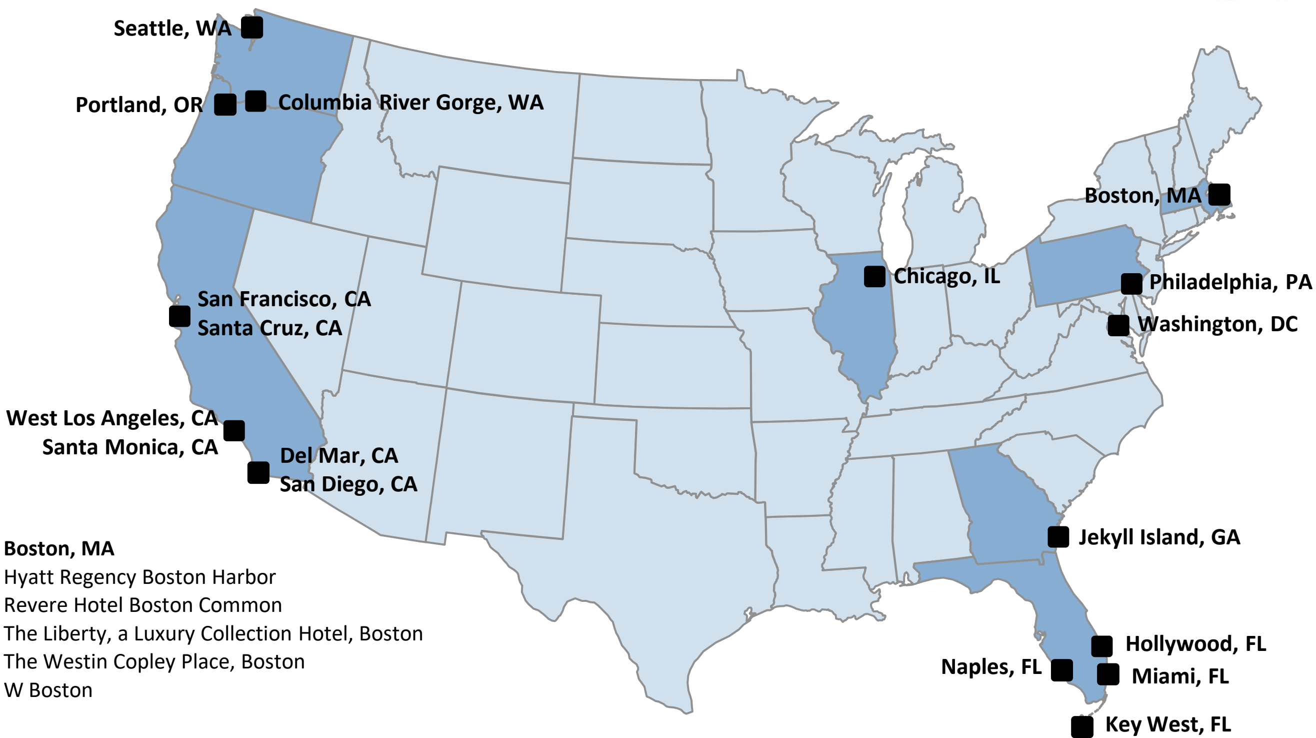
pebblebrook HOTEL TRUST

2021 Annual Report

Property Locations

pebblebrook HOTEL TRUST



Boston, MA
Hyatt Regency Boston Harbor
Revere Hotel Boston Common
The Liberty, a Luxury Collection Hotel, Boston
The Westin Copley Place, Boston
W Boston

Chicago, IL
Hotel Chicago Downtown, Autograph Collection
The Westin Michigan Avenue Chicago

Los Angeles, CA
Chamberlain West Hollywood Hotel
Hotel Palomar Los Angeles Beverly Hills
Hotel Ziggy
Le Méridien Delfina Santa Monica
Le Parc Suite Hotel
Mondrian Los Angeles
Montrose West Hollywood
Viceroy Santa Monica Hotel
W Los Angeles – West Beverly Hills

Philadelphia, PA
Sofitel Philadelphia at Rittenhouse Square

Portland, OR
Hotel Vintage Portland
Skamania Lodge
The Heathman Hotel
The Hotel Zags
The Nines, a Luxury Collection Hotel, Portland

San Diego, CA
Embassy Suites San Diego Bay – Downtown
Estancia La Jolla Hotel & Spa
Hilton San Diego Gaslamp Quarter
L'Auberge Del Mar
Paradise Point Resort & Spa
San Diego Mission Bay Resort
Solamar Hotel
The Westin San Diego Gaslamp Quarter

San Francisco, CA
Argonaut Hotel
Chaminade Resort & Spa
Harbor Court Hotel San Francisco
Hotel Spero
Hotel Zelos San Francisco
Hotel Zephyr Fisherman's Wharf
Hotel Zeppelin San Francisco
Hotel Zetta San Francisco
Hotel Zoe Fisherman's Wharf
1 Hotel San Francisco
The Marker San Francisco

Seattle, WA
Hotel Monaco Seattle
Hotel Vintage Seattle

Southeast
Hotel Colonnade Coral Gables, Autograph Collection
Jekyll Island Club Resort
LaPlaya Beach Resort & Club
Margaritaville Hollywood Beach Resort
Southernmost Beach Resort
The Marker Key West Harbor Resort

Washington, DC
George Hotel
Hotel Monaco Washington DC
Hotel Zena Washington DC
Viceroy Washington DC

TO OUR FELLOW SHAREHOLDERS

As we reflect on 2021, we are incredibly proud of all our hotel operators, dedicated property teams, and Pebblebrook team members for their hard work and sacrifices throughout the year. While the pandemic created a very challenging environment, we made significant strides working with our operators to rebuild the operating teams at our hotels and create new, more efficient operating models, while also reinvesting capital into the portfolio, allowing us to be well-positioned to capture more customers and have more profitable hotels as we enter the recovery phase following the pandemic. On the investment side, we sold over $260.0 million of hotels while reallocating capital into $490.0 million of new acquisitions across four leisure-oriented investments with what we believe is tremendous upside. These combined activities and accomplishments set us up well for the recovery in hotel travel demand that encouragingly, is accelerating as I write this letter.

Reviewing 2021's hotel operating performance, our hotels and resorts followed the overall industry recovery, which improved each quarter, despite intermittent waves of the virus. Our resorts led the portfolio's performance due to significant pent-up leisure demand, which began to accelerate last year in early spring. Although our urban hotels have lagged behind our resorts due to slower-to-recover business travel, we experienced improving demand and occupancy levels at our city hotels as the year progressed. And our resort properties, including those we acquired during the year, significantly exceeded their performance in 2019. This bodes well for recovering to and then surpassing our overall prior portfolio and corporate performance.

Despite the challenging macroeconomic environment, we successfully completed over $740.0 million of capital raises, which enhanced our liquidity, strengthened our balance sheet and provided capital for additional acquisitions. In conjunction with one of our preferred equity offerings, we redeemed $250.0 million of existing preferred equity at a higher rate, replaced it with a new preferred series at a record low rate for a lodging REIT, thereby improving our annual cash flow by almost $2.0 million. Finally, in December 2021, we extended out over $1.0 billion of debt maturities with our bank group and expanded our acquisition capacity.

On the investment side, we sold two hotels in San Francisco and one in New York City, generating over $260.0 million of proceeds. The sale of the Sir Francis Drake in San Francisco, which was one of the first properties we acquired back in 2010, allowed us to harvest very substantial returns over our 11-year hold period. The proceeds from these sales were reallocated into four unique resorts in faster-to-recover leisure-oriented markets, and all have significant redevelopment opportunities. In July 2021, we purchased Jekyll Island Club Resort for $94.0 million, an iconic landmark off the coast of Georgia with meaningful upside through operational enhancements and physical improvements. Two months later, we completed the acquisition of Margaritaville Hollywood Beach Resort in Hollywood, Florida for $270.0 million, adding to our portfolio the flagship Margaritaville property, an oceanfront oasis overflowing with amenities, restaurant and bar options, and entertainment and meeting venues. In October 2021, we acquired two bed and breakfast guest houses in Key West, Florida for $20.0 million and consolidated their operations into our existing Southernmost Beach Resort, thereby creating significant value from operating efficiencies and pricing upside by offering Southernmost's already-existing amenities to those guests. Finally, in December 2021, we bought Estancia La Jolla Hotel & Spa for $108.0 million, a hacienda style resort with an A+ location and a multitude of operational upside opportunities that we're already unlocking through the implementation of our best practices and Curator preferred vendor arrangements. We're incredibly pleased with all four of these acquisitions, as they've all far exceeded our initial underwriting while driving very attractive cash flows, thereby substantially increasing their values, even before we undertake physical improvements that will reposition these properties higher over the next couple of years.

Throughout 2021, we continued our capital improvement program by reinvesting $83.8 million into our existing portfolio. This included over $50.0 million of significant renovation and remerchandising projects, all of which we expect will generate very attractive 10% or better cash on cash returns when these assets stabilize over the next few years. The increased performance from these redevelopments and renovations, coupled with the hundreds of millions of dollars of transformations and redevelopments completed in the last few years, should drive outsized returns in the future, and we are already generating market share gains and increased cash flows from many of these completed property repositioning projects.

Importantly, throughout 2021 we continued to enhance and develop our corporate Environmental, Social and Governance ("ESG") program. Most notably, we formed a Racial Equity & Inclusion Team ("REIT") to ensure that we foster an inclusive work environment and identify opportunities for improvement. The REIT team is making strides in four different areas: development, education, recruitment and reporting, and we look forward to updating you on our progress. Furthermore, we benchmarked against GRESB for the first time to supplement our ongoing disclosures and released our inaugural Task Force on Climate-Related Financial Disclosures ("TCFD") framework – all meaningful steps towards achieving our goals of prioritizing sustainability initiatives here at Pebblebrook.

While we began 2022 with a demand slowdown related to the omicron variant, we started to experience significant increases in both leisure demand and business-related transient and group demand beginning in the second half of February 2022, as cases declined rapidly and mask and vaccine mandates were relaxed and eliminated. We believe that leisure-oriented travelers will continue to drive meaningful gains at our resort and urban destinations, particularly as increased workplace flexibility allows employees the option to work from anywhere, which may lead individuals to "work from paradise." For corporate travelers, as companies look to boost collaboration, build back lost culture, and re-establish client relationships, we expect substantial increases in transient and group business travel to enhance the recovery in future years, at both our resorts and our urban hotels.

The economic outlook for 2022 continues to be dependent on the path of the virus, corporate fundamentals, the consumers' record financial position, historically low unemployment levels, and accelerating wage growth. The U.S. economy is starting the year on very strong footing. Fortunately, we already have and expect to continue to be able to take advantage of pricing power as our hotels and resorts can reprice their offerings daily to more than offset inflationary increases in expenses. This underscores the importance of maintaining and continuing to elevate our product and service levels at our hotels and resorts, creating additional value for our guests and our shareholders.

We continue to stay true to our mission and vision for Pebblebrook, even in the most trying of times, by celebrating the hard work and collaboration of our hotel operators and their property teams. Each year, we express our appreciation for and celebrate our hotels' management teams through our Pebby Awards, recognizing and rewarding those who have shown outstanding performance during the year. On March 25, 2022, we honored those who reacted swiftly, smartly and efficiently this past year, and we are incredibly grateful and proud of the dedication shown by these very passionate team leaders, managers and associates at our hotels and resorts.

Finally, in November 2021, Curator Hotel & Resort Collection, our recently founded distinct collection of hand-selected hotels and resorts which participate in best-in-class operating agreements, services and technology, celebrated its first anniversary following an eventful year filled with noteworthy accomplishments, attractive growth, impactful partnerships and industry accolades. Curator experienced healthy growth in membership, joining together 87 hotels to date in over a dozen states from Hawaii to Massachusetts to Florida. Curator has now secured more than 80 preferred agreements with industry-leading providers, with more to come. Since its launch, Curator has received much recognition, winning the Independent Lodging Congress INDIE Rebel Award for pioneering a new idea in hospitality and having 20 member hotels ranked in 2021's prestigious Condé Nast Traveler's Readers' Choice Awards. While Curator is more of a new business or venture capital type opportunity, we continue to be excited about its potential for significant value creation down the road.

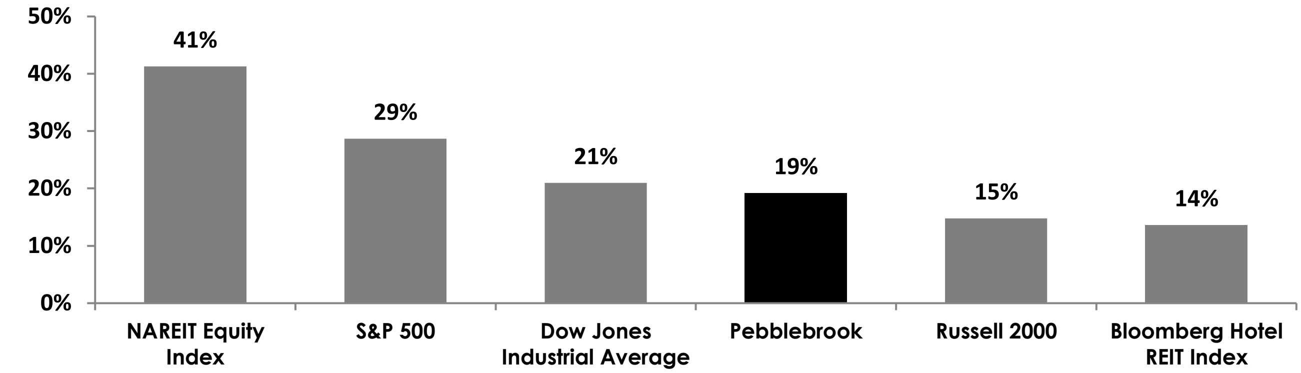
2021 was a significant recovery year for us despite the constant changes in the macroeconomic environment and variations in government protocols due to the COVID-19 pandemic. However, we look forward to a year of exciting growth ahead as the world continues to transition back to the new normal, whatever that turns out to be. Our team remains as committed as ever to capitalizing on strategic opportunities to drive growth. As always, we appreciate the resounding support from all our employees, shareholders and other stakeholders as we continue to navigate through unprecedented times.

Sincerely,

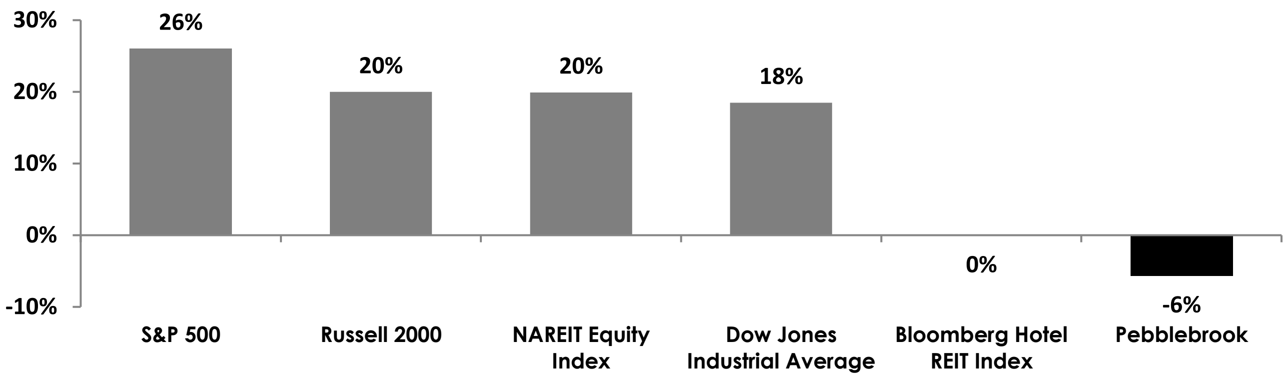
Jon E. Bortz
Chairman, President and
Chief Executive Officer

Performance Summary

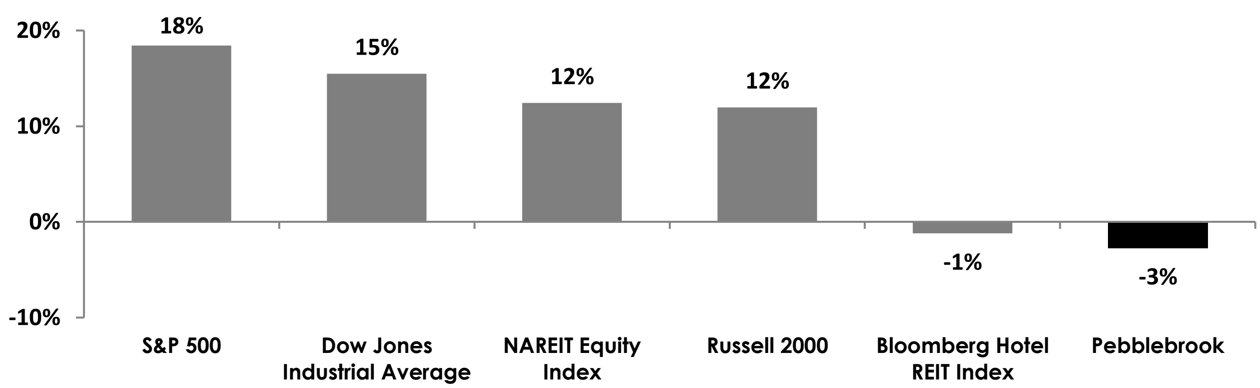
1-Year Total Return: 2021



3-Year Total Return: 2018-2021



5-Year Total Return: 2016-2021



Source: Bloomberg

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

FORM 10-K

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

For the fiscal year ended December 31, 2021

or

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

For the transition period from ______to_______.

Commission File Number 001-34571

PEBBLEBROOK HOTEL TRUST
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**27-1055421**
(State of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
4747 Bethesda Avenue, Suite 1100, Bethesda, Maryland	**20814**
(Address of Principal Executive Offices)	**(Zip Code)**

(240) 507-1300
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Shares, $0.01 par value per share	PEB	New York Stock Exchange
Series E Cumulative Redeemable Preferred Shares, $0.01 par value	PEB-PE	New York Stock Exchange
Series F Cumulative Redeemable Preferred Shares, $0.01 par value	PEB-PF	New York Stock Exchange
Series G Cumulative Redeemable Preferred Shares, $0.01 par value	PEB-PG	New York Stock Exchange
Series H Cumulative Redeemable Preferred Shares, $0.01 par value	PEB-PH	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑ Yes ☐ No

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

The aggregate market value of the 129,568,270 common shares of beneficial interest of the registrant held by non-affiliates of the registrant was $3.1 billion based on the closing sale price on the New York Stock Exchange for such common shares of beneficial interest as of June 30, 2021.

The number of common shares of beneficial interest outstanding as of February 18, 2022 was 131,488,993.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for its 2022 Annual Meeting of Shareholders (to be filed with the Securities and Exchange Commission on or before April 30, 2022) are incorporated by reference into this Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

Pebblebrook Hotel Trust

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FORWARD-LOOKING STATEMENTS

This report, together with other statements and information publicly disseminated by us, contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may", "will", "should", "potential", "could", "seek", "assume", "forecast", "believe", "expect", "intend", "anticipate", "estimate", "project" or similar expressions. Forward-looking statements in this report include, among others, statements about our business strategy, including acquisition and development strategies, industry trends, estimated revenues and expenses, estimated costs and durations of renovation or restoration projects, estimated insurance recoveries, our ability to realize deferred tax assets and expected liquidity needs and sources (including capital expenditures and our ability to obtain financing or raise capital). You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and which could materially affect actual results, performance or achievements. These factors include, but are not limited to, the following:

- the COVID-19 pandemic has had, and is expected to continue to have, a significant impact on our financial condition and operations, which impacts our ability to obtain acceptable financing to fund resulting reductions in cash from operations. The current and uncertain future impact of the COVID-19 pandemic, including its effect on the ability or desire of people to travel, is expected to continue to impact our results, operations, outlooks, plans, goals, growth, reputation, cash flows, liquidity and share price;
- as a result of the COVID-19 pandemic, we suspended operations at most of our hotels and resorts. Operations have recommenced and are improving. However, if continued improvement is interrupted, we may become out of compliance with maintenance covenants in certain of our debt facilities;
- world events impacting the ability or desire of people to travel may lead to a decline in demand for hotels;
- risks associated with the hotel industry, including competition, changes in visa and other travel policies by the U.S. government making it less convenient, more difficult or less desirable for international travelers to enter the U.S., increases in employment costs, energy costs and other operating costs, or decreases in demand caused by events beyond our control including, without limitation, actual or threatened terrorist attacks, natural disasters, cyber-attacks, any type of flu or disease-related pandemic, or downturns in general and local economic conditions;
- the availability and terms of financing and capital, and the general volatility of securities markets;
- our dependence on third-party managers of our hotels, including our inability to implement strategic business decisions directly;
- risks associated with the U.S. and global economies, the cyclical nature of hotel properties and the real estate industry, including environmental contamination and costs of complying with new or existing laws, including the Americans with Disabilities Act and similar laws;
- interest rate increases;
- our possible failure to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended ("the Code") and the risk of changes in laws affecting REITs;
- the timing and availability of potential hotel acquisitions, our ability to identify and complete hotel acquisitions and our ability to complete hotel dispositions in accordance with our business strategy;
- the possibility of uninsured losses;
- risks associated with redevelopment and repositioning projects, including delays and cost overruns; and
- the other factors discussed under *Risk Factors* in Part I, Item 1A of this Annual Report on Form 10-K.

