statistics and the management agreement or lease security features also presented in the tables and related notes on the following pages to be important measures of our managers' and tenants' success in operating our properties and their ability to continue to pay us. However, this third party reported information is not a direct measure of our financial performance and we have not independently verified the operating data.

Operating Agreement Reference Name	Number of Properties	Number of Rooms or Suites (Hotels) / Land Acreage (Travel Centers)	Investment ⁽¹⁾	Annual Minimum Return/Rent ⁽²⁾	Rent / Return Coverage ⁽³⁾			
					Three Months		Twelve Months	
					Ended June 30,		Ended June 30,	
					2018	2017	2018	2017
Marriott (No. 1) ⁽⁴⁾	53	7,609	\$ 698,111	\$ 69,317	1.52x	1.51x	1.23x	1.28x
Marriott (No. 234) ⁽⁵⁾	68	9,120	1,007,044	106,869	1.30x	1.30x	1.11x	1.12x
Marriott (No. 5) ⁽⁶⁾	1	356	90,078	10,321	1.19x	0.76x	1.07x	0.80x
Subtotal / Average Marriott	122	17,085	1,795,233	186,507	1.37x	1.35x	1.16x	1.16x
InterContinental ⁽⁷⁾	100	16,354	2,055,918	190,521	1.27x	1.29x	1.13x	1.17x
Sonesta ⁽⁸⁾	50	8,698	1,614,354	121,451	0.93x	1.08x	0.71x	0.80x
Wyndham ⁽⁹⁾	22	3,579	394,460	29,063	0.98x	1.19x	0.79x	0.83x
Hyatt ⁽¹⁰⁾	22	2,724	301,942	22,037	1.43x	1.37x	1.13x	1.13x
Radisson ⁽¹¹⁾	9	1,939	270,101	18,920	1.25x	1.33x	1.07x	1.11x
Subtotal / Average Hotels	325	50,379	6,432,008	568,499	1.22x	1.26x	1.03x	1.07x
TA (No. 1) ⁽¹²⁾	40	825	681,819	53,169	1.70x	1.68x	1.65x	1.60x
TA (No. 2) ⁽¹³⁾	40	957	688,613	54,324	1.70x	1.59x	1.61x	1.51x
TA (No. 3) ⁽¹⁴⁾	39	909	642,315	54,541	1.66x	1.59x	1.58x	1.51x
TA (No. 4) ⁽¹⁵⁾	40	1,091	623,007	54,810	1.58x	1.52x	1.50x	1.44x
TA (No. 5) ⁽¹⁶⁾	40	1,148	891,495	70,021	1.77x	1.63x	1.68x	1.54x
Subtotal / Average TA	199	4,930	3,527,249	286,865	1.69x	1.60x	1.61x	1.52x
Total / Average	524	50,379 / 4,930	\$ 9,959,257	\$ 855,364	1.38x	1.38x	1.22x	1.22x

(1) Represents the historical cost of our properties plus capital improvements funded by us less impairment writedowns, if any, and excludes capital improvements made from FF&E reserves funded from hotel operations which do not result in increases in minimum returns or rents.

(2) Each of our management agreements or leases provides for payment to us of an annual minimum return or rent, respectively. Certain of these minimum payment amounts are secured by full or limited guarantees or security deposits as more fully described below. In addition, certain of our hotel management agreements provide for payment to us of additional amounts to the extent of available cash flows as defined in the management agreement. Payments of these additional amounts are not guaranteed or secured by deposits. Annualized minimum rent amounts represent cash rent amounts due to us and exclude adjustments necessary to record rent on a straight line basis.

(3) We define coverage as combined total property level revenues minus all property level expenses and FF&E reserve escrows which are not subordinated to minimum returns or rents due to us (which data is provided to us by our managers or tenants), divided by the minimum returns or rents due to us. Coverage amounts for our InterContinental, Sonesta and Radisson agreements and our TA Nos. 2 and 4 leases include data for periods prior to our ownership of certain properties. Coverage amounts for our Radisson agreement exclude data for periods prior to our sale of certain hotels.

(4) We lease 53 Courtyard by Marriott ® branded hotels in 24 states to one of our TRSs. The hotels are managed by a subsidiary of Marriott under a combination management agreement which expires in 2024; Marriott has two renewal options for 12 years each for all, but not less than all, of the hotels.

We have no security deposit or guaranty from Marriott for these 53 hotels. Accordingly, payment by Marriott of the minimum return due to us under this management agreement is limited to the hotels' available cash flows after payment of operating expenses and funding of the FF&E reserve. In addition to our minimum return, this agreement provides for payment to us of 50% of the hotels' available cash flows after payment of hotel operating expenses, funding of the required FF&E reserve, payment of our minimum return and payment of certain management fees.

(5) We lease 68 of our Marriott ® branded hotels (one full service Marriott ®, 35 Residence Inn by Marriott ®, 18 Courtyard by Marriott ®, 12 TownePlace Suites by Marriott ® and two SpringHill Suites by Marriott ® hotels) in 22 states to one of our TRSs. The hotels are managed by subsidiaries of Marriott under a combination management agreement which expires in 2025; Marriott has two renewal options for 10 years each for all, but not less than all, of the hotels.

We originally held a security deposit of \$64,700 under this agreement to cover payment shortfalls of our minimum return. As of June 30, 2018, the available balance of this security deposit was \$30,956. This security deposit may be replenished from a share of the hotels' available cash flows in excess of our minimum return and certain management fees. Marriott has also provided us with a \$40,000 limited guaranty to cover payment shortfalls up to 90% of our minimum return after the available security deposit balance has been depleted, which expires in 2019. As of June 30, 2018, the available Marriott guaranty was \$30,672.

In addition to our minimum return, this agreement provides for payment to us of 62.5% of the hotels' available cash flows after payment of hotel operating expenses, funding of the required FF&E reserve, payment of our minimum return, payment of certain management fees and replenishment of the security deposit. This additional return amount is not guaranteed or secured by the security deposit.

(6) We lease one Marriott ® branded hotel in Kauai, HI to a subsidiary of Marriott under a lease that expires in 2019. Marriott has four renewal options for 15 years each. On August 31, 2016, Marriott notified us that it will not exercise its renewal option at the expiration of the current lease term ending on December 31, 2019. This lease is guaranteed by Marriott and provides for increases in the annual minimum rent payable to us based on changes in the consumer price index.

- (7) We lease 99 InterContinental branded hotels (20 Staybridge Suites[®], 61 Candlewood Suites[®], two InterContinental[®], 10 Crowne Plaza[®], three Holiday Inn[®] and three Kimpton[®] Hotels & Restaurants) in 29 states in the U.S. and Ontario, Canada to one of our TRSs. These 99 hotels are managed by subsidiaries of InterContinental under a combination management agreement. We lease one additional InterContinental[®] branded hotel in Puerto Rico to a subsidiary of InterContinental. The annual minimum return amount presented in the table on page 31 includes \$7,912 of minimum rent related to the leased Puerto Rico hotel. The management agreement and the lease expire in 2036; InterContinental has two renewal options for 15 years each for all, but not less than all, of the hotels.

As of June 30, 2018, we held a security deposit of \$100,000 under this agreement to cover payment shortfalls of our minimum return. This security deposit, if utilized, may be replenished and increased up to \$100,000 from the hotels' available cash flows in excess of our minimum return and certain management fees. Under this agreement, InterContinental is required to maintain a minimum security deposit of \$37,000.

In addition to our minimum return, this management agreement provides for an annual additional return payment to us of \$12,067 from the hotels' available cash flows after payment of hotel operating expenses, funding of the required FF&E reserve, if any, payment of our minimum return, payment of certain management fees and replenishment and expansion of the security deposit. In addition, the agreement provides for payment to us of 50% of the hotels' available cash flows after payment to us of the annual additional return amount. These additional return amounts are not guaranteed or secured by the security deposit we hold.

- (8) We lease our 50 Sonesta branded hotels (six Royal Sonesta[®] Hotels, five Sonesta Hotels & Resorts[®] and 39 Sonesta ES Suites[®] hotels) in 26 states to one of our TRSs. The hotels are managed by Sonesta under a combination management agreement which expires in 2037; Sonesta has two renewal options for 15 years each for all, but not less than all, of the hotels.

We have no security deposit or guaranty from Sonesta. Accordingly, payment by Sonesta of the minimum return due to us under this management agreement is limited to the hotels' available cash flows after the payment of operating expenses, including certain management fees, and we are financially responsible for operating cash flows deficits, if any.

In addition to our minimum return, this management agreement provides for payment to us of 80% of the hotels' available cash flows after payment of hotel operating expenses, management fees to Sonesta, our minimum return, an imputed FF&E reserve to us and reimbursement of operating loss or working capital advances, if any.

- (9) We lease our 22 Wyndham branded hotels (six Wyndham Hotels and Resorts[®] and 16 Hawthorn Suites[®] hotels) in 14 states to one of our TRSs. The hotels are managed by a subsidiary of Wyndham under a combination management agreement which expires in 2038; Wyndham has two renewal options for 15 years each for all, but not less than all, of the hotels. We also lease 48 vacation units in one of the hotels to Destinations under a lease that expires in 2037; Destinations has two renewal options for 15 years each for all, but not less than all, of the vacation units. The lease is guaranteed by Destinations and provides for rent increases of 3% per annum. The annual minimum return amount presented in the table on page 31 includes \$1,449 of minimum rent related to the Destinations lease.

We have a limited guaranty of \$35,656 under the management agreement to cover payment shortfalls of our minimum return, subject to an annual payment limit of \$17,828. This guaranty expires in 2020. As of June 30, 2018, the Wyndham guaranty was depleted. This guaranty may be replenished from the hotels' available cash flows in excess of our minimum return. This agreement provides that if the hotel cash flows available after payment of hotel operating expenses are less than the minimum returns due to us and if the guaranty is depleted, to avoid a default Wyndham is required to pay us the greater of the available hotels' cash flows after payment of hotel operating expenses and 85% of our minimum return.

In addition to our minimum return, this management agreement provides for payment to us of 50% of the hotels' available cash flows after payment of hotel operating expenses, payment of our minimum return, funding of the FF&E reserve, if any, payment of certain management fees and reimbursement of any Wyndham guaranty advances. This additional return amount is not guaranteed.

- (10) We lease our 22 Hyatt Place[®] branded hotels in 14 states to one of our TRSs. The hotels are managed by a subsidiary of Hyatt under a combination management agreement that expires in 2030; Hyatt has two renewal options for 15 years each for all, but not less than all, of the hotels.

We have a limited guaranty of \$50,000 under this agreement to cover payment shortfalls of our minimum return. As of June 30, 2018, the available Hyatt guaranty was \$23,820. The guaranty is limited in amount but does not expire in time and may be replenished from a share of the hotels' available cash flows in excess of our minimum return.

In addition to our minimum return, this management agreement provides for payment to us of 50% of the hotels' available cash flows after payment of operating expenses, funding the required FF&E reserve, payment of our minimum return and reimbursement to Hyatt of working capital and guaranty advances, if any. This additional return is not guaranteed.

- (11) We lease our nine Radisson branded hotels (four Radisson[®] Hotels & Resorts, four Country Inns & Suites[®] by Radisson and one Radisson Blu[®] hotel) in six states to one of our TRSs and these hotels are managed by a subsidiary of Radisson under a combination management agreement which expires in 2035 and Radisson has two 15 year renewal options for all, but not less than all, of the hotels.

We have a limited guaranty of \$46,000 under this agreement to cover payment shortfalls of our minimum return. As of June 30, 2018, the available Radisson guaranty was \$41,961. The guaranty is limited in amount but does not expire in time and may be replenished from a share of the hotels' available cash flows in excess of our minimum return. Also, this guaranty cap may be increased if we fund excess renovation costs under our agreement with Radisson.

In addition to our minimum return, this management agreement provides for payment to us of 50% of the hotels' available cash flows after payment of operating expenses, funding the required FF&E reserve, payment of our minimum return and reimbursement to Radisson of working capital and guaranty advances, if any. This additional return is not guaranteed.

- (12) We lease 40 travel centers (36 TravelCenters of America[®] branded travel centers and four Petro Stopping Centers[®] branded travel centers) in 29 states to a subsidiary of TA under a lease that expires in 2029; TA has two renewal options for 15 years each for all, but not less than all, of these

travel centers. In addition to the payment of our minimum rent, this lease provides for payment to us of percentage rent based on increases in total non-fuel revenues over base year levels (3% of non-fuel revenues above 2015 non-fuel revenues). TA's previously deferred rent of \$27,421 is due at the expiration of the initial term of this lease. This lease is guaranteed by TA.

- (13) We lease 40 travel centers (38 TravelCenters of America ® branded travel centers and two Petro Stopping Centers ® branded travel centers) in 27 states to a subsidiary of TA under a lease that expires in 2028; TA has two renewal options for 15 years each for all, but not less than all, of these travel centers. In addition to the payment of our minimum rent, this lease provides for payment to us of percentage rent based on increases in total non-fuel revenues over base year levels (3% of non-fuel revenues above 2015 non-fuel revenues). TA's previously deferred rent of \$29,107 is due at the expiration of the initial term of this lease. This lease is guaranteed by TA.
- (14) We lease 39 travel centers (38 TravelCenters of America ® branded travel centers and one Petro Stopping Centers ® branded travel center) in 29 states to a subsidiary of TA under a lease that expires in 2026; TA has two renewal options for 15 years each for all, but not less than all, of these travel centers. In addition to the payment of our minimum rent, this lease provides for payment to us of percentage rent based on increases in total non-fuel revenues over base year levels (3% of non-fuel revenues above 2015 non-fuel revenues). TA's previously deferred rent of \$29,324 is due at the expiration of the initial term of this lease. This lease is guaranteed by TA.
- (15) We lease 40 travel centers (37 TravelCenters of America ® branded travel centers and three Petro Stopping Centers ® branded travel centers) in 28 states to a subsidiary of TA under a lease that expires in 2030; TA has two renewal options for 15 years each for all, but not less than all, of these travel centers. In addition to the payment of our minimum rent, this lease provides for payment to us of percentage rent based on increases in total non-fuel revenues over base year levels (3% of non-fuel revenues above 2015 non-fuel revenues). TA's previously deferred rent of \$21,233 is due at the expiration of the initial term of this lease. This lease is guaranteed by TA.
- (16) We lease 40 Petro Stopping Centers ® branded travel centers in 25 states to a subsidiary of TA under a lease that expires in 2032; TA has two renewal options for 15 years each for all, but not less than all, of these travel centers. In addition to the payment of our minimum rent, this lease provides for payment to us of percentage rent based on increases in total non-fuel revenues over base year levels (3% of non-fuel revenues above 2012 non-fuel revenues). TA's previously deferred rent of \$42,915 is due on June 30, 2024. This lease is guaranteed by TA.

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The following tables summarize the operating statistics, including ADR, occupancy and RevPAR reported to us by our hotel managers or tenants by management agreement or lease for the periods indicated. All operating data presented are based upon the operating results provided by our managers and tenants for the indicated periods. We have not independently verified our managers' or tenants' operating data.

	No. of Hotels	No. of Rooms / Suites	Three Months Ended June 30,			Six Months Ended June 30,		
			2018	2017	Change	2018	2017	Change
ADR								
Marriott (No. 1)	53	7,609	\$ 132.85	\$ 132.53	0.2%	\$ 131.93	\$ 131.98	—%
Marriott (No. 234)	68	9,120	135.26	133.13	1.6%	133.69	132.11	1.2%
Marriott (No. 5)	1	356	290.83	263.73	10.3%	285.60	266.89	7.0%
Subtotal / Average Marriott	122	17,085	138.04	135.88	1.6%	137.02	135.42	1.2%
InterContinental ⁽¹⁾	100	16,354	125.77	120.56	4.3%	124.33	119.42	4.1%
Sonesta ⁽¹⁾	50	8,698	154.39	151.61	1.8%	149.14	147.56	1.1%
Wyndham	22	3,579	104.93	103.57	1.3%	99.64	98.56	1.1%
Hyatt	22	2,724	115.16	111.71	3.1%	114.31	110.92	3.1%
Radisson ^{(1) (2)}	9	1,939	134.70	133.67	0.8%	130.70	128.06	2.1%
All Hotels Total / Average	325	50,379	\$ 132.78	\$ 129.65	2.4%	\$ 130.52	\$ 127.74	2.2%
OCCUPANCY								
Marriott (No. 1)	53	7,609	75.0%	74.2%	0.8 pts	68.9%	68.6%	0.3 pts
Marriott (No. 234)	68	9,120	80.1%	80.1%	0.0 pts	75.9%	76.4%	-0.5 pts
Marriott (No. 5)	1	356	91.8%	85.7%	6.1 pts	94.1%	87.8%	6.3 pts
Subtotal / Average Marriott	122	17,085	78.1%	77.6%	0.5 pts	73.2%	73.2%	0.0 pts
InterContinental ⁽¹⁾	100	16,354	82.4%	85.3%	-2.9 pts	79.0%	80.9%	-1.9 pts
Sonesta ⁽¹⁾	50	8,698	71.1%	76.2%	-5.1 pts	67.5%	71.0%	-3.5 pts
Wyndham	22	3,579	71.7%	74.8%	-3.1 pts	68.2%	69.6%	-1.4 pts
Hyatt	22	2,724	84.3%	86.4%	-2.1 pts	80.8%	83.0%	-2.2 pts
Radisson ⁽¹⁾⁽²⁾	9	1,939	74.5%	76.5%	-2.0 pts	74.2%	75.6%	-1.4 pts
All Hotels Total / Average	325	50,379	78.0%	80.0%	-2.0 pts	74.2%	75.6%	-1.4 pts
RevPAR								
Marriott (No. 1)	53	7,609	\$ 99.64	\$ 98.34	1.3%	\$ 90.90	\$ 90.54	0.4%
Marriott (No. 234)	68	9,120	108.34	106.64	1.6%	101.47	100.93	0.5%
Marriott (No. 5)	1	356	266.98	226.02	18.1%	268.75	234.33	14.7%
Subtotal / Average Marriott	122	17,085	107.81	105.44	2.2%	100.30	99.13	1.2%
InterContinental ⁽¹⁾	100	16,354	103.63	102.84	0.8%	98.22	96.61	1.7%
Sonesta ⁽¹⁾	50	8,698	109.77	115.53	(5.0%)	100.67	104.77	(3.9%)
Wyndham	22	3,579	75.23	77.47	(2.9%)	67.95	68.60	(0.9%)
Hyatt	22	2,724	97.08	96.52	0.6%	92.36	92.06	0.3%
Radisson ⁽¹⁾⁽²⁾	9	1,939	100.35	102.26	(1.9%)	96.98	96.81	0.2%
All Hotels Total / Average	325	50,379	\$ 103.57	\$ 103.72	(0.1%)	\$ 96.85	\$ 96.57	0.3%

(1) Operating data includes data for certain hotels for periods prior to when we acquired them.

(2) Operating data excludes data for certain hotels we sold during the periods presented.