Accordingly, there is no assurance that our expectations will be realized. Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The "Company", "we" or "us" mean Pebblebrook Hotel Trust, a Maryland real estate investment trust, and one or more of its subsidiaries (including Pebblebrook Hotel, L.P., our operating partnership), or, as the context may require, Pebblebrook Hotel Trust only or Pebblebrook Hotel, L.P. only.

PART I

Item 1. Business.

General

Pebblebrook Hotel Trust is an internally managed hotel investment company, formed as a Maryland real estate investment trust in October 2009 to opportunistically acquire and invest in hotel properties located primarily in major U.S. cities, with an emphasis on the major gateway coastal markets. As of December 31, 2021, the Company owned 53 hotels with a total of 13,247 guest rooms.

Substantially all of the Company's assets are held by, and all of the Company's operations are conducted through, Pebblebrook Hotel, L.P. (our "Operating Partnership"). The Company is the sole general partner of the Operating Partnership. At December 31, 2021, the Company owned 99.3% of the common limited partnership units issued by the Operating Partnership ("common units"). The remaining 0.7% of the common units are owned by the other limited partners of the Operating Partnership. For the Company to maintain its qualification as a REIT under the Code, it cannot operate the hotels it owns. Therefore, the Operating Partnership and its subsidiaries lease the hotel properties to subsidiaries of Pebblebrook Hotel Lessee, Inc. (collectively with its subsidiaries, "PHL"), our taxable REIT subsidiary ("TRS"), which in turn engage third-party eligible independent contractors to manage the hotels. PHL is consolidated into the Company's financial statements.

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") to be a global pandemic and the virus spread throughout the United States and the world. As a result of this pandemic and subsequent government mandates, health official recommendations, corporate policy changes and individuals' responses, hotel demand dramatically declined. Demand has since improved as a result of an increase in vaccinations and corresponding lifting of governmental restrictions and recommendations. See further discussion in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* in Part II of this Annual Report on Form 10-K.

Business Objectives and Strategies

Acquisitions/Investments

We invest in hotel properties located primarily within major U.S. cities with an emphasis on major gateway coastal markets. Our hotel properties are located in Boston, Massachusetts; Chicago, Illinois; Hollywood, Florida; Jekyll Island, Georgia; Key West, Florida; Miami (Coral Gables), Florida; Los Angeles, California (Beverly Hills, Santa Monica, and West Hollywood); Naples, Florida; Philadelphia, Pennsylvania; Portland, Oregon; San Diego, California; San Francisco, California; Santa Cruz, California; Seattle, Washington; Stevenson, Washington; and Washington, D.C. We believe these markets have barriers-to-entry and provide diverse sources of meeting and room night demand generators. In addition, we also opportunistically target investments in resort properties located near our primary urban target markets and select destination resort markets such as southern Florida and southern California. We focus on both branded and independent full-service hotels in the "upper-upscale" segment of the lodging industry. The full-service hotels on which we focus our investment activity generally have one or more restaurants, lounges, meeting facilities and other amenities, as well as high levels of customer service. We believe that our target markets, including the major gateway markets, are characterized by barriers-to-entry and that room-night demand and average daily rate ("ADR") growth of these types of hotels will outperform the national average over the long-term, as they have in past cyclical recoveries and growth periods.

We perform and utilize extensive research to evaluate any target market and property, including a detailed review of the long-term economic outlook, trends in local demand generators, competitive environment, property systems and physical condition and property financial performance. Specific acquisition criteria may include, but are not limited to, the following:

- premier locations, facilities and other competitive advantages that are not easily replicated;
- barriers-to-entry in the market, such as scarcity of development sites, regulatory hurdles, high per-room development costs and long lead times for new development;
- acquisition prices at a discount to replacement cost;
- properties not subject to long-term management contracts with hotel management companies;
- potential return on investment initiatives, including redevelopment, rebranding, redesign, expansion and change of management;

- opportunities to implement value-added operational improvements; and
- strong demand growth characteristics supported by favorable demographic indicators.

We believe that upper-upscale, full-service hotels and resorts and upscale, hotels located in major U.S. urban, convention and drive-to and destination resort markets are likely to generate some of the most favorable risk-adjusted returns in the lodging industry over the long-term. As discussed in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* in Part II of this Annual Report on Form 10-K, the COVID-19 pandemic has materially disrupted hotel occupancy and daily rates, particularly in urban markets in which we have invested. Despite the dramatic decline in demand, revenue and operating income as a result of COVID-19 as well as uncertainty related to international travel restrictions and political factors, we believe that successful vaccination distribution and effective therapeutics throughout the U.S. and the world should gradually allow for a steady return to normalcy. We believe that portfolio diversification will allow us to benefit from growth in various customer segments, including business transient, leisure transient and group and convention room-night demand. We believe that new hotel supply growth, following the delivery of current supply construction, will decline from the expected growth rate prior to the pandemic.

We generally seek to enter into flexible management contracts, when possible, with third-party hotel management companies for the operation of our hotels that provide us with the ability to replace operators and/or reposition properties, to the extent that we determine to do so and align our operators with our objective of maximizing our return on investment. In addition, we believe that flexible management contracts facilitate the sale of hotels, and we may seek to sell hotels opportunistically if we believe sales proceeds may be used to repay debt or invest in other hotel properties that offer more attractive risk-adjusted returns.

We may engage in full or partial redevelopment, renovation and repositioning of certain properties, as we seek to maximize the financial performance of our hotels. In addition, we may acquire properties that require significant capital improvement, renovation or refurbishment. We also may acquire hotel and resort properties that we believe would benefit from significant redevelopment or expansion, including, for example, adding guest rooms, meeting facilities or other amenities.

We may consider acquiring outstanding debt secured by a hotel or resort property from lenders and investors if we believe the returns will be attractive or if we can foreclose on or acquire ownership of the property in the near-term. In connection with our acquisitions, generally we do not, but we may choose to opportunistically, originate or purchase any debt financing or preferred equity. Additionally, we have co-invested, and may in the future co-invest, in hotels and debt with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for a property, partnership, joint venture or other entity.

Asset Management

While we do not operate our hotel properties, both our asset management team and our executive management team monitor and work cooperatively with our hotel managers by advising and making recommendations in all aspects of our hotels' operations, including property positioning and repositioning, revenue and expense management, operations analysis, physical design, renovation and capital improvements, guest experience and overall strategic direction. We believe we can add significant value to our portfolio through our intensive asset management strategies. Our executives and asset management team have significant experience in hotel operations and creating and implementing innovative asset management initiatives.

We have developed strategic short- and long-term capital investment plans to enhance our hotels' profitability through the strategic use of, among others, expansions, additions, renovations, technology upgrades and modifications, and energy efficiency improvements. We are also focused on revenue and expense management at our properties. We work closely with our hotel operators to evaluate optimal market mix and pricing strategies, ensure quality staffing and appropriate management focus, implement best practices to minimize expenses and aggressively monitor and evaluate our hotels' operations and performance.

Curator

In 2020, we and five industry-leading hotel operators jointly launched Curator Hotel & Resort Collection, a collection of small brands and independent lifestyle hotels and resorts worldwide. Curator's distinct owner-centric platform offers an alternative for independent lifestyle hotels seeking to strengthen their performance, providing its members with best-in-class agreements, services and technology, while allowing members to retain their unique identities. We own a majority of the equity interests in Curator, which is consolidated in our consolidated financial statements.

Financing Strategies

Over time, we intend to finance our long-term growth with issuances of common and preferred equity securities and debt financings having staggered maturities. Our debt includes senior unsecured credit facilities, term loans, convertible debt, unsecured notes and mortgage debt secured by our hotel properties, and may in the future include other unsecured debt.

We anticipate using net proceeds from equity and debt offerings and property sales to fund future acquisitions as well as for property redevelopments, return on investment initiatives and working capital requirements. Subject to market conditions, we intend to repay amounts outstanding under our senior unsecured revolving credit facilities from time to time with proceeds from periodic common and preferred equity issuances, long-term debt financings, cash flows from operations and opportunistic or strategic dispositions.

When purchasing hotel properties, we may issue limited partnership interests in our Operating Partnership as full or partial consideration to sellers who may desire to take advantage of tax deferral on the sale of a hotel or participate in the potential appreciation in value of our common shares of beneficial interest, or common shares. To date, we have not issued any limited partnership interests in our Operating Partnership to purchase hotel properties.

Competition

We compete for hotel investment opportunities with institutional investors, private equity investors, other REITs and numerous local, regional, national and international owners, including franchisors, in each of our target markets. Some of these entities have substantially greater financial resources than we do and may be able and willing to accept more risk than we can prudently manage. Competition generally may increase the bargaining power of property owners seeking to sell and reduce the number of suitable investment opportunities offered to us or purchased by us.

The hotel industry is highly competitive. Our hotels compete with other hotels and alternative lodging, for guests in our markets. Competitive factors include, among others, location, convenience, brand affiliation, room rates, range of services, facilities and guest amenities or accommodations offered and quality of guest service. Competition in our hotels' markets includes competition from existing, newly renovated and newly developed hotels in the relevant segments. Competition can adversely affect our hotels' occupancy, ADR and room revenue per available room ("RevPAR"), and thus our financial results. We may be required to provide additional amenities, incur additional costs or make capital improvements that we otherwise might not choose to make, which may adversely affect our profitability.

Seasonality

Demand in the lodging industry is affected by recurring seasonal patterns which are greatly influenced by overall economic cycles, geographic locations, weather and customer mix at the hotels. Generally, our hotels have lower revenue, operating income and cash flow in the first quarter of each year and higher revenue, operating income and cash flow in the third quarter of each year. The historical trend has been disrupted as a result of COVID-19. In 2021 revenue increased each quarter as hotels reopened and restrictions were eased. We expect that our portfolio will return to more normal historical seasonality trends in 2022.

Regulations

Our hotel properties are subject to various federal, state and local environmental laws. Under these laws, courts and government agencies have the authority to require us, as an owner of a contaminated property, to clean up the property, even if we did not know of or were not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated, and therefore it is possible we could incur these costs even after we sell a property. In addition to the cleanup costs, environmental contamination can affect the value of a property and, therefore, an owner's ability to borrow using the property as collateral or to sell the property. Under environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, such as a landfill or an incinerator, pay for the clean-up of that facility if it becomes contaminated and threatens human health or the environment.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by property contamination. For instance, a person exposed to asbestos while staying in a hotel may seek to recover damages if they suffer injury from the asbestos. Lastly, some of these environmental laws restrict the use of a property or place conditions on various activities. An example would be laws requiring a business using chemicals (such as swimming pool chemicals at a hotel property) to manage them carefully and notify local officials that the chemicals are being used.

We could be responsible for any of the costs discussed above. The costs to clean up a contaminated property, to defend against a claim, or to comply with environmental laws could be material and could adversely affect the funds available for distribution to our shareholders. Prior to closing a property acquisition, we obtain Phase I environmental site assessments ("ESAs"), in order to attempt to identify potential environmental concerns at the properties. These assessments are carried out in accordance with an appropriate level of due diligence and generally include a physical site inspection, a review of relevant federal, state and local environmental and health agency database records, one or more interviews with appropriate site-related personnel, review of the property's chain of title and review of historical aerial photographs and other information on past uses of the property. We may also conduct limited subsurface investigations and test for substances of concern where the results of the Phase I ESAs or other information indicates possible contamination or where our consultants recommend such procedures. However, these Phase I ESAs or other investigations may not reveal all environmental costs that might have a material adverse effect on our business, assets, results of operations or liquidity and may not identify all potential environmental liabilities.

We believe that our hotels comply, in all material respects, with all federal, state and local environmental ordinances and regulations regarding hazardous or toxic substances and other environmental matters, the violation of which could have a material adverse effect on us. We have not received written notice from any governmental authority of any material noncompliance, liability or claim relating to hazardous or toxic substances or other environmental matters in connection with any of our properties.

Our properties must comply with Title III of the Americans with Disabilities Act (the "ADA") to the extent that such properties are “public accommodations” as defined by the ADA. The ADA may require the removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in litigation, retrofit costs and imposition of fines or an award of damages to private litigants. Additionally, properties that we may acquire may not comply with the requirements of the ADA, and we endeavor to identify such noncompliance prior to our acquisition. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and make alterations as appropriate in this respect.

Tax Status

We have elected to be taxed as a REIT under Sections 856 through 860 of the Code. As a result, we generally are not subject to corporate federal income tax on that portion of our REIT taxable income that we currently distribute to our shareholders. A REIT is subject to numerous organizational and operational requirements, including requirements concerning the nature of our gross income and assets and specifying that we must distribute at least 90 percent of our REIT taxable income (determined without regard to the deduction for dividends paid and excluding net capital gains) each year. We will be subject to U.S. federal income tax on our taxable income at regular corporate rates if we fail to qualify as a REIT for U.S. federal income tax purposes in any taxable year, or to the extent we distribute less than 100 percent of our REIT taxable income. We will also not be permitted to qualify for treatment as a REIT for U.S. federal income tax purposes for four years following the year during which qualification is lost. Even if we continue to qualify as a REIT for U.S. federal income tax purposes, we will be subject to certain state and local income, franchise and property taxes.

To maintain our qualification as a REIT under the Code, we cannot operate the hotels we own and acquire. Therefore, our Operating Partnership and its subsidiaries lease our hotel properties to our TRS lessees who in turn engage third-party eligible independent contractors to manage our hotels. The earnings of TRS lessees are subject to taxation like other regular C corporations.

Joint Venture

We hold a 99.99% controlling interest in The Liberty, a Luxury Collection Hotel, Boston. Since we hold a controlling interest, the joint venture has been consolidated in our financial statements. The 0.01% interest of the third-party partner is included in non-controlling interests in the consolidated balance sheets.

Human Capital

Our human capital management objectives are to attract, recruit, hire, develop and promote a highly talented, diverse workforce. We maintain strong corporate governance standards. We offer competitive compensation and benefits programs designed to create and maintain shareholder value and not encourage excessive risk-taking.

Inclusion, representation and diversity matter to us. We are committed to creating and maintaining a work environment of respect for all human beings regardless of race, gender identity, sexual orientation, accessibility needs, religion, political orientation, veteran status, and culture.

Creating a healthy environment for our employees is a top priority. We provide employees with standing desks, ergonomic desk chairs, a desk wellness series, and complimentary fitness center memberships. We are deeply committed to our community, through volunteering, donations, and sourcing locally, when available.

We currently employ 56 full-time employees. None of our employees is a member of a union. However, some employees of the hotel managers at several of our hotels are currently represented by labor unions and are subject to collective bargaining agreements.

Available Information

Our Internet website is located at www.pebblebrookhotels.com. Copies of the charters of the committees of our board of trustees, our code of business conduct and ethics and our corporate governance guidelines are available on our website. All reports that we have filed with the United States Securities and Exchange Commission (the "SEC") including this Annual Report on Form 10-K and our current reports on Form 8-K, can be obtained free of charge from the SEC's website at www.sec.gov or through our website.

Item 1A. Risk Factors.

The following summary and discussion sets forth some of the risks associated with our business and should be considered carefully. These risks are interrelated and you should treat them as a whole. Additional risks and uncertainties not presently known to us may also materially and adversely affect our business operations, the value of our shares and our ability to pay dividends to our shareholders. In connection with the forward-looking statements that appear in this Annual Report on Form 10-K, in these risk factors and elsewhere, you should carefully review the section titled "*Forward-Looking Statements*".

Summary of Risk Factors

Risks Related to Our Business and Properties

- Risks related to the potential loss of our executive officers
- Risks related to third-party management companies
- Risks related to the purchase or sale of hotel properties
- Risks related to financing and use of financial institutions
- Risks related to financial performance
- Risks related to restrictive covenants
- Risks related to highly competitive markets and regional downturns
- Risks related to our TRS lessee structure
- Risks related to joint ventures and franchise agreements
- Risks related to investment decisions
- Risks related to conflicts of interest

Risks Related to Debt and Financing

- Risks related to debt service obligations
- Risks related to our existing indebtedness
- Risks related to “cash trap” provisions
- Risks related to refinancing or defaulting on debt
- Risks related to acquiring outstanding debt
- Risks related to London Interbank Offered Rate ("LIBOR") and potential replacements

Risks Related to the Lodging Industry

- Risks related to COVID-19 and other viruses, diseases or future pandemics
- Risks related to hotel profitability
- Risks related to operations
- Risks related to competition for acquisitions
- Risks related to the seasonality and cyclical nature of the lodging industry
- Risks related to capital expenditure requirements
- Risks related to hotel and resort development
- Risks related to changing technology and its effects on the lodging industry and cyber-attacks
- Risks related to hotel personnel and unionization
- Risks related to terrorist attacks
- Risks related to climate change and other environmental factors and regulations
- Risks related to underinsurance or lack of insurance
- Risks related to unknown or contingent liabilities
- Risks related to compliance with federal law and other legislative changes
- Risks related to potential litigation

General Risks Related to the Real Estate Industry

- Risks related to illiquidity of real estate investments
- Risks related to changing tax regimes in states and localities in which we own property
- Risks related to liabilities under environmental laws

Risks Related to Our Organization and Structure

- Risks related to change of control
- Risks related to ownership limitations in our declaration of trust
- Risks related to actions against our trustees and officers
- Risks related to changes in major policies
- Risks related to further issuances of securities
- Risks related to future offerings of debt securities or preferred shares
- Risks related to the rights of holders of common shares or preferred shares
- Risks related to employment agreements with our executive officers
- Risks related to internal controls

U.S. Federal Income Tax Risk Factors

- Risks related to potential failures to qualify as a REIT, whether by us or by LaSalle prior to the merger
- Risks related to REIT requirements
- Risks related to distributions of REIT taxable income
- Risks related to our TRS and TRS lessees
- Risks related to our Operating Partnership
- Risks related to taxation on dividends
- Risks related to subsidiary REITs
- Risks related to revocation of our REIT qualification
- Risks related to share ownership restrictions
- Risks related to prohibited transactions tax
- Risks related to legislative or regulatory tax changes

Risks Related to Our Business and Properties

We depend on the efforts and expertise of our executive officers and would be adversely affected by the loss of their services.

We depend on the efforts and expertise of our Chairman, President and Chief Executive Officer, and our other executive officers, to execute our business strategy. The loss of their services, and our inability to quickly identify and hire suitable replacements could adversely affect our business activities, including, without limitation, relationships with shareholders, lenders, management companies and other industry personnel.

Our returns could be negatively impacted if the third-party management companies that operate our hotels do not manage our hotel properties effectively.

Because U.S. federal income tax laws restrict REITs and their subsidiaries from operating or managing a hotel, we do not operate or manage any of our hotel properties. Instead, we lease all of our hotel properties to subsidiaries that qualify as TRSs, under applicable REIT laws, and our TRS lessees retain third-party managers to operate our hotels pursuant to management contracts. Our cash flow from the hotels may be adversely affected if our managers fail to provide quality services and amenities or if they or their affiliates fail to maintain a quality brand name. In addition, our managers or their affiliates may manage, and in some cases may own, invest in or provide credit support or operating guarantees, to hotels that compete with hotel properties that we own or acquire, which may result in conflicts of interest and decisions regarding the operation of our hotels that are not in our best interests.

We do not have the authority to require any hotel property to be operated in a particular manner or to govern any particular aspect of the daily operations of any hotel property (for example, setting room rates). Thus, even if we believe our hotels are being operated inefficiently or in a manner that does not result in satisfactory occupancy rates, RevPAR and ADR, we cannot force the management company to change its method of operating our hotels. We generally will attempt to resolve issues with our managers through discussions and negotiations. However, if we are unable to reach satisfactory results through discussions and negotiations, we may choose to litigate the dispute or submit the matter to third-party dispute resolution. We can only seek redress if a management company violates the terms of the applicable management contract with a TRS lessee, and then only to the extent of the remedies provided for under the terms of the management contract. Additionally, in the event that we need to replace any management company, we may be required by the terms of the management contract to pay substantial termination fees and may experience significant disruptions at the affected hotels.

Due to our exclusive focus on hotels and resorts, and our concentration in hotel investments primarily in major gateway urban and resort markets, a downturn in the lodging industry generally or regional downturns in the markets in which we operate would adversely affect our operations and financial condition.

Our primary business is hotel-related. Therefore, a downturn in the lodging industry, in general, and the segments and markets (especially West Coast major gateway metropolitan markets) in which we operate, in particular, would have a material adverse effect on our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

If we cannot obtain financing, our growth will be limited.

To maintain our qualification as a REIT for U.S. federal income tax purposes, we are required to distribute at least 90 percent of our REIT taxable income (determined without regard to the deduction for dividends paid and excluding any net capital gains) each year to our shareholders and we generally expect to make distributions in excess of such amount. As a result, our ability to retain earnings to fund acquisitions, redevelopment and development or other capital expenditures is and will continue to be limited. Although our business strategy contemplates future access to debt financing (in addition to our senior unsecured revolving credit facilities, senior notes and term loans) to fund acquisitions, redevelopment, development, return on investment initiatives and working capital requirements, there can be no assurance that we will be able to obtain such financing on favorable terms or at all. Events in financial markets have adversely impacted the credit markets, and they may do so in the future, and, as a result, credit can become significantly more expensive and difficult to obtain, if available at all. Tightening credit markets may have an adverse effect on our ability to obtain financing on favorable terms, if at all, thereby increasing financing costs and/or requiring us to accept financing with increased restrictions and/or significantly higher interest rates. If adverse conditions in the credit markets – in particular with respect to real estate or lodging industry finance – materially deteriorate, our business could be materially and adversely affected.

Our ability to make distributions to our shareholders is subject to fluctuations in our financial performance, operating results and capital improvements requirements.

To maintain our qualification as a REIT for U.S. federal income tax purposes, we are required to distribute at least 90 percent of our REIT taxable income (determined without regard to the deduction for dividends paid and excluding any net capital gains) each year to our shareholders and we generally expect to make distributions in excess of such amount. In the event of downturns in our operating results, unanticipated capital improvements to our hotel properties or other factors, we may be unable to declare or pay distributions to our shareholders or may pay such distributions in a combination of cash and our common shares. The timing and amount of distributions are in the sole discretion of our board of trustees which will consider, among other factors, our financial performance, any debt service obligations, any debt covenants and capital expenditure requirements. We cannot assure you that we will generate sufficient cash in order to fund distributions.

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

We may distribute taxable distributions that are payable in cash and common shares at the election of each shareholder. If we made a taxable distribution payable in cash and common shares, taxable shareholders receiving such distributions will be required to include the full amount of the distribution as ordinary income to the extent of our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, shareholders may be required to pay income tax with respect to such distributions in excess of the cash distributions received. If a U.S. shareholder sells the common shares that it receives as a distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our common shares at the time of the sale. Furthermore, with respect to certain non-U.S. shareholders, we may be required to withhold U.S. federal income tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in common shares. If we made a taxable distribution payable in cash and our common shares and a significant number of our shareholders determine to sell our common shares in order to pay taxes owed on distributions, it may put downward pressure on the trading price of our common shares.

Restrictive covenants in our management contracts could preclude us from taking actions with respect to the sale or refinancing of a hotel property that would otherwise be in our best interest.

We may enter into management contracts that contain some restrictive covenants or acquire properties subject to existing management contracts that do not allow the flexibility we seek, including management contracts that restrict our ability to terminate the contract or require us to pay significant termination fees. For example, the terms of some management contracts may restrict our ability to sell a property unless the purchaser is not a competitor of the manager and assumes the related management contract and meets specified other conditions which may preclude us from taking actions that would otherwise be in our best interest or could cause us to incur substantial expense.

We invest primarily in the upper-upscale segment of the lodging market, which is highly competitive and generally subject to greater volatility than most other market segments and could negatively affect our profitability.

The upper-upscale segment of the hotel business is highly competitive. Our hotel properties compete on the basis of location, room rates, quality, service levels, reputation and reservations systems, among many factors. There are many competitors in the upper-upscale segment, and many of these competitors may have substantially greater marketing and financial resources than we have. This competition could reduce occupancy levels and RevPAR at our hotels. In addition, in periods of weak demand, as may occur during a general economic recession, profitability is adversely affected by the relatively high fixed costs of operating upper-upscale hotels.

Our TRS lessee structure subjects us to the risk of increased hotel operating expenses.

Our leases with our TRS lessees require our TRS lessees to pay rent based in part on revenues from our hotels. Our operating risks include decreases in hotel revenues and increases in hotel operating expenses, which would adversely affect our TRS lessees' ability to pay rent due under the leases, including but not limited to increases in: wage and benefit costs, which may include an increase in minimum wages and health benefit costs; repair and maintenance expenses; property taxes; insurance costs; and other operating expenses. Increases in these operating expenses can have a significant adverse impact on our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

Our hotels operated under franchise agreements are subject to risks arising from adverse developments with respect to the franchise brand and to costs associated with maintaining the franchise license.

Certain of our hotel properties operate under franchise agreements and we anticipate that some of the hotels we acquire in the future will operate under franchise agreements. We are therefore subject to the risks associated with concentrating hotel investments in several franchise brands, including reductions in business following negative publicity related to one of the brands or the general decline of a brand.

Maintenance of franchise licenses for branded hotel properties is subject to franchisors' operating standards and other terms and conditions including the requirement to make certain capital improvements. Franchisors periodically inspect hotel properties to ensure that we and our lessees and management companies follow their standards. Failure by us, one of our TRS lessees or one of our third-party management companies to maintain these standards or other terms and conditions could result in a franchise license being canceled. If a franchise license is canceled due to our failure to make required improvements or to otherwise comply with its terms, we also may be liable to the franchisor for a termination payment, which varies by franchisor and by hotel property.

The loss of a franchise license could materially and adversely affect the operations and the underlying value of the hotel property because of the loss of associated name recognition, marketing support and centralized reservation system provided by the franchisor and adversely affect our revenues, financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

Any joint venture investments that we may make in the future could be adversely affected by our lack of sole decision-making authority, our reliance on our co-venturers' financial condition and disputes between us and our co-venturers.

We may co-invest in hotels in the future with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for a property, partnership, joint venture or other entity. In this event, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments through partnerships, joint ventures, or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt, fail to fund their share of required capital contributions, make dubious business decisions or block or delay necessary decisions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or trustees from focusing their time and effort on our business. Consequently, action by, or disputes with, partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers.

Our senior executive officers have broad discretion to make investments, and they may make investments where the returns are substantially below expectations or which result in net operating losses.

Our senior executive officers have broad discretion, within the general investment criteria established by our board of trustees, to invest our capital and to determine the timing of such investments. In addition, our investment policies may be revised from time to time at the discretion of our board of trustees, without a vote of our shareholders. Such discretion could result in investments that may not yield returns consistent with expectations.

Some of our hotels are subject to rights of first offer which may adversely affect our ability to sell those properties on favorable terms or at all.

We are subject to a franchisor’s or operator’s right of first offer, in some instances. These third-party rights may adversely affect our ability to timely dispose of these properties on favorable terms, or at all.

The purchase or sale of properties we put under contract may not be consummated.

From time to time, we enter into purchase and sale agreements for hotel properties. These transactions, whether or not consummated, require substantial time and attention from management. Furthermore, potential acquisitions and potential dispositions require significant expense, including expenses for due diligence, marketing, legal fees and related overhead. To the extent we do not consummate one or more of the transactions, these expenses will not be offset by revenues or proceeds from these properties or dispositions.

Our cash and cash equivalents are maintained in a limited number of financial institutions and the funds in those institutions may not be fully or federally insured.

We maintain cash balances in a limited number of financial institutions. Our cash balances are generally in excess of federally insured limits. The failure or collapse of one or more of these financial institutions may materially adversely affect our ability to recover our cash balances.

Our conflicts of interest policy may not adequately address all of the conflicts of interest that may arise with respect to our activities.

In order to avoid any actual or perceived conflicts of interest with our trustees, officers or employees, we have adopted a conflicts of interest policy to specifically address some of the potential conflicts relating to our activities. Although under this policy any transaction, agreement or relationship in which any of our trustees, officers or employees has an interest must have the approval of a majority of our disinterested trustees, there is no assurance that this policy will be adequate to address all of the conflicts that may arise or will address such conflicts in a manner that is favorable to us.

Risks Related to Debt and Financing

Debt service obligations could adversely affect our overall operating results, may require us to sell hotel properties, may jeopardize our qualification as a REIT and could adversely affect our ability to make distributions to our shareholders and the market price of our common shares.

Our business strategy includes the use of both secured and unsecured debt to finance long-term growth. Incurring debt subjects us to many risks, including the risks that our cash flow from operations will be insufficient to make required payments of principal and interest, our debt may increase our vulnerability to adverse economic and industry conditions, we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, and the terms of any refinancing will not be as favorable as the terms of the debt being refinanced.

We have placed and may in the future place mortgages on certain of our hotel properties to secure debt. To the extent we cannot meet any of our debt service obligations, we may be required to sell or we will risk losing to foreclosure some or all of our mortgaged hotel properties. If we are required to sell one or more of our hotel properties to meet debt service obligations, we may have to accept unfavorable terms. Also, covenants applicable to debt could impair our planned investment strategy and, if violated, result in a default. If we violate covenants relating to indebtedness, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms, if at all. In addition, future indebtedness agreements may require that we meet certain covenant tests in order to make distributions to our shareholders.

Higher interest rates could increase debt service requirements on any of our floating rate debt, including our senior unsecured revolving credit facilities, and could reduce the amounts available for distribution to our shareholders, as well as reduce funds available for our operations, future business opportunities or other purposes. We have obtained, and we may in the future obtain, one or more forms of interest rate protection — in the form of swap agreements, interest rate cap contracts or similar agreements that are consistent with our intention to remain qualified as a REIT — to “hedge” against the possible negative effects of interest rate fluctuations. However, such hedging incurs costs and we cannot assure you that any hedging will adequately relieve the adverse effects of interest rate increases or that counterparties under these agreements will honor their obligations thereunder. Adverse economic conditions could also cause the terms on which we borrow to be unfavorable.

Our existing indebtedness contains financial covenants that could limit our operations and our ability to make distributions to our shareholders.

The credit agreements that govern our existing senior unsecured revolving credit facilities and unsecured term loan facilities contain financial and operating covenants, such as net worth requirements, fixed charge coverage, debt ratios and other limitations that restrict our ability to make distributions or other payments to our stockholders, sell all or substantially all of our assets and engage in mergers, consolidations and certain acquisitions without the consent of the lenders. In addition, property-level debt we enter into in the future may contain restrictions (including cash management provisions) that may under circumstances specified in the loan agreements prohibit our subsidiaries that own our hotels from making distributions or paying dividends, repaying loans to us or other subsidiaries or transferring any of their assets to us or another subsidiary which could adversely affect our ability to make distributions to our shareholders. Failure to meet our financial covenants could result from, among other things, changes in our results of operations, the incurrence of additional debt or changes in general economic conditions. Such failures could cause one or more of our lenders to accelerate the timing of payments and could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our shareholders. The terms of our debt may restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our shareholders.

Our existing mortgage loan agreements contain, and mortgage loan agreements we may enter into in the future may contain, "cash trap" provisions that could limit our ability to make distributions to our shareholders.

Our existing mortgage loan agreements contain, and mortgage loan agreements we may enter into in the future may contain, cash trap provisions that may be triggered if the performance of the hotels securing the loans declines below a threshold. If these provisions are triggered, substantially all of the profit generated by the hotel will be deposited directly into a lockbox account and then swept into a cash management account for the benefit of the lender. In that event, cash would be distributed to us only after certain items are paid, including deposits into leasing and maintenance reserves and the payment of debt service, insurance, taxes, operating expenses and extraordinary capital expenditures and leasing expenses. This could adversely affect our liquidity and our ability to make distributions to our shareholders. The cash trap provisions of both of our existing mortgage loan agreements were triggered prior to our assumption of the loans in connection with our acquisition of the related hotel properties in 2021.

There is refinancing risk associated with our debt.

Our typical debt contains limited principal amortization; therefore, the vast majority of the principal must be repaid at the maturity of the loan in a so-called "balloon payment." At the maturity of these loans, assuming we do not have sufficient funds to repay the debt, we will need to refinance the debt. If the credit environment is constrained at the time of our debt maturities, we would have a very difficult time refinancing debt or refinancing terms may be at substantially higher interest rates and/or lower proceeds. If we are unable to refinance our debt on acceptable terms, we may be forced to choose from a number of unfavorable options. These options include agreeing to otherwise unfavorable financing terms on one or more of our unencumbered assets, selling one or more hotels at disadvantageous terms, including unattractive prices, or defaulting on the mortgage and permitting the lender to foreclose. Any one of these options could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our shareholders.

If we default on our secured debt, the lenders may foreclose on our hotels.

All of our indebtedness for borrowed money, except our senior unsecured revolving credit facility, term loans and senior unsecured notes, is secured by either single property first mortgage liens or leasehold interests under the ground leases on the applicable hotel. If we default on any of the secured loans, the applicable lender will be able to foreclose on the property pledged to secure the loan.

In addition to causing us to lose the property, a foreclosure may result in taxable income. Under the Code, a foreclosure would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure even though we did not receive any cash proceeds. As a result, we may then be required to identify and utilize other sources of cash for distributions to our shareholders. If this occurs, our financial condition, cash flow and ability to satisfy our other debt obligations or ability to pay distributions may be adversely affected.

Acquiring outstanding debt secured by a hotel or resort property may expose us to risks of costs and delays in acquiring the underlying property.

We may acquire outstanding debt secured by a hotel or resort property from lenders and investors if we believe we can ultimately foreclose or otherwise acquire ownership of the underlying property in the near-term through foreclosure, deed-in-lieu of foreclosure or other means. However, if we do acquire such debt, borrowers may seek to assert various defenses to our foreclosure or other actions and we may not be successful in acquiring the underlying property on a timely basis, or at all, in which event we could incur significant costs and experience significant delays in acquiring such properties, all of which could adversely affect our financial performance and reduce our expected returns from such investments. In addition, we may not earn a current return on such investments particularly if the loan that we acquire is in default.

Changes in the method of determining the LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect our financial results.

As of December 31, 2021, all of the debt outstanding under our unsecured term loans and our senior unsecured revolving credit facilities was indexed to LIBOR. On March 5, 2021, both the United Kingdom Financial Conduct Authority (“FCA”), which regulates LIBOR, and the ICE Benchmark Administration Limited (“IBA”), which is LIBOR’s administrator, announced that all LIBOR tenors will cease to be published or will no longer be representative after June 30, 2023. These announcements mean that any LIBOR-based borrowings that mature beyond June 30, 2023 need to be converted to alternative interest rates. In addition, based on guidance from U.S. banking regulators, U.S. financial institutions are not expected to enter into new U.S. Dollar LIBOR ("USD-LIBOR") contracts after December 31, 2021, which means that any of our new borrowings after December 31, 2021, will be done at alternative rates.

The Alternative Reference Rates Committee, a committee of private sector entities with ex-officio official sector members convened by the Federal Reserve Board and the Federal Reserve Bank of New York, has recommended the Secured Overnight Financing Rate (“SOFR”) plus a recommended spread adjustment as the replacement for LIBOR. There are significant differences between LIBOR and SOFR, such as LIBOR being an unsecured lending rate while SOFR is a secured lending rate, and SOFR is an overnight rate while LIBOR reflects term rates at different maturities. If our LIBOR-based borrowings are converted to SOFR, the differences between LIBOR and SOFR, plus the recommended spread adjustment, could result in interest costs that are higher than if LIBOR remained available.

The transition away from LIBOR may adversely impact our ability to manage and hedge exposures to fluctuations in interest rates using derivative instruments. There is no guarantee that a transition from LIBOR to an alternative reference rate will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have an adverse effect on our business, results of operations or financial condition.

Risks Related to the Lodging Industry

The COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on our financial condition, results of operations, cash flows, liquidity and prospects. The current, and uncertain future, impact of the COVID-19 pandemic, including its effect on the ability or desire of people to travel for leisure or for business, is expected to continue to adversely impact our financial condition, results of operations, cash flows, liquidity and prospects.

The COVID-19 pandemic and federal, state and local government responses and restrictions thereto have significantly disrupted, and are expected to continue to significantly disrupt, our business. As a result of this pandemic and subsequent government mandates and health official recommendations and restrictions, hotel demand was nearly eliminated during the second quarter of 2020 and occupancy levels reached historic lows. While our operations have improved, they are still well below pre-pandemic levels, and there can be no assurance that our operations will continue to improve or that our operations will not deteriorate again in response to surges in the pandemic. Certain states and cities, including those where our hotels are located, have reacted to the pandemic by instituting quarantines, restrictions on travel, "shelter in place" rules, restrictions on the types of business that may continue to operate, and/or restrictions on the types of construction projects that may continue. In response to the COVID-19 pandemic, we temporarily suspended operations at the vast majority of our hotels. However, by July 1, 2021, all of the hotels whose operations had been suspended due to the pandemic had been re-opened, with the exception of Hotel Vitale, whose operations remain suspended until the completion of its renovation and repositioning, which we expect to occur in the second quarter of 2022. The majority of our hotels are running in a more limited capacity as compared to pre-pandemic levels. Use of our cash during this period of lower demand and certain restrictive covenants of our credit agreements have reduced the amount of cash available for hotel capital expenditures, future business opportunities and other purposes, including distributions to our shareholders. To preserve liquidity, we have worked with our operators to significantly reduce staffing and expenses at our hotels, reduced the quarterly cash dividend on our common shares to $0.01 per share and reduced planned capital expenditures. While we have taken steps to increase our cash position and preserve our financial flexibility, given the unprecedented impact of COVID-19 on the global market and our hotel operations, we cannot assure you that these steps will prove to be sufficient or that our forecast or the assumptions we used to estimate our liquidity requirements will be correct.

We are unable to predict whether we will need again to suspend operations temporarily at any of our hotels as a result of the outbreak of new variants of COVID-19. Travel advisories and restrictions may be continued or reinstituted due to the continued outbreak or a resurgent outbreak of COVID-19. Furthermore, even in absence of such restrictions, travel demand may remain weak for a significant period of time as individuals or businesses may fear or restrict traveling. We are unable to predict if and when occupancy and the average daily rates at our hotels will return to pre-pandemic levels. Additionally, our hotels may be negatively impacted by adverse changes in the economy, including higher unemployment rates, declines in income levels, loss of personal wealth and possibly a national and/or global recession resulting from the impact of COVID-19. Declines in demand trends, occupancy and the average daily rates at our hotels may indicate that one or more of our hotels is impaired, which would adversely affect our financial condition and results of operations.

We are subject to various financial covenants under our credit facilities, term loan facilities and senior notes. In December 2021, we completed amendments to the agreements governing our credit facilities, term loan facilities and senior notes, which, among other things, waived all of its financial covenants until the second quarter of 2022 (with substantially less-restrictive covenants through the end of the first quarter of 2023). Due to COVID-19's negative impact on our operations throughout 2021, it is possible that we may not meet the terms of the financial covenants once they become effective in 2022. Our future liquidity will depend on the gradual return of leisure, business and group business, to our hotels and the stabilization of demand throughout our portfolio. If we are unable to satisfy the amended financial covenants following the end of the existing waiver period, the lenders of such debt may require us to repay the loans. Failure to meet any financial covenants of our debt would adversely affect our financial conditions and results from operations, and may raise doubt about our ability to continue as a going concern.

The COVID-19 pandemic may exacerbate many of the risks described in this Annual Report on Form 10-K and expose us to the following risks, among others:

- a complete or partial closure or re-closure of, or other operational issues at, one or more of our hotels, resulting from government, third-party hotel manager or franchisor action, which could materially adversely affect our operations;

- the postponement or cancellation of conferences, conventions, festivals, sporting events, public events and other group business that would have otherwise brought individuals to the areas in which our hotels are located, which has caused, and could continue to cause, a decrease in occupancy rates over a prolonged period of time and exacerbate the seasonal volatility at our hotels;
- a general decline of in-person business meetings and an increase in the use of teleconferencing and video-conferencing technology, which could cause a sustained shift away from business-related travel and have a material adverse effect on the overall demand for hotel rooms;
- a decrease in individuals' willingness to travel as a result of actual or perceived health risks or a decrease in consumer spending, which could affect the ability of our hotels to generate sufficient revenues to meet operating and other expenses in the short- and long-term;
- reduced economic activity impacting the businesses, financial condition and liquidity of our company or that of our third-party hotel managers or franchisors, which could result in us, the third-party hotel manager or the franchisor being unable to comply with operational and performance conditions under the applicable management and franchise agreements;
- reduced economic activity impacting the businesses, financial condition and liquidity of the retail and restaurant tenants located at certain of our hotels, which could cause one or more of such tenants to be unable to meet their obligations to us in full, or at all, to otherwise seek modifications of such obligations or to declare bankruptcy;
- severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions, which could make it difficult for us to access debt and equity capital on attractive terms, or at all, and adversely impact our ability to fund business activities and repay debt, including the notes, on a timely basis;
- the potential lack of funding, disruptions in the supply of materials or products or the inability of contractors to perform on a timely basis or at all, could cause delays in completing ongoing or future hotel renovations and capital improvements at our hotels;
- difficulties in sourcing and transporting materials or products necessary to operate our hotels, such as linens or cleaning supplies, and a decrease in the availability of adequate staffing at our hotels, which could impact our ability to provide our guests with the customary level of service provided at our hotels;
- our potential inability to renew or enter into new management agreements for our hotels on favorable terms, or at all, which could cause interruptions in the operations at certain hotels;
- a general decline in business activity and demand for real estate transactions, and more specifically, demand for hotel properties, which could adversely affect our ability or desire to make strategic acquisitions or dispositions;
- the potential negative impact on the health of our personnel, particularly if a significant number of our senior executive officers are impacted, which could result in a deterioration in our ability to ensure business continuity during a disruption;
- the limited access to our facilities, management, franchisors, support staff and professional advisors, which could decrease the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, increase our susceptibility to security breaches, or hamper our ability to comply with regulatory obligations and lead to reputational harm and regulatory issues or fines;
- increased operating costs at our hotels due to enhanced cleaning and hygiene protocols required or recommended by major hotel brands, the Centers for Disease Control and Prevention, unions and state and local governments; and
- increased labor costs due to demands for higher wages due to health risks associated with working in hotels and requirements for more staff to implement cleaning protocols.

Economic conditions may reduce demand for hotel properties and adversely affect hotel profitability.

The performance of the lodging industry has historically been closely linked to the performance of the general economy and, specifically, growth in U.S. Gross Domestic Product ("GDP"). It is also sensitive to business and personal discretionary spending levels. Declines in corporate travel budgets and consumer demand due to adverse general economic conditions, such as declines in U.S. GDP, risks affecting or reducing travel patterns (such as governmental restrictions on in-bound international travel), lower consumer confidence or adverse political conditions can lower the revenues and profitability of hotel properties and therefore the net operating profits of our TRS lessees to whom we lease our hotel properties. Another domestic or global economic downturn may lead to a significant decline in demand for products and services provided by the lodging industry, lower occupancy levels and significantly reduced room rates.