Seasonality

Our hotels and travel centers have historically experienced seasonal differences typical of their industries with higher revenues in the second and third quarters of calendar years compared with the first and fourth quarters. Most of our management agreements and leases require our managers and tenants to make the substantial portion of our return and rent payments to us in equal amounts throughout the year. So long as guarantees and security deposits are available to supplement earnings shortfalls at our properties, seasonality is not expected to cause material fluctuations in our income or cash flows from

these properties. If and as guarantees and security deposits which secure the minimum returns and rents due to us are exhausted or expire, our financial results may begin to reflect more of the seasonality of the industries in which our tenants and managers operate. The return payments to us under certain of our management agreements depend exclusively upon earnings at these properties and, accordingly, our income and cash flows from these properties reflect the seasonality of the hotel industry.

Related Person Transactions

We have relationships and historical and continuing transactions with RMR LLC, RMR Inc. and others related to them. For example: we have no employees and the personnel and various services we require to operate our business are provided to us by RMR LLC pursuant to our business and property management agreements with RMR LLC; RMR Inc. is the managing member of RMR LLC; Adam D. Portnoy, one of our Managing Trustees, is the sole trustee, and officer and controlling shareholder of ABP Trust, which is the controlling shareholder of RMR Inc.; and we own shares of class A common stock of RMR Inc. We also have relationships and historical and continuing transactions with other companies to which RMR LLC or its subsidiaries provide management services and which may have trustees, directors and officers who are also trustees, directors or officers of us, RMR LLC or RMR Inc., including: TA, which is our former subsidiary and largest tenant and of which we are the largest shareholder; Sonesta, which is one of our hotel managers and is owned in part by Adam D. Portnoy, one of our Managing Trustees; and AIC, of which we, ABP Trust, TA and four other companies to which RMR LLC provides management services each own 14.3% and which arranges and reinsures in part a combined property insurance program for us and its six other shareholders. For further information about these and other such relationships and related person transactions, see Notes 8, 9 and 10 to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, our 2017 Annual Report, our definitive Proxy Statement for our 2018 Annual Meeting of Shareholders and our other filings with the Securities and Exchange Commission, or SEC. In addition, see the section captioned “Risk Factors” of our 2017 Annual Report for a description of risks that may arise as a result of these and other related person transactions and relationships. Our filings with the SEC and copies of certain of our agreements with these related persons, including our business and property management agreements with RMR LLC, our various agreements with TA and Sonesta and our shareholders agreement with AIC and its six other shareholders, are available as exhibits to our filings with the SEC and accessible at the SEC’s website, www.sec.gov. We may engage in additional transactions with related persons, including businesses to which RMR LLC or its subsidiaries provide management services.

Non-GAAP Measures

Funds From Operations Available for Common Shareholders and Normalized Funds From Operations Available for Common Shareholders.

We calculate funds from operations, or FFO, available for common shareholders and normalized funds from operations, or Normalized FFO, available for common shareholders as shown below. FFO available for common shareholders is calculated on the basis defined by The National Association of Real Estate Investment Trusts, or Nareit, which is net income available for common shareholders calculated in accordance with GAAP, excluding any gain or loss on sale of properties and loss on impairment of real estate assets, if any, plus real estate depreciation and amortization, as well as certain other adjustments currently not applicable to us. Our calculation of Normalized FFO available for common shareholders differs from Nareit's definition of FFO available for common shareholders because we include business management incentive fees, if any, only in the fourth quarter versus the quarter when they are recognized as expense in accordance with GAAP due to their quarterly volatility not necessarily being indicative of our core operating performance and the uncertainty as to whether any such business management incentive fees will be payable when all contingencies for determining such fees are known at the end of the calendar year, and we exclude the excess of liquidation preference over carrying value of preferred shares redeemed, loss on early extinguishment of debt and unrealized gains and losses on equity securities. We consider FFO available for common shareholders and Normalized FFO available for common shareholders to be appropriate supplemental measures of operating performance for a REIT, along with net income, net income available for common shareholders and operating income. We believe that FFO available for common shareholders and Normalized FFO available for common shareholders provide useful information to investors because by excluding the effects of certain historical amounts, such as depreciation expense, FFO available for common shareholders and Normalized FFO available for common shareholders may facilitate a comparison of our operating performance between periods and with other REITs. FFO available for common shareholders and Normalized FFO available for common shareholders are among the factors considered by our Board of Trustees when determining the amount of distributions to our shareholders. Other factors include, but are not limited to, requirements to maintain our qualification for taxation as a REIT, limitations in our credit agreement and public debt covenants, the availability to us of debt and equity capital, our expectation of our future capital requirements and operating performance and our expected needs for and availability of cash to pay our obligations. FFO available for common shareholders and Normalized FFO available for common shareholders do not represent cash generated by operating activities in accordance with GAAP and should not be considered alternatives to net income, net income available for common shareholders or operating income as indicators of our operating

performance or as measures of our liquidity. These measures should be considered in conjunction with net income, net income available for common shareholders and operating income as presented in our condensed consolidated statements of comprehensive income. Other real estate companies and REITs may calculate FFO available for common shareholders and Normalized FFO available for common shareholders differently than we do.

Our calculations of FFO available for common shareholders and Normalized FFO available for common shareholders for the three and six months ended June 30, 2018 and 2017 and reconciliations of net income available for common shareholders, the most directly comparable financial measure under GAAP reported in our condensed consolidated financial statements, to those amounts appear in the following table (amounts in thousands, except per share amounts).

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net income available for common shareholders	\$ 97,289	\$ 60,699	\$ 177,495	\$ 86,542
Add: Depreciation and amortization expense	99,684	95,155	199,301	188,606
FFO available for common shareholders	196,973	155,854	376,796	275,148
Add				
(Less): Estimated business management incentive fees ⁽¹⁾	—	17,750	—	37,370
Loss on early extinguishment of debt ⁽²⁾	160	—	160	—
Excess of liquidation preference over carrying value of preferred shares redeemed ⁽³⁾	—	—	—	9,893
Unrealized gains and losses on equity securities, net ⁽⁴⁾	(20,940)	—	(45,895)	—
Normalized FFO available for common shareholders	\$ 176,193	\$ 173,604	\$ 331,061	\$ 322,411
Weighted average shares outstanding (basic)	164,205	164,123	164,202	164,121
Weighted average shares outstanding (diluted) ⁽⁵⁾	164,243	164,165	164,226	164,157
Basic and diluted per common share amounts:				
Net income available for common shareholders	\$ 0.59	\$ 0.37	\$ 1.08	\$ 0.53
FFO available for common shareholders	\$ 1.20	\$ 0.95	\$ 2.29	\$ 1.68
Normalized FFO available for common shareholders	\$ 1.07	\$ 1.06	\$ 2.02	\$ 1.96
Distributions declared per share	\$ 0.53	\$ 0.52	\$ 1.05	\$ 1.03

- (1) Incentive fees under our business management agreement with RMR LLC are payable after the end of each calendar year, are calculated based on common share total return, as defined, and are included in general and administrative expense in our condensed consolidated statements of comprehensive income. In calculating net income in accordance with GAAP, we recognize estimated business management incentive fee expense, if any, in the first, second and third quarters. Although we recognize this expense, if any, in the first, second and third quarters for purposes of calculating net income, we do not include these amounts in the calculation of Normalized FFO available for common shareholders until the fourth quarter, which is when the business management incentive fee expense amount for the year, if any, is determined. Incentive fees for 2018, if any, will be paid in cash in January 2019.
- (2) We recorded a loss of \$160 on early extinguishment of debt in the three months ended June 30, 2018 in connection with the amendment of our revolving credit facility and term loan.
- (3) In February 2017, we redeemed all 11,600,000 of our outstanding 7.125% Series D cumulative redeemable preferred shares at the stated liquidation preference of \$25.00 per share plus accrued and unpaid distributions to the date of redemption (an aggregate of \$291,435). The liquidation preference of the redeemed shares exceeded the carrying amount for the redeemed shares as of the date of redemption by \$9,893, or \$0.06 per share, and we reduced net income available to common shareholders in the six months ended June 30, 2017 by that excess amount.
- (4) Unrealized gains and losses on equity securities, net represent the adjustment required to adjust the carrying value of our investments in RMR Inc. and TA common shares to their fair value as of June 30, 2018 in accordance with new GAAP standards effective January 1, 2018.
- (5) Represents weighted average common shares adjusted to reflect the potential dilution of unvested share awards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk (dollar amounts in thousands, except per share amounts)

We are exposed to risks associated with market changes in interest rates. We manage our exposure to this market risk by monitoring available financing alternatives. Our strategy to manage exposure to changes in interest rates has not materially changed since December 31, 2017. Other than as described below, we do not currently foresee any significant changes in our exposure to fluctuations in interest rates or in how we manage this exposure in the near future.

Fixed Rate Debt

At June 30, 2018, our outstanding publicly tradable debt consisted of nine issues of fixed rate, senior notes:

Principal Balance	Annual Interest Rate	Annual Interest Expense	Maturity	Interest Payments Due
\$ 400,000	4.250%	\$ 17,000	2021	Semi-Annually
500,000	5.000%	25,000	2022	Semi-Annually
500,000	4.500%	22,500	2023	Semi-Annually
350,000	4.650%	16,275	2024	Semi-Annually
350,000	4.500%	15,750	2025	Semi-Annually
350,000	5.250%	18,375	2026	Semi-Annually
400,000	4.950%	19,800	2027	Semi-Annually
400,000	3.950%	15,800	2028	Semi-Annually
400,000	4.375%	17,500	2030	Semi-Annually
<u>\$ 3,650,000</u>		<u>\$ 168,000</u>		

No principal repayments are due under these notes until maturity. Because these notes require interest at fixed rates, changes in market interest rates during the term of these debts will not affect our interest obligations. If these notes were refinanced at interest rates which are one percentage point higher than the rates shown above, our per annum interest cost would increase by approximately \$36,500. Changes in market interest rates would affect the fair value of our fixed rate debt obligations; increases in market interest rates decrease the fair value of our fixed rate debt while decreases in market interest rates increase the fair value of our fixed rate debt. Based on the balances outstanding at June 30, 2018 and discounted cash flows analyses through the respective maturity dates, and assuming no other changes in factors that may affect the fair value of our fixed rate debt obligations, a hypothetical immediate one percentage point change in interest rates would change the fair value of those debt obligations by approximately \$191,779.

Each of these fixed rate unsecured debt arrangements allows us to make repayments earlier than the stated maturity date. We are generally allowed to make prepayments only at a premium equal to a make whole amount, as defined, which is generally designed to preserve a stated yield to the noteholder. Also, we have in the past repurchased and retired some of our outstanding debts and we may do so again in the future. These prepayment rights and our ability to repurchase and retire outstanding debt may afford us opportunities to mitigate the risks of refinancing our debts at their maturities at higher rates by refinancing prior to maturity.

Floating Rate Debt

At June 30, 2018, our floating rate debt consisted of \$122,000 outstanding under our \$1,000,000 revolving credit facility and our \$400,000 term loan. On May 10, 2018, we amended and restated our credit agreement. The stated maturity date of our revolving credit facility is July 15, 2022, and, subject to our meeting certain conditions, including our payment of an extension fee, we have an option to further extend the stated maturity date of the facility for two additional six month periods. The maturity date of our term loan is July 15, 2023. No principal repayments are required under our revolving credit facility prior to maturity, and repayments may be made and redrawn subject to conditions, at any time without penalty. No principal prepayments are required under our term loan prior to maturity and we can repay principal amounts outstanding under the term loan subject to conditions at any time without penalty, but after amounts outstanding under our term loan are repaid, amounts may not be redrawn. Borrowings under our revolving credit facility and term loan are in U.S. dollars and require annual interest to be paid at the rate of LIBOR plus premiums that are subject to adjustment based upon changes to our credit ratings. Accordingly, we are vulnerable to changes in U.S. dollar based short term interest rates, specifically LIBOR. In addition, upon renewal or refinancing of our revolving credit facility or our term loan, we are vulnerable to increases in interest rate premiums due to market conditions or our perceived credit characteristics. Generally, a change in interest rates would not affect the value of this floating rate debt but would affect our operating results.

The following table presents the impact a one percentage point increase in interest rates would have on our annual floating rate interest expense as of June 30, 2018 :

	Impact of Increase in Interest Rates				Annual Per Common Share Impact ⁽²⁾
	Interest Rate Per Year ⁽¹⁾	Outstanding Debt	Total Interest Expense Per Year		
At June 30, 2018	3.06%	\$ 522,000	\$ 15,973	\$	0.10
One percentage point increase	4.06%	\$ 522,000	\$ 21,193	\$	0.13

(1) Weighted average based on the interest rates and the respective outstanding borrowings as of June 30, 2018 .

(2) Based on diluted weighted average common shares outstanding for the six months ended June 30, 2018 .

The following table presents the impact a one percentage point increase in interest rates would have on our annual floating rate interest expense at June 30, 2018 if we were fully drawn on our revolving credit facility and our \$400,000 term loan remained outstanding:

	Impact of Increase in Interest Rates				Annual Per Common Share Impact ⁽²⁾
	Interest Rate Per Year ⁽¹⁾	Outstanding Debt	Total Interest Expense Per Year		
At June 30, 2018	3.01%	\$ 1,400,000	\$ 42,140	\$	0.26
One percentage point increase	4.01%	\$ 1,400,000	\$ 56,140	\$	0.34

(1) Weighted average based on the interest rates and the respective outstanding borrowings (assuming fully drawn) as of June 30, 2018 .

(2) Based on diluted weighted average common shares outstanding for the six months ended June 30, 2018 .

The foregoing tables show the impact of an immediate increase in floating interest rates as of June 30, 2018 . If interest rates were to increase gradually over time, the impact would be spread over time. Our exposure to fluctuations in floating interest rates will increase or decrease in the future with increases or decreases in the outstanding amounts under our revolving credit facility and term loan or other floating rate debt, if any. Although we have no present plans to do so, we may in the future enter into hedge arrangements from time to time to mitigate our exposure to changes in interest rates.

Item 4. Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management carried out an evaluation, under the supervision and with the participation of our President and Chief Executive Officer and our Chief Financial Officer and Treasurer, of the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our President and Chief Executive Officer and our Chief Financial Officer and Treasurer concluded that our disclosure controls and procedures are effective.

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

WARNING CONCERNING FORWARD LOOKING STATEMENTS

THIS QUARTERLY REPORT ON FORM 10-Q CONTAINS STATEMENTS THAT CONSTITUTE FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND OTHER SECURITIES LAWS. ALSO, WHENEVER WE USE WORDS SUCH AS “BELIEVE”, “EXPECT”, “ANTICIPATE”, “INTEND”, “PLAN”, “ESTIMATE”, “WILL”, “MAY” AND NEGATIVES OR DERIVATIVES OF THESE OR SIMILAR EXPRESSIONS, WE ARE MAKING FORWARD LOOKING STATEMENTS. THESE FORWARD LOOKING STATEMENTS ARE BASED UPON OUR PRESENT INTENT, BELIEFS OR EXPECTATIONS, BUT FORWARD LOOKING STATEMENTS ARE NOT GUARANTEED TO OCCUR AND MAY NOT OCCUR. FORWARD LOOKING STATEMENTS IN THIS REPORT RELATE TO VARIOUS ASPECTS OF OUR BUSINESS, INCLUDING:

- OUR HOTEL MANAGERS’ OR TENANTS’ ABILITIES TO PAY THE CONTRACTUAL AMOUNTS OF RETURNS OR RENTS DUE TO US,
- OUR ABILITY TO COMPETE FOR ACQUISITIONS EFFECTIVELY,
- OUR POLICIES AND PLANS REGARDING INVESTMENTS, FINANCINGS AND DISPOSITIONS,
- OUR ABILITY TO PAY DISTRIBUTIONS TO OUR SHAREHOLDERS AND TO SUSTAIN THE AMOUNT OF SUCH DISTRIBUTIONS,
- OUR ABILITY TO RAISE DEBT OR EQUITY CAPITAL,
- OUR ABILITY TO APPROPRIATELY BALANCE OUR USE OF DEBT AND EQUITY CAPITAL,
- OUR INTENT TO MAKE IMPROVEMENTS TO CERTAIN OF OUR PROPERTIES AND THE SUCCESS OF OUR HOTEL RENOVATIONS,
- OUR ABILITY TO ENGAGE AND RETAIN QUALIFIED MANAGERS AND TENANTS FOR OUR HOTELS AND TRAVEL CENTERS ON SATISFACTORY TERMS,
- THE FUTURE AVAILABILITY OF BORROWINGS UNDER OUR REVOLVING CREDIT FACILITY,
- OUR ABILITY TO PAY INTEREST ON AND PRINCIPAL OF OUR DEBT,
- OUR CREDIT RATINGS,
- THE ABILITY OF TA TO PAY CURRENT AND DEFERRED RENT AMOUNTS AND OTHER OBLIGATIONS DUE TO US,
- OUR EXPECTATION THAT WE BENEFIT FROM OUR OWNERSHIP INTEREST IN AND OTHER RELATIONSHIPS WITH RMR INC.,
- OUR EXPECTATION THAT WE BENEFIT FROM OUR OWNERSHIP INTEREST IN AND OTHER RELATIONSHIPS WITH AIC AND FROM OUR PARTICIPATION IN INSURANCE PROGRAMS ARRANGED BY AIC,
- OUR QUALIFICATION FOR TAXATION AS A REIT,
- CHANGES IN FEDERAL OR STATE TAX LAWS, AND

- OTHER MATTERS.

OUR ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTAINED IN OR IMPLIED BY OUR FORWARD LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS. FACTORS THAT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FORWARD LOOKING STATEMENTS AND UPON OUR BUSINESS, RESULTS OF OPERATIONS, FINANCIAL CONDITION, FFO AVAILABLE FOR COMMON SHAREHOLDERS, NORMALIZED FFO AVAILABLE FOR COMMON SHAREHOLDERS, CASH FLOWS, LIQUIDITY AND PROSPECTS INCLUDE, BUT ARE NOT LIMITED TO:

- THE IMPACT OF CONDITIONS AND CHANGES IN THE ECONOMY AND THE CAPITAL MARKETS ON US AND OUR MANAGERS AND TENANTS,
- COMPETITION WITHIN THE REAL ESTATE, HOTEL, TRANSPORTATION AND TRAVEL CENTER INDUSTRIES, PARTICULARLY IN THOSE MARKETS IN WHICH OUR PROPERTIES ARE LOCATED,
- COMPLIANCE WITH, AND CHANGES TO, FEDERAL, STATE AND LOCAL LAWS AND REGULATIONS AFFECTING THE REAL ESTATE, HOTEL, TRANSPORTATION AND TRAVEL CENTER INDUSTRIES, ACCOUNTING RULES, TAX LAWS AND SIMILAR MATTERS,
- LIMITATIONS IMPOSED ON OUR BUSINESS AND OUR ABILITY TO SATISFY COMPLEX RULES IN ORDER FOR US TO QUALIFY FOR TAXATION AS A REIT FOR U.S. FEDERAL INCOME TAX PURPOSES,
- ACTS OF TERRORISM, OUTBREAKS OF SO CALLED PANDEMICS OR OTHER MANMADE OR NATURAL DISASTERS BEYOND OUR CONTROL, AND
- ACTUAL AND POTENTIAL CONFLICTS OF INTEREST WITH OUR RELATED PARTIES, INCLUDING OUR MANAGING TRUSTEES, TA, SONESTA, RMR INC., RMR LLC, AIC AND OTHERS AFFILIATED WITH THEM.