We cannot predict the pace or duration of the global economic cycles or the cycles in the lodging industry. A period of economic weakness would likely have an adverse impact on our revenues and negatively affect our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

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

Our hotel properties have different economic characteristics than many other real estate assets and a hotel REIT is structured differently than many other types of REITs. Our TRS lessees engage hotel managers pursuant to management contracts and pay the managers fees for managing the hotels. The TRS lessees receive all the operating profit or losses of the hotels. Moreover, virtually all hotel guests stay at a hotel for only a few nights at a time, so the rate and occupancy at each of our hotels change daily. As a result, we may have highly volatile earnings.

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

- competition from other hotel properties and non-hotel properties that provide nightly and short-term rentals in our markets;
- over building of new hotels in our markets, which could adversely affect occupancy and revenues at our hotel properties;
- dependence on business and commercial travelers, conventions and tourism;
- increases in energy costs, airplane fares, government taxes and fees, and other expenses affecting travel, which may affect travel patterns and reduce the number of business and commercial travelers and tourists;
- increases in operating costs due to inflation and other factors that may not be offset by increased room rates;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in governmental laws and regulations (including minimum wage increases), fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- adverse effects of international, national, regional and local economic and market conditions;
- labor strikes or disruptions;
- unforeseen events beyond our control, such as terrorist attacks, cyber-attacks, travel-related health concerns and restrictions as a result of pandemics and epidemics such as H1N1 influenza (swine flu), avian bird flu, Zika virus, SARS, MERS and COVID-19 (coronavirus), political instability, regional hostilities, imposition of taxes or surcharges by regulatory authorities, travel-related accidents and unusual weather patterns, including natural disasters such as hurricanes, tsunamis or earthquakes;
- strength of the U.S. dollar which may reduce in-bound international travel and encourage out-bound international travel;
- adverse effects of a downturn in the lodging industry; and
- risks generally associated with the ownership of hotel properties and real estate, as we discuss in more detail below.

These factors could reduce the revenues and net operating profits of our TRS lessees, which in turn could adversely affect our financial condition, results of operations, the market price of our common shares, and our ability to make distributions to our shareholders.

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

We compete for investment opportunities with entities that may have substantially greater financial and other resources than we have. These entities generally may be able to accept more risk than we can prudently manage. This competition may generally limit the number of suitable investment opportunities offered to us or the number of properties that we are able to acquire. This competition may also increase the bargaining power of property owners seeking to sell to us, making it more difficult for us to acquire new properties on attractive terms.

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

The lodging industry is seasonal in nature. This seasonality can be expected to cause quarterly fluctuations in our revenues. Our quarterly earnings may be adversely affected by factors outside our control, including weather conditions and poor economic factors. As a result, we may have to enter into short-term borrowings in certain quarters in order to offset these fluctuations in revenues and to make distributions to our shareholders.

The cyclical nature of the lodging industry may cause the returns from our investments to be less than we expect.

The lodging industry is highly cyclical in nature. Fluctuations in lodging demand and, therefore, hotel operating performance, are caused largely by general economic and local market conditions, which subsequently affect levels of business and leisure travel. In addition to general economic conditions, new hotel room supply is an important factor that can affect lodging industry fundamentals, and over-building has the potential to exacerbate the negative impact of poor economic conditions. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. A decline in lodging demand, or a continued growth in lodging supply, could result in continued deterioration in lodging industry fundamentals and returns that are substantially below expectations, or result in losses, which could adversely affect our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

Capital expenditure requirements at our properties may be costly and require us to incur debt, postpone improvements, reduce distributions or otherwise adversely affect the results of our operations and the market price of our common shares.

Some of the hotel properties we acquire need renovations and capital improvements at the time of acquisition and all the hotel properties we have acquired and will acquire in the future will have an ongoing need for renovations and other capital improvements, including replacement, from time to time, of furniture, fixtures and equipment. The franchisors, if any, of our hotel properties also require periodic capital improvements as a condition to our maintaining the franchise licenses. In addition, our lenders often require that we set aside annual amounts for capital improvements to our hotel properties. These capital improvements may give rise to the following risks:

- possible environmental problems;
- construction cost overruns and delays, including those caused by supply chain disruptions;
- the possibility that revenues will be reduced while rooms or restaurants are out of service due to capital improvement projects;
- a possible shortage of available cash to fund capital improvements and the related possibility that financing for these capital improvements may not be available to us on attractive terms; and
- uncertainties as to market demand or a loss of market demand after capital improvements have begun.

The costs of renovations and capital improvements could adversely affect our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

Hotel and resort development and redevelopment is subject to timing, budgeting and other risks that may adversely affect our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

We may engage in hotel development and redevelopment if suitable opportunities arise. Hotel development and redevelopment involves a number of risks, including risks associated with:

- construction delays or cost overruns that may increase project costs;
- the receipt of zoning, occupancy and other required governmental permits and authorizations;
- development costs incurred for projects that are not pursued to completion;
- acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- the negative impact of construction on operating performance during and soon after the construction period;
- the ability to raise capital; and
- governmental restrictions on the nature or size of a project.

We cannot assure you that any development or redevelopment project will be completed on time or within budget. Our inability to complete a project on time or within budget could adversely affect our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

The increasing use by consumers of Internet travel intermediaries and alternative lodging marketplaces may reduce our revenues.

Some of our hotel rooms are booked through Internet travel intermediaries, such as Travelocity.com, Expedia.com, Booking.com and Priceline.com. As bookings through these intermediaries increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from the management companies that operate the hotels we own and acquire. Moreover, some of these Internet travel intermediaries attempt to offer hotel rooms as a commodity by increasing the importance of price and general quality indicators (such as "three-star downtown hotel"), at the expense of brand identification, quality of product or service. These intermediaries hope that consumers will eventually develop brand loyalties to their reservations system rather than to lodging brands or properties. Additional sources of competition, such as alternative lodging marketplaces like Airbnb, may, as they become more accepted, lead to a reduced demand for conventional hotel guest rooms and to an increased supply of lodging alternatives. If the amount of bookings made through Internet travel intermediaries or the use of alternative lodging marketplaces prove to be more significant than we expect, profitability may be lower than expected, and our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders may be adversely affected.

We may be adversely affected by increased use of business-related technology which may reduce the need for business-related travel.

The increased use of teleconference and video-conference technology by businesses, particularly given its widespread use and increased acceptance during the COVID-19 pandemic, which may lead to continued use after the pandemic, could result in decreased business travel as companies increase the use of technologies that allow multiple parties from different locations to participate at meetings without traveling to a centralized meeting location. To the extent that such technologies play an increased role in day-to-day business and the necessity for business-related travel decreases, hotel room demand may decrease and our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders may be adversely affected.

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

Our hotel managers and we rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and manage or support various business processes, including financial transactions and records, personal identifying information, reservations, billing and operating data. Our hotel managers and we purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as individually identifiable information, including information relating to financial accounts. Recently, several hotels and hotel management companies have been subject to successful cyber-attacks, including those seeking guest credit card information or impacting the ability of our hotel managers to operate. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not be able to prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches, including physical or electronic break-ins, computer viruses, ransomware, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information or theft of corporate funds and expose us to claims by guests whose personal information is accessed. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, delay or disrupt our financial reporting, damage our reputation, subject us to liability claims or regulatory penalties and have a material adverse effect on our business, financial condition and results of operations.

Many of our hotel managers carry cyber insurance policies to protect and offset a portion of potential costs incurred from a security breach. Additionally, we currently have cyber insurance policies to provide supplemental coverage above the coverage carried by our third-party managers. Despite various precautionary steps to protect our hotels from losses resulting from cyber-attacks, any cyber-attack occurrence could still result in losses at our properties, which could affect our results of operations. We are not aware of any cyber incidents that we believe to be material or that could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor.

Our third-party hotel managers are responsible for hiring and maintaining the labor force at our hotels. Although we do not directly employ or manage employees at our hotels, we are subject to risks associated with the employment of hotel personnel, particularly at those hotels with unionized labor. From time to time, strikes, lockouts, public demonstrations or other negative actions and publicity may disrupt hotel operations. In addition, we may be affected by shortages of qualified labor. If our managers cannot hire qualified labor for reasonable wages or at all, our indirect labor costs may rise and our hotel customers may not receive adequate service. We also may incur increased legal costs and indirect labor costs as a result of contract disputes or other events. The resolution of labor disputes or new or re-negotiated labor contracts could lead to increased labor costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. Furthermore, collective bargaining agreements, negotiated between the hotel managers and labor unions, may limit the ability of the hotel managers to reduce the size of hotel workforces during economic downturns. We cannot control negotiations between hotel managers and labor unions. In addition, we believe that unions are generally becoming more aggressive about organizing workers at hotels in certain locations. Potential labor activities at these hotels could significantly increase the administrative, labor and legal expenses of the third-party management companies operating these hotels and reduce our profits. The unionization of additional employees at our hotels or increased labor shortages could have a material adverse effect on our business, financial condition and results of operations.

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

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

We face risks associated with natural disasters and the direct and indirect physical effects of climate change, which may include more frequent and more severe storms, hurricanes, flooding, droughts and wildfires, any of which could have a material adverse effect on our hotel properties, operations, cash flows and financing options.

We are subject to the risks associated with the direct and indirect physical effects of climate change, which can include more frequent and more severe storms, hurricanes, flooding, droughts, wildfires and power outages, any of which could have a material adverse effect on our hotels, operating results and cash flows. To the extent climate change causes changes in weather patterns, our markets, particularly our coastal markets, could experience increases in storm frequency and intensity and rising sea levels interrupting our operations and causing damage to our hotels. As a result, we could become subject to significant losses and repair costs that may not be fully covered by insurance. Our markets in more remote locations may experience prolonged variations in temperature or precipitation that may limit access to the water needed to operate our hotels or significantly increase energy costs, which may subject those hotels to additional regulatory burdens, such as limitations on water usage or stricter energy efficiency standards. Climate change also may affect our business by increasing the cost of (or even making unavailable) property insurance on terms we find acceptable in areas most vulnerable to such events, increasing operating costs at our hotels, such as the cost of water or energy, and requiring us to expend funds as we seek to mitigate, repair and protect our hotels against such risks. A tightening of credit markets for, or a reduction in the availability of capital to, borrowers whose assets are in areas that are particularly adversely affected by the effects of climate change may reduce our ability to obtain financing on favorable terms, or at all, thereby increasing financing costs and/or requiring us to accept financing with increased restrictions and/or significantly higher interest rates, which could have a material adverse effect on our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

We are subject to operational risks associated with complying with increased environmental-related regulations, aligning with investor requirements concerning environmental issues and meeting shifting consumer preferences with regard to the environment. In an effort to mitigate the impact of climate change, our hotels could become subject to increased governmental regulations mandating energy efficiency standards, the usage of sustainable energy sources and updated equipment specifications, which may require additional capital investments or increased operating costs. Climate change may also affect our business by causing a shift in consumer preferences for sustainable travel. Our hotels may be subject to additional costs to manage consumer expectations for sustainable buildings and hotel operations.

There can be no assurance that climate change will not have a material adverse effect on our hotels, operating results or cash flows.

Uninsured and underinsured losses could result in a loss of capital.

We maintain comprehensive property insurance on each of our hotel properties, including liability, fire and extended coverage, of the type and amount we believe are customarily obtained for or by hotel owners. There are no assurances that coverage will remain available at reasonable rates. Various types of catastrophic losses, like earthquakes and floods, and losses from terrorist activities, may not be insurable in whole or in part or may not be available on terms that we consider acceptable.

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

Our hotels may be subject to unknown or contingent liabilities which could cause us to incur substantial costs.

The hotel properties that we own or may acquire are or may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the sellers. In general, the representations and warranties provided under the transaction agreements related to the sales of the hotel properties may not survive the closing of the transactions. While we will seek to require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification may be limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with these hotels may exceed our expectations, and we may experience other unanticipated adverse effects, all of which may adversely affect our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

Noncompliance with environmental laws and regulations could subject us to fines and liabilities which could adversely affect our operating results.

Our hotel properties are subject to various federal, state and local environmental laws. Under these laws, courts and government agencies have the authority to require us, as an owner of a contaminated property, to clean up the property, even if we did not know of or were not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated, and therefore it is possible we could incur cleanup costs even after we sell some of the properties we acquire. In addition to cleanup costs, environmental contamination can affect the value of a property and, therefore, an owner's ability to borrow funds using the property as collateral or to sell the property. Under environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, such as a landfill or an incinerator, pay for the clean-up of that facility if it becomes contaminated and threatens human health or the environment. A person that arranges for the disposal or transports for disposal or treatment of a hazardous substance at a property owned by another may be liable for the costs of removal or remediation of hazardous substances released into the environment at that property.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by property contamination. For instance, a person exposed to asbestos while staying in a hotel may seek to recover damages if they suffer injury from the asbestos. Also, some of these environmental laws restrict the use of a property or place conditions on various activities. An example would be laws requiring a business to use chemicals (such as swimming pool chemicals at a hotel property) to manage them carefully and notify local officials that the chemicals are being used.

We could be responsible for any of the costs discussed above. The costs to clean up a contaminated property, to defend against a claim, or to comply with environmental laws could be material and could adversely affect our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders.

As a result, we may become subject to material environmental liabilities. We can make no assurances that future laws or regulations will not impose material environmental liabilities or that the current environmental condition of our hotel properties will not be affected by the condition of the properties in the vicinity of our hotel properties (such as the presence of leaking underground storage tanks) or by third parties unrelated to us.

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

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

Compliance with the Americans with Disabilities Act could require us to incur substantial costs.

Under the ADA, all public accommodations must meet various federal requirements related to access and use by disabled persons. While we believe that our hotels substantially comply with these requirements, a determination to the contrary could require removal of access barriers and non-compliance could result in litigation costs, costs to remediate deficiencies, U.S. government fines or damages to private litigants.

If we are required to make substantial modifications to our hotel properties, whether to comply with the ADA or other changes in governmental rules and regulations, our financial condition, results of operations, the market price of our common shares and our ability to make distributions to our shareholders could be adversely affected.

The nature of the operations of our hotels exposes us to the risk of claims and litigation that may arise in the normal course of business.

As owners of hotel properties, we face potential claims, litigation and threatened litigation from guests, visitors to our properties, contractors, sub-contractors and others. These claims and proceedings are inherently uncertain and their costs and outcomes cannot be predicted with certainty. Regardless of their outcomes, such claims and legal proceedings can adversely impact us because of the legal and other costs, diversion of management time and resources and other factors. Although our hotel management companies and we maintain insurance covering some of these matters, it is possible that one or more claims, suits or proceedings may not be covered by insurance and could result in substantial costs, judgments, fines and penalties that could adversely affect our business, consolidated financial position, results of operations or cash flows.

A delay in approving a budget and/or continuing appropriation legislation to fund the operations of the federal government, failure to raise the borrowing limit for the federal government, and other legislative changes and governmental disruptions could affect travel directly and indirectly and may thereby negatively impact our revenues and cash available for distributions.

The delay in approving a budget and continuing appropriation legislation to fund the federal government's operations caused many federal agencies to cease or curtail some activities during the fourth quarter of 2013 and for an even longer period of time beginning in the fourth quarter of 2018. In April 2013, the Federal Aviation Administration announced the implementation of furloughs of air traffic controllers, resulting in flight delays throughout the United States until the U.S. Congress passed a bill suspending such furloughs. There can be no assurance that similar action or inaction by federal or state government agencies, or other efforts to reduce government expenditures or growth, will not occur again in future periods, resulting in difficulties and discouraging travel or meetings and conferences. The reduction in income from both businesses and federal government employees and the possibility of another federal government impasse may adversely affect consumer confidence or may discourage both business and leisure travel, resulting in the deferral or cancellation of travel and a negative effect on our group and transient revenues in the future. Such impacts could have a material adverse impact on our consolidated financial statements.

General Risks Related to the Real Estate Industry

Illiquidity of real estate investments could significantly impede our ability to sell hotels or otherwise respond to adverse changes in the performance of our hotel properties.

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

- adverse changes in international, national, regional and local economic and market conditions;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- the ongoing need for capital improvements, particularly in older structures;
- changes in operating expenses; and

- civil unrest, acts of God, including earthquakes, floods, wildfires and other natural disasters, which may result in uninsured losses, and acts of war or terrorism.

We have acquired hotels, and may acquire additional hotels in the future, subject to ground leases or other leasehold interests. Sales of property subject to such leases may require the lessors' consent. This consent requirement may make selling or financing the hotels more difficult or expensive subject to ground leases or other leasehold interests.

We may decide to sell hotel properties in the future. We cannot predict whether we will be able to sell any hotel property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and close a hotel property sale.

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

If states and localities in which we own material amounts of property or conduct material amounts of business raise their income and property tax rates or amend their tax regimes in a manner that increases our state and local tax liabilities, we would have less cash available for distribution to our shareholders and the market price of our shares could be adversely affected.

We and our subsidiaries are subject to income tax and other taxes by states and localities in which we conduct business. Additionally, we are and will continue to be subject to property taxes in states and localities in which we own property, and our TRS lessees are and will continue to be subject to federal, state and local corporate income tax. States and localities may seek additional sources of revenue to reduce budget deficits and otherwise improve their financial condition or provide more services, they may, among other steps, raise income and property tax rates and/or amend their tax regimes to eliminate for state income tax purposes the favorable tax treatment REITs enjoy for U.S. federal income tax purposes. We cannot predict when or if any states or localities would make any such changes, or what form those changes would take. If states and localities in which we own material amounts of property or conduct material amounts of business make changes to their tax rates or tax regimes that increase our state and local tax liabilities, such increases would reduce the amount of cash available for distribution to our shareholders and could adversely affect the market price of our shares.

The costs of compliance with or liabilities under environmental laws could significantly reduce our profitability.

Operating expenses at our hotels could be higher than anticipated due to the cost of complying with existing or future environmental laws and regulations. In addition, an owner of real property can face liability for environmental contamination created by the presence or discharge of hazardous substances on the property. We may face liability regardless of:

- our lack of knowledge of the contamination;
- the timing of the contamination;
- the cause of the contamination; or
- the party responsible for the contamination of the property.

Environmental laws also impose ongoing compliance requirements on owners and operators of real property. Environmental laws potentially affecting us address a wide variety of matters, including, but not limited to, asbestos-containing building materials ("ACBMs"), storage tanks, storm water and wastewater discharges, lead-based paint, mold/mildew and hazardous wastes. Failure to comply with these laws could result in fines and penalties and/or expose us to third-party liability. Some of our properties may have conditions that are subject to these requirements, and we could be liable for such fines or penalties and/or liable to third parties.

Certain hotel properties we own or may own in the future may contain, or may have contained, ACBMs. Environmental laws require that ACBMs be properly managed and maintained and may impose fines and penalties on building owners and operators for failure to comply with these requirements. Also, certain properties may be adjacent or near other properties that have contained or currently contain storage tanks for the storage of petroleum products or other hazardous or toxic substances. These operations create a potential for the release of petroleum products or other hazardous or toxic substances. Third parties may be permitted by law to seek recovery from owners or operators for property damage and/or personal injury associated with exposure to contaminants, including, but not limited to, petroleum products, hazardous or toxic substances and asbestos fibers.

We have obtained Phase I ESAs on our hotel properties and expect to do so for hotel properties we acquire in the future. ESAs are intended to evaluate information regarding the environmental condition of the surveyed property and surrounding properties based generally on visual observations, interviews and certain publicly available databases. These assessments do not typically take into account all environmental issues including, but not limited to, testing of soil or groundwater or the possible presence of asbestos, lead-based paint, radon, wetlands or mold. As a result, these assessments may fail to reveal all environmental conditions, liabilities or compliance concerns. Material environmental conditions, liabilities or compliance concerns may arise after the ESAs and future laws, ordinances or regulations may impose material additional environmental liability. We cannot assure you that costs of future environmental compliance will not affect our ability to make distributions to our shareholders or that such costs or other remedial measures will not be material to us.

The presence of hazardous substances on a property may limit our ability to sell the property on favorable terms or at all, and we may incur substantial remediation costs. The discovery of material environmental liabilities at our properties could subject us to unanticipated significant costs, which could significantly reduce our profitability and the cash available for distribution to our shareholders.

Risks Related to Our Organization and Structure

Provisions of our declaration of trust may limit the ability of a third party to acquire control of us by authorizing our board of trustees to authorize issuances of additional securities.

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

Provisions of Maryland law may limit the ability of a third party to acquire control of us by requiring our board of trustees or shareholders to approve proposals to acquire our company or effect a change of control.

Certain provisions of the Maryland General Corporation Law (the "MGCL") applicable to Maryland real estate investment trusts may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide our common shareholders with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- *"business combination"* provisions that, subject to limitations, prohibit certain business combinations between us and an "interested shareholder" (defined generally as any person who beneficially owns 10 percent or more of the voting power of our shares) or an affiliate of any interested shareholder for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter imposes special appraisal rights and special shareholder voting requirements on these combinations; and
- *"control share"* provisions that provide that our "control shares" (defined as shares which, when aggregated with other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing trustees) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

By resolution of our board of trustees, we have opted out of the business combination provisions of the MGCL and provided that any business combination between us and any other person is exempt from the business combination provisions of the MGCL, provided that the business combination is first approved by our board of trustees (including a majority of trustees who are not affiliates or associates of such persons). Pursuant to a provision in our bylaws, we have opted out of the control share provisions of the MGCL. However, our board of trustees may by resolution elect to opt in to the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Additionally, Title 8, Subtitle 3 of the MGCL permits our board of trustees, without shareholder approval and regardless of what is currently provided in our declaration of trust or bylaws, to implement certain takeover defenses, such as a classified board. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide our common shareholders with the opportunity to realize a premium over the then current market price. In October 2015, we opted out of the classified board provision of Title 8, Subtitle 3 of the MGCL and prohibited ourselves from opting back into that provision without prior approval of our shareholders.

The ownership limitations in our declaration of trust may restrict or prevent shareholders from engaging in certain transfers of our common shares.

To maintain our qualification as a REIT for U.S. federal income tax purposes, no more than 50 percent in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the U.S. federal income tax laws to include various kinds of entities) during the last half of any taxable year. To assist us in maintaining our qualification as a REIT, our declaration of trust contains a share ownership limit. Generally, any of our shares owned by affiliated owners will be added together for purposes of the share ownership limit.

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

In addition, these ownership limitations may prevent an acquisition of control of us by a third party without our board of trustees' approval, even if our shareholders believe the change of control is in their interest.

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

Under Maryland law, generally, a trustee's actions will be upheld if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our declaration of trust limits the liability of our trustees and officers to us and our shareholders for money damages, except for liability resulting from:

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

Our declaration of trust authorizes us to indemnify our trustees and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each trustee or officer, to the maximum extent permitted by Maryland law, in defense of any proceeding to which they are made, or threatened to be made, a party by reason of their service to us. In addition, we have entered into indemnification agreements with our officers and trustees and we may be obligated to fund the defense costs incurred by our trustees and officers. As a result, we and our shareholders may have more limited rights against our trustees and officers than might otherwise exist absent the current provisions in our declaration of trust and bylaws or that might exist with other companies.

Our declaration of trust contains provisions that make removal of our trustees difficult, making it difficult for our shareholders to effect changes to our management.

Our declaration of trust provides that a trustee may be removed only for cause (as defined in our declaration of trust) and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of trustees. Our declaration of trust also provides that vacancies on our board of trustees may be filled only by a majority of the remaining trustees in office, even if less than a quorum. These requirements prevent shareholders from removing trustees except for cause and with a substantial affirmative vote and from replacing trustees with their own nominees and may prevent a change in control of our company that is in the best interests of our shareholders.

The ability of our board of trustees to change our major policies without the consent of shareholders may not be in shareholders' interest.

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

Further issuances of equity securities may be dilutive to current shareholders.

We expect to issue additional common shares or preferred shares to raise the capital necessary to finance hotel acquisitions or improvements, refinance debt or pay portions of future dividends. In addition, we may issue units in our Operating Partnership, which are redeemable on a one-for-one basis for our common shares, to acquire hotels. Such issuances could result in dilution of our shareholders' equity interests.

Future offerings of debt securities or preferred shares, which would be senior to our common shares upon liquidation and for the purpose of distributions, may cause the market price of our common shares to decline.

We have issued eight series of preferred shares, of which we have repurchased four and four remain outstanding, and three series of senior unsecured notes. In the future, we may increase our capital resources by making debt or equity securities offerings, including senior or subordinated notes, additional series of preferred shares and common shares. We will be able to issue additional common shares or preferred shares without shareholder approval, unless shareholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Upon liquidation, holders of our debt securities and preferred shares and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common shares. Additional equity offerings could significantly dilute the holdings of our existing shareholders or reduce the market price of our common shares, or both. Holders of our common shares are not entitled to preemptive rights or other protections against dilution. Preferred shares and debt, if issued, have a preference on liquidating distributions or a preference on dividend or interest payments that could limit our ability to make a distribution to the holders of our common shares. Because our decision to issue securities will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our shareholders bear the risk of our future securities issuances reducing the market price of our common shares and diluting their interest.

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

Our board of trustees has the authority to designate and issue preferred shares with liquidation, dividend and other rights that are senior to those of our common shares. As of December 31, 2021, 4,400,000 shares of our 6.375% Series E Cumulative Redeemable Preferred Shares (the “Series E Preferred Shares”), 6,000,000 shares of our 6.30% Series F Cumulative Redeemable Preferred Shares (the “Series F Preferred Shares”), 9,200,000 shares of our 6.375% Series G Cumulative Redeemable Preferred Shares (the “Series G Preferred Shares”) and 10,000,000 shares of our 5.70% Series H Cumulative Redeemable Preferred Shares (the “Series H Preferred Shares”) were issued and outstanding. The aggregate liquidation preference with respect to the outstanding preferred shares is approximately $740.0 million as of December 31, 2021, and aggregate annual dividends on our outstanding preferred shares of approximately $45.4 million. Holders of any of these preferred shares are entitled to cumulative dividends before any dividends may be declared or set aside on our common shares. Upon our voluntary or involuntary liquidation, dissolution or winding up, before any payment is made to holders of our common shares, holders of these preferred shares are entitled to receive a liquidation preference of $25.00 per share plus any accrued and unpaid distributions. This will reduce the remaining amount of our assets, if any, available to distribute to holders of our common shares. In addition, holders of these preferred shares have the right to elect two additional trustees to our board of trustees whenever dividends on the preferred shares are in arrears for six or more quarterly dividends, whether or not consecutive.

The change of control conversion and redemption features of the Series E Preferred Shares, the Series F Preferred Shares, the Series G Preferred Shares and the Series H Preferred Shares, may make it more difficult for a party to take over our company or discourage a party from taking over our company.

Upon the occurrence of a change of control (as defined in our declaration of trust) as the result of which our common shares and the common securities of the acquiring or surviving entity (or American Depositary Receipts representing such securities) are not listed on the New York Stock Exchange (the “NYSE”), the NYSE American LLC or Nasdaq or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE American LLC or Nasdaq, holders of Series E Preferred Shares, Series F Preferred Shares, Series G Preferred Shares or Series H Preferred Shares will have the right (unless, as provided in our declaration of trust, we have provided or provide notice of our election to redeem the applicable series) to convert some or all of their preferred shares into our common shares (or equivalent value of alternative consideration), and under these circumstances we will also have a special optional redemption right to redeem such shares. Upon such a conversion, holders of Series E Preferred Shares will be limited to a maximum number of our common shares equal to 1.9372 multiplied by the number of Series E Preferred Shares converted, holders of Series F Preferred Shares will be limited to a maximum number of our common shares equal to 2.0649 multiplied by the number of Series F Preferred Shares converted, holders of Series G Preferred Shares will be limited to a maximum number of our common shares equal to 2.1231 multiplied by the number of Series G Preferred Shares converted and holders of Series H Preferred Shares will be limited to a maximum number of our common shares equal to 2.2311 multiplied by the number of Series H Preferred Shares converted. In addition, those features of the Series E Preferred Shares, Series F Preferred Shares, Series G Preferred Shares and Series H Preferred Shares may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change of control of our company under circumstances that otherwise could provide the holders of our common shares, Series E Preferred Shares, Series F Preferred Shares, Series G Preferred Shares or Series H Preferred Shares with the opportunity to realize a premium over the then-current market price or that shareholders may otherwise believe is in their best interests.

We have entered into an agreement with each of our executive officers that requires us to make payments in the event the officer's employment is terminated by us without cause, by the officer for good reason or under certain circumstances following a change of control of our company.

The agreements that we have entered into with our executive officers provide benefits under certain circumstances that could make it more difficult or expensive for us to terminate these officers and may prevent or deter a change of control of our company that would otherwise be in the interest of our shareholders.

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

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We may in the future discover areas of our internal controls that need improvement. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal controls over financial reporting and have our independent auditors annually issue their own opinion on our internal controls over financial reporting. We cannot be certain that we will be successful in maintaining adequate internal controls over our financial reporting and financial processes. Furthermore, as we grow our business, our internal controls will become more complex, and we will require significantly more resources to ensure our internal controls remain effective. If we or our independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market value of our common shares. Additionally, the existence of any material weakness or significant deficiency would require management to devote significant time and incur significant expense to remediate any such material weaknesses or significant deficiencies and management may not be able to remediate any such material weaknesses or significant deficiencies in a timely manner.

U.S. Federal Income Tax Risk Factors

Our failure to maintain our qualification as a REIT would result in higher taxes and reduced cash available for distribution to our shareholders.

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

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

In addition, if we fail to maintain our qualification as a REIT, we will no longer be required to make distributions to shareholders, and all distributions to shareholders will be subject to tax as dividend income to the extent of our current and accumulated earnings and profits. As a result of all these factors, our failure to maintain our qualification as a REIT could impair our ability to execute our business and growth strategies, as well as make it more difficult for us to raise capital and service our indebtedness.

We could face adverse tax consequences if LaSalle failed to qualify as a REIT prior to the merger.

In connection with the closing of the merger, we received an opinion of counsel to the effect that LaSalle qualified as a REIT for U.S. federal income tax purposes through the time of the merger. However, we did not request a ruling from the IRS that LaSalle qualified as a REIT. Notwithstanding the opinion of counsel, if the IRS successfully challenged LaSalle's REIT status prior to the merger, we could face adverse tax consequences, including:

- succeeding to LaSalle's liability for U.S. federal income taxes at regular corporate rates for the periods in which LaSalle failed to qualify as a REIT (without regard to the deduction for dividends paid for such periods);
- succeeding to any built-in gain on LaSalle's assets, for which we could be liable for U.S. federal income tax at regular corporate rates, if we were to recognize such gain in the five-year period following the merger; and
- succeeding to LaSalle's earnings and profits accumulated during the periods in which LaSalle failed to qualify as a REIT, which we would be required to distribute to our shareholders in order to satisfy the REIT distribution requirements and avoid the imposition of any excise tax.

As a result, we would have less cash available for operations and distributions to our shareholders, which could require us to raise capital on unfavorable terms or pay deficiency dividends.

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

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

In particular, we must ensure that at the end of each calendar quarter, at least 75 percent of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10 percent of the outstanding voting securities of any one issuer or more than 10 percent of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5 percent of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, no more than 20 percent of the value of our total assets can be represented by the securities of one or more TRSs and no more than 25 percent of our assets can be represented by debt of "publicly offered REITs" (i.e., REITs that are required to file annual and periodic reports with the SEC under the Exchange Act) that is not secured by real property or interests in real property. The Code provides that temporary investments of new capital in stock or debt instruments for the one-year period beginning on the date on which we receive the new capital will be considered qualified real estate assets for purposes of the above requirements. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

To maintain our qualification as a REIT and avoid corporate income tax and excise tax, we must distribute annually a certain percentage of our REIT taxable income, which could require us to raise capital on terms or sell properties at prices or at times that are unfavorable.

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

- 85 percent of our REIT ordinary income for that year;
- 95 percent of our REIT capital gain net income for that year; and
- any undistributed REIT taxable income from prior years.

We have distributed, and we intend to continue to distribute, our REIT taxable income to our shareholders in a manner intended to satisfy the 90 percent distribution requirement and to avoid both corporate income tax and the 4 percent nondeductible excise tax. However, there is no requirement that TRSs distribute their after tax net income to their parent REIT or their shareholders.

Our REIT taxable income may substantially exceed our net income as determined based on U.S. generally accepted accounting principles ("U.S. GAAP"), because, for example, realized capital losses will be deducted in determining our U.S. GAAP net income, but may not be deductible in computing our REIT taxable income. Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow or raise capital on terms or sell properties at prices or at times that we regard as unfavorable in order to distribute enough of our REIT taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4 percent nondeductible excise tax in a particular year.

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

We may pay taxable dividends partly in shares and partly in cash. Under IRS Revenue Procedure 2017-45, as a publicly offered REIT, as long as at least 20 percent of the total dividend is available in cash and certain other requirements are satisfied, the IRS will treat the share distribution as a dividend (to the extent applicable rules treat such distribution as being made out of our earnings and profits). Pursuant to recently released IRS guidance, this threshold is reduced from 20 percent to 10 percent for distributions declared by a publicly offered REIT on or after November 1, 2021 and on or before June 30, 2022. Although we have no current intention of paying dividends in the form of our own shares, if in the future we choose to pay dividends in our own shares, our shareholders may be required to pay tax in excess of the cash that they receive. If a U.S. shareholder sells the shares that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our shares at the time of the sale. Furthermore, with respect to certain non-U.S. shareholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in shares. If we pay dividends in our own shares and a significant number of our shareholders sell our shares in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our shares.

Our TRS lessees increase our overall tax liability.

Our TRS lessees are subject to U.S. federal and state income tax on their taxable income, which consists of the revenues from the hotel properties leased by our TRS lessees, net of the operating expenses (including management fees) for such hotel properties and rent payments to us. In certain circumstances, the ability of our TRS lessees to deduct interest expense may be limited. Accordingly, although our ownership of our TRS lessees allows us to participate in the operating income from our hotel properties in addition to receiving rent, that operating income is fully subject to income tax. The after-tax net income of our TRS lessees is available for distribution to us.

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

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

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

If the leases of our hotel properties to our TRS lessees are not respected as true leases for U.S. federal income tax purposes, we would fail to qualify as a REIT and would be subject to higher taxes and have less cash available for distribution to our shareholders.

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

If our Operating Partnership failed to qualify as a partnership for U.S. federal income tax purposes, we would cease to qualify as a REIT and would be subject to higher taxes and have less cash available for distribution to our shareholders and suffer other adverse consequences.

We believe that our Operating Partnership qualifies to be treated as a partnership for U.S. federal income tax purposes. As a partnership, our Operating Partnership generally is not subject to U.S. federal income tax on its income. Instead, each of its partners, including us, is required to pay tax on its allocable share of our Operating Partnership's income. No assurance can be provided, however, that the IRS will not challenge its status as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our Operating Partnership as a corporation for tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, cease to qualify as a REIT. Also, the failure of our Operating Partnership to qualify as a partnership would cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

If our TRSs fail to qualify as TRSs for U.S. federal income tax purposes or our hotel managers do not qualify as "eligible independent contractors," we would fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. We lease all of our hotels to our TRS lessees. So long as any TRS lessee qualifies as a TRS, it will not be treated as a "related party tenant" with respect to our properties that are managed by an independent hotel management company that qualifies as an "eligible independent contractor." We believe that our TRSs qualify to be treated as TRSs for U.S. federal income tax purposes, but there can be no assurance that the IRS will not challenge the status of a TRS for U.S. federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in disqualifying any of our TRS lessee from treatment as a TRS, it is possible that we would fail to meet the asset tests applicable to REITs and substantially all of our income would fail to qualify for the gross income tests. If we failed to meet either the asset or gross income tests, we would likely lose our REIT qualification for U.S. federal income tax purposes.

Additionally, if our hotel managers do not qualify as "eligible independent contractors," we will fail to qualify as a REIT. Each of the hotel management companies that enter into a management contract with our TRS lessees must qualify as an "eligible independent contractor" under the REIT rules in order for the rent paid to us by our TRS lessees to be qualifying income for purposes of the REIT gross income tests. Among other requirements, in order to qualify as an eligible independent contractor a manager must not own, directly or through its shareholders, more than 35 percent of our outstanding shares, taking into account certain ownership attribution rules. The ownership attribution rules that apply for purposes of these 35 percent thresholds are complex. Although we intend to monitor ownership of our shares by our hotel managers and their owners, there can be no assurance that these ownership levels will not be exceeded.

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

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

Complying with REIT requirements may limit our ability to hedge our liabilities effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code substantially limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute "gross income" for purposes of the 75 percent or 95 percent gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRSs will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRSs.

If our subsidiary REITs failed to qualify as REITs, we could be subject to higher taxes and could fail to remain qualified as REITs.

Our Operating Partnership owns 100 percent of the common shares of our subsidiary REITs that have elected to be taxed as REITs under the U.S. federal income tax laws. Our subsidiary REITs are subject to the various REIT qualification requirements and other limitations described herein that are applicable to us. If either of our subsidiary REITs were to fail to qualify as a REIT, then (i) such subsidiary REIT would become subject to U.S. federal income tax and (ii) our ownership of shares in such subsidiary REIT would cease to be a qualifying asset for purposes of the asset tests applicable to REITs. If our subsidiary REITs were to fail to qualify as a REIT, it is possible that we would fail certain of the asset tests applicable to REITs, in which event we would fail to qualify as a REIT unless we could avail ourselves of certain relief provisions. We have made "protective" TRS elections with respect to each of our subsidiary REITs and may implement other protective arrangements intended to avoid such an outcome if our subsidiary REITs were not to qualify as a REIT, but there can be no assurance that such "protective" elections and other arrangements will be effective to avoid the resulting adverse consequences to us. Moreover, even if the "protective" TRS elections were to be effective in the event of the failure of our subsidiary REITs to maintain their qualifications as REITs, such subsidiary REITs would be subject to U.S. federal income tax and we cannot assure you that we would not fail to satisfy the requirement that not more than 20 percent of the value of our total assets may be represented by the securities of one or more TRSs. In this event, we would fail to qualify as a REIT unless we or such subsidiary REITs could avail ourselves or themselves of certain relief provisions.

The ability of our board of trustees to revoke our REIT qualification without shareholder approval may subject us to U.S. federal and state income tax and reduce distributions to our shareholders.

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

The share ownership restrictions of the Code for REITs and the 9.8 percent share ownership limit in our declaration of trust may inhibit market activity in our shares and restrict our business combination opportunities.

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

Our declaration of trust, with certain exceptions, authorizes our board of trustees to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of trustees, our declaration of trust prohibits any person from beneficially or constructively owning more than 9.8 percent (measured by value or number of shares, whichever is more restrictive) of any class or series of our shares. Our board of trustees may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of 9.8 percent of the value of our outstanding shares would result in the termination of REIT status. These restrictions on transferability and ownership will not apply, however, if our board of trustees determines that it is no longer in our best interest to continue to qualify as a REIT.

These ownership limits could delay or prevent a transaction or a change in control that might involve a premium price for our shares or otherwise be in the best interest of the shareholders.

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

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

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce the tax benefits of our REIT structure compared to non-REIT corporations, reduce our operating flexibility and reduce the market price of our shares.

At any time, the U.S. federal income tax laws governing REITs or the administrative and judicial interpretations of those laws may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative and judicial interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative or judicial interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. Several recent proposals have been made that would make substantial changes to the U.S. federal income tax laws generally. We cannot predict whether any of these proposed changes will become law, or the long-term effect of any future law changes on REITs and their shareholders generally. We and our shareholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative and judicial interpretation.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease office space to use as our headquarters located at 4747 Bethesda Avenue, Suite 1100, Bethesda, Maryland 20814. We lease office space that was formerly used as our headquarters at 7550 Wisconsin Avenue, 10th Floor, Bethesda, Maryland 20814.

As of December 31, 2021, we owned 53 hotels with a total of 13,247 guest rooms, all of which are consolidated in our financial statements. The following table sets forth certain information about our hotels.