FOR EXAMPLE:

- OUR ABILITY TO MAKE FUTURE DISTRIBUTIONS TO OUR SHAREHOLDERS AND TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON OUR INDEBTEDNESS DEPENDS UPON A NUMBER OF FACTORS, INCLUDING OUR FUTURE EARNINGS, THE CAPITAL COSTS WE INCUR TO MAINTAIN OUR PROPERTIES AND OUR WORKING CAPITAL REQUIREMENTS. WE MAY BE UNABLE TO PAY OUR DEBT OBLIGATIONS OR TO MAINTAIN OUR CURRENT RATE OF DISTRIBUTIONS ON OUR COMMON SHARES AND FUTURE DISTRIBUTIONS MAY BE REDUCED OR ELIMINATED,
- THE SECURITY DEPOSITS WHICH WE HOLD ARE NOT IN SEGREGATED CASH ACCOUNTS OR OTHERWISE SEPARATE FROM OUR OTHER ASSETS AND LIABILITIES. ACCORDINGLY, WHEN WE RECORD INCOME BY REDUCING OUR SECURITY DEPOSIT LIABILITIES, WE DO NOT RECEIVE ANY ADDITIONAL CASH PAYMENT. BECAUSE WE DO NOT RECEIVE ANY ADDITIONAL CASH PAYMENT AS WE APPLY SECURITY DEPOSITS TO COVER PAYMENT SHORTFALLS, THE FAILURE OF OUR MANAGERS OR TENANTS TO PAY MINIMUM RETURNS OR RENTS DUE TO US MAY REDUCE OUR CASH FLOWS AND OUR ABILITY TO PAY DISTRIBUTIONS TO SHAREHOLDERS,
- AS OF JUNE 30, 2018, APPROXIMATELY 74% OF OUR AGGREGATE ANNUAL MINIMUM RETURNS AND RENTS WERE SECURED BY GUARANTEES OR SECURITY DEPOSITS FROM OUR MANAGERS AND TENANTS. THIS MAY IMPLY THAT THESE MINIMUM RETURNS AND RENTS WILL BE PAID. IN FACT, CERTAIN OF THESE GUARANTEES AND SECURITY DEPOSITS ARE LIMITED IN AMOUNT AND DURATION AND ALL THE GUARANTEES ARE SUBJECT TO THE GUARANTORS' ABILITIES AND WILLINGNESS TO PAY. WE CANNOT BE SURE OF THE FUTURE FINANCIAL PERFORMANCE OF OUR PROPERTIES AND WHETHER SUCH PERFORMANCE WILL COVER OUR MINIMUM RETURNS AND RENTS, WHETHER THE GUARANTEES OR SECURITY DEPOSITS WILL BE ADEQUATE TO COVER FUTURE SHORTFALLS IN THE MINIMUM RETURNS OR RENTS DUE TO US WHICH THEY GUARANTY OR SECURE, OR REGARDING OUR MANAGERS', TENANTS' OR GUARANTORS' FUTURE ACTIONS IF AND WHEN THE GUARANTEES AND SECURITY DEPOSITS EXPIRE OR ARE DEPLETED OR THEIR ABILITIES OR WILLINGNESS TO PAY MINIMUM RETURNS AND RENTS OWED TO US. MOREOVER, THE SECURITY DEPOSITS WE HOLD ARE NOT SEGREGATED FROM OUR OTHER ASSETS AND THE APPLICATION OF SECURITY DEPOSITS TO COVER PAYMENT SHORTFALLS WILL RESULT IN US

RECORDING INCOME, BUT WILL NOT RESULT IN US RECEIVING ADDITIONAL CASH. THE BALANCE OF OUR ANNUAL MINIMUM RETURNS AND RENTS AS OF JUNE 30, 2018 WAS NOT SECURED BY GUARANTEES OR SECURITY DEPOSITS,

- THE \$35.7 MILLION LIMITED GUARANTY FROM WYNDHAM WAS DEPLETED DURING THE YEAR ENDED DECEMBER 31, 2017 . WE DO NOT HOLD A SECURITY DEPOSIT WITH RESPECT TO AMOUNTS DUE UNDER THE WYNDHAM AGREEMENT. WYNDHAM HAS PAID 85% OF THE MINIMUM RETURNS DUE TO US FOR EACH OF THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 . WE CAN PROVIDE NO ASSURANCE AS TO WHETHER WYNDHAM WILL CONTINUE TO PAY AT LEAST THE GREATER OF AVAILABLE HOTEL CASH FLOWS AFTER PAYMENT OF HOTEL OPERATING EXPENSES AND 85% OF THE MINIMUM RETURNS DUE TO US OR IF WYNDHAM WILL DEFAULT ON ITS PAYMENTS,
- WE HAVE NO GUARANTEES OR SECURITY DEPOSITS FOR THE MINIMUM RETURNS DUE TO US FROM OUR MARRIOTT NO. 1 OR OUR SONESTA HOTEL AGREEMENTS. ACCORDINGLY, WE MAY RECEIVE AMOUNTS THAT ARE LESS THAN THE CONTRACTUAL MINIMUM RETURNS STATED IN THESE AGREEMENTS,
- WE HAVE RECENTLY RENOVATED CERTAIN HOTELS AND ARE CURRENTLY RENOVATING ADDITIONAL HOTELS. WE CURRENTLY EXPECT TO FUND APPROXIMATELY \$145.4 MILLION DURING THE LAST SIX MONTHS OF 2018 AND \$143.6 MILLION IN 2019 FOR RENOVATIONS AND OTHER CAPITAL IMPROVEMENT COSTS AT CERTAIN OF OUR HOTELS. THE COST OF CAPITAL PROJECTS ASSOCIATED WITH SUCH RENOVATIONS MAY BE GREATER THAN WE NOW ANTICIPATE. OPERATING RESULTS AT OUR HOTELS MAY DECLINE AS A RESULT OF HAVING ROOMS OUT OF SERVICE OR OTHER DISRUPTIONS DURING RENOVATIONS. ALSO, WHILE OUR FUNDING OF THESE CAPITAL PROJECTS WILL CAUSE OUR CONTRACTUAL MINIMUM RETURNS TO INCREASE, THE HOTELS' OPERATING RESULTS MAY NOT INCREASE OR MAY NOT INCREASE TO THE EXTENT THAT THE MINIMUM RETURNS INCREASE. ACCORDINGLY, COVERAGE OF OUR MINIMUM RETURNS AT THESE HOTELS MAY REMAIN DEPRESSED FOR AN EXTENDED PERIOD,
- WE CURRENTLY EXPECT TO PURCHASE FROM TA DURING THE LAST SIX MONTHS OF 2018 APPROXIMATELY \$22.8 MILLION OF CAPITAL IMPROVEMENTS TA EXPECTS TO MAKE TO THE TRAVEL CENTERS WE LEASE TO TA. PURSUANT TO THE TERMS OF THE APPLICABLE LEASES, THE ANNUAL RENT PAYABLE TO US BY TA WILL INCREASE AS A RESULT OF ANY SUCH PURCHASES. WE MAY ULTIMATELY PURCHASE MORE OR LESS THAN THIS BUDGETED AMOUNT. TA MAY NOT REALIZE RESULTS FROM ANY OF THESE CAPITAL IMPROVEMENTS WHICH EQUAL OR EXCEED THE INCREASED ANNUAL RENTS IT WILL BE OBLIGATED TO PAY TO US, WHICH COULD INCREASE THE RISK OF TA BEING UNABLE TO PAY AMOUNTS DUE TO US,
- HOTEL ROOM DEMAND AND TRUCKING ACTIVITY ARE OFTEN REFLECTIONS OF THE GENERAL ECONOMIC ACTIVITY IN THE COUNTRY AND IN THE GEOGRAPHIC AREAS WHERE OUR PROPERTIES ARE LOCATED. IF ECONOMIC ACTIVITY DECLINES, HOTEL ROOM DEMAND AND TRUCKING ACTIVITY MAY DECLINE AND THE OPERATING RESULTS OF OUR HOTELS AND TRAVEL CENTERS MAY DECLINE, THE FINANCIAL RESULTS OF OUR HOTEL MANAGERS AND OUR TENANTS, INCLUDING TA, MAY SUFFER AND THESE MANAGERS AND TENANTS MAY BE UNABLE TO PAY OUR RETURNS OR RENTS. ALSO, DEPRESSED OPERATING RESULTS FROM OUR PROPERTIES FOR EXTENDED PERIODS MAY RESULT IN THE OPERATORS OF SOME OR ALL OF OUR HOTELS AND OUR TRAVEL CENTERS BECOMING UNABLE OR UNWILLING TO MEET THEIR OBLIGATIONS OR THEIR GUARANTEES AND SECURITY DEPOSITS WE HOLD MAY BE EXHAUSTED,
- HOTEL AND OTHER COMPETITIVE FORMS OF TEMPORARY LODGING SUPPLY (FOR EXAMPLE, AIRBNB) HAVE BEEN INCREASING AND MAY AFFECT OUR HOTEL OPERATORS' ABILITY TO GROW ADR AND OCCUPANCY, AND ADR AND OCCUPANCY COULD DECLINE DUE TO INCREASED COMPETITION WHICH MAY CAUSE OUR HOTEL OPERATORS TO BECOME UNABLE TO PAY OUR RETURNS OR RENTS,
- IF THE CURRENT LEVEL OF COMMERCIAL ACTIVITY IN THE COUNTRY DECLINES, IF THE PRICE OF DIESEL FUEL INCREASES SIGNIFICANTLY, IF FUEL CONSERVATION MEASURES ARE INCREASED, IF FREIGHT BUSINESS IS DIRECTED AWAY FROM TRUCKING, IF TA IS UNABLE TO EFFECTIVELY COMPETE OR OPERATE ITS BUSINESS, IF FUEL EFFICIENCIES, THE USE OF ALTERNATIVE FUELS OR TRANSPORTATION TECHNOLOGIES REDUCE THE DEMAND FOR PRODUCTS AND SERVICES TA SELLS

OR FOR VARIOUS OTHER REASONS, TA MAY BECOME UNABLE TO PAY CURRENT AND DEFERRED RENTS DUE TO US,

- OUR ABILITY TO GROW OUR BUSINESS AND INCREASE OUR DISTRIBUTIONS DEPENDS IN LARGE PART UPON OUR ABILITY TO BUY PROPERTIES THAT GENERATE RETURNS OR CAN BE LEASED FOR RENTS WHICH EXCEED THEIR OPERATING AND CAPITAL COSTS. WE MAY BE UNABLE TO IDENTIFY PROPERTIES THAT WE WANT TO ACQUIRE OR TO NEGOTIATE ACCEPTABLE PURCHASE PRICES, ACQUISITION FINANCING, MANAGEMENT CONTRACTS OR LEASE TERMS FOR NEW PROPERTIES,
- CONTINGENCIES IN OUR ACQUISITION AND SALE AGREEMENTS MAY NOT BE SATISFIED AND ANY EXPECTED ACQUISITIONS AND SALES AND ANY RELATED MANAGEMENT OR LEASE ARRANGEMENTS WE EXPECT TO ENTER MAY NOT OCCUR, MAY BE DELAYED OR THE TERMS OF SUCH TRANSACTIONS OR ARRANGEMENTS MAY CHANGE,
- AT JUNE 30, 2018, WE HAD \$16.5 MILLION OF CASH AND CASH EQUIVALENTS, \$878.0 MILLION AVAILABLE UNDER OUR \$1.0 BILLION REVOLVING CREDIT FACILITY AND SECURITY DEPOSITS AND GUARANTEES COVERING SOME OF OUR MINIMUM RETURNS AND RENTS. THESE STATEMENTS MAY IMPLY THAT WE HAVE ABUNDANT WORKING CAPITAL AND LIQUIDITY. HOWEVER, OUR MANAGERS AND TENANTS MAY NOT BE ABLE TO FUND MINIMUM RETURNS AND RENTS DUE TO US FROM OPERATING OUR PROPERTIES OR FROM OTHER RESOURCES; IN THE PAST AND CURRENTLY, CERTAIN OF OUR TENANTS AND HOTEL MANAGERS HAVE IN FACT NOT PAID THE MINIMUM AMOUNTS DUE TO US FROM THEIR OPERATIONS OF OUR LEASED OR MANAGED PROPERTIES. ALSO, CERTAIN OF THE SECURITY DEPOSITS AND GUARANTEES WE HAVE TO COVER ANY SUCH SHORTFALLS ARE LIMITED IN AMOUNT AND DURATION, AND ANY SECURITY DEPOSITS WE APPLY FOR SUCH SHORTFALLS DO NOT RESULT IN ADDITIONAL CASH FLOWS TO US. OUR PROPERTIES REQUIRE, AND WE HAVE AGREED TO PROVIDE, SIGNIFICANT FUNDING FOR CAPITAL IMPROVEMENTS, RENOVATIONS AND OTHER MATTERS. ACCORDINGLY, WE MAY NOT HAVE SUFFICIENT WORKING CAPITAL OR LIQUIDITY,
- WE MAY BE UNABLE TO REPAY OUR DEBT OBLIGATIONS WHEN THEY BECOME DUE,
- WE INTEND TO CONDUCT OUR BUSINESS ACTIVITIES IN A MANNER THAT WILL AFFORD US REASONABLE ACCESS TO CAPITAL FOR INVESTMENT AND FINANCING ACTIVITIES. HOWEVER, WE MAY NOT SUCCEED IN THIS REGARD AND WE MAY NOT HAVE REASONABLE ACCESS TO CAPITAL,
- CONTINUED AVAILABILITY OF BORROWINGS UNDER OUR REVOLVING CREDIT FACILITY IS SUBJECT TO OUR SATISFYING CERTAIN FINANCIAL COVENANTS AND OTHER CREDIT FACILITY CONDITIONS THAT WE MAY BE UNABLE TO SATISFY,
- ACTUAL COSTS UNDER OUR REVOLVING CREDIT FACILITY OR OTHER FLOATING RATE DEBT WILL BE HIGHER THAN LIBOR PLUS A PREMIUM BECAUSE OF FEES AND EXPENSES ASSOCIATED WITH SUCH DEBT,
- THE MAXIMUM BORROWING AVAILABILITY UNDER OUR REVOLVING CREDIT FACILITY AND TERM LOAN MAY BE INCREASED TO UP TO \$2.3 BILLION ON A COMBINED BASIS IN CERTAIN CIRCUMSTANCES; HOWEVER, INCREASING THE MAXIMUM BORROWING AVAILABILITY UNDER OUR REVOLVING CREDIT FACILITY AND TERM LOAN IS SUBJECT TO OUR OBTAINING ADDITIONAL COMMITMENTS FROM LENDERS, WHICH MAY NOT OCCUR,
- THE PREMIUMS USED TO DETERMINE THE INTEREST RATE PAYABLE ON OUR REVOLVING CREDIT FACILITY AND TERM LOAN AND THE FACILITY FEE PAYABLE ON OUR REVOLVING CREDIT FACILITY ARE BASED ON OUR CREDIT RATINGS. FUTURE CHANGES IN OUR CREDIT RATINGS MAY CAUSE THE INTEREST AND FEES WE PAY TO INCREASE,
- WE HAVE THE OPTION TO EXTEND THE MATURITY DATE OF OUR REVOLVING CREDIT FACILITY UPON PAYMENT OF A FEE AND MEETING OTHER CONDITIONS; HOWEVER, THE APPLICABLE CONDITIONS MAY NOT BE MET,
- THE BUSINESS AND PROPERTY MANAGEMENT AGREEMENTS BETWEEN US AND RMR LLC HAVE CONTINUING 20 YEAR TERMS. HOWEVER, THOSE AGREEMENTS PERMIT EARLY TERMINATION IN

CERTAIN CIRCUMSTANCES. ACCORDINGLY, WE CANNOT BE SURE THAT THESE AGREEMENTS WILL REMAIN IN EFFECT FOR CONTINUING 20 YEAR TERMS,

- WE BELIEVE THAT OUR RELATIONSHIPS WITH OUR RELATED PARTIES, INCLUDING RMR LLC, RMR INC., TA, SONESTA, AIC AND OTHERS AFFILIATED WITH THEM MAY BENEFIT US AND PROVIDE US WITH COMPETITIVE ADVANTAGES IN OPERATING AND GROWING OUR BUSINESS. HOWEVER, THE ADVANTAGES WE BELIEVE WE MAY REALIZE FROM THESE RELATIONSHIPS MAY NOT MATERIALIZE,
- RMR INC. MAY REDUCE THE AMOUNT OF DISTRIBUTIONS TO ITS SHAREHOLDERS, INCLUDING US, AND
- MARRIOTT HAS NOTIFIED US THAT IT DOES NOT INTEND TO EXTEND ITS LEASE FOR OUR RESORT HOTEL ON KAUAI, HAWAII WHEN THAT LEASE EXPIRES ON DECEMBER 31, 2019 AND WE INTEND TO HAVE DISCUSSIONS WITH MARRIOTT ABOUT THE FUTURE OF THIS HOTEL. THESE STATEMENTS MAY IMPLY THAT MARRIOTT WILL NOT OPERATE THIS HOTEL IN THE FUTURE OR THAT WE MAY RECEIVE LESS CASH FLOWS FROM THIS HOTEL IN THE FUTURE. OUR DISCUSSIONS WITH MARRIOTT HAVE BEGUN. AT THIS TIME WE CANNOT PREDICT HOW OUR DISCUSSIONS WITH MARRIOTT WILL IMPACT THE FUTURE OF THIS HOTEL. FOR EXAMPLE, THIS HOTEL MAY CONTINUE TO BE OPERATED BY MARRIOTT ON DIFFERENT CONTRACT TERMS THAN THE CURRENT LEASE, WE MAY IDENTIFY A DIFFERENT OPERATOR FOR THIS HOTEL OR THE CASH FLOWS WHICH WE RECEIVE FROM OUR OWNERSHIP OF THIS HOTEL MAY BE DIFFERENT THAN THE RENT WE NOW RECEIVE. ALSO, ALTHOUGH THE CURRENT LEASE EXPIRES ON DECEMBER 31, 2019, WE AND MARRIOTT MAY AGREE UPON A DIFFERENT TERMINATION DATE.

CURRENTLY UNEXPECTED RESULTS COULD OCCUR DUE TO MANY DIFFERENT CIRCUMSTANCES, SOME OF WHICH ARE BEYOND OUR CONTROL, SUCH AS ACTS OF TERRORISM, NATURAL DISASTERS, CHANGES IN OUR MANAGERS' OR TENANTS' REVENUES OR EXPENSES, CHANGES IN OUR MANAGERS' OR TENANTS' FINANCIAL CONDITIONS, THE MARKET DEMAND FOR HOTEL ROOMS OR FUEL OR CHANGES IN CAPITAL MARKETS OR THE ECONOMY GENERALLY.

THE INFORMATION CONTAINED IN THIS QUARTERLY REPORT ON FORM 10-Q AND IN OUR 2017 ANNUAL REPORT OR OUR OTHER FILINGS WITH THE SEC, INCLUDING UNDER THE CAPTION "RISK FACTORS", OR INCORPORATED HEREIN OR THEREIN, IDENTIFIES OTHER IMPORTANT FACTORS THAT COULD CAUSE DIFFERENCES FROM OUR FORWARD LOOKING STATEMENTS. OUR FILINGS WITH THE SEC ARE AVAILABLE ON THE SEC'S WEBSITE AT WWW.SEC.GOV.