	Property	Date Acquired	Location	Number of Guest Rooms
1.	L'Auberge Del Mar	November 30, 2018	Del Mar, CA	121

	Property		Date Acquired	Location	Number of Guest Rooms
2.	Hotel Palomar Los Angeles Beverly Hills	(1)	November 20, 2014	Los Angeles, CA	264
3.	W Los Angeles - West Beverly Hills		August 23, 2012	Los Angeles, CA	297
4.	Chamberlain West Hollywood Hotel		November 30, 2018	West Hollywood, CA	115
5.	Grafton on Sunset		November 30, 2018	West Hollywood, CA	108
6.	Le Parc Suite Hotel		November 30, 2018	West Hollywood, CA	154
7.	Mondrian Los Angeles		May 3, 2011	West Hollywood, CA	236
8.	Montrose West Hollywood		November 30, 2018	West Hollywood, CA	133
9.	Le Méridien Delfina Santa Monica		November 19, 2010	Santa Monica, CA	310
10.	Viceroy Santa Monica Hotel	(1)	November 30, 2018	Santa Monica, CA	169
11.	Embassy Suites San Diego Bay - Downtown		January 29, 2013	San Diego, CA	341
12.	Hilton San Diego Gaslamp Quarter		November 30, 2018	San Diego, CA	286
13.	Paradise Point Resort & Spa	(1)	November 30, 2018	San Diego, CA	462
14.	San Diego Mission Bay Resort	(1)	November 30, 2018	San Diego, CA	357
15.	Solamar Hotel		November 30, 2018	San Diego, CA	235
16.	The Westin San Diego Gaslamp Quarter		April 6, 2011	San Diego, CA	450
17.	Estancia La Jolla Hotel & Spa	(1) (4)	December 1, 2021	La Jolla, CA	210
18.	Argonaut Hotel	(1)	February 16, 2011	San Francisco, CA	252
19.	Harbor Court Hotel San Francisco	(1)	November 30, 2018	San Francisco, CA	131
20.	Hotel Spero		November 30, 2018	San Francisco, CA	236
21.	Hotel Vitale	(1)	November 30, 2018	San Francisco, CA	200
22.	Hotel Zelos San Francisco	(1)	October 25, 2012	San Francisco, CA	202
23.	Hotel Zephyr Fisherman's Wharf	(1)	December 9, 2013	San Francisco, CA	361
24.	Hotel Zeppelin San Francisco	(1)	May 22, 2014	San Francisco, CA	196
25.	Hotel Zetta San Francisco		April 4, 2012	San Francisco, CA	116
26.	Hotel Zoe Fisherman's Wharf		June 11, 2015	San Francisco, CA	221
27.	The Marker San Francisco		November 30, 2018	San Francisco, CA	208
28.	Chaminade Resort & Spa		November 30, 2018	Santa Cruz, CA	156
29.	George Hotel		November 30, 2018	Washington, DC	139
30.	Hotel Monaco Washington DC	(1)	September 9, 2010	Washington, DC	184
31.	Hotel Zena Washington DC		November 30, 2018	Washington, DC	191
32.	Viceroy Washington DC		November 30, 2018	Washington, DC	178
33.	Southernmost Beach Resort	(2)	November 30, 2018	Key West, FL	293
34.	The Marker Key West Harbor Resort		November 30, 2018	Key West, FL	96
35.	Hotel Colonnade Coral Gables, Autograph Collection		November 12, 2014	Miami, FL	157
36.	Margaritaville Hollywood Beach Resort	(1) (4)	September 23, 2021	Hollywood, FL	369
37.	LaPlaya Beach Resort & Club		May 21, 2015	Naples, FL	189
38.	Jekyll Island Club Resort	(1)	July 22, 2021	Jekyll Island, GA	200
39.	Hotel Chicago Downtown, Autograph Collection		November 30, 2018	Chicago, IL	354
40.	The Westin Michigan Avenue Chicago		November 30, 2018	Chicago, IL	752
41.	Hyatt Regency Boston Harbor	(1)	November 30, 2018	Boston, MA	270
42.	Revere Hotel Boston Common		December 18, 2014	Boston, MA	356
43.	The Liberty, a Luxury Collection Hotel, Boston	(1) (3)	November 30, 2018	Boston, MA	298
44.	The Westin Copley Place, Boston	(1)	November 30, 2018	Boston, MA	803
45.	W Boston		June 8, 2011	Boston, MA	238
46.	Hotel Vintage Portland		July 9, 2012	Portland, OR	117
47.	The Heathman Hotel		November 30, 2018	Portland, OR	151
48.	The Hotel Zags		August 28, 2013	Portland, OR	174
49.	The Nines, a Luxury Collection Hotel, Portland		July 17, 2014	Portland, OR	331
50.	Sofitel Philadelphia at Rittenhouse Square		December 3, 2010	Philadelphia, PA	306
51.	Hotel Monaco Seattle		April 7, 2011	Seattle, WA	189
52.	Hotel Vintage Seattle		July 9, 2012	Seattle, WA	125
53.	Skamania Lodge		November 3, 2010	Stevenson, WA	260
	Total number of guest rooms				13,247

(1) This property is subject to a long-term ground, air rights or hotel lease.

(2) The restaurant facility at this property is subject to a ground lease.

(3) We own a 99.99% controlling interest in this property.

(4) This property is subject to mortgage debt.

Hotel Managers and Hotel Management Agreements

We are a party to hotel management agreements with Access Hotels and Resorts, AccorHotels, Benchmark Hotels and Resorts, Davidson Hospitality Group, HEI Hotels and Resorts, Highgate, Hyatt, Kimpton Hotels and Restaurants, Marriott International, Noble House Hotels & Resorts, Provenance Hotels, Sage Hospitality, sbe Hotel Group, SH Hotels & Resorts, Springboard Hospitality and Viceroy Hotel Group.

Our management agreements generally have the terms described below:

- *Base Management Fees.* Our management agreements generally provide for the payment of base management fees between 1% and 4% of the applicable hotel's revenues or a fixed amount, as determined in the agreements.
- *Incentive Management and Other Fees.* Some of our management agreements provide for the payment of incentive management fees. Generally, incentive management fees are 10% to 20% of net operating income above a specified return on project costs or as a percentage of net operating income above various net operating income thresholds. Some of our management agreements provide for an incentive fee of the lesser of 1% of revenues or the amount by which net operating income exceeds a threshold. Some of our management agreements have a maximum incentive fee of 2.5% of revenue.
- *Terms.* The terms of our management agreements range from 1 year to 22 years not including renewals, and 1 year to 52 years including renewals.
- *Ability to Terminate.* The majority of our management agreements are terminable at will by us upon payment of a termination fee and some are terminable upon sale of the property. Most of the agreements also provide us the ability to terminate based on failure to achieve defined operating performance thresholds. Termination fees range from zero to up to six times the annual base management and incentive management fees, depending on the agreement and the reason for termination.
- *Operational Services.* Each manager has exclusive authority to supervise, direct and control the day-to-day hotel operation and management including establishing all room rates, processing reservations, procuring inventories, supplies and services, hiring and firing employees and independent contractors and preparing public relations, publicity and marketing plans for the hotel.
- *Executive Supervision and Management Services.* Each manager supervises all managerial and other hotel employees, reviews hotel operation and maintenance, prepares reports, budgets and projections, and provides other administrative and accounting support services for the hotel. Under certain management agreements, we have approval rights over the hiring of certain key management personnel at the hotel.
- *Chain Services.* Our management agreements with major hotel franchisors require the managers to furnish chain services that are generally made available to other hotels managed by such operators. Such services may, for example, include: the development and operation of computer systems and reservation services; management and administrative services; marketing and sales services; human resources training services; and additional services as may from time to time be more efficiently performed on a national, regional or group level.
- *Working Capital.* Our management agreements typically require us to maintain working capital for a hotel and to fund the cost of supplies such as linens and other similar items. We are also responsible for providing funds to meet the cash needs for the hotel operations if the funds available from the hotel operations are insufficient to meet the financial requirements of the hotel.

- *Furniture, Fixtures and Equipment Replacements.* We are required to invest in the hotels and to provide all the necessary furniture, fixtures and equipment for the operation of the hotels (including funding any required furniture, fixture and equipment replacements). Our management agreements generally provide that once a year the managers will prepare a list of furniture, fixtures and equipment to be acquired and certain routine capital repairs to be performed in the following year and an estimate of funds that are necessary for our review and approval. To fund the furniture, fixtures and equipment replacements, a specified percentage of the gross revenues of each hotel (typically 4.0%) is either deposited by the manager with our funds or out of the property's cash flow in an escrow account or held by us, as owner.
- *Building Alterations, Improvements and Renewals.* Our management agreements generally require the managers to prepare an annual estimate of the expenditures necessary for major capital repairs, alterations, improvements, renewals and replacements to the structural, mechanical, electrical, heating, ventilating, air conditioning, plumbing and vertical transportation elements of the hotels. In addition to the foregoing, the management agreements generally provide that the managers may propose such changes, alterations and improvements to the hotels as are required by reason of laws or regulations or, in the manager's reasonable judgment, to keep the hotels in a safe, competitive and efficient operating condition.
- *Sale of a Hotel.* Certain of our management agreements limit our ability to sell, lease or otherwise transfer a hotel, unless the transferee assumes the related management agreement and meets other specified conditions.

Franchise and Sub-License Agreements

We have franchise and sub-license agreements for certain of our hotels. Pursuant to these agreements, we pay franchise or sub-license fees based on a percentage of gross room revenues, as well as certain other fees for marketing and reservations services. Franchise or sub-license fees for room revenues are approximately 1% to 5% of gross room revenues. Some of these agreements provide us with termination rights. The agreements for the respective hotels expire as follows:

Property	Expiration Date
Embassy Suites San Diego Bay - Downtown	January 2028
Margaritaville Hollywood Beach Resort	July 2028
Le Méridien Delfina Santa Monica	September 2033
The Nines, a Luxury Collection Hotel, Portland	October 2033
Hotel Chicago Downtown, Autograph Collection	February 2034
The Liberty, a Luxury Collection Hotel, Boston	January 2036
Hotel Colonnade Coral Gables, Autograph Collection	April 2039
Hilton San Diego Gaslamp Quarter	June 2041
Paradise Point Resort & Spa	15th anniversary after hotel is re-branded as a Margaritaville
Solamar Hotel	15th anniversary after hotel is re-branded as a Margaritaville

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

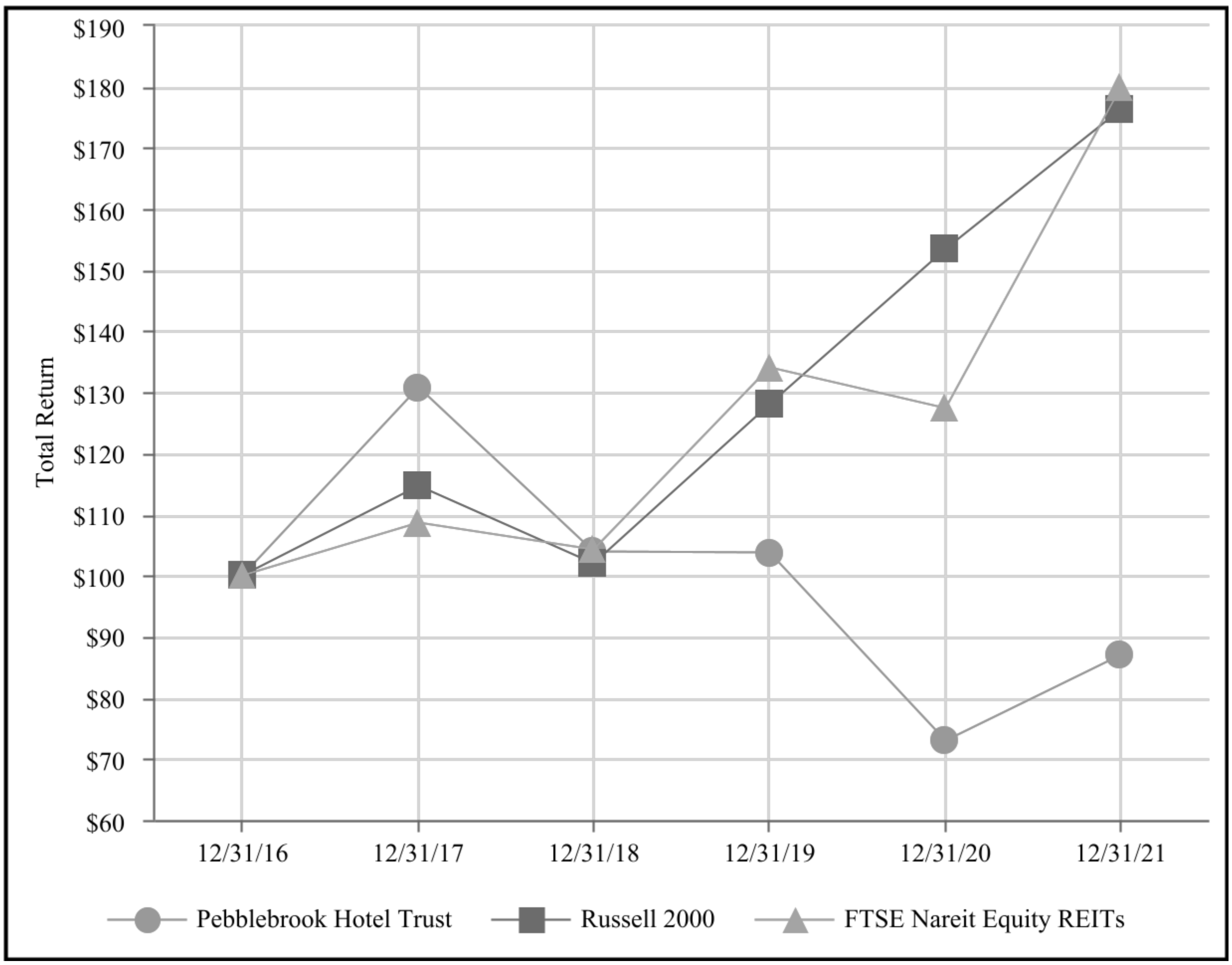
Market Information

Our common shares began trading on the NYSE on December 9, 2009 under the symbol "PEB".

Shareholder Information

On February 18, 2022, there were 84 holders of record of our common shares. However, because the vast majority of our common shares are held by brokers and other institutions on behalf of shareholders, we believe that there are considerably more beneficial holders of our common shares than record holders.

The following graph provides a comparison of the cumulative total return on our common shares from December 31, 2016, to the NYSE closing price per share on December 31, 2021, with the cumulative total return on the Russell 2000 Index (the "Russell 2000") and the FTSE Nareit Equity REITs Index (the "FTSE Nareit Equity REITs") for the same period. Total return values were calculated assuming a $100 investment on December 31, 2016 with reinvestment of all dividends in (i) our common shares, (ii) the Russell 2000 and (iii) the FTSE Nareit Equity REITs. The total return values do not include any dividends declared, but not paid, during the period.



The actual returns shown on the graph above are as follows:

	Value of Initial Investment at December 31,					
Name	2016	2017	2018	2019	2020	2021
Pebblebrook Hotel Trust	$ 100.00	$ 130.72	$ 103.92	$ 103.81	$ 73.02	$ 87.03
Russell 2000	$ 100.00	$ 114.63	$ 101.99	$ 127.98	$ 153.49	$ 176.18
FTSE Nareit Equity REITs	$ 100.00	$ 108.67	$ 104.25	$ 134.12	$ 127.31	$ 179.85

Distributions

Distributions to the extent of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to a shareholder as ordinary income. Distributions in excess of current and accumulated earnings and profits generally will be treated as a nontaxable reduction of the shareholder's basis in their shares, to the extent thereof, and thereafter as a taxable capital gain. Distributions that are treated as a reduction of the shareholder's basis in their shares will increase the amount of gain, or reduce the amount of loss, recognized upon the sale of their shares.

The declaration of distributions by our company is in the sole discretion of our board of trustees and depends on our actual cash flow, financial condition, capital expenditure requirements for our hotels, the annual distributions requirements under the REIT provisions of the Code and such other factors as our board of trustees deems relevant.

Under the terms of the agreements governing our outstanding debt, as amended as a result of the adverse financial effects of the COVID-19 pandemic on our business, we are currently prohibited from making distributions on our common shares above $0.01 per share unless necessary to maintain our status as a REIT for U.S. federal income tax purposes.

Securities Authorized for Issuance Under Equity Compensation Plan

The following table sets forth information regarding securities authorized for issuance under our equity compensation plan, our 2009 Equity Incentive Plan, as amended and restated, as of December 31, 2021. See *Note 8, Share-Based Compensation Plan,* to our consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K for additional information regarding our 2009 Equity Incentive Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	—	—	1,809,516
Equity compensation plans not approved by security holders	—	—	—
Total	—	—	1,809,516

During the year ended December 31, 2021, certain of our employees chose to have us acquire from such employees an aggregate of 38,310 common shares to pay taxes due upon vesting of restricted common shares granted pursuant to share award agreements. The average price paid by the Company for these shares was $18.80 per share.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [2]
October 1, 2021 - October 31, 2021	—	$ —	—	$ —
November 1, 2021 - November 30, 2021	—	$ —	—	$ —
December 1, 2021 - December 31, 2021	—	$ —	—	$ —
Total	—	$ —	—	$ 56,600,000

(1) Amounts in this column represent common shares sold to the Company as payment of tax withholding due upon vesting of equity awards.

(2) On February 22, 2016, we announced that our board of trustees authorized a share repurchase program of up to $150.0 million of our outstanding common shares. Under this program, we may repurchase common shares from time to time in transactions on the open market or by private agreement. We may suspend or discontinue this program at any time. As of December 31, 2021, $56.6 million of common shares remained available for repurchase under this program. The credit agreements governing our existing indebtedness prohibit us from repurchasing common shares until we have certified compliance with certain financial covenants through June 30, 2022.

On July 27, 2017, we announced that our board of trustees authorized a new share repurchase program of up to $100.0 million of our outstanding common shares. Under this program, we may repurchase common shares from time to time in transactions on the open market or by private agreement. We may suspend or discontinue this program at any time. This $100.0 million share repurchase program will commence upon the completion of the $150.0 million share repurchase program.

Item 6. [Reserved]

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report. Pebblebrook Hotel Trust is a Maryland real estate investment trust that conducts its operations so as to qualify as a REIT under the Code. Substantially all of the operations are conducted through Pebblebrook Hotel, L.P. (our "Operating Partnership"), a Delaware limited partnership of which Pebblebrook Hotel Trust is the sole general partner. In this report, we use the terms "the Company", "we" or "our", to refer to Pebblebrook Hotel Trust and its subsidiaries, unless the context indicates otherwise.

Overview

COVID-19 and Liquidity Update

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") to be a global pandemic and the virus spread throughout the United States and the world. As a result of this pandemic and subsequent government mandates, health official recommendations, corporate policy changes and individual responses, hotel demand dramatically declined. In response, we implemented significant cost controls, salary reductions and temporarily suspended operations at 47 of our hotels and resorts in 2020. In addition, to improve liquidity, we raised capital by issuing convertible notes and additional preferred shares as summarized below. As demand improved as a result of an increase in vaccinations and corresponding lifting of governmental restrictions and recommendations, we gradually reopened our hotels and resorts. As of December 31, 2021, all of our hotels and resorts were open, with the exception of Hotel Vitale, whose operations will remain suspended until the completion of its renovations and repositioning, which we expect to occur in the second quarter of 2022.

The COVID-19 pandemic had a significant negative impact on our operations and financial results throughout 2021. Although results improved relative to 2020, we cannot estimate with certainty when travel demand will fully recover. However, we anticipate further recovery in 2022. Leisure travel in 2021 exceeded expectations, particularly at our warmer-weather and resort properties and we expect this trend to continue in 2022. However, business travel continues to be substantially lower.

During 2021, we amended the agreements governing our existing credit facilities, term loan facilities and unsecured senior notes to, among other changes:

- waive quarterly financial covenants until the second quarter of 2022, with substantially less-restrictive covenants through the end of the first quarter of 2023;
- extend or provide the option for us to extend more than $1.0 billion of debt maturities including our revolving credit facility;
- increase pricing until the end of the covenant waiver period; and
- impose certain restrictions during the covenant waiver period on share repurchases, dividends, capital improvements, and hotel property acquisitions.

Based on the amendments to our credit agreements, actions noted above, and assumptions regarding the recovery of demand, we believe we have sufficient liquidity to meet our obligations for the next 12 months. For further discussion on our liquidity, see *Liquidity and Capital Resources* included in Part II, Item 7 of this Annual Report on Form 10-K.

During the year ended December 31, 2021, other significant transactions included:

- On February 9, 2021, we issued, at a 5.5% premium to par, an additional $250.0 million aggregate principal amount of the convertible notes originally issued in December 2020.
- On April 1, 2021, we sold the Sir Francis Drake for $157.6 million.
- On May 13, 2021, we raised $222.6 million of net proceeds from the issuance of 9,200,000 6.375% Series G Cumulative Redeemable Preferred Shares.
- On June 10, 2021, we sold The Roger New York for $19.0 million.
- On July 22, 2021, we acquired the leasehold interest in Jekyll Island Club Resort for $94.0 million.
- On July 27, 2021, we raised $242.1 million of net proceeds from the issuance of 10,000,000 5.70% Series H Cumulative Redeemable Preferred Shares.

- On August 21, 2021, we redeemed all outstanding 6.375% Series D Cumulative Redeemable Preferred Shares.
- On August 22, 2021, we redeemed all outstanding 6.50% Series C Cumulative Redeemable Preferred Shares.
- On September 9, 2021, we sold Villa Florence San Francisco on Union Square for $87.5 million.
- On September 23, 2021, we acquired the leasehold interest in Margaritaville Hollywood Beach Resort for $270.0 million, including the assumption of a $161.5 million mortgage loan.
- On October 20, 2021, we acquired Avalon Bed & Breakfast and Duval Gardens for $20.0 million, with both properties consolidating into our Southernmost Beach Resort.
- On December 1, 2021, we acquired the leasehold interest in Estancia La Jolla Hotel & Spa for $108.0 million, including the assumption of a $61.7 million mortgage loan.
- We repaid $431.9 million of debt, consisting of $341.9 million of term loans, $50.0 million of senior unsecured notes and $40.0 million on the senior unsecured credit facility.

While we do not operate our hotel properties, both our asset management team and our executive management team monitor and work cooperatively with our hotel managers by advising and making recommendations in all aspects of our hotels' operations, including property positioning and repositioning, revenue and expense management, operations analysis, physical design, renovation and capital improvements, guest experience and overall strategic direction. Through these efforts, we seek to improve property efficiencies, lower costs, maximize revenues and enhance property operating margins, which we expect will enhance returns to our shareholders.

Key Indicators of Financial Condition and Operating Performance

We measure hotel results of operations and the operating performance of our business by evaluating financial and non-financial metrics such as room revenue per available room ("RevPAR"); total revenue per available room ("Total RevPAR"); average daily rate ("ADR"); occupancy rate ("Occupancy"); funds from operations ("FFO"); earnings before interest, income taxes, depreciation and amortization ("EBITDA"); and EBITDA for real estate ("EBITDA*re*"*)*. We evaluate individual hotel and company-wide performance with comparisons to budgets, prior periods and competing properties. ADR, occupancy and RevPAR may be impacted by macroeconomic factors as well as regional and local economies and events. See *Non-GAAP Financial Measures* for further discussion of FFO, EBITDA and EBIDTA*re*.

Hotel Operating Statistics

The following table represents the key same-property hotel operating statistics for our hotels for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	2020
Same-Property Occupancy	40.4 %	26.5 %
Same-Property ADR	$ 257.86	$ 233.25
Same-Property RevPAR	$ 104.12	$ 61.72
Same-Property Total RevPAR	$ 157.69	$ 95.15

While the operations of many of our hotels were temporarily suspended beginning in March 2020, the above table of hotel operating statistics includes information from all hotels owned as of December 31, 2021 except for the following: Hotel Zena Washington DC for the first and second quarters of 2021 and 2020, as it was closed for renovation during the first and second quarters of 2020; Hotel Vitale for the third and fourth quarters of 2021 and 2020, as it was closed for renovation during the third and fourth quarters of 2021; Jekyll Island Club Resort for the first and second quarters of 2021 and 2020; Margaritaville Hollywood Beach Resort for the first, second and third quarters of 2021 and 2020; Southernmost Beach Resort's 31 additional rooms following the acquisition of Avalon Bed & Breakfast and Duval Gardens for the first, second and third quarters of 2021 and 2020; and Estancia La Jolla Hotel & Spa for all of 2021 and 2020. Also included in the above table is information for Sir Francis Drake and The Roger New York for the first quarter of 2021 and 2020 as well as Villa Florence San Francisco on Union Square for the first and second quarters of 2021 and 2020.

Results of Operations

This section includes comparisons of certain 2021 financial information to the same information for 2020. Year-to-year comparisons of the 2020 financial information to the same information for 2019 are contained in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 23, 2021.

At December 31, 2021 and 2020, we had 53 wholly-owned properties and leasehold interests. All properties owned during these periods have been included in our results of operations during the respective periods since their dates of acquisition or through the dates of disposition. Based on when a property was acquired or disposed, operating results for certain properties are not comparable. The properties listed below are hereinafter referred to collectively as "non-comparable properties" for the years ended December 31, 2021 and 2020. All other properties are referred to collectively as "comparable properties":

Property	Location	Disposition Date
InterContinental Buckhead Atlanta	Buckhead, GA	March 6, 2020
Sofitel Washington DC Lafayette Square	Washington, D.C.	March 6, 2020
Union Station Hotel Nashville, Autograph Collection	Nashville, TN	July 29, 2020
Sir Francis Drake	San Francisco, CA	April 1, 2021
The Roger New York	New York, NY	June 10, 2021
Villa Florence San Francisco on Union Square	San Francisco, CA	September 9, 2021

Property	Location	Acquisition Date
Jekyll Island Club Resort	Jekyll Island, GA	July 22, 2021
Margaritaville Hollywood Beach Resort	Hollywood, FL	September 23, 2021
Estancia La Jolla Hotel & Spa	La Jolla, CA	December 1, 2021

Comparison of the year ended December 31, 2021 to the year ended December 31, 2020

Revenues — Total revenues increased by $290.2 million, of which $2.9 million was due to the non-comparable properties and the remaining increase was attributable to the comparable properties as a result of an increase in demand from a rebound in leisure travel and easing of governmental restrictions throughout 2021.

Hotel operating expenses — Total hotel operating expenses increased by $117.2 million, primarily due to resuming operations at the comparable properties and returning demand.

Real estate taxes, personal property taxes, property insurance and ground rent — Real estate taxes, personal property taxes, property insurance and ground rent decreased by $2.7 million primarily due to a decline in property taxes as a result of successful appeals. The decrease was partially offset by an increase in ground rent on ground leases that have percentage rent and the acquisition of three properties subject to ground leases.

General and administrative — General and administrative expenses consist of employee compensation costs, legal and professional fees, insurance and other expenses. General and administrative expenses decreased by $7.0 million primarily due to a decrease in share-based compensation costs relating to the cancellation of the retention LTIP unit awards and time-based service condition awards in 2020.

Transaction costs — Transaction costs incurred during 2020 were the result of additional transfer taxes paid in connection with the LaSalle merger. Transactions costs incurred during 2021 were immaterial.

Impairment loss — We recognized an impairment loss of $14.9 million in 2021 related to one hotel and an impairment loss of $74.6 million in 2020 related to two hotels and the retail component of a hotel.

(Gain) loss on sale of hotel properties — We recognized a net gain on sale of $64.7 million in 2021 primarily due to the sale of Sir Francis Drake and a net gain on sale of $117.4 million in 2020 primarily due to the sale of InterContinental Buckhead Atlanta.

Other operating expenses — Other operating expenses decreased by $2.5 million primarily due to reductions in pre-opening, hotel management transition and franchise tax expenses.

Interest expense — Interest expense decreased by $7.5 million primarily due to decreased borrowings, as certain term loans, senior unsecured notes and amounts under our senior unsecured credit facility were paid down in 2021. This was partially offset by increased interest on the convertible senior notes and amortization and write-off of deferred financing fees as a result of the partial repayment of certain of the term loans during 2021.

Income tax (expense) benefit — Income tax (expense) benefit was a benefit of $3.7 million in 2020 primarily due to the deferred tax asset recognized in 2020 on the taxable REIT subsidiary's estimated loss. In 2021, we recognized a valuation allowance offsetting the deferred tax asset on the current year taxable REIT subsidiary's loss due to the uncertainty of utilizing the deferred tax asset in the future.

Distributions to preferred shareholders — Distributions to preferred shareholders increased as a result of the issuance of the Series G and Series H Cumulative Redeemable Preferred Shares in May 2021 and July 2021, respectively. This was partially offset by the redemption of the Series C and Series D Cumulative Redeemable Preferred Shares in August 2021.

Issuance costs of redeemed preferred shares — Issuance costs of redeemed preferred shares increased due to the redemption of the Series C and Series D Cumulative Redeemable Preferred Shares in August 2021. These costs are included in the determination of net income (loss) attributable to common shareholders.

Non-GAAP Financial Measures

Non-GAAP financial measures are measures of our historical or future financial performance that are different from measures calculated and presented in accordance with U.S. GAAP. We report FFO, EBITDA and EBITDA*re*, which are non-GAAP financial measures that we believe are useful to investors as key measures of our operating performance.

We calculate FFO in accordance with standards established by Nareit, formerly known as the National Association of Real Estate Investment Trusts, which defines FFO as net income (calculated in accordance with U.S. GAAP), excluding real estate related depreciation and amortization, gains (losses) from sales of real estate, impairments of real estate assets (including impairment of real estate related joint ventures), the cumulative effect of changes in accounting principles and adjustments for unconsolidated partnerships and joint ventures. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, most industry investors consider presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. By excluding the effect of real estate related depreciation and amortization including our share of the joint venture depreciation and amortization, gains (losses) from sales of real estate and impairments of real estate assets (including impairment of real estate related joint ventures), all of which are based on historical cost accounting and which may be of lesser significance in evaluating current performance, we believe that FFO provides investors a useful financial measure to evaluate our operating performance.

The following table reconciles net income (loss) to FFO and FFO available to common share and unit holders for the years ended December 31, 2021, 2020 and 2019 (in thousands):

	For the year ended December 31,		
	2021	**2020**	**2019**
Net income (loss)	**$ (186,372)**	**$ (392,593)**	**$ 115,725**
Adjustments:			
Real estate depreciation and amortization	223,813	224,124	234,591
(Gain) loss on sale of hotel properties	(64,729)	(117,401)	(2,819)
Impairment loss	14,856	74,556	—
FFO	**$ (12,432)**	**$ (211,314)**	**$ 347,497**
Distribution to preferred shareholders	(42,105)	(32,556)	(32,556)
Issuance costs of redeemed preferred shares	(8,055)	—	—
FFO available to common share and unit holders	**$ (62,592)**	**$ (243,870)**	**$ 314,941**

EBITDA is defined as earnings before interest, income taxes, depreciation and amortization. The white paper issued by Nareit entitled "Earnings Before Interest, Taxes, Depreciation and Amortization for Real Estate" defines EBITDA*re* as net income or loss (computed in accordance with U.S. GAAP), excluding interest expense, income tax, depreciation and amortization, gains or losses on the disposition of depreciated property (including gains or losses on change of control), impairment write-downs of depreciated property and of investments in unconsolidated affiliates caused by a decrease in value of depreciated property in the affiliate, and after comparable adjustments for our portion of these items related to unconsolidated affiliates. We believe that EBITDA and EBITDA*re* provide investors useful financial measures to evaluate our operating performance, excluding the impact of our capital structure (primarily interest expense) and our asset base (primarily depreciation and amortization).

The following table reconciles net income (loss) to EBITDA and EBITDA*re* for the years ended December 31, 2021, 2020 and 2019 (in thousands):

	For the year ended December 31,		
	2021	**2020**	**2019**
Net income (loss)	**$ (186,372)**	**$ (392,593)**	**$ 115,725**
Adjustments:			
Interest expense	96,633	104,098	108,474
Income tax expense (benefit)	61	(3,697)	5,172
Depreciation and amortization	224,251	224,560	234,880
EBITDA	**$ 134,573**	**$ (67,632)**	**$ 464,251**
(Gain) loss on sale of hotel properties	(64,729)	(117,401)	(2,819)
Impairment loss	14,856	74,556	—
EBITDA*re*	**$ 84,700**	**$ (110,477)**	**$ 461,432**

FFO, EBITDA and EBITDA*re* do not represent cash generated from operating activities as determined by U.S. GAAP and should not be considered as alternatives to U.S. GAAP net income (loss), as indications of our financial performance, or to U.S. GAAP cash flow from operating activities, as measures of liquidity. In addition, FFO, EBITDA and EBITDA*re* are not indicative of funds available to fund cash needs, including the ability to make cash distributions.

Critical Accounting Policies

We consider these policies critical because they require estimates about matters that are inherently uncertain, involve various assumptions and require significant management judgment, and because they are important for understanding and evaluating our reported financial results. These judgments affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Applying different estimates or assumptions may result in materially different amounts reported in our financial statements.

Investment in Hotel Properties

Estimation and judgment are required to determine the fair values of our acquired hotel properties. Upon acquiring a business or hotel property, we measure and recognize the fair value of the acquired land, land improvements, building, furniture, fixtures and equipment, identifiable intangible assets or liabilities, other assets and assumed liabilities. Identifiable intangible assets or liabilities typically arise from contractual arrangements assumed in connection with the transaction, including terms that are above or below market compared to an estimated market agreement at the acquisition date. We determine the acquisition-date fair values of all assets and assumed liabilities using a combination of the market, cost and income approaches. These valuation methodologies are based on significant Level 2 and Level 3 inputs in the fair value hierarchy, such as estimates of future income growth, capitalization rates, discount rates, capital expenditures and cash flow projections, including hotel revenues and net operating income, at the respective hotel properties. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. Transaction costs are expensed for acquisitions that are considered business combinations and capitalized for asset acquisitions.

Impairment

We review our investments in hotel properties for impairment whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. Events or circumstances that may cause a review include, but are not limited to, when a hotel property experiences a current or projected loss from operations, when it becomes more likely than not that a hotel property will be sold before the end of its useful life, adverse changes in the demand for lodging at the properties due to declining national or local economic conditions and/or new hotel construction in markets where the hotels are located. When such conditions exist, we perform an analysis to determine if the estimated undiscounted future cash flows from operations and the proceeds from the ultimate disposition of a hotel exceed its carrying value. If the estimated undiscounted future cash flows are less than the carrying amount of the asset, an adjustment to reduce the carrying amount to the related hotel's estimated fair market value is recorded and an impairment loss recognized. In the evaluation of impairment of our hotel properties, we make many assumptions and estimates including projected cash flows both from operations and eventual disposition, expected useful life and holding period, future required capital expenditures, and fair values, including consideration of capitalization rates, discount rates, and comparable selling prices. We will adjust our assumptions with respect to the remaining useful life of the hotel property when circumstances change, such as an expiring ground lease or it is more likely than not that the hotel property will be sold prior to its previously expected useful life.

New Accounting Pronouncements

See *Note 2, Summary of Significant Accounting Policies,* to our consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K for recently issued accounting pronouncements that may affect us.

Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by our operations, borrowings under our credit facilities, net proceeds from equity and debt offerings, and net proceeds from property sales. Our primary cash requirements in the short term (i.e., those requiring cash before January 1, 2023) will be to fund property lease obligations, interest and current principal on debt, capital improvements, dividends on common and preferred shares, and working capital of our property operations. We believe our cash and cash equivalents, restricted cash and the amount available on our senior unsecured revolving credit facility, which totaled $730.1 million as of December 31, 2021, along with cash generated from ongoing operations will be sufficient to satisfy our short-term cash requirements. As of December 31, 2021 we had no off-balance sheet arrangements.

In order to maintain our qualification as a REIT, we must pay dividends to our shareholders of at least 90% of our taxable income. As a result of this requirement, we cannot rely on retained earnings to fund long-term liquidity requirements such as hotel property acquisitions, redevelopements and repayments of long-term debt. As such, we expect to continue to raise capital through equity and debt offerings to fund our growth.

For a discussion on the impact of COVID-19 on our liquidity, see *Overview*.

Our material cash requirements include the following contractual and other obligations.

Debt

Our outstanding debt consisted of floating- and fixed-rate unsecured term loans, convertible senior notes, senior unsecured notes and mortgage loans with varying maturities. Our total debt had an aggregate face value of $2.5 billion as of December 31, 2021, as summarized below.

		December 31, 2021
		(in thousands)
Revolving credit facilities	$	—
Term loans		1,433,068
Convertible senior notes		750,000
Senior unsecured notes		50,000
Mortgage loans		222,873
Total debt at face value	$	2,455,941

For further discussion on the components of our debt, see *Note 5, Debt*, to our consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

We have the option to extend certain of our current debt maturities with the payment of extension fees. Assuming we exercise all extension options available in our debt agreements, we expect that future principal and interest payments associated with our debt obligations outstanding as of December 31, 2021 will be $2.7 billion through their maturity, with $136.8 million payable before January 1, 2023. We intend to pay amounts due with available cash, borrowings under our revolving credit facility, or refinance with long term debt.

In February 2021 and December 2021, we amended the agreements governing our existing credit facilities, term loan facilities and senior notes to, among other things, waive financial covenants until the second quarter of 2022 (with substantially less-restrictive covenants through the end of the first quarter of 2023), extend certain debt maturity dates and increase the interest rate spread. For a further discussion of these amendments, see *Note 5, Debt*, to our consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

We are in compliance with all covenants governed by our existing credit facilities, term loan and senior note facilities.

Our mortgage loans contain customary provisions regarding events of default, as well as customary cash management, cash trap and lockbox provisions. Cash trap provisions are triggered if the hotel's performance is below a certain threshold. Once triggered, all of the cash flow generated by the hotel is deposited directly into lockbox accounts and then swept into cash management accounts for the benefit of our lender.

The mortgage loans associated with Margaritaville Hollywood Beach Resort and Estancia La Jolla Hotel & Spa both triggered the cash trap provisions prior to our acquisition of those hotel properties, and therefore cash from hotel operations is being held by the lender in the cash management accounts and reflected as restricted cash in our consolidated balance sheets. Cash will be released from the lockbox once the hotel reaches profitability levels that terminate the cash trap or the loan is paid off. These loans may remain subject to cash trap provisions for a substantial period of time which could limit our liquidity and ability to pay dividends or reduce debt balances. We expect that we will exceed the thresholds necessary to exit the cash trap provisions of these agreements in 2022.

Hotel, ground and finance lease obligations

Our properties that are subject to hotel, ground or finance leases, as noted in *Note 11*, *Commitment and Contingencies*, to our consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K, may require minimum fixed rent payments, percentage rent payments based on a percentage of revenues in excess of certain thresholds or rent payments equal to the greater of a minimum fixed rent or percentage rent. Minimum fixed rent may be adjusted annually by increases in consumer price index ("CPI") and may be subject to minimum and maximum increases.

Future fixed minimum payments associated with our hotel, ground and finance leases total $1.8 billion as of December 31, 2021, with $20.4 million payable within the next 12 months.

Purchase commitments

As of December 31, 2021, we had $7.3 million of outstanding purchase commitments, all of which will be paid within the next 12 months. These purchase commitments represent outstanding purchase orders and contracts that have been executed for capital and renovation projects at our properties. See *Capital Investments* for discussion on planned capital investments.

Preferred dividends

We expect to pay aggregate annual dividends of approximately $45.4 million on our outstanding Series E, Series F, Series G and Series H Cumulative Redeemable Preferred Shares within the next 12 months and in future years until the shares are redeemed. For further discussion on our preferred shares, see *Note 7, Equity*, to our consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

Sources and Uses of Cash

Our principal sources of cash are cash from operations, draws on our credit facilities, net proceeds from equity and debt offerings, and net proceeds from property sales. Our principal uses of cash are asset acquisitions, debt service payments, the redemption of equity securities, capital investments, operating costs, corporate expenses and dividends.

Operating activities. Our net cash provided by (used in) operating activities was $70.8 million for the year ended December 31, 2021 and $(201.8) million for the year ended December 31, 2020. Fluctuations in our net cash provided by or (used in) operating activities are primarily the result of changes in hotel revenues, operating cash requirements and corporate expenses. The increase in cash provided by (used in) operations in 2021 as compared to 2020 is due to the resumption of operations at our hotels, as we temporarily suspended operations at 47 of our hotels and resorts in 2020.

Investing Activities. Our net cash provided by (used in) investing activities was $(81.6) million for the year ended December 31, 2021 and $250.1 million for the year ended December 31, 2020. Fluctuations in our net cash provided by or (used in) investing activities are primarily the result of acquisition and disposition activities, as well as capital improvements and additions to our properties.

- During the year ended December 31, 2021, we invested $83.8 million in improvements to our hotel properties, received $255.9 million from the sales of three hotel properties and purchased three hotel properties using cash of $253.5 million.
- During the year ended December 31, 2020, we invested $125.0 million in improvements to our hotel properties and received $375.1 million from the sales of three hotel properties.

Financing Activities. Our net cash provided by (used in) financing activities was $(33.3) million for the year ended December 31, 2021 and $31.1 million for the year ended December 31, 2020. Fluctuations in our net cash provided by or (used in) financing activities are primarily the result of our issuance and repurchase of debt and equity securities and distributions paid on our preferred and common shares.

- During the year ended December 31, 2021, we received gross proceeds of $480.0 million from the issuance of our Series G and Series H Preferred Shares, which was partially offset by the payment $15.9 million in offering costs; received proceeds from the issuance of convertible notes and other debt of $268.6 million; repaid $392.2 million in other debt and $40.0 million of revolving credit facilities borrowings; used $250.0 million to redeem all our Series C and Series D Preferred Shares; paid $44.7 million in preferred and common distributions; purchased $21.0 million in Capped Call Transactions; and paid $14.5 million in financing fees.
- During the year ended December 31, 2020, we borrowed $760.1 million under the revolving credit facilities and $513.0 million in other debt; repaid $885.1 million of revolving credit facilities borrowings and $213.0 million in other debt; paid $86.5 million in preferred and common distributions; purchased $38.3 million in Capped Call Transactions; and paid $16.4 million in financing fees.

Capital Investments

We maintain and intend to continue maintaining all of our hotels in good repair and condition, in conformity with applicable laws and regulations, in accordance with franchisor standards when applicable and in accordance with agreed-upon requirements in our management agreements. Routine capital investments will be administered by the hotel management companies. However, we maintain approval rights over the capital investments as part of the annual budget process and as otherwise required from time to time.

Certain of our hotel properties may undergo renovations as a result of our decision to upgrade portions of the hotels, such as guest rooms, meeting space and restaurants, in order to better compete with other hotels in our markets. In addition, after we acquire a hotel property, we are often required by the franchisor or brand manager, if any, to complete a property improvement plan (“PIP”) in order to bring the hotel property up to the franchisor’s or brand’s standards. Generally, we expect to fund renovations and improvements with available cash, restricted cash, borrowings under our credit facility or proceeds from new debt or equity offerings.

For the year ended December 31, 2021, we invested $83.8 million in capital investments to reposition and improve our properties, primarily the renovations of Hotel Vitale, Southernmost Beach Resort and L'Auberge Del Mar.

Depending on market conditions, and in some instances subject to approval from governmental authorities, we expect to invest an additional $100.0 million to $120.0 million in capital investments in 2022, which includes normal hotel capital refurbishments, return of investment projects and major capital projects.

In 2022 we intend to complete or commence the following capital projects:

- $40.0 million redevelopment of Paradise Point Resort & Spa into Paradise Point, a Margaritaville Island Resort San Diego, which will commence upon the approval of governmental authorities;
- $28.0 million transformation of Hotel Vitale into 1 Hotel San Francisco, which commenced in 2021 and is expected to reopen in the second quarter of 2022;
- $20.0 million to $22.0 million renovation of Hilton San Diego Gaslamp Quarter, which will commence in 2022 and is expected to be completed in the first quarter of 2023;
- $20.0 million to $22.0 million renovation of Jekyll Island Club Resort, which will commence in 2022 and is expected to be completed in the third quarter of 2023;
- $20.0 million redevelopment of Solamar Hotel into Margaritaville Hotel San Diego Gaslamp Quarter, which will commence in 2022 and is expected to be completed in the first quarter of 2023; and
- $18.0 million to $21.0 million renovation of Estancia La Jolla Hotel & Spa, which will commence in 2022 and is expected to be completed in 2024.

Common Share Repurchase Program and ATM Program

On February 22, 2016, we announced that our Board of Trustees authorized a share repurchase program of up to $150.0 million of the Company's outstanding common shares. Under this program, we may repurchase common shares from time to time in transactions on the open market or by private agreement. We may suspend or discontinue this program at any time. No common shares were repurchased by the Company under the share repurchase program during the year ended December 31, 2021. As of December 31, 2021, $56.6 million of common shares remained available for repurchase under this program. The credit agreements governing our existing indebtedness prohibit us from repurchasing common shares until we have certified compliance with certain financial covenants through June 30, 2022.