YOU SHOULD NOT PLACE UNDUE RELIANCE UPON OUR FORWARD LOOKING STATEMENTS.

EXCEPT AS REQUIRED BY LAW, WE DO NOT INTEND TO UPDATE OR CHANGE ANY FORWARD LOOKING STATEMENTS AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

STATEMENT CONCERNING LIMITED LIABILITY

THE AMENDED AND RESTATED DECLARATION OF TRUST ESTABLISHING HOSPITALITY PROPERTIES TRUST, DATED AUGUST 21, 1995, AS AMENDED AND SUPPLEMENTED, AS FILED WITH THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF MARYLAND, PROVIDES THAT NO TRUSTEE, OFFICER, SHAREHOLDER, EMPLOYEE OR AGENT OF HOSPITALITY PROPERTIES TRUST SHALL BE HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, HOSPITALITY PROPERTIES TRUST. ALL PERSONS DEALING WITH HOSPITALITY PROPERTIES TRUST IN ANY WAY SHALL LOOK ONLY TO THE ASSETS OF HOSPITALITY PROPERTIES TRUST FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION.

Part II Other Information**Item 1A. Risk Factors**

There have been no material changes to risk factors from those we previously disclosed in our 2017 Annual Report.

Item 6. Exhibits

Exhibit Number	Description
3.1	Composite Copy of Amended and Restated Declaration of Trust, dated as of August 21, 1995, as amended to date. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.)
3.2	Amended and Restated Bylaws of the Company, adopted April 12, 2018. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.)
4.1	Form of Common Share Certificate. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2013.)
4.2	Indenture, dated as of February 25, 1998, between the Company and State Street Bank and Trust Company. (Incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, File Number 001-11527.)
4.3	Supplemental Indenture No. 14, dated as of August 16, 2012, between the Company and U.S. Bank National Association, relating to the Company's 5.000% Senior Notes due 2022, including form thereof. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, File Number 001-11527.)
4.4	Supplemental Indenture No. 15, dated as of June 6, 2013, between the Company and U.S. Bank National Association, relating to the Company's 4.500% Senior Notes due 2023, including form thereof. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, File Number 001-11527.)
4.5	Authentication Order, dated January 13, 2017, from the Company to U.S. Bank National Association, relating to the Company's 4.500% Senior Notes due 2023. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2016.)
4.6	Supplemental Indenture No. 16, dated as of March 12, 2014, between the Company and U.S. Bank National Association, relating to the Company's 4.650% Senior Notes due 2024, including form thereof. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.)
4.7	Supplemental Indenture No. 17, dated as of September 12, 2014, between the Company and U.S. Bank National Association, relating to the Company's 4.50% Senior Notes due 2025, including form thereof. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.)
4.8	Indenture, dated as of February 3, 2016, between the Company and U.S. Bank National Association. (Incorporated by reference to the Company's Current Report on Form 8-K dated February 1, 2016.)
4.9	First Supplemental Indenture, dated as of February 3, 2016, between the Company and U.S. Bank National Association, relating to the Company's 4.25% Senior Notes due 2021, including form thereof. (Incorporated by reference to the Company's Current Report on Form 8-K dated February 1, 2016.)
4.10	Second Supplemental Indenture, dated as of February 3, 2016, between the Company and U.S. Bank National Association, relating to the Company's 5.25% Senior Notes due 2026, including form thereof. (Incorporated by reference to the Company's Current Report on Form 8-K dated February 1, 2016.)
4.11	Third Supplemental Indenture, dated as of January 13, 2017, between the Company and U.S. Bank National Association, relating to the Company's 4.950% Senior Notes due 2027, including form thereof. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2016.)
4.12	Fourth Supplemental Indenture, dated as of October 26, 2017, between the Company and U.S. Bank National Association, relating to the Company's 3.950% Senior Notes due 2028, including form thereof. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017.)
4.13	Fifth Supplemental Indenture, dated as of February 2, 2018, between the Company and U.S. Bank National Association, relating to the Company's 4.375% Senior Notes due 2030, including form thereof. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2017.)
4.14	Registration Rights and Lock-Up Agreement, dated as of June 5, 2015, among the Company, ABP Trust (f/k/a Reit Management & Research Trust), Barry M. Portnoy and Adam D. Portnoy. (Incorporated by reference to the Company's Current Report on Form 8-K dated June 5, 2015.)

10.1	Second Amended and Restated Credit Agreement, dated as of May 10, 2018, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, and each of the other financial institutions initially a signatory thereto. (Incorporated by reference to the Company's Current Report on Form 8-K dated May 10, 2018.)
10.2	Sixth Amendment to Management Agreement, dated as of May 11, 2018, among HPT TRS IHG-2, Inc., InterContinental Hotels Group Resources, Inc., IHG Management (Maryland) LLC and InterContinental Hotels Group (Canada), Inc. (Filed herewith.)
10.3	Amendment to Lease Agreement, dated May 25, 2018, among HPT PSC Properties Trust, HPT PSC Properties LLC and TA Operating LLC. (Filed herewith.)
10.4	Summary of Trustee Compensation. (Incorporated by reference to the Company's Current Report on Form 8-K dated June 14, 2018.)
10.5	Form of Indemnification Agreement. (Filed herewith.)
12.1	Computation of Ratio of Earnings to Fixed Charges. (Filed herewith.)
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Distributions. (Filed herewith.)
31.1	Rule 13a-14(a) Certification. (Filed herewith.)
31.2	Rule 13a-14(a) Certification. (Filed herewith.)
32.1	Section 1350 Certification. (Furnished herewith.)
101.1	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Statements of Cash Flows and (iv) related notes to these financial statements, tagged as blocks of text and in detail. (Filed herewith.)

SIGNATURES

Pursuant to the requirements 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.

HOSPITALITY PROPERTIES TRUST

/s/ John G. Murray

John G. Murray

President and Chief Executive Officer

Dated: August 9, 2018

/s/ Mark L. Kleifges

Mark L. Kleifges

Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)

Dated: August 9, 2018

SIXTH AMENDMENT TO MANAGEMENT AGREEMENT

THIS SIXTH AMENDMENT TO MANAGEMENT AGREEMENT (this “Amendment”) is made and entered into as of May 11, 2018 by and among **HPT TRS IHG-2, INC.** (“Owner”), a Maryland corporation (successor by merger to HPT TRS IHG-1, Inc. and HPT TRS IHG-3, Inc.), and **INTERCONTINENTAL HOTELS GROUP RESOURCES, INC.** (“Resources”), a Delaware corporation, **IHG MANAGEMENT (MARYLAND) LLC** (“Maryland”), a Maryland limited liability company, and **INTERCONTINENTAL HOTELS GROUP (CANADA), INC.** (“Canada”), a corporation under the laws of Ontario, Canada (Resources, Maryland and Canada, collectively, “Manager”).

WITNESSETH

WHEREAS, HPT TRS (for itself and as successor by merger to HPT TRS IHG-1, Inc. and HPT TRS IHG-3, Inc.) and IHG Manager are parties to that certain Management Agreement, dated as of July 1, 2011, as amended by that certain Amendment to Management Agreement, dated as of March 16, 2015 (the “First Amendment”), that certain Second Amendment to Management Agreement, dated as of February 11, 2016, that certain Third Amendment to Management Agreement, dated as of February 1, 2017, that certain Fourth Amendment to Management Agreement, dated as of March 24, 2017, and that certain Fifth Amendment to Management Agreement, dated as of June 28, 2017 (as so amended, the “Management Agreement”); and

WHEREAS, Owner (and its predecessors) and Manager entered into that certain Deposit Agreement, dated as of July 1, 2011 (as amended, the “Deposit Agreement”); and

WHEREAS, Owner and Manager have entered into Deposit Agreement Acknowledgements dated as of February 11, 2016 for the Monaco Portland, February 1, 2017 for the Kimpton Hotel Allegro in Chicago, March 24, 2017 for the Alexis Hotel Seattle, June 28, 2017 for the Crowne Plaza Ravinia, and June 28, 2017 for the Crowne Plaza Columbus – Downtown (collectively, with any other Deposit Agreement Acknowledgements entered into in the future, the “Deposit Agreement Acknowledgements”); and

WHEREAS, Owner and Manager desire to amend the Management Agreement to provide for additional hotels to be added to the Management Agreement as Pool A Hotels (as defined in the Management Agreement) thereunder; and

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner and Manager, intending to be legally bound, hereby agree, effective from and after the date hereof, as follows:

1. Capitalized Terms. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings given such terms in the Management Agreement.
2. Additional Pool A Hotels. The following definition is added to Article 1: “ Additional Pool A Hotels ” shall mean those Hotels made subject to this Agreement subsequent to April 1, 2018 pursuant to a Site Designation Supplement which designates such Hotel as an Additional Pool A Hotel.
3. Effective Date. The definition of “ Effective Date ” is amended to read: “shall mean July 1, 2011 with respect to the Original Pool A Hotels and the effective date set forth in the applicable Site Designation Supplement with respect to any Additional Pool A Hotel or any Pool B Hotel”.
4. Original Pool A Hotels. The following definition is added to Article 1: “ Original Pool A Hotels ” shall mean those Hotels that were Pool A Hotels as of February 28, 2018, which Hotels were further described in that certain Amendment to Management Agreement, dated as of July 11, 2011.
5. Pool A Hotels. The definition of “ Pool A Hotels ” is amended to read: “shall mean, collectively, the Original Pool A Hotels and any Additional Pool A Hotels, less any such Hotels that are removed from the Management Agreement in accordance with its terms.”
6. Pool B Hotels. The definition of “ Pool B Hotels ” is amended to read: “shall mean those Hotels made subject to this Agreement subsequent to February 1, 2015 pursuant to a Site Designation Supplement with respect thereto other than Additional Pool A Hotels”.
7. Condition of Additional Pool A Hotels. Manager confirms that it has had, or by its execution and delivery of the applicable Site Designation Supplement will have had, sufficient opportunity to evaluate the condition of each Additional Pool A Hotel and, unless otherwise expressly agreed upon in writing between Manager and Owner, will accept delivery and possession of each Additional Pool A Hotel on the applicable Effective Date in its then “as is” condition, and otherwise in accordance with the terms and provisions of Section 2.5 of the Management Agreement. Nothing in the foregoing sentence or in Section 2.5 of the Management Agreement, however, shall affect Owner’s obligations with respect to any Additional Pool A Hotel Approved Renovations or other obligations expressly set forth in the Management Agreement.
8. No Designation of Additional Pool A Hotels as Non-Economic Hotels. Neither Owner nor Manager shall have any right to designate any Additional Pool A Hotel as a Non-Economic Hotel in accordance with the terms and provisions of Section 2.6(e) of the Management Agreement before the date which is five (5) years following the applicable Effective Date for such Hotel.

9. Refurbishment Fund for Additional Pool A Hotels. Between the Effective Date for any applicable Additional Pool A Hotel and the date which is set forth on the applicable Site Designation Supplement as the “Approved Renovation Funding Expiration Date” for such Hotel, Owner agrees to supplement the Reserve Account with the amounts that Owner and Manager shall set forth for Capital Replacements, if any, in the Site Designation Supplement for such Hotel (the “Additional Pool A Hotel Approved Renovations”) or, if available at such time, the agreed upon Additional Pool A Hotel Scope and Estimate (as defined herein) for such Hotel. If not included in the Site Designation Supplement, within six (6) months following the Effective Date of each applicable Additional Pool A Hotel, Manager shall develop, for Owner’s approval, a scope of work and cost estimate for the Additional Pool A Hotel Approved Renovations for such Hotel (the “Additional Pool A Hotel Scope and Estimate”). The cost estimate set forth in the Additional Pool A Hotel Scope and Estimate for each applicable Additional Pool A Hotel shall not exceed the amounts set forth for Capital Replacements in the Site Designation Supplement for such Hotel, unless otherwise approved or agreed to by Owner. Owner and Manager shall cooperate with each other to resolve any objections that Owner may have to any such proposed Additional Pool A Hotel Scope and Estimate. After Owner and Manager have agreed to an Additional Pool A Hotel Scope and Estimate for an Additional Pool A Hotel, Owner shall, within ten (10) business days of Manager’s request (but not more than once per calendar month), fund the amounts reflected in the applicable Additional Pool A Hotel Scope and Estimate, in partial or complete draws as Manager reasonably requests. Manager agrees not to request any such funds more than thirty (30) days in advance of needing the same. Manager shall separately account for all such deposits for Additional Pool A Hotel Approved Renovations. Manager shall review and approve for payment third party invoices and, subject to receipt of lien waivers, together with such other documentation as Owner may reasonably request, withdraw such amounts from the Reserve as are required to pay approved invoices. Owner shall have no liability for, and Manager shall not pay, any costs of any Additional Pool A Hotel Approved Renovations in excess of those set forth in the applicable Site Designation Supplement or the Additional Pool A Hotel Scope and Estimate unless otherwise expressly approved by Owner. Owner and Manager shall meet not less than once per month (which meeting may take place by conference telephone call or other similar electronic means) to review all applicable Additional Pool A Hotel Scope and Estimates with respect to any Additional Pool A Hotel Approved Renovations then in progress and any updates or revisions thereto and the status of each such project. Subject to the other terms and provisions of this paragraph, Manager may elect upon notice to Owner to fund the Reserve Account from time to time for such purposes on an interim basis, and Owner shall reimburse Manager for any such fundings by Manager within thirty (30) days after receipt of invoices from Manager detailing such fundings by Manager. Owner shall have the right to review and approve any material updates or revisions to any Additional Pool A Hotel Scope and Estimate prior to funding any additional amounts into the Reserve Account resulting from such updates or revisions. Manager shall select, engage, control and supervise the work of the contractors and agents involved in performing the work of the Additional Pool A Approved Renovations even though Owner and Manager shall both be parties to the contracts with such contractors and agents. With respect to all actions or matters requiring the review and approval of Owner under this paragraph, if Owner does not approve or disapprove any such actions or matters within ten (10) business days of submittal by Manager, the actions or matters shall be

deemed approved. For the avoidance of doubt, all Additional Pool A Hotel Approved Renovations shall be considered Approved Renovations for all purposes under the Management Agreement (including, without limitation, for purposes of calculating Owner's First Priority).

10. Initial Yearly Budgets for Additional Pool A Hotels. Not more than sixty (60) days following the Effective Date for each Additional Pool A Hotel, Manager shall submit to Owner a proposed Yearly Budget for such Hotel for the remainder of the applicable Fiscal Year for Owner's approval in accordance with Section 8.2 of the Management Agreement. Once approved in accordance with Section 8.2 of the Management Agreement, such proposed Yearly Budget shall constitute the Yearly Budget for such Hotel for the balance of the applicable Fiscal Year.

11. Working Capital for Additional Pool A Hotels. As of the applicable Effective Date for each Additional Pool A Hotel, Owner shall advance additional funds for the Working Capital of such Additional Pool A Hotel in the amount of the net credit, if any, for closing pro rations received by Owner, Landlord, or its affiliates on account of guest ledger receivables and other similar revenues in connection with its acquisition of such Additional Pool A Hotel.

12. Site Designation Supplement. Exhibit C (Site Designation Supplement) to the Management Agreement is hereby deleted in its entirety and replaced with Exhibit C attached to this Amendment.

13. Second Refurbishment Fund. Between the date of this Amendment and July 1, 2019 (the "Second Refurbishment Period"), Owner agrees to supplement the Reserve Account with \$29,000,000 to refurbish any Hotels that Owner and Manager shall agree upon, (such amount being the "Second Refurbishment Fund"). Manager shall develop, for Owner's approval, a scope of work and cost estimate for the renovations at any of the agreed upon Hotels (the "Second Refurbishment Scope and Estimate"). After Owner and Manager have agreed to the Second Refurbishment Scope and Estimate for the renovations ("Second Refurbishment Approved Renovations") and as the Second Refurbishment Approved Renovations work progresses, Owner shall fund the Second Refurbishment Funds into the Reserve Account upon Manager's request and direction, but in no event later than July 1, 2019 pursuant to the terms below. Manager shall review and approve for payment all draw requests and third party invoices and, subject to receipt of lien waivers, together with such other documentation as Owner may reasonably request, Owner shall deposit the amount thereof in the Reserve Account, whereupon Manager will withdraw such amounts from the Reserve as are required to pay approved invoices. Owner shall have no liability for, and Manager shall not pay, any costs of the Second Refurbishment Approved Renovations in excess of those set forth in the relevant Second Refurbishment Scope and Estimate unless otherwise agreed upon. To the extent requested by Owner, Owner and Manager shall periodically meet (which meeting may take place by conference telephone call, internet enabled meeting, or similar electronic means) to review each Second Refurbishment Scope and Estimate for the Second Refurbishment Approved Renovations and any updates or revisions thereto and the progress of the Second Refurbishment Approved Renovations. Manager may elect upon notice to Owner to fund the Reserve Account from time to time for Second Refurbishment Approved Renovations on an interim basis, and Owner shall

reimburse Manager for any such funding by Manager within thirty (30) days after receipt of invoices and draw requests from Manager detailing such funding by Manager. In any case, prior to funding amounts into the Reserve Account, Owner shall have the right to review and approve any updates or revisions to the applicable Second Refurbishment Scope and Estimate. Owner shall also have the right to review plans and specifications of architects, general contractors' estimates, architect's certificates, copies of permits and other evidence of approval by governmental authorities and other regulatory bodies whose approval is required. Additionally, Manager's selection of general contractors and procurement agents shall be subject to Owner's written approval, which approval shall, consistent with this Agreement, not be unreasonably withheld or delayed, and in any case, Owner agrees to act on such approvals in a manner necessary to maintain the timetable for completion of the work. The foregoing notwithstanding, Manager shall control and supervise the work of the contractors and agents involved in performing the work of the Second Refurbishment Approved Renovations. In order to ensure the timely investment of the Second Refurbishment Funds, Owner and Manager agree that Owner shall fund the entirety of the Second Refurbishment Fund, that is not yet funded, into the reserve Account on the earlier of: (a) Manager's request, or (b) July 1, 2019, which amounts shall be applied by Manager in accordance with this Section 13. Notwithstanding anything stated to the contrary otherwise in the Management Agreement, including without limitation the First Amendment, all advances made pursuant to this Section 13 shall be treated as advances for Approved Renovations made pursuant to Section 5.4 (Refurbishment Fund) with respect to the calculation of Owner's First Priority. For the avoidance of doubt, the deposit of the Second Refurbishment Funds into the Reserve Account shall result in an increase to Owner's First Priority.

14. Crowne Plaza Workplace Early Adopter Program Participation. Owner and Manager agree that the Hotels identified on Addendum 1 attached hereto (the "Participating CP Hotels") shall participate in the Crowne Plaza Workplace Early Adopter Program (the "CP Program"), subject to the terms herein. Manager will cause the Participating CP Hotels to comply with the Plaza Workspace Program Requirements separately acknowledged by Owner and Manager. As part of Owner's participation in the CP Program, Manager will contribute the amounts set forth on Addendum 1 (the "IHG CP Program Contribution") for each of the Participating CP Hotels by either (i) funding such amounts directly into the Reserve Account for use in executing the CP Program at the Participating CP Hotels; or (ii) funding such amounts directly to vendors to pay for costs to execute the CP Program at the Participating CP Hotels. Additionally, Owner will fund additional amounts which will count as funded from the Second Refurbishment Fund into the Reserve Account to fund the additional cost necessary to pay for the Participating Hotels' execution of the CP Program ("Additional CP Costs"). Manager will be entitled to withdraw amounts from the Reserve Account to pay for such execution of the CP Program from time to time. As a matter of course, Manager will assess each of the Participating CP Hotels to confirm the scope of the components to be implemented at the Participating CP Hotels for the CP Program, based upon the programming of such Participating CP Hotel. The process for execution of the work and funding for the CP Program at the Participating CP Hotels shall be in accordance with the terms in Section 13 above for the Second Reimbursement Fund. By way of example, Manager shall develop, for Owner's approval, a Second Refurbishment Scope and Estimate for each Participating CP Hotel. After Owner and Manager have agreed to a

Second Refurbishment Scope and Estimate for the CP Program renovations, Owner shall fund the Additional CP Costs reflected in such Second Refurbishment Scope and Estimate into the Reserve Account or directly to the program or project manager, as Manager directs. The IHG CP Contribution will only be available to the extent the work to implement the CP Program at the Participating CP Hotels is completed no later than March 31, 2019. If such completion does not timely occur, the IHG CP Contribution will be returned to IHG. For the avoidance of doubt, Owner's financial benefit for participating in the CP Program will be the IHG CP Program Contribution and alternative benefits that may be offered to participating franchisees or other hotel owners, such as "ad assists" or key money, will not apply. Notwithstanding anything stated to the contrary otherwise in the Management Agreement, including without limitation the First Amendment, all advances made pursuant to this Section 14 (excluding any applicable IHG CP Contributions) shall be treated as advances for Approved Renovations made pursuant to Section 5.4 (Refurbishment Fund) with respect to the calculation of Owner's First Priority. For the avoidance of doubt, the deposit of any amounts into the Reserve Account pursuant to this Section 14 (excluding any applicable IHG CP Contributions) shall result in an increase to Owner's First Priority.

15. Additional Deposits Acknowledgment. Manager and Owner agree that unless otherwise expressly agreed upon in writing between them, each "Additional Deposit" (as defined in each of the Deposit Agreement Acknowledgements) made prior to the date hereof and after the date hereof shall be added to and become part of the "Supplemental Deposit" (as defined in the Management Agreement) and, as such, shall be subject to Section 17.5(k) of the Management Agreement. For the avoidance of doubt, the Deposit Maintenance Amount does not constitute a maximum threshold for the Deposit and to the extent the aggregate amount of the Deposit, including Additional Deposits, exceeds the Deposit Maintenance Amount, such amounts shall continue to be maintained as part of the Deposit in accordance with the Deposit Agreement and Management Agreement.

16. Ratification. As amended hereby, the Management Agreement remains in full force and effect and is ratified and confirmed.

17. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one agreement. Any such counterpart may be delivered by facsimile or e-mail (in .pdf format), and any signature so delivered shall be deemed an original signature for all purposes.

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IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment effective as of the day and year first above written.

OWNER:

HPT TRS IHG-2, INC.

By: /s/ John G. Murray
John G. Murray
President

MANAGER:

**INTERCONTINENTAL HOTELS GROUP
RESOURCES, INC.**

By: /s/ Robert Chitty
Name: Robert Chitty
Title: Vice-President

MANAGER:

**INTERCONTINENTAL HOTELS GROUP
(CANADA), INC.**

By: /s/ Robert Chitty
Name: Robert Chitty
Title: Vice-President

IHG MANAGEMENT (MARYLAND) LLC

By: /s/ Robert Chitty
Name: Robert Chitty
Title: Vice-President

Each of the parties comprising Landlord joins in the foregoing Amendment to evidence its continued agreement to be bound by the terms of Sections 4.1 through 4.7 and Articles 15 and 16 of the Management Agreement, as may be amended by the foregoing Amendment, in each case to the extent applicable to it, subject to the terms of Sections 24.18.

LANDLORD:

HPT CW MA REALTY TRUST

By: /s/ John G. Murray
John G. Murray
Trustee and not individually

HPT IHG CANADA PROPERTIES TRUST

By: /s/ John G. Murray
John G. Murray
President

HPT IHG GA PROPERTIES LLC

By: /s/ John G. Murray
John G. Murray
President

HPT IHG-2 PROPERTIES TRUST

By: /s/ John G. Murray
John G. Murray
President

HPT IHG-3 PROPERTIES LLC

By: /s/ John G. Murray
John G. Murray
President

**AGREEMENT BY
INTERCONTINENTAL HOTELS (PUERTO RICO) INC.**

Reference is made to that certain Guaranty Agreement, dated as of July 1, 2011, by Intercontinental Hotels (Puerto Rico) Inc. (“PR Tenant”) for the benefit of HPT TRS IHG-1, Inc., HPT TRS IHG-2, Inc., HPT TRS IHG-3, Inc., HPT IHG PR, Inc. and Hospitality Properties Trust (the “PR Guaranty”).

PR Tenant acknowledges receipt of the foregoing Sixth Amendment to Management Agreement by and among HPT TRS IHG-2, Inc., Intercontinental Hotels Group Resources, Inc., IHG Management (Maryland) LLC and Intercontinental Hotels Group (Canada), Inc. (the “Amendmen t”).

PR Tenant also confirms that all references to the “Management Agreement” to the PR Guaranty shall refer to the Management Agreement (as defined in the Amendment) as amended by the Amendment and that the PR Guaranty remains in full force and effect.

PR TENANT:

INTERCONTINENTAL HOTELS (PUERTO RICO) INC.,
a Puerto Rico corporation

By: /s/ Robert Chitty

Name: Robert Chitty

Title: Vice-President

EXHIBIT C

FORM OF SITE DESIGNATION SUPPLEMENT

SITE DESIGNATION SUPPLEMENT

THIS SITE DESIGNATION SUPPLEMENT is made and entered into as of [INSERT DATE], by and among HPT TRS IHG-2, INC., a Maryland corporation (“Owner”), and INTERCONTINENTAL HOTELS GROUP RESOURCES, INC. (“Resources”), a Delaware corporation, IHG MANAGEMENT (MARYLAND) LLC (“Maryland”), a Maryland limited liability company, and INTERCONTINENTAL HOTELS GROUP (CANADA), INC. (“Canada”), a corporation under the laws of Ontario, Canada (Resources, Maryland and Canada, collectively, “Manager”), and agreed to and acknowledged by the Landlord as listed on the signature page hereto (collectively, “Landlord”) and Intercontinental Hotels (Puerto Rico) Inc. (“PR Tenant”).

1. Pursuant to this Site Designation Supplement, which is governed by the terms and conditions of that certain Management Agreement, dated as of July 1, 2011, as amended by that certain Amendment to Management Agreement, dated as of March 16, 2015, that certain Second Amendment to Management Agreement, dated as of February 11, 2016, that certain Third Amendment to Management Agreement, dated as of February 1, 2017, that certain Fourth Amendment to Management Agreement, dated as of March 24, 2017, that certain Fifth Amendment to Management Agreement, dated as of June 28, 2017, and that certain Sixth Amendment to Management Agreement, dated as of [●], 2018 (as so amended, the “Management Agreement”), which Management Agreement is incorporated herein by this reference, Owner and Manager hereby subject the hotel commonly known as [INSERT NAME AND ADDRESS OF SITE], and located on the site described on Attachment 1 to this Site Designation Supplement, to the terms of the Management Agreement, and such site shall be considered a “Site” as defined in the Management Agreement. All capitalized terms used and not otherwise defined in this Site Designation Supplement shall have the meanings given such terms in the Management Agreement.

2. The Hotel located at this Site shall be [an Additional Pool A Hotel/a Pool B Hotel].

3. The Effective Date for the Hotel located at this Site shall be [INSERT EFFECTIVE DATE].

4. *For Additional Pool A Hotels:* The approved aggregate sum of all amounts expended by Owner or Landlord or any of their affiliates in connection with the Hotel located as this Site is [INSERT APPLICABLE ACQUISITION AMOUNT]. As of the Effective Date for the Hotel located at this Site, the Base Priority Amount shall be increased by [INSERT APPLICABLE BASE PRIORITY AMOUNT].

For Pool B Hotels: The Pool B Percentage for the Hotel located at this Site shall be [INSERT THE APPLICABLE PERCENTAGE], the approved aggregate sum of all amounts expended by Owner or Landlord or any of their affiliates in connection with the Hotel located at this Site is [INSERT APPLICABLE ACQUISITION AMOUNT] and the Owner's Pool B Base Priority for the Hotel located at this Site shall be [INSERT OWNER'S POOL B BASE PRIORITY AMOUNT].

4. Between the Effective Date and [INSERT APPROVED RENOVATION FUNDING EXPIRATION DATE] (the “Approved Renovation Funding Expiration Date”), Owner agrees to supplement the Reserve Account (as defined in the Management Agreement) for the [Additional] Pool [A/B] Hotel Approved Renovations for the Hotel located at this Site in an amount not to exceed [INSERT APPLICABLE AMOUNT], unless otherwise approved or agreed to by Owner [or, in the alternative, as reflected in the agreed upon [Additional] Pool [A/B] Hotel Scope and Estimate for such Hotel, a copy of which is attached hereto as Attachment 2].

5. The Management Agreement remains in full force and effect and is ratified and confirmed.

6. This Site Designation Supplement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one agreement. Any such counterpart may be delivered by facsimile or e-mail (in .pdf format), and any signature so delivered shall be deemed an original signature for all purposes.

Exhibit C

IN WITNESS WHEREOF , Owner and Manager have duly executed this Site Designation Supplement as of the day and year first written above.

OWNER:

HPT TRS IHG-2, INC.

By: _____
John G. Murray
Vice President

MANAGER:

INTERNATIONAL HOTELS GROUP RESOURCES, INC.

By: _____
Name:
Title:

INTERNATIONAL HOTELS GROUP (CANADA), INC.

By: _____
Name:
Title:

IHG MANAGEMENT (MARYLAND) LLC

By: _____
Name:
Title:

Exhibit C

Addendum 1

Crowne Plaza Workspace Early Adopter Hotels

IHG Contribution

Crowne Plaza White Plains	\$	65,000
Crowne Plaza Miami	\$	65,000
Crowne Plaza San Jose	\$	65,000
Crowne Plaza Charlotte	\$	65,000
Crowne Plaza Columbus	\$	40,000
Crowne Plaza Ravinia	\$	40,000

AMENDMENT TO LEASE AGREEMENT

THIS AMENDMENT TO LEASE AGREEMENT (this “Amendment”) is entered into as of May 25, 2018 (the “Amendment Date”), by and among **HPT PSC PROPERTIES TRUST**, a Maryland real estate investment trust, and **HPT PSC PROPERTIES LLC**, a Maryland limited liability company, as landlord (collectively, “Landlord”), and **TA OPERATING LLC**, a Delaware limited liability company, as tenant (“Tenant”).

WITNESSETH:

WHEREAS, pursuant to the terms of that certain Lease Agreement, dated as of May 30, 2007, by and among Landlord and Tenant (as successor by merger with Petro Stopping Centers, L.P.), as amended and modified (as so amended and modified, the “Lease”), Landlord leases to Tenant and Tenant leases from Landlord certain premises at various locations, as more particularly described in the Lease; and

WHEREAS, HPT PSC Properties Trust has acquired the fee interest in the real property consisting of approximately six acres of land in Beaumont, Texas (the “Beaumont Parcel”), which Beaumont Parcel is adjacent to the portion of the Leased Property located at 5405 Walden Road, as more particularly described on Exhibit A-34 to the Lease; and

WHEREAS, HPT PSC Properties Trust has acquired the fee interest in the real property consisting of approximately 3.3 acres of land in Weatherford, Texas (the “Weatherford Parcel”), which Weatherford Parcel is adjacent to the portion of the Leased Property located at 2001 Santa Fe Drive, as more particularly described on Exhibit A-38 to the Lease; and

WHEREAS, Landlord and Tenant desire to amend the Lease to include the Beaumont Parcel and the Weatherford Parcel, subject to the terms and conditions of this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Capitalized Terms. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Lease.
 2. Exhibit 34. Effective as of the Amendment Date, Exhibit A-34 to the Lease is hereby deleted in its entirety and Exhibit A-34 attached hereto is hereby inserted in its place.
 3. Exhibit A-38. Effective as of the Amendment Date, Exhibit A-38 to the Lease is hereby deleted in its entirety and Exhibit A-38 attached hereto is hereby inserted in its place.
 4. Statement of Limited Liability. THE DECLARATION OF TRUST ESTABLISHING HPT PSC PROPERTIES TRUST, DATED MAY 23, 2007, AS AMENDED AND SUPPLEMENTED, AS FILED WITH THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF MARYLAND, PROVIDES THAT NO TRUSTEE, OFFICER, SHAREHOLDER, EMPLOYEE OR AGENT OF HPT PSC PROPERTIES TRUST SHALL BE
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HELD TO ANY PERSONAL LIABILITY, JOINTLY OR SEVERALLY, FOR ANY OBLIGATION OF, OR CLAIM AGAINST, HPT PSC PROPERTIES TRUST. ALL PERSONS DEALING WITH HPT PSC PROPERTIES TRUST IN ANY WAY SHALL LOOK ONLY TO THE ASSETS OF HPT PSC PROPERTIES TRUST FOR THE PAYMENT OF ANY SUM OR THE PERFORMANCE OF ANY OBLIGATION.

5. Ratification. As amended hereby, the Lease is hereby ratified and confirmed and all other terms remain in full force and effect.

[Signature Pages Follow]

IN WITNESS WHEREOF , Landlord and Tenant have caused this Amendment to be duly executed, as a sealed instrument, as of the date first set forth above.

LANDLORD:

HPT PSC PROPERTIES TRUST

By: /s/ John G. Murray
John G. Murray
President

HPT PSC PROPERTIES LLC

By: /s/ John G. Murray
John G. Murray
President

TENANT:

TA OPERATING LLC

By: /s/ Mark R. Young
Mark R. Young
Executive Vice President and General Counsel

[Signature Page to Amendment to Lease Agreement]

EXHIBIT A-34

[See attached legal description for Beaumont, Texas property]

Exhibit A - 34

Legal Description

TRACE:

BEING 20.000 acre (81,000 square feet) tract of land out of and a part of that certain 39.9195 acre tract conveyed to J.A. Cardwell and G.R. Russell by deed dated October 6, 1978 and recorded in Volume 2115, Page 40 of the Deed Records of Jefferson County, Texas, and also the K. R. White called 2.914 acre tract and all being situated in the Samuel Stivers League, Abstract No. 51, Jefferson County, Texas, and being more particularly described as follows:

BEGINNING at an iron rod in the southerly line of Walden Road, also being the northeasterly corner of the said K. R. White tract and also being the most easterly north corner of the tract herein described;

THENCE SOUTH 30° 39' WEST along the easterly line of said K. R. White tract and the most easterly line of tract herein described, a distance of 584.31 feet to an iron rod for corner;

THENCE NORTH 60° 42' 15" WEST along the southerly K. R. White tract, a distance of 210.45 feet to an iron rod for corner;

THENCE SOUTH 89° 59' WEST, 112.00 feet to an iron rod for corner;

THENCE SOUTH 00° 03' EAST along the easterly line of said Cardwell and Russell tract, a distance of 416.37 feet to an iron rod for the most southerly corner of tract herein described;

THENCE NORTH 63° 21' 30" WEST along the southerly line of tract herein described, a distance of 533.95 feet to an "X" in concrete for corner;

THENCE NORTH 25° 59' 25" EAST along the westerly line of tract herein described, a distance of 390.00 feet to an "X" in concrete for corner;

THENCE NORTH 60° 00' 35" WEST along the southerly line of tract herein described, a distance of 634.00 feet to an iron rod for corner in the southeasterly right of way line of Interstate Highway 10;

THENCE NORTH 41° 38' 32" EAST along the southeasterly right of way line of Interstate Highway 10 and the northwesterly line of tract herein described, a distance of 408.15 feet to an iron rod for corner;

THENCE NORTH 68° 34' 27" EAST, 206.72 feet along the southeasterly line of Interstate Highway 10, a concrete monument for corner, same also marking the new south line of Walden Road;

THENCE SOUTH 68° 17' 02" EAST, 72.52 feet along the south line of Walden Road, a concrete monument for angle point;

THENCE SOUTH 66° 14' 21" EAST, 104.37 feet along the south line of Walden Road, a concrete monument for angle point;

THENCE SOUTH 61° 52' EAST along the south line Walden Road, a distance of 103.00 feet to a concrete monument for corner;

THENCE NORTH 29° 45' EAST, 30.00 feet to a point in the original south line of Walden Road, an iron rod for corner;

THENCE SOUTH 60° 42' EAST, 676.15 feet along the original south line of Walden Road to an iron rod for corner;

THENCE SOUTH 70° 33' EAST along the south line of Walden Road and north line of K. R. White tract, a distance of 108.78 feet to the PLACE OF BEGINNING and containing in area 20.000 acres (871,200 square feet) of land, more or less.

SAVE AND EXCEPT that certain 12.970 acre tract conveyed to Masilla Capital Corporation in Deed recorded under County Clerk's Film No. 102-47-0511 of the Real Property Records of Jefferson County, Texas.

SAVE AND EXCEPT that certain 0.5139 acre tract conveyed to the City of Beaumont in Special Warranty Deed recorded under County Clerk's File No. 1999045013 Official Public Records of Real Property of Jefferson County, Texas.

TRACT II:

BEING a 12.970 acre tract of land out of and a part of that certain 39.9195 acre tract conveyed to J. A. Cardwell and G. R. Russell by deed dated October 6, 1978 and recorded in Volume 2115, Page 30 of the Deed Records of Jefferson County, Texas, also being a part of the M. B. Hebert 55.774 acre tract and a part of Lot 2, Block 1 of C. B. Smith's Beaumont Citrus Fruit Gardens as recorded in Volume 3, Page 17 of the Map Records of said County, all being situated in the Samuel Stivers League, Abstract 51, Beaumont, Jefferson County, Texas;

BEGINNING at an iron rod found in the southerly line of Walden Road, same also marking the northerly corner of the K. R. White 2.914 acre tract and also being the most easterly north corner of the 12.970 acre tract of land herein described;

THENCE South 52 deg. 42 min. West along the northwesterly line of said 2.914 acre tract and along the southeasterly line of the 12.970 acre tract herein described, a distance of 580.54 feet to an iron rod set marking the southeasterly corner of the 12.970 acre tract;

THENCE North 76 deg. 08 min. 56 sec. West, along the south line of said 12.970 acre tract, a distance of 320.30 feet to a P. K. nail found set in concrete marking a southwesterly corner of the 12.970 acre tract;

THENCE North 60 deg. 00 min. 35 sec. West along the southwesterly line of the 12.970 acre tract, a distance of 634.0 feet to an iron rod found marking the most westerly corner of the 12.970 acre tract, said corner being located in the southeasterly right of way line of Interstate Highway 10;

THENCE North 41 deg. 38 min. 32 sec. East along the southeasterly right of way line of Interstate Highway 10 and along the northwesterly line of the 39.9195 acre tract and of the 12.970 acre tract, a distance of 408.15 feet to an iron rod found for angle point;

THENCE North 68 deg. 34 min. 27 sec. East, 206.72 feet along the southeasterly line of Interstate Highway 10 to an iron rod found for corner, same also marking the new south line of Walden Road;

THENCE South 68 deg. 17 min. 02 sec. East, 72.52 feet along the south line of Walden Road to an iron rod found for angles point;

THENCE South 66 deg. 14 min. 12 sec. East, 104.37 feet along the south line of Walden Road to a concrete monument found for angle point;

THENCE South 61 deg. 52 min. East, 103.00 feet to a concrete monument found for corner;

THENCE North 29 deg. 45 min. East, 30.00 feet to an iron rod found for corner in the original south line of Walden Road;

THENCE South 60 deg. 42 min. East, 676.15 feet along the original south line of Walden Road to the PLACE OF BEGINNING, containing in area 12.970 acres of land, more or less.

SAVE AND EXCEPT that certain 0.5139 acre tract conveyed to the City of Beaumont in Special Warranty Deed recorded under County Clerk's File No. 1999045013 of the Official Public Records of Real Property of Jefferson County, Texas.

TRACT III:

BEING a 2.489 acre tract of land out of and a part of Lot 3, Block 1 of C.E. Smith's Beaumont Citrus Fruit Gardens, as recorded in Volume 3, Page 17 of the Map or Plat Records of Jefferson County, Texas, and also being a part of the M.B. Hebert 55.774 acre tract and being out of and a part of that certain 39.9195 acre tract conveyed to J.A. Cardwell and G.R. Russell dated October 6, 1978 and recorded in Volume 2115, Page 30 of the Deed Records of Jefferson County, Texas, all being situated in the Samuel Silvers League, Abstract 51, Beaumont, Jefferson County, Texas;

COMMENCING at an iron rod marking the most westerly corner of the said 39.9195 acre tract located in the southeasterly right of way line of Interstate Highway 10 and being in the north line of Lot 5 and the south line of Lot 6 of said Block 1;

THENCE NORTH 41° 37' EAST along the southeasterly right of way line of Interstate Highway 10, a distance of 457.32 feet to a concrete monument for angle point;

THENCE NORTH 50° 38' EAST along the southeasterly right of way line of Interstate Highway 10, a distance of 506.34 feet to a concrete monument for angle point;

THENCE NORTH 41° 38' 32" EAST along the southeasterly right of way line of Interstate Highway 10, a distance of 41.0 feet to an iron rod for the most northerly corner of a 3.774 acre tract;

THENCE SOUTH 60° 00' 35" EAST along the northeasterly line of a 3.774 acre tract, a distance of 356.0 feet to the PLACE OF BEGINNING of the 2.489 acre tract herein described, being the most northerly corner of said tract;

THENCE SOUTH 60° 00' 35" EAST along the northeasterly line of said 2.489 acre tract, a distance of 278.0 feet to a point for the most easterly corner of said tract;

THENCE SOUTH 29° 59' 25" WEST along the southeasterly line of the 2.489 acre tract herein describe, a distance of 390.0 feet to point for most southerly corner of said tract;

THENCE NORTH 60° 00' 35" WEST along the southwesterly line of the 2.489-acre tract, a distance of 278.0 feet to a point for the most westerly corner of said tract;

THENCE NORTH 29° 59' 25" EAST along the northwesterly line of the 2.489 acre tract, a distance of 390.0 feet to the PLACE OF BEGINNING, containing in area 2.489 acres of land, more or less.

TRACT IV:

BEING a 0.4589 acre (19,989 sq. ft.) tract or parcel of land located in the Samuel Stivers League, Abstract 51, Jefferson County, Texas, being out of and a part of that called 3.774 acre tract described in a Release of Lien, recorded in Film Code No. 103-50-2341 of the Real Property Records of Jefferson County, Texas, and being a part of that called 1.961 acre easement tract conveyed to Innkeeper Enterprises, Inc., recorded in Clerk's File No. 2002004235, Official Public Records of Real Property, Jefferson County, Texas, said 0.4589 acres being more particularly described by metes and bounds as follows;

NOTE: The Basic of Bearings is along the southeast right-of-way line of Interstate Highway 10, having been called North 41°37'00" East 457.32 feet (found North 41°37'00" East 456.98 feet), recorded in Film Code No. 104-23-1211 of the Real Property Records of Jefferson County, Texas.

COMMENCING at a 5/8" iron rod found for the northwest corner of that called 3.314 acre tract conveyed to Innkeeper Enterprises, Inc. by Special Warranty Deed in Lieu of Foreclosure, recorded in Clerk's File No. 2002004235 of the Official Public Records of Real Property, Jefferson County, Texas, and being the northwest corner of the said 3.774 acre tract, from which a TxDOT monument found for an angle point in the said southeasterly right-of-way line of Interstate Highway 10, bears South 41°29'24" West 34.35 feet (South 41°33'50" West 34.43 feet),

THENCE South 59°57'46" East along the north line of the said 3.314 and 3.774 acre tracts a distance of 304.50 feet (called South 59°59'40" East 304.55 feet) to a Scribed 1/4" drill hole in concrete found for the northeast corner of the said 3.314 acre tract, being the northwest corner and POINT OF BEGINNING of the said 0.4589 acre tract herein described;

THENCE South 60°04'37" East along the north line of the said 3.774 acre tract a distance of 50.71 feet (called South 59°59'40" East) to a Scribed "x" in concrete found for the northeast corner of the said 3.774 acre tract, being the northwest corner of that called 2.489 acre tract also described in said Film Code No. 103-50-2339 of the Real Property Records of Jefferson County, Texas;

THENCE South 30°00'10" West along the west line of the said 2.489 acre tract a distance of 389.92 feet (called South 29°58'41" West 389.89 feet) to a Scribed 3/8" drill hole found for the southwest corner of the said 2.489 acre tract, being the southwest corner of the said 3.774 acre tract, and being

in the north line of that called 16.549 acre tract described in Film Code No. 104-23-1211 of the Real Property Records of Jefferson County, Texas;

THENCE North 59°58'52" West along the south line of the said 3.774 acre tract, being the said north line of the 16.549 acre tract, a distance of 51.83 feet (called North 60°00'35" West 51.78 feet) to a Scribed 3/8" drill hole found for the southeast corner of the said 3.314 acre tract, being the southwest corner of the said 0.4589 acre tract;

THENCE North 30°10'04" East along the east line of the said 3.314 acre tract a distance of 389.83 feet (called North 30°08'40" East 389.91 feet) to the POINT OF BEGINNING and containing 0.4589 acres (19,989 sq. ft.) of land, more or less.

NOTE: Said TRACTS I through IV being further collectively described as follows, to-wit:

That certain 22.47 acre, more or less, tract out of the Samuel Stivers League, Abstract 51, Jefferson County, Texas, being comprised of a portion of a called 20.00 acre tract conveyed to Petro PSC Properties, L.P. as recorded in Film Code No. 104-23-1190 of the Real Property Records of Jefferson County, Texas, a called 12.970 acre tract conveyed to Petro PSC Properties, L.P. as recorded in Film Code No. 104-23-0832 of the Real Property Records of Jefferson County, Texas, a called 2.488 acre tract conveyed to Petro Stopping Centers, LP as recorded in Clerks File No. 2002042760 of the Official Public Records of Real Property of Jefferson County, Texas, and a called 0.4589 acre tract conveyed to Petro Stopping Centers, LP as recorded in Clerks File No. 2002042757 of the Official Public Records of Real Property of Jefferson County, Texas, said 22.47 acres being more particularly described by metes and bounds as follows:

Basis of Bearings is along the southeasterly right-of-way line of IH-10 Service Road and a northwesterly line of the said 20.00 acre tract having been called North 41°28'32" East 408.15 feet.

BEGINNING at a 1/2" iron rod found in the said southeasterly right-of-way line of IH-10 Service Road for the most northerly corner of a called 3.3246 acre tract conveyed to Inn Keeper Enterprises, Inc. as recorded in Clerks File No. 9517774 of the Official Public Records of Real Property of Jefferson County, Texas and the most westerly corner of the said 20.00 and 22.47 acre tracts;

THENCE North 41°38'32" East along the said southeasterly right-of-way line of IH-10 Service Road and a northwesterly line of the said 20.00 and 22.47 acre tracts a distance of 408.15 feet (called North 41°38'32" East 408.15 feet) to a 1/2" iron rod found for an angle point of the said 20.00 and 22.47 acre tracts;

THENCE North 68°32'57" East continuing along the said southeasterly right-of-way line of IH-10 Service Road and a northwesterly line of the said 20.00 and 22.47 acre tracts a distance of 206.83 feet (called North 68°34'27" East 206.72 feet) to a concrete monument found in the southwesterly right-of-way line of Walden Road for the most northerly corner of the said 20.00 and 22.47 acre tracts;

THENCE South 68°19'04" East along the said southwesterly right-of-way line of Walden Road and the northeasterly line of the said 20.00 and 22.47 acre tracts a distance of 72.56 feet (called South 68°17'02" East 72.52 feet) to a 1/2" iron rod found for an angle point of the said 20.00 and 22.47 acre tracts;

THENCE South 66°07'47" East continuing along the said southwesterly right-of-way line of Walden Road and the northeasterly line of the 20.00 and 22.47 acre tracts a distance of 104.39 feet (called South 66°14'12" East 104.37 feet) to a 1/2" iron rod found for an angle point of the said 20.00 and 22.47 acre tracts;

THENCE South 67°45'35" East continuing along the said southwesterly right-of-way line of Walden Road and a northeasterly line of the 20.00 and 22.47 acre tracts a distance of 103.00 feet (called South 61°52'00" East 103.00 feet) to a 1/2" capped iron rod set for an interior corner of the said 20.00 and 22.47 acre tracts;

THENCE North 29°50'53" East continuing along the said southwesterly right-of-way line of Walden Road and the northwesterly line of the 20.00 and 22.47 acre tracts a distance of 10.20 feet (called North 29°45'00" East) to a 1/2" capped iron rod set for the most westerly corner of a called 0.5139 acre tract conveyed to the City of Beaumont as recorded in Clerks File No. 1999045013 of the Official Public Records of Real Property of Jefferson County, Texas and an exterior corner of the said 22.47 acre tract;

THENCE continuing along the said southwesterly right-of-way line of Walden Road and the said 0.5139 acre tract with the following courses and distances:

South 59°24'54" East 123.30 feet (called South 59°15'13" East 123.76 feet) to a 5/8" iron rod capped found for an angle point

North 30°50'51" East 12.01 feet (called North 30°42'20" East 11.97 feet) to a "X" scribed in concrete for an angle point;

South 58°43'20" East 31.74 feet (called South 58°39'56" East 31.75 feet) to a "X" scribed in concrete for an angle point;

South 31°11'36" West 11.64 feet (called South 31°11'36" West 11.64 feet) to a 5/8" iron rod capped found for an angle point;

South 59°23'34" East 431.28 feet (called South 59°15'13" East 431.28 feet) to a capped iron rod set for the PC of a curve;

THENCE continuing along the said southwesterly right-of-way line of Walden Road and the said 0.5139 acre tract with a curve to the left having a chord bearing of South 64°12'38" East, a chord distance of 200.16 feet and a radius of 1185.92 feet, a distance along the curve of 200.39 feet to a 5/8" iron rod found in a southeasterly line of the said 20.00 acre tract for the most easterly corner of the said 22.47 acre tract;

THENCE South 30°59'57" West along the said southeasterly line of the 20.00 acre tract a distance of 544.73 feet (called South 30°39'00" West) to a 1/2" iron rod found for the exterior corner of the said 20.00 and 22.47 acre tracts;

THENCE North 60°42'04" West a distance of 210.43 feet (called North 60°42'15" West 210.45 feet) to a 1/2" iron rod found for an angle point of the said 20.00 and 22.47 acre tracts;

THENCE North 89°57'53" West a distance of 111.97 feet (called South 89°59'00" West 112.00 feet) to a 1/2" iron rod found for an angle point of the said 20.00 and 22.47 acre tracts;

THENCE South 00°01'40" East a distance of 416.45 feet (called South 00°03'00" East 415.37 feet) to a 1/2" iron rod found for the most southerly corner of the said 20.00 and 22.47 acre tracts;

THENCE North 63°22'57" West along the southwesterly line of the said 20.00 and 22.47 acre tracts a distance of 533.83 feet (called North 63°21'30" West 533.95 feet) to a "X" scribed in concrete found for the most southerly corner of the said 2.489 acre tract and an exterior corner of the said 20.00 and 22.47 acre tracts;

THENCE North 59°58'05" West along the southwesterly line of the said 2.489 acre tract a distance of 278.11 feet (called North 60°00'35" West 278.00 feet) to a "X" scribed in concrete found for the most westerly corner of the said 2.489 acre tract and the most southerly corner of the said 0.4589 acre tract;

THENCE North 60°08'20" West along the southwesterly line of the said 0.4589 acre tract a distance of 51.82 feet (called North 59°58'52" West 51.83 feet) to a "X" scribed in concrete found for the most southerly corner of a 3.3246 acre tract conveyed to Inn Keeper Enterprises, Inc. as recorded in Clerk's File No. 9517774 of the Official Public Records of Real Property of Jefferson County, Texas; the most westerly corner of the said 0.4589 acre tract and an exterior corner of the said 22.47 acre tract;

THENCE North 30°08'46" East along the common line between the said 0.4589 and 3.3246 acre tracts a distance of 390.78 feet (called North 30°10'04" East 389.83 feet) to a punch hole in concrete found for the most northerly corner of the said 0.4589 acre tract, the most easterly corner of the said 3.3246 acre tract and an interior corner of the said 22.47 acre tract;

THENCE North 60°00'36" West along the northeasterly line of the said 3.3246 acre tract a distance of 305.24 feet (called North 59°57'46" West 304.50 feet) to the POINT OF BEGINNING and containing 22.47 acres of land, more or less.

TRACT V:

Being that certain parcel of land located in Samuel Stiver League, Abstract No. 51, Jefferson County, Texas, and being the residue of a called 39.193 acre tract of land conveyed to James A. Cardwell by Warranty Deed recorded under Jefferson County Clerk's file No. 8626501, said residue being bounded on the north by that certain 22.47 acre parcel described by metes and bounds in Special Warranty Deed recorded under Jefferson County Clerk's File No. 2007021521, bounded on the west by the east line of Lots 3 & 4 in Block 1 of C.S. Smith's Beaumont Citrus Fruit Gardens pursuant to the plat recorded in Volume 3, Page 17 of the Map Records of Jefferson County, Texas and being carried under JEFFERSON COUNTY APN 232219-000-005100-00000-9, PROPERTY ID 120050.

EXHIBIT A-38

[See attached legal description for Weatherford, Texas property]

Exhibit A - 38

Legal Description

✓TRACT ONE:

BEING A PORTION OF THE R. NOWLING SURVEY, ABSTRACT NO. 998, AND THE H. INMAN SURVEY, ABSTRACT NO. 724, IN PARKER COUNTY, TEXAS, AND DESCRIBED BY METES AND BOUNDS AS FOLLOWS, TO WIT:

COMMENCING AT A 1/2 INCH IRON PIN IN THE NORTH RIGHT OF WAY LINE OF INTERSTATE HIGHWAY NO. 20, BY DEED CALL 506.57 FEET NORTH AND 1301.14 FEET EAST FROM THE SOUTHWEST CORNER OF SAID INMAN SURVEY;

THENCE SOUTH 76 DEGREES 47 MINUTES 00 SECONDS WEST, WITH THE NORTH RIGHT OF WAY LINE OF SAID HIGHWAY 640.00 FEET TO THE POINT OF BEGINNING OF THIS TRACT HEREIN DESCRIBED;

THENCE SOUTH 76 DEGREES 47 MINUTES 00 SECONDS WEST, WITH INTERSTATE HIGHWAY NO. 20, 219.60 FEET TO A 1/2 INCH IRON PIN AT THE INTERSECTION OF THE NORTH RIGHT OF WAY LINE OF INTERSTATE NO. 20 WITH THE NORTH RIGHT OF WAY LINE OF F.M. HIGHWAY # 2552;

THENCE WITH THE NORTH RIGHT OF WAY LINE OF F.M. HIGHWAY # 2552, NORTH 67 DEGREES 56 MINUTES 00 SECONDS WEST 467.76 FEET, NORTH 76 DEGREES 46 MINUTES 00 SECONDS WEST 32.90 FEET AND NORTH 67 DEGREES 56 MINUTES 00 SECONDS WEST 200.00 FEET TO A 1/2 INCH IRON PIN;

THENCE NORTH 00 DEGREES 39 MINUTES 00 SECONDS EAST, 711.46 FEET TO A 5/8 INCH IRON PIN;

THENCE NORTH 89 DEGREES 59 MINUTES 38 SECONDS EAST, 626.83 FEET TO A 5/8 INCH IRON PIN;

THENCE SOUTH 14 DEGREES 28 MINUTES 04 SECONDS EAST, 598.46 FEET TO A POINT FOR CORNER;

THENCE SOUTH 13 DEGREES 13 MINUTES 00 SECONDS EAST, GENERALLY WITH A FENCE, 350.00 FEET TO THE POINT OF BEGINNING AND CONTAINING 14.7500 ACRES OF LAND, MORE OR LESS.

SAVE AND EXCEPT that portion conveyed to James A. Cardwell, Sr., doing business as Cardwell Properties, joined by his wife, Martha Evonne Cardwell by General Warranty Deed dated May 19, 1994, filed October 24, 1994, recorded in Volume 1615, Page 443 of the Real Property Records of Parker County, Texas.

TRACT TWO:

BEING A PORTION OF THE H. INMAN SURVEY, ABSTRACT #724, PARKER COUNTY, TEXAS, BEING A PART OF THAT CERTAIN 2.812 ACRE TRACT AND DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

COMMENCING AT A 1/2 INCH IRON PIN IN THE NORTH RIGHT OF WAY LINE OF INTERSTATE HIGHWAY # 20, BY DEED CALL 506.57 FEET NORTH AND 1301.14 FEET EAST FROM THE SOUTHWEST CORNER OF SAID INMAN SURVEY;

THENCE SOUTH 76 DEGREES 47 MINUTES WEST, WITH THE NORTH RIGHT OF WAY LINE OF SAID HIGHWAY AT 290.0 FEET THE SOUTHEAST CORNER OF SAID 2.812 ACRE TRACT, IN ALL 400.4 FEET TO THE POINT OF BEGINNING OF THIS TRACT HEREIN DESCRIBED:

THENCE SOUTH 76 DEGREES 47 MINUTES WEST, WITH THE NORTH RIGHT OF WAY OF SAID HIGHWAY 239.6 FEET TO A 1 INCH GALVANIZED PIPE, THE SOUTHWEST CORNER OF SAID 2.812 ACRE TRACT;

THENCE NORTH 13 DEGREES 13 MINUTES WEST, 350.00 FEET TO THE NORTHWEST CORNER OF SAID 2.812 ACRE TRACT;

THENCE NORTH 76 DEGREES 47 MINUTES EAST, WITH THE NORTH LINE OF SAID TRACT, 240.3 FEET;

THENCE SOUTH 13 DEGREES 05 MINUTES 51 SECONDS EAST, 350.0 FEET TO THE POINT OF BEGINNING AND CONTAINING 1.928 ACRES OF LAND, MORE OR LESS.

SAVE AND EXCEPT that portion conveyed to James A. Cardwell, Sr., doing business as Cardwell Properties, joined by his wife, Martha Evonne Cardwell by General Warranty Deed dated May 19, 1994, filed October 24, 1994, recorded in Volume 1615, Page 443 of the Real Property Records of Parker County, Texas.

TRACT THREE:

BEING A PORTION OF THE R. NOWLING SURVEY, ABSTRACT NO. 998 AND THE H. INMAN SURVEY, ABSTRACT NO. 724, IN PARKER COUNTY, TEXAS, DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

COMMENCING AT A POINT IN THE NORTH RIGHT OF WAY OF INTERSTATE HIGHWAY NO. 20, BY DEED CALL 506.57 FEET NORTH AND 1301.14 FEET EAST FROM THE SOUTHWEST CORNER OF SAID INMAN SURVEY;

THENCE SOUTH 76 DEGREES 47 MINUTES WEST, WITH SAID RIGHT OF WAY, 640.0 FEET;

THENCE NORTH 13 DEGREES 13 MINUTES WEST, 350.0 FEET TO THE POINT OF

BEGINNING OF THIS TRACT HEREIN DESCRIBED;

THENCE NORTH 14 DEGREES 28 MINUTES 04 SECONDS WEST, 598.46 FEET TO THE NORTHEAST CORNER OF A 14.75 ACRE TRACT;

THENCE SOUTH 89 DEGREES 59 MINUTES 38 SECONDS WEST, 628.83 FEET TO THE NORTHWEST CORNER OF A 14.75 ACRE TRACT;

THENCE NORTH 00 DEGREES 39 MINUTES 00 SECONDS EAST, 115.0 FEET;

THENCE SOUTH 89 DEGREES 20 MINUTES 27 SECONDS EAST 185.99 FEET;

THENCE NORTH 00 DEGREES 39 MINUTES 00 SECONDS EAST, 205.6 FEET;

THENCE NORTH 89 DEGREES 59 MINUTES 38 SECONDS EAST, 624.56 FEET;

THENCE SOUTH 13 DEGREES 05 MINUTES 51 SECONDS EAST, 865.49 FEET;

THENCE SOUTH 76 DEGREES 47 MINUTES 00 SECONDS WEST, 240.3 FEET TO THE POINT OF BEGINNING AND CONTAINING 6.561 ACRES OF LAND, MORE OR LESS.

TRACT FOUR:

PARCEL A:

BEING 6.51 acres, more or less, situated and being a portion of the Henry Inman Survey, Abstract No. 724, Parker County, Texas and being a portion of all those certain Lots, Tracts or Parcels of land conveyed to James A. Cardwell by deed recorded in Volume 1361, Page 1100, Real Records, Parker County, Texas and being more particularly described by metes and bounds as follows:

COMMENCING at a large nail found in the north right of way line of Interstate Highway No. 20, said nail being called by deed to be North 907.41 feet and East 1301.14 feet from the southwest corner of said Henry Inman Survey;

THENCE North 12 deg. 46 min. 51 sec. West 390.01 feet to an iron rod set;

THENCE South 76 deg. 47 min. 00 sec. West 127.99 feet to an iron rod set for a place of beginning;

THENCE North 13 deg. 05 min. 51 sec. West 242.46 feet to an iron rod set;

THENCE South 78 deg. 57 min. 45 sec. West 272.18 feet to an iron rod set;

THENCE South 13 deg. 05 min. 51 sec. West 242.46 feet to a point for the southwest corner of this tract;

THENCE North 78 deg. 57 min. 45 sec. East 272.18 feet to Place of Beginning.

PARCEL B:

Easement Estate created by that certain Drainage Easement Agreement by and between Desarrollo Texas No. 1, L.P. and James A. Cardwell and Martha Evonne Cardwell, dated November 4, 2003, filed December 1, 2003, and recorded in/under Volume 2171, Page 576 of the Real Property Records of PARKER County, Texas over and across the following described tract of land:

BEING 0.839 acres situated in and being a portion of the HENRY INMAN SURVEY, ABSTRACT No. 724, Parker County, Texas and being a portion of all those certain Lots, Tracts or Parcels of land Conveyed to James A. Cardwell by deed recorded in Volume 1361, Page 111, and a portion of all that certain Lot, Tract or Parcel of land conveyed to KKH Family Limited Partnership by deed recorded in Volume 2077, Page 892, Real Records, Parker County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a large nail found in the north right of way line of Interstate Highway No. 20, said nail being called by deed to be North 907.41 feet and East 1301.14 feet from the southwest corner of said Henry Inman Survey;

THENCE North 12 deg. 46 min. 51 sec. West 390.01 feet to an iron rod set;

THENCE South 76 deg. 47 min. 00 sec. West 127.99 feet to an Iron rod set;

THENCE North 13 deg. 05 min. 51 sec. West 242.46 feet to an iron rod set;

THENCE South 78 deg. 57 min. 45 sec. West 112.64 feet to the Point of Beginning;

THENCE South 78 deg. 57 min. 45 sec. West 56.44 feet to a point;

THENCE North 33 deg. 49 min. 41 sec. East 440.44 feet to a point;

THENCE North 17 deg. 04 min. 04 sec. East 181.50 feet to a point;

THENCE South 89 deg. 54 min. 21 sec. East 255.23 feet to a point;

THENCE North 31 deg. 02 min. 53 sec. East 51.11 feet to a point on the bank of a creek;

THENCE South 58 deg. 57 min. 07 sec. East along said creek, 40.0 feet to a point;

THENCE South 31 deg. 02 min. 53 sec. West leaving said creek, 79.77 feet to a point;

THENCE North 89 deg. 54 min. 21 sec. West 248.27 feet to a point;

THENCE South 17 deg. 04 min. 04 sec. West 157.78 feet to a point;

THENCE South 33 deg. 49 min. 41 sec. West 406.52 feet to the Point of Beginning and containing 0.839 acres of land, more or less.

TRACT FIVE:

That certain tract or parcel of land, lying and being located within Henry Inman Survey, Abstract No. 724, Parker County, Texas, and being bounded on the East by a 27.29 acre parcel described in Warranty Deed to Desarrollo Texas I, LP recorded in Volume 2171, Page 573. on the West and the North by those tracts described in Special Warranty Deed to HPT PSC Properties Trust recorded in Volume 2544, Page 1151 of the Real Property Records of Parker County, and bounded on the south by Interstate Highway No. 20 frontage road.

HOSPITALITY PROPERTIES TRUST
FORM OF [AMENDED AND RESTATED] ¹ INDEMNIFICATION AGREEMENT

THIS [AMENDED AND RESTATED] INDEMNIFICATION AGREEMENT (this “*Agreement*”), effective as of [**DATE**] (the “*Effective Date*”), by and between Hospitality Properties Trust, a Maryland real estate investment trust (the “*Company*”), and [**TRUSTEE/OFFICER**] (“*Indemnitee*”).

WHEREAS, Indemnitee currently serves as a trustee and/or officer of the Company and may, in connection therewith, be subjected to claims, suits or proceedings arising from such service; and

WHEREAS, as an inducement to Indemnitee to continue to serve as such, the Company has agreed to indemnify and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the maximum extent permitted by law as hereinafter provided; and

WHEREAS, the parties [are currently parties to an Indemnification Agreement dated as of [**DATE**] (the “*Prior Indemnification Agreement*”) and] desire to [amend and restate the Prior Indemnification Agreement and] set forth their agreement regarding indemnification and advancement of expenses [as reflected herein];

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions. For purposes of this Agreement:

(a) “*Board*” means the board of trustees of the Company

(b) “*Bylaws*” means the bylaws of the Company, as they may be amended from time to time.

(c) “*Change in Control*” means a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the “*Act*”), whether or not the Company is then subject to such reporting requirement; *provided, however*, that, without limitation, such a Change in Control shall be deemed to have occurred if after the Effective Date:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of all the Company’s then outstanding securities entitled to vote generally in the election of trustees without the prior approval of at least two-thirds of the members of the Board in office immediately prior to such person attaining such percentage interest;

(ii) there occurs a proxy contest, or the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board then in office, as a consequence of which members of the Board in office immediately prior to such transaction or event constitute less than a majority of the Board thereafter; or

(iii) during any period of two consecutive years, other than as a result of an event described in clause (a)(ii) of this Section 1, individuals who at the beginning of such period constituted the Board (including for this purpose any new trustee whose election or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the trustees then still in office who were trustees at the beginning of such period) cease for any reason to constitute at least a majority of the Board.

¹ Bracketed text to be included for trustees and officers with existing agreements. Bracketed text would not be included for persons who are first elected as a trustee or appointed as an officer after this form is adopted.

(d) “**Company Status**” means the status of a Person who is or was a trustee, director, manager, officer, partner, employee, agent or fiduciary of the Company or any predecessor of the Company or any of their majority owned subsidiaries and the status of a Person who, while a trustee, director, manager, officer, partner, employee, agent or fiduciary of the Company or any predecessor of the Company or any of their majority owned subsidiaries, is or was serving at the request of the Company or any predecessor of the Company or any of their majority owned subsidiaries as a trustee, director, manager, officer, partner, employee, agent or fiduciary of another real estate investment trust, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or any other Enterprise.

(e) “**control**” of an entity, shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities, by contract or otherwise.

(f) “**Declaration of Trust**” means the declaration of trust (as defined in the Maryland REIT Law) of the Company, as it may be in effect from time to time.

(g) “**Disinterested Trustee**” means a trustee of the Company who is not and was not a party to the Proceeding in respect of which indemnification or advance of Expenses is sought by Indemnitee.

(h) “**Enterprise**” shall mean the Company and any other real estate investment trust, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that Indemnitee is or was serving at the express written request of the Company as a trustee, director, manager, officer, partner, employee, agent or fiduciary.

(i) “**Expenses**” means all expenses, including, but not limited to, all attorneys’ fees and costs, retainers, court or arbitration costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond or other appeal bond or its equivalent.

(j) “**Independent Counsel**” means a law firm, or a member of a law firm, selected by the Company and acceptable to Indemnitee, that is experienced in matters of business law. If, within twenty (20) days after submission by Indemnitee of a written demand for indemnification pursuant to Section 7(a) hereof, no Independent Counsel shall have been selected and agreed to by Indemnitee, either the Company or Indemnitee may petition a Chosen Court (as defined in Section 18) for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person so appointed shall act as Independent Counsel hereunder.

(k) “**MGCL**” means the Maryland General Corporation Law.

(l) “**Maryland REIT Law**” means Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland.

(m) “**Person**” means an individual, a corporation, a general or limited partnership, an association, a limited liability company, a governmental entity, a trust, a joint venture, a joint stock company or another entity or organization.

(n) “**Proceeding**” means any threatened, pending or completed claim, demand, action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative (including on appeal), whether or not by or in the right of the Company, except one initiated by an Indemnitee pursuant to Section 9.

Section 2. Indemnification - General. The Company shall indemnify, and advance Expenses to, Indemnitee (a) as provided in this Agreement and (b) otherwise to the maximum extent permitted by Maryland law in effect on the

Effective Date and as amended from time to time; *provided, however*, that no change in Maryland law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Maryland law as in effect on the Effective Date. The rights of Indemnitee provided in this Section 2 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by Section 2-418(g) of the MGCL, as applicable to a Maryland real estate investment trust by virtue of Section 8-301(15) of the Maryland REIT Law, the Declaration of Trust or the Bylaws.

Section 3. Proceedings Other Than Derivative Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 3 if, by reason of Indemnitee's Company Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, other than a derivative Proceeding by or in the right of the Company (or, if applicable, such other Enterprise at which Indemnitee is or was serving at the request of the Company or a predecessor of the Company or any of their majority owned subsidiaries). Pursuant to this Section 3, Indemnitee shall be indemnified against all judgments, penalties, fines and amounts paid in settlement and all Expenses incurred by Indemnitee or on Indemnitee's behalf in connection with a Proceeding by reason of Indemnitee's Company Status unless it is finally determined that such indemnification is not permitted by the MGCL, the Declaration of Trust or the Bylaws.

Section 4. Derivative Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 4 if, by reason of Indemnitee's Company Status, Indemnitee is, or is threatened to be, made a party to any derivative Proceeding brought by or in the right of the Company (or, if applicable, such other Enterprise at which Indemnitee is or was serving at the request of the Company or a predecessor of the Company or any of their majority owned subsidiaries). Pursuant to this Section 4, Indemnitee shall be indemnified against all judgments, penalties, fines and amounts paid in settlement and all Expenses incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding unless it is finally determined that such indemnification is not permitted by the MGCL, the Declaration of Trust or the Bylaws.

Section 5. Indemnification for Expenses of a Party Who is Partly Successful. Without limitation on Section 3 or Section 4, if Indemnitee is not wholly successful in any Proceeding covered by this Agreement, but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 5 for all Expenses incurred by Indemnitee or on Indemnitee's behalf in connection with each successfully resolved claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section 5 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Advancement of Expenses. The Company, without requiring a preliminary determination of Indemnitee's ultimate entitlement to indemnification hereunder, shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding in which Indemnitee may be involved, or is threatened to be involved, including as a party, a witness or otherwise, by reason of Indemnitee's Company Status, within ten (10) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall be preceded or accompanied by a written affirmation by Indemnitee of Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Company as authorized by the MGCL, the Declaration of Trust and the Bylaws has been met and a written undertaking by or on behalf of Indemnitee, in substantially the form of Exhibit A hereto or in such other form as may be required under applicable law as in effect at the time of the execution thereof, to reimburse the portion of any Expenses advanced to Indemnitee relating to any claims, issues or matters in the Proceeding as to which it shall be finally determined that the standard of conduct has not been met and which have not been successfully resolved as described in Section 5. For the avoidance of doubt, the Company shall advance Expenses incurred by Indemnitee or on Indemnitee's behalf in connection with such a Proceeding pursuant to this Section 6 until it is finally determined that Indemnitee is not entitled to indemnification under the MGCL, the Declaration of Trust or the Bylaws in respect of such Proceeding. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 6 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor. At Indemnitee's request, advancement of any such Expense shall be made by the Company's direct payment of such Expense instead of reimbursement of Indemnitee's payment of such Expense.

Section 7. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written demand therefor. The Secretary of the Company shall, promptly upon receipt of such a demand for indemnification, provide copies of the demand to the Board.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 7(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred or if, after a Change in Control, Indemnitee shall so request, (A) by the Board (or a duly authorized committee thereof) by a majority vote of a quorum consisting of Disinterested Trustees, or (B) if a quorum of the Board consisting of Disinterested Trustees is not obtainable or, even if obtainable, such quorum of Disinterested Trustees so directs, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee, or (C) if so directed by a majority of the members of the Board, by the shareholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Any Independent Counsel, member of the Board or shareholder of the Company shall act reasonably and in good faith in making a determination regarding Indemnitee's entitlement to indemnification under this Agreement.

(c) The Company shall pay the fees and expenses of Independent Counsel, if one is appointed, and shall agree to fully indemnify such Independent Counsel against any and all expenses, claims, liabilities and damages arising out of or relating to this Agreement or the Independent Counsel's engagement as such pursuant hereto.

Section 8. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the Person or Persons making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(b) It shall be presumed that Indemnitee has at all times acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Without limitation of the foregoing, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge or actions, or failure to act, of any trustee, director, manager, officer, partner, employee, agent or fiduciary of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

(c) Neither the failure to make a determination pursuant to Section 7(b) as to whether indemnification is proper in the circumstances because Indemnitee has met any particular standard of conduct, nor an actual determination by the Company (including by the Board or Independent Counsel) pursuant to Section 7(b) that Indemnitee has not met such standard of conduct, shall be a defense to Indemnitee's claim that indemnification is proper in the circumstances or create a presumption that Indemnitee has not met any particular standard of conduct.

(d) The termination of any Proceeding by judgment, order, settlement, conviction, a plea of *nolo contendere* or its equivalent, or an entry of an order of probation prior to judgment, shall not in and of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not meet the standard of conduct required for indemnification. The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any Proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money

or other consideration), it shall be presumed that Indemnitee has been successful on the merits or otherwise in such Proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

Section 9. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 7(b) that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Section 6, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 7(b) within thirty (30) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5 within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall (A) unless the Company demands arbitration as provided by Section 17, be entitled to an adjudication in a Chosen Court or (B) be entitled to seek an award in arbitration as provided by Section 17, in each case of Indemnitee's entitlement to such indemnification or advance of Expenses.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 9, the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be. In the event that a determination shall have been made pursuant to Section 7(b) that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 9 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 7(b).

(c) If a determination shall have been made pursuant to Section 7(b) that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 9, absent a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the demand for indemnification.

(d) In the event that Indemnitee, pursuant to this Section 9, seeks a judicial adjudication of or an award in arbitration as provided by Section 17 to enforce Indemnitee's rights under, or to recover damages for breach of, this Agreement by the Company, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall indemnify Indemnitee against any and all Expenses incurred by Indemnitee in such judicial adjudication or arbitration and, if requested by Indemnitee, the Company shall (within ten (10) days after receipt by the Company of a written demand therefor) advance, to the extent not prohibited by law, the Declaration of Trust or the Bylaws, any and all such Expenses.

(e) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 9 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such judicial proceeding or arbitration that the Company is bound by all the provisions of this Agreement.

(f) To the extent requested by Indemnitee and approved by the Board, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of Indemnitee.

(g) Interest shall be paid by the Company to Indemnitee at the maximum rate allowed to be charged for judgments under the Courts and Judicial Proceedings Article of the Annotated Code of Maryland for amounts which the Company pays or is obligated to pay for the period (i) commencing with either the tenth (10th) day after the date on which the Company was requested to advance Expenses in accordance with Section 6 of this Agreement or the thirtieth (30th) day after the date on which the Company was requested to make the determination of entitlement to indemnification under Section 7(b) of this Agreement, as applicable, and (ii) ending on the date such payment is made to Indemnitee by the Company.

Section 10. Defense of the Underlying Proceeding.

(a) Indemnitee shall notify the Company promptly upon being served with or receiving any summons, citation, subpoena, complaint, indictment, information, notice, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder; *provided, however*, that the failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 10(b) and of Section 10(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder; *provided, however*, that the Company shall notify Indemnitee of any such decision to defend within fifteen (15) days following receipt of notice of any such Proceeding under Section 10(a) above, and the counsel selected by the Company shall be reasonably satisfactory to Indemnitee. The Company shall not, without the prior written consent of Indemnitee, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee, (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee or (iii) has the actual or purported effect of extinguishing, limiting or impairing Indemnitee's rights hereunder. This Section 10(b) shall not apply to a Proceeding brought by Indemnitee under Section 9 above or Section 15.

(c) Notwithstanding the provisions of Section 10(b), if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Company Status, (i) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that Indemnitee may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company, or (iii) the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other Person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, at the expense of the Company (subject to Section 9(d)), to represent Indemnitee in connection with any such matter.

Section 11. Liability Insurance.

(a) To the extent the Company maintains an insurance policy or policies providing liability insurance for any of its trustees or officers, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company trustee or officer during Indemnitee's tenure as a trustee or officer and, following a termination of Indemnitee's service in connection with a Change in Control, for a period of six (6) years thereafter.

(b) If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) In the event of any payment by the Company under this Agreement the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee with respect to any insurance policy. Indemnitee shall take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights in accordance with the terms of such insurance policy. The Company shall pay or reimburse all expenses actually and reasonably incurred by Indemnitee in connection with such subrogation.

Section 12. Non-Exclusivity; Survival of Rights.

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Declaration of Trust or the Bylaws, any agreement or a resolution of the shareholders entitled to vote generally in the election of trustees or of the Board, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by Indemnitee in Indemnitee's Company Status prior to such amendment, alteration or repeal. To the extent that a change in the Maryland REIT Law or the MGCL permits greater indemnification to Indemnitee than would be afforded currently under the Maryland REIT Law or the MGCL, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change if permitted by the Maryland REIT Law or the MGCL. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 13. Binding Effect.

(a) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a trustee, director, manager, officer, partner, employee, agent or fiduciary of the Company or a trustee, director, manager, officer, partner, employee, agent or fiduciary of another Enterprise which such Person is or was serving at the request of the Company or a predecessor of the Company or any of their majority owned subsidiaries, and shall inure to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(b) Any successor of the Company (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part of, the business or assets of the Company shall be automatically deemed to have assumed and agreed to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place, provided that no such assumption shall relieve the Company of its obligations hereunder. To the extent required by applicable law to give effect to the foregoing sentence and to the extent requested by Indemnitee, the Company shall require and cause any such successor to expressly assume and agree to perform this Agreement by written agreement in form and substance satisfactory to Indemnitee.

Section 14. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 15. Limitation and Exception to Right of Indemnification or Advance of Expenses. Notwithstanding any other provision of this Agreement, (a) any indemnification or advance of Expenses to which Indemnitee is otherwise entitled under the terms of this Agreement shall be made only to the extent such indemnification or advance of Expenses does not conflict with applicable Maryland law and (b) Indemnitee shall not be entitled to indemnification or advance of Expenses under this Agreement with respect to any Proceeding brought by Indemnitee, unless (i) the Proceeding is brought to enforce rights under this Agreement, the Declaration of Trust, the

Bylaws, liability insurance policy or policies, if any, or otherwise or (ii) the Declaration of Trust, the Bylaws, a resolution of the shareholders entitled to vote generally in the election of trustees or of the Board or an agreement approved by the Board to which the Company is a party expressly provides otherwise. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification of Indemnitee by the Company in the following circumstances: (a) if such court determines that Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or (b) if such court determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standard of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper without regard to any limitation on such court-ordered indemnification contemplated by Section 2-418(d)(2)(ii) of the MGCL.

Section 16. Specific Performance, Etc. The parties hereto recognize that if any provision of this Agreement is violated by the Company, Indemnitee may be without an adequate remedy at law. Accordingly, in the event of any such violation, Indemnitee shall be entitled, if Indemnitee so elects, to institute proceedings, either in law or at equity, to obtain damages, to enforce specific performance, to enjoin such violation, or to obtain any relief or any combination of the foregoing as Indemnitee may elect to pursue.

Section 17. Arbitration.

(a) Any disputes, claims or controversies regarding Indemnitee's entitlement to indemnification or advancement of Expenses hereunder or otherwise arising out of or relating to this Agreement, including any disputes, claims or controversies brought by or on behalf of a party hereto or any holder of equity interests (which, for purposes of this Section 17, shall mean any holder of record or any beneficial owner of equity interests or any former holder of record or beneficial owner of equity interests) of a party, either on his, her or its own behalf, on behalf of a party or on behalf of any series or class of equity interests of a party or holders of equity interests of a party against a party or any of their respective trustees, directors, members, officers, managers, agents or employees, including any disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, including this Section 17 or the governing documents of a party (all of which are referred to as "**Disputes**"), or relating in any way to such a Dispute or Disputes, shall, on the demand of any party to such Dispute or Disputes, be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the "**Rules**") of the American Arbitration Association ("**AAA**") then in effect, except as those Rules may be modified in this Section 17. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against the trustees, directors, officers or managers of a party and class actions by a holder of equity interests against those individuals or entities and a party. For the avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party. For purposes of this Section 17, the term "equity interest" shall mean (i) in respect of the Company, shares of beneficial interest of the Company, (ii) shares of "membership interests" in an entity that is a limited liability company, (iii) general partnership interests in an entity that is a partnership, (iv) shares of capital stock of an entity that is a corporation and (v) similar equity ownership interests in other entities.

(b) There shall be three (3) arbitrators. If there are only two (2) parties to the Dispute, each party shall select one (1) arbitrator within fifteen (15) days after receipt by respondent of a copy of the demand for arbitration. The arbitrators may be affiliated or interested persons of the parties. If there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, shall select, by the vote of a majority of the claimants or the respondents, as the case may be, one (1) arbitrator within fifteen (15) days after receipt of the demand for arbitration. The arbitrators may be affiliated or interested persons of the claimants or the respondents, as the case may be. If either a claimant (or all claimants) or a respondent (or all respondents) fail(s) to timely select an arbitrator then the party (or parties) who has selected an arbitrator may request AAA to provide a list of three (3) proposed arbitrators in accordance with the Rules (each of whom shall be neutral, impartial and unaffiliated with any party) and the party (or parties) that failed to timely appoint an arbitrator shall have ten (10) days from the date AAA provides the list to select one (1) of the three (3) arbitrators proposed by AAA. If the party (or parties) fail(s) to select the second (2nd) arbitrator by that time, the party (or parties) who have appointed the first (1st) arbitrator shall then have ten (10) days to select one (1) of the three (3) arbitrators proposed by AAA to be the second (2nd) arbitrator; and, if he/they should fail to select the second (2nd) arbitrator by such time, AAA shall select, within fifteen (15) days thereafter, one (1) of the three (3) arbitrators it had proposed as the second (2nd) arbitrator. The two (2) arbitrators so appointed shall jointly appoint the third (3rd) and presiding arbitrator (who shall be neutral, impartial and unaffiliated with any party) within fifteen (15) days of the appointment of the second (2nd)

arbitrator. If the third (3rd) arbitrator has not been appointed within the time limit specified herein, then AAA shall provide a list of proposed arbitrators in accordance with the Rules, and the arbitrator shall be appointed by AAA in accordance with a listing, striking and ranking procedure, with each party having a limited number of strikes, excluding strikes for cause.

(c) The place of arbitration shall be Boston, Massachusetts unless otherwise agreed by the parties.

(d) There shall be only limited documentary discovery of documents directly related to the issues in dispute, as may be ordered by the arbitrators. For the avoidance of doubt, it is intended that there shall be no depositions and no other discovery other than limited documentary discovery as described in the preceding sentence.

(e) In rendering an award or decision (an “**Award**”), the arbitrators shall be required to follow the laws of the State of Maryland without regard to principles of conflicts of law. Any arbitration proceedings or award rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. An Award shall be in writing and shall state the findings of fact and conclusions of law on which it is based. Any monetary Award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Subject to Section 17(g), each party against which an Award assesses a monetary obligation shall pay that obligation on or before the thirtieth (30th) day following the date of such Award or such other date as the Award may provide.

(f) Except to the extent expressly provided by this Agreement or as otherwise agreed by the parties hereto, each party and each Person acting or seeking to act in a representative capacity (such Person, a “**Named Representative**”) involved in a Dispute shall bear its own costs and expenses (including attorneys’ fees), and the arbitrators shall not render an Award that would include shifting of any such costs or expenses (including attorneys’ fees) or, in a derivative case or class action, award any portion of a party’s award to its attorneys, a Named Representative or any attorney of a Named Representative. Each party (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third (3rd) appointed arbitrator.

(g) Notwithstanding any language to the contrary in this Agreement, an Award, including but not limited to any interim Award, may be appealed pursuant to the AAA’s Optional Appellate Arbitration Rules (the “**Appellate Rules**”). An Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of an Award by filing a notice of appeal with any AAA office. Following the appeal process, the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof. For the avoidance of doubt, and despite any contrary provision of the Appellate Rules, Section 17(f) shall apply to any appeal pursuant to this Section 17 and the appeal tribunal shall not render an Award that would include shifting of any costs or expenses (including attorneys’ fees) of any party or Named Representative or the payment of such costs and expenses, and all costs and expenses of a party or Named Representative shall be its sole responsibility.

(h) Following the expiration of the time for filing the notice of appeal, or the conclusion of the appeal process set forth in Section 17(g), an Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between those parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon an Award may be entered in any court having jurisdiction. To the fullest extent permitted by law, no application or appeal to any court of competent jurisdiction may be made in connection with any question of law arising in the course of arbitration or with respect to any award made except for actions relating to enforcement of this agreement to arbitrate or any arbitral award issued hereunder and except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

(i) This Section 17 is intended to benefit and be enforceable by the parties hereto and their respective holders of equity interests, trustees, directors, officers, managers, agents or employees, and their respective successors and assigns, and shall be binding upon all such parties and their respective holders of equity

interests, and be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

Section 18. Venue. Each party hereto agrees that it shall bring any Proceeding in respect of any claim arising out of or related to this Agreement exclusively in the courts of the State of Maryland and the Federal courts of the United States, in each case, located in the City of Baltimore (the “**Chosen Courts**”). Solely in connection with claims arising under this Agreement, each party irrevocably and unconditionally (i) submits to the exclusive jurisdiction of the Chosen Courts, (ii) agrees not to commence any such Proceeding except in such courts, (iii) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any such Proceeding in the Chosen Courts, (iv) waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such Proceeding, (v) agrees that service of process upon such party in any such Proceeding shall be effective if notice is given in accordance with Section 24 and (vi) agrees to request and/or consent to the assignment of any dispute arising out of this Agreement or the transactions contemplated by this Agreement to the Chosen Courts’ Business and Technology Case Management Program, or similar program. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by law. A final judgment in any such Proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. EACH PARTY HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS. Notwithstanding anything herein to the contrary, if a demand for arbitration of a Dispute is made pursuant to Section 17, this Section 18 shall not preempt resolution of the Dispute pursuant to Section 17.

Section 19. Adverse Settlement. The Company shall not seek, nor shall it agree to or support, or agree not to contest any settlement or other resolution of any matter that has the actual or purported effect of extinguishing, limiting or impairing Indemnitee’s rights hereunder, including without limitation the entry of any bar order or other order, decree or stipulation, pursuant to 15 U.S.C. § 78u-4 (the Private Securities Litigation Reform Act), or any similar foreign, federal or state statute, regulation, rule or law.

Section 20. Period of Limitations. To the fullest extent permitted by law, no legal action shall be brought, and no cause of action shall be asserted, by or on behalf of the Company or any controlled affiliate of the Company against Indemnitee, Indemnitee’s spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company or its controlled affiliate shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; *provided, however*, if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

Section 21. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties hereto and delivered to the other party (including via facsimile or other electronic transmission), it being understood that each party hereto need not sign the same counterpart.

Section 22. Delivery by Electronic Transmission. This Agreement and any signed agreement or instrument entered into in connection with this Agreement or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of an electronic transmission, including by a facsimile machine or via email, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to the other parties. No party hereto or to any such agreement or instrument shall raise the use of electronic transmission by a facsimile machine or via email to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through electronic transmission as a defense to the formation of a contract and each such party forever waives any such defense.

Section 23. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed to, or shall, constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 24. Notices. Any notice, report or other communication required or permitted to be given hereunder shall be in writing unless some other method of giving such notice, report or other communication is accepted by the party to whom it is given, and shall be given by being delivered at the following addresses to the parties hereto:

(a) If to Indemnitee, to: The address set forth on the signature page hereto.

(b) If to the Company to:

Hospitality Properties Trust
Two Newton Place
255 Washington Street, Suite 300
Newton, Massachusetts 02458-1634
Attn: Secretary

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 25. Governing Law. The provisions of this Agreement and any Dispute, whether in contract, tort or otherwise, shall be governed by and construed in accordance with the laws of the State of Maryland without regard to its conflicts of laws rules.

Section 26. Interpretation.

(a) *Generally*. Unless the context otherwise requires, as used in this Agreement: (a) words defined in the singular have the parallel meaning in the plural and vice versa; (b) "Articles," "Sections," and "Exhibits" refer to Articles, Sections and Exhibits of this Agreement unless otherwise specified; and (c) "hereto" and "hereunder" and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(b) *Additional Interpretive Provisions*. The headings in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. Any capitalized term used in any Exhibit to this Agreement, but not otherwise defined therein, shall have the meaning as defined in this Agreement. References to any statute shall be deemed to refer to such statute as amended from time to time and to any rules or regulations promulgated thereunder and any successor statute or statutory provision. References to any agreement are to that agreement as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. References to any Person include the successors and permitted assigns of that Person. Reference to any agreement, document or instrument means the agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof.

(c) [*Expansion of Indemnification*. This amendment and restatement of the Prior Indemnification Agreement is intended to expand, and not to limit, the scope of indemnification provided to Indemnitee under the Prior Indemnification Agreement, and this Agreement shall be interpreted consistent with such intent.]

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed or caused to be executed on their behalf this Agreement as of the date first written above.

HOSPITALITY PROPERTIES TRUST

By: _____

Name:

Title:

[INDEMNITEE]

Indemnatee's Address:

[]

[Signature Page to [Amended and Restated] Indemnification Agreement]

EXHIBIT A

FORM OF AFFIRMATION AND
UNDERTAKING TO REPAY EXPENSES ADVANCED

To the Board of Trustees of Hospitality Properties Trust:

This affirmation and undertaking is being provided pursuant to that certain [Amended and Restated] Indemnification Agreement dated _____, 20____ (the “**Indemnification Agreement**”), by and between Hospitality Properties Trust, a Maryland real estate investment trust (the “**Company**”), and the undersigned Indemnatee, pursuant to which Indemnatee is entitled to advancement of expenses in connection with **[Description of Claims/Proceeding]** (together, the “**Claims**”). Terms used, and not otherwise defined, herein shall have the meanings specified in the Indemnification Agreement.

Indemnatee is subject to the Claims by reason of Indemnatee’s Company Status or by reason of alleged actions or omissions by Indemnatee in such capacity.

Indemnatee hereby affirms Indemnatee’s good faith belief that the standard of conduct necessary for Indemnatee’s indemnification has been met.

In consideration of the advancement of Expenses by the Company for attorneys’ fees and related expenses incurred by Indemnatee in connection with the Claims (the “**Advanced Expenses**”), Indemnatee hereby agrees that if, in connection with a proceeding regarding the Claim, it is ultimately determined that Indemnatee is not entitled to indemnification under law, the Declaration of Trust, the Bylaws or the Indemnification Agreement with respect to an act or omission by Indemnatee, then Indemnatee shall promptly reimburse the portion of the Advanced Expenses relating to the Claim(s) as to which the foregoing findings have been established and which have not been successfully resolved as described in Section 5 of the Indemnification Agreement. To the extent that Advanced Expenses do not relate to specific Claims, Indemnatee agrees that such Advanced Expenses may be allocated on a reasonable and proportionate basis.

IN WITNESS WHEREOF, the undersigned Indemnatee has executed this Affirmation and Undertaking to Repay Expenses Advanced on

WITNESS:

Print name of witness

Print name of Indemnatee

Schedule to Exhibit 10.5

The following trustees and executive officers of Hospitality Properties Trust, or HPT, are parties to Indemnification Agreements with HPT which are substantially identical in all material respects to the representative Indemnification Agreement filed herewith and are dated as of the respective dates listed below. The other Indemnification Agreements are omitted pursuant to Instruction 2 to Item 601 of Regulation S-K.

Name of Signatory	Date
Ethan S. Bornstein	June 14, 2018
Donna D. Fraiche	June 14, 2018
John L. Harrington	June 14, 2018
Mark L. Kleifges	June 14, 2018
William A. Lamkin	June 14, 2018
John G. Murray	June 14, 2018
Adam D. Portnoy	June 14, 2018

Hospitality Properties Trust
Computation of Ratio of Earnings to Fixed Charges
(in thousands, except ratio amounts)

	Six Months Ended June 30,	Year Ended December 31,				
	2018	2017	2016	2015	2014	2013
Income from continuing operations (including gains on sales of properties, if any) before income tax benefit (expense) and equity in earnings of an investee	\$ 178,686	\$ 201,904	\$ 226,993	\$ 167,963	\$ 199,036	\$ 127,750
Fixed Charges	96,281	181,579	161,913	144,898	139,486	145,954
Adjusted Earnings	\$ 274,967	\$ 383,483	\$ 388,906	\$ 312,861	\$ 338,522	\$ 273,704
Fixed Charges:						
Interest on indebtedness and amortization of debt issuance costs and debt discounts and premiums	\$ 96,281	\$ 181,579	\$ 161,913	\$ 144,898	\$ 139,486	\$ 145,954
Ratio of Earnings to Fixed Charges	2.86x	2.11x	2.40x	2.16x	2.43x	1.88x

Hospitality Properties Trust
Computation of Ratio of Earnings to Fixed Charges and Preferred Distributions
(in thousands, except ratio amounts)

	Six Months Ended June 30,	Year Ended December 31,				
	2018	2017	2016	2015	2014	2013
Income from continuing operations (including gains on sales of properties, if any) before income tax benefit (expense) and equity in earnings of an investee	\$ 178,686	\$ 201,904	\$ 226,993	\$ 167,963	\$ 199,036	\$ 127,750
Fixed Charges	96,281	181,579	161,913	144,898	139,486	145,954
Adjusted Earnings	\$ 274,967	\$ 383,483	\$ 388,906	\$ 312,861	\$ 338,522	\$ 273,704
Fixed Charges:						
Interest on indebtedness and amortization of debt issuance costs and debt discounts and premiums	\$ 96,281	\$ 181,579	\$ 161,913	\$ 144,898	\$ 139,486	\$ 145,954
Preferred distributions	—	1,435	20,664	20,664	20,664	26,559
Combined Fixed Charges and Preferred distributions	\$ 96,281	\$ 183,014	\$ 182,577	\$ 165,562	\$ 160,150	\$ 172,513
Ratio of Earnings to Fixed Charges and Preferred distributions	2.86x	2.10x	2.13x	1.89x	2.11x	1.59x

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, John G. Murray, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hospitality Properties 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: August 9, 2018

/s/ John G. Murray

John G. Murray

President and Chief Executive Officer

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Mark L. Kleifges, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hospitality Properties 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: August 9, 2018

/s/ Mark L. Kleifges

Mark L. Kleifges

Chief Financial Officer and Treasurer

Certification Required by 18 U.S.C. Sec. 1350

In connection with the filing by Hospitality Properties Trust (the “Company”) of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (the “Report”), each of the undersigned hereby certifies, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John G. Murray

John G. Murray

President and Chief Executive Officer

/s/ Mark L. Kleifges

Mark L. Kleifges

Chief Financial Officer and Treasurer

Date: August 9, 2018