On July 27, 2017, we announced that our Board of Trustees authorized a new share repurchase program of up to $100.0 million of the Company's outstanding common shares. Under this program, we may repurchase common shares from time to time in transactions on the open market or by private agreement. We may suspend or discontinue this program at any time. This $100.0 million share repurchase program will commence upon the completion of our $150.0 million share repurchase program.

On April 29, 2021, we filed a prospectus supplement with the SEC to sell up to $200.0 million of common shares under an "at the market" offering program (the "ATM program"). No common shares were issued or sold under the ATM program during the year ended December 31, 2021. As of December 31, 2021, $200.0 million of common shares remained available for issuance under the ATM program.

Inflation

We rely on the performance of the hotels to increase revenues to keep pace with inflation. Generally, our hotel operators possess the ability to adjust room rates daily, except for group or corporate rates contractually committed to in advance, although competitive pressures may limit the ability of our operators to raise rates faster than inflation or even at the same rate.

Seasonality

For discussion on the seasonality of our hotels' operations, see Part I, Item 1 of this Annual Report on Form 10-K.

Derivative Instruments

In the normal course of business, we are exposed to the effects of interest rate changes. We may enter into derivative instruments including interest rate swaps, caps and collars to manage or hedge interest rate risk. Derivative instruments are subject to fair value reporting at each reporting date and the increase or decrease in fair value is recorded in net income (loss) or accumulated other comprehensive income (loss), based on the applicable hedge accounting guidance. Derivatives expose the Company to credit risk in the event of non-performance by the counter parties under the terms of the interest rate hedge agreements. We believe we minimize the credit risk by transacting with major credit-worthy financial institutions.

As of December 31, 2021, we have interest rate swap agreements with an aggregate notional amount of $1.3 billion to hedge variable interest rates on our unsecured term loans. We have designated these pay-fixed, receive-floating interest rate swap derivatives as cash flow hedges. For a further discussion of our derivative instruments see *Note 5*, *Debt*, to our consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

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

Interest Rate Sensitivity

We are exposed to market risk from changes in interest rates. We seek to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs by closely monitoring our variable rate debt and converting such debt to fixed rates when we deem such conversion advantageous. From time to time, we may enter into interest rate swap agreements or other interest rate hedging contracts. While these agreements are intended to lessen the impact of rising interest rates, they also expose us to the risks that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly effective cash flow hedges under guidance included in ASC 815 "Derivatives and Hedging."

The table below provides information about financial instruments that are sensitive to changes in interest rates, including senior notes, term loans, mortgage loans and credit facilities. For debt obligations, the table presents scheduled maturities, including annual amortization of principal, and related weighted-average interest rates for the debt maturing in each specified period (dollars in thousands).

	2022	2023	2024	2025	2026	Thereafter	Total
Liabilities							
Fixed rate debt (1)	$ 1,887	$ 49,588	$ 2,084	$ 4,602	$ 752,318	$ 50,894	$ 861,373
Average interest rate	5.07 %	4.71 %	5.07 %	5.00 %	1.76 %	5.07 %	2.16 %
Variable rate debt (1)	$ 60,237	$ 588,831	$ 945,500	$ —	$ —	$ —	$ 1,594,568
Average interest rate	2.52 %	3.37 %	2.85 %	— %	— %	— %	3.03 %
Total	$ 62,124	$ 638,419	$ 947,584	$ 4,602	$ 752,318	$ 50,894	$ 2,455,941

(1) Scheduled maturities assume we exercise all extension options available in our debt agreements. For a discussion of our debt, see *Note 5*, *Debt*, to our consolidated financial statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

This table reflects indebtedness outstanding as of December 31, 2021 and does not reflect indebtedness, if any, incurred after that date. Our ultimate exposure to interest rate fluctuations depends on the amount of indebtedness that bears interest at variable rates, the time at which the interest rate is adjusted, the amount of adjustment, the ability to prepay or refinance variable rate indebtedness and hedging strategies used to reduce the impact of any increases in rates. As of December 31, 2021, the estimated fair value of our fixed rate debt was $747.8 million.

As of December 31, 2021, $274.6 million of the Company's aggregate indebtedness (11.2% of total indebtedness) was subject to variable interest rates, excluding amounts outstanding under the term loan facilities that have been effectively swapped into fixed rates. If interest rates on our unhedged variable rate debt increase or decrease by 0.1 percent, our annual interest expense will increase or decrease by approximately $0.3 million, respectively.

Item 8. Financial Statements and Supplementary Data.

See Financial Statements and index beginning on page F-1.

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

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

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

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the original framework in *Internal Control - Integrated Framework* issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control - Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2021.

We acquired Jekyll Island Club Resort on July 22, 2021, Margaritaville Hollywood Beach Resort on September 23, 2021 and Estancia La Jolla Hotel & Spa on December 1, 2021 and have excluded the hotel operations of these properties from our assessment of effectiveness of internal control over financial reporting as of December 31, 2021. Total assets and revenues for these hotels of $7.8 million and $35.5 million, respectively, for the year ended December 31, 2021 have been excluded from our assessment.

KPMG LLP, an independent registered public accounting firm, has audited our consolidated financial statements included in this Annual Report on Form 10-K and, as part of its audit, has issued its report, included herein on page F-4, on the effectiveness of our internal control over financial reporting.

There was no change to our internal control over financial reporting during the fourth quarter ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Trustees, Executive Officers and Corporate Governance.

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders.

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

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders.

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

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders.

Item 14. Principal Accountant Fees and Services.

Our independent registered public accounting firm is KPMG LLP, McLean, VA, Auditor Firm ID: 185.

The information required by this item is incorporated by reference to the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

1. Financial Statements

Included herein on pages F-1 through F-40.

2. Financial Statement Schedules

The following financial statement schedule is included herein on pages F-41 through F-44.

Schedule III--Real Estate and Accumulated Depreciation

All other schedules for which provision is made in Regulation S-X are either not required to be included herein under the related instructions or are inapplicable or the related information is included in the footnotes to the applicable financial statement and, therefore, have been omitted from this Item 15.

3. Exhibits

The following exhibits are filed or furnished, as the case may be, as part of this Annual Report on Form 10-K:

Exhibit Number	Description of Exhibit
3.1	Declaration of Trust, as amended and supplemented through July 23, 2021, of Pebblebrook Hotel Trust (incorporated by reference to Exhibit 3.1 to Pebblebrook Hotel Trust’s Quarterly Report on Form 10-Q filed with the SEC on July 29, 2021 (File No. 001-34571)).
3.2	Amended and Restated Bylaws of Pebblebrook Hotel Trust (incorporated by reference to Exhibit 3.2 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on November 14, 2016 (File No. 001-34571)).
3.3	First Amendment to Amended and Restated Bylaws of Pebblebrook Hotel Trust (incorporated by reference to Exhibit 3.2 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on July 21, 2017 (File No. 001-34571)).
3.4	Second Amended and Restated Agreement of Limited Partnership of Pebblebrook Hotel, L.P., dated as of December 13, 2013 (incorporated by reference to Exhibit 3.1 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 17, 2013 (File No. 001-34571)).
3.5	First Amendment to the Second Amended and Restated Agreement of Limited Partnership of Pebblebrook Hotel, L.P., dated as of September 30, 2014 (incorporated by reference to Exhibit 3.4 to Pebblebrook Hotel Trust’s Annual Report on Form 10-K filed with the SEC on February 17, 2015 (File No. 001-34571)).
3.6	Second Amendment to the Second Amended and Restated Agreement of Limited Partnership of Pebblebrook Hotel, L.P., dated as of June 8, 2016 (incorporated by reference to Exhibit 3.5 to Pebblebrook Hotel Trust’s Current Report on Form 8-K filed with the SEC on June 8, 2016 (File No. 001-34571)).
3.7	Third Amendment to the Second Amended and Restated Agreement of Limited Partnership of Pebblebrook Hotel, L.P., dated as of November 30, 2018 (incorporated by reference to Exhibit 3.3 to Pebblebrook Hotel Trust’s Current Report on Form 8-K filed with the SEC on December 3, 2018 (File No. 001-34571)).
3.8	Fourth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Pebblebrook Hotel, L.P., dated as of May 12, 2021 (incorporated by reference to Exhibit 3.2 to Pebblebrook Hotel Trust’s Current Report on Form 8-K filed with the SEC on May 12, 2021 (File No. 001-34571)).
4.1†	Description of the Registrant's Securities.
4.2	Indenture, dated December 15, 2020, between the Company and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 16, 2020 (File No. 001-34571)).
4.3	First Supplemental Indenture, dated December 15, 2020, between the Company and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.2 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 16, 2020 (File No. 001-34571)).
10.1*	Pebblebrook Hotel Trust 2009 Equity Incentive Plan, as amended and restated effective July 10, 2012 (incorporated by reference to Exhibit 10.1 to Pebblebrook Hotel Trust's Quarterly Report on Form 10-Q filed with the SEC on August 2, 2012 (File No. 001-34571)).
10.2*	Amendment No. 1 to the Pebblebrook Hotel Trust 2009 Equity Incentive Plan, as amended and restated effective July 10, 2012, effective July 7, 2016 (incorporated by reference to Exhibit 10.1 to Pebblebrook Hotel Trust’s Quarterly Report on Form 10-Q filed with the SEC on July 25, 2016 (File No. 001-34571)).
10.3*	Amendment No. 2 to the Pebblebrook Hotel Trust 2009 Equity Incentive Plan, as amended and restated effective July 10, 2012, effective February 15, 2017 (incorporated by reference to Exhibit 10.1 to Pebblebrook Hotel Trust’s Current Report on Form 8-K filed with the SEC on February 22, 2017 (File No. 001-34571)).
10.4*	Amendment No. 3 to the Pebblebrook Hotel Trust 2009 Equity Incentive Plan, as amended and restated effective July 10, 2012, effective May 19, 2021 (incorporated by reference to Exhibit 10.1 to Pebblebrook Hotel Trust’s Current Report on Form 8-K filed with the SEC on May 21, 2021 (File No. 001-34571)).
10.5*	Change in Control Severance Agreement between Pebblebrook Hotel Trust and Jon E. Bortz (incorporated by reference to Exhibit 10.2 to Pebblebrook Hotel Trust's Annual Report on Form 10-K filed with the SEC on March 24, 2010 (File No. 001-34571)).
10.6*	Change in Control Severance Agreement between Pebblebrook Hotel Trust and Raymond D. Martz (incorporated by reference to Exhibit 10.3 to Pebblebrook Hotel Trust's Annual Report on Form 10-K filed with the SEC on March 24, 2010 (File No. 001-34571)).
10.7*	Change in Control Severance Agreement between Pebblebrook Hotel Trust and Thomas C. Fisher (incorporated by reference to Exhibit 10.4 to Pebblebrook Hotel Trust's Annual Report on Form 10-K filed with the SEC on March 24, 2010 (File No. 001-34571)).
10.8*	Form of Indemnification Agreement between Pebblebrook Hotel Trust and its officers and trustees (incorporated by reference to Exhibit 10.4 of Amendment No. 1 to Pebblebrook Hotel Trust's Registration Statement on Form S-11/A filed with the SEC on November 10, 2009 (File No. 333-162412)).
10.9*	Form of Share Award Agreement for trustees (incorporated by reference to Exhibit 10.6 of Amendment No. 2 to Pebblebrook Hotel Trust's Registration Statement on Form S-11/A filed with the SEC on November 25, 2009 (File No. 333-162412)).
10.10*	Form of LTIP Unit Vesting Agreement (incorporated by reference to Exhibit 10.2 to Pebblebrook Hotel Trust's Quarterly Report on Form 10-Q filed with the SEC on April 26, 2012 (File No. 001-34571)).
10.11*	Form of Performance Unit Retention Award Agreement (incorporated by reference to Exhibit 10.2 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 17, 2013 (File No. 001-34571)).

10.12	Fourth Amended and Restated Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the other lenders party thereto (incorporated by reference to Exhibit 10.22 to Pebblebrook Hotel Trust's Annual Report on Form 10-K filed with the SEC on February 22, 2018 (File No. 001-34571)).
10.13	First Amendment to Fourth Amended and Restated Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the other lenders party thereto, dated as of June 29, 2020 (incorporated by reference to Exhibit 10.6 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on July 2, 2020 (File No. 001-34571)).
10.14	Second Amendment to Fourth Amended and Restated Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the other lenders party thereto, dated as of June 29, 2020 (incorporated by reference to Exhibit 10.1 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on July 2, 2020 (File No. 001-34571)).
10.15	Third Amendment to Fourth Amended and Restated Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the other lenders party thereto, entered into as of December 10, 2020 (incorporated by reference to Exhibit 10.1 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 16, 2020 (File No. 001-34571)).
10.16	Fourth Amendment to Fourth Amended and Restated Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the other lenders party thereto, dated as of February 18, 2021 (incorporated by reference to Exhibit 10.1 to Pebblebrook Hotel Trust's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021 (File No. 001-34571)).
10.17	Fifth Amendment to Fourth Amended and Restated Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the other lenders party thereto, dated as of December 9, 2021 (incorporated by reference to Exhibit 10.1 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 14, 2021 (File No. 001-34571)).
10.18	Sixth Amendment to Fourth Amended and Restated Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the other lenders party thereto, entered into as of December 9, 2021 (incorporated by reference to Exhibit 10.2 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 14, 2021 (File No. 001-34571)).
10.19	Amended and Restated Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, PNC Bank, National Association, as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.25 to Pebblebrook Hotel Trust's Annual Report on Form 10-K filed with the SEC on February 22, 2018 (File No. 001-34571)).
10.20	First Amendment to Amended and Restated Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, U.S. Bank National Association, as administrative agent, and the other lenders party thereto, dated as of June 29, 2020 (incorporated by reference to Exhibit 10.2 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on July 2, 2020 (File No. 001-34571)).
10.21	Second Amendment to Amended and Restated Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, U.S. Bank National Association, as administrative agent, and the other lenders party thereto, entered into as of December 10, 2020 (incorporated by reference to Exhibit 10.2 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 16, 2020 (File No. 001-34571)).
10.22	Third Amendment to Amended and Restated Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, U.S. Bank National Association, as administrative agent, and the other lenders party thereto, dated as of February 18, 2021 (incorporated by reference to Exhibit 10.2 to Pebblebrook Hotel Trust's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021 (File No. 001-34571)).
10.23	Fourth Amendment to Amended and Restated Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, U.S. Bank National Association, as administrative agent, and the other lenders party thereto, entered into as of December 9, 2021 (incorporated by reference to Exhibit 10.3 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 14, 2021 (File No. 001-34571)).
10.24	Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Capital One, National Association, as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.24 to Pebblebrook Hotel Trust's Annual Report on Form 10-K filed with the SEC on February 22, 2018 (File No. 001-34571)).

10.25	First Amendment to Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Capital One, National Association, as administrative agent, and the other lenders party thereto, dated as of June 29, 2020 (incorporated by reference to Exhibit 10.3 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on July 2, 2020 (File No. 001-34571)).
10.26	Second Amendment to Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Capital One, National Association, as administrative agent, and the other lenders party thereto, entered into as of December 10, 2020 (incorporated by reference to Exhibit 10.3 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 16, 2020 (File No. 001-34571)).
10.27	Third Amendment to Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Capital One, National Association, as administrative agent, and the other lenders party thereto, dated as of February 18, 2021 (incorporated by reference to Exhibit 10.3 to Pebblebrook Hotel Trust's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021 (File No. 001-34571)).
10.28	Fourth Amendment to Credit Agreement, dated as of October 13, 2017, among Pebblebrook Hotel, L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Capital One, National Association, as administrative agent, and the other lenders party thereto, entered into as of December 9, 2021 (incorporated by reference to Exhibit 10.4 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 14, 2021 (File No. 001-34571)).
10.29	Note Purchase and Guarantee Agreement, dated November 12, 2015, by and among Pebblebrook Hotel Trust, Pebblebrook Hotel, L.P., Massachusetts Mutual Life Insurance Company, MassMutual Asia Limited, Allianz Life Insurance Company of North America and The Guardian Life Insurance Company of America (incorporated by reference to Exhibit 10.33 to Pebblebrook Hotel Trust's Annual Report on Form 10-K filed with the SEC on February 22, 2016 (File No. 001-34571)).
10.30	First Amendment to Note Purchase Agreement, dated as of November 12, 2015, among Pebblebrook Hotel Trust, Pebblebrook Hotel, L.P., Massachusetts Mutual Life Insurance Company, MassMutual Asia Limited, Allianz Life Insurance Company of North America and The Guardian Life Insurance Company of America, dated as of October 13, 2017 (incorporated by reference to Exhibit 10.27 to Pebblebrook Hotel Trust's Annual Report on Form 10-K filed with the SEC on February 22, 2018 (File No. 001-34571)).
10.31	Second Amendment to Note Purchase Agreement, dated as of November 12, 2015, among Pebblebrook Hotel Trust, Pebblebrook Hotel, L.P., Massachusetts Mutual Life Insurance Company, MassMutual Asia Limited, Allianz Life Insurance Company of North America and The Guardian Life Insurance Company of America, dated as of June 29, 2020 (incorporated by reference to Exhibit 10.5 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on July 2, 2020 (File No. 001-34571)).
10.32	Third Amendment to Note Purchase Agreement, dated as of November 12, 2015, among Pebblebrook Hotel Trust, Pebblebrook Hotel, L.P., Massachusetts Mutual Life Insurance Company, MassMutual Asia Limited, Allianz Life Insurance Company of North America and The Guardian Life Insurance Company of America, dated as of December 10, 2020 (incorporated by reference to Exhibit 10.5 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 16, 2020 (File No. 001-34571)).
10.33	Fourth Amendment to Note Purchase Agreement, dated as of November 12, 2015, among Pebblebrook Hotel Trust, Pebblebrook Hotel, L.P., Massachusetts Mutual Life Insurance Company, MassMutual Asia Limited, Allianz Life Insurance Company of North America and The Guardian Life Insurance Company of America, dated as of February 18, 2021 (incorporated by reference to Exhibit 10.4 to Pebblebrook Hotel Trust's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021 (File No. 001-34571)).
10.34	Fifth Amendment to Note Purchase Agreement, dated as of November 12, 2015, among Pebblebrook Hotel Trust, Pebblebrook Hotel, L.P., Massachusetts Mutual Life Insurance Company, MassMutual Asia Limited, Allianz Life Insurance Company of North America and The Guardian Life Insurance Company of America, dated as of December 9, 2021 (incorporated by reference to Exhibit 10.6 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 14, 2021 (File No. 001-34571)).
10.35*	Form of Share Award Agreement (time-based vesting) for Executive Officers (incorporated by reference to Exhibit 10.1 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on February 16, 2018 (File No. 001-34571)).
10.36*	Form of Performance Unit Award Agreement for Executive Officers (incorporated by reference to (incorporated by reference to Exhibit 10.2 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on February 16, 2018 (File No. 001-34571)).
10.37*	Form of LTIP Class B Unit Vesting Agreement – retention award (incorporated by reference to Exhibit 10.6 to Pebblebrook Hotel Trust's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021 (File No. 001-34571)).
10.38	Credit Agreement, dated as of October 31, 2018, among Pebblebrook Hotel L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Bank of America, N.A., as administrative agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.34 to Pebblebrook Hotel Trust's Annual Report on Form 10-K filed with the SEC on March 1, 2019 (File No. 001-34571)).
10.39	First Amendment to Credit Agreement, dated as of October 31, 2018, among Pebblebrook Hotel L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Bank of America, N.A., as administrative agent, and the other lenders party thereto, dated as of June 29, 2020 (incorporated by reference to Exhibit 10.4 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on July 2, 2020 (File No. 001-34571)).
10.40	Second Amendment to Credit Agreement, dated as of October 31, 2018, among Pebblebrook Hotel L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Bank of America, N.A., as administrative agent, and the other lenders party thereto, entered into as of December 10, 2020 (incorporated by reference to Exhibit 10.4 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 16, 2020 (File No. 001-34571)).

10.41	Third Amendment to Credit Agreement, dated as of October 31, 2018, among Pebblebrook Hotel L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Bank of America, N.A., as administrative agent, and the other lenders party thereto, dated as of February 18, 2021 (incorporated by reference to Exhibit 10.5 to Pebblebrook Hotel Trust's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021 (File No. 001-34571)).
10.42	Fourth Amendment to Credit Agreement, dated as of October 31, 2018, among Pebblebrook Hotel L.P., as the borrower, Pebblebrook Hotel Trust, as the parent REIT and a guarantor, certain subsidiaries of the borrower, as guarantors, Bank of America, N.A., as administrative agent, and the other lenders party thereto, entered into as of December 9, 2021 (incorporated by reference to Exhibit 10.5 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on December 14, 2021 (File No. 001-34571)).
10.43	Loan Agreement, dated as of May 8, 2019, among JPMorgan Chase Bank, National Association, Deutsche Bank AG, New York Branch, and MVHF, LLC (incorporated by reference to Exhibit 10.1 to Pebblebrook Hotel Trust's Current Report on Form 8-K filed with the SEC on September 29, 2021 (File No. 001-34571)).
21.1†	List of Subsidiaries of Pebblebrook Hotel Trust.
23.1†	Consent of KPMG LLP.
31.1†	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2†	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1††	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2††	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.(1)
101.SCH	Inline XBRL Taxonomy Extension Schema Document(1)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document(1)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document(1)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document(1)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document(1)
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)(1)

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* Management agreement or compensatory plan or arrangement

† Filed herewith.

†† Furnished herewith.

(1) Submitted electronically herewith. Attached as Exhibit 101 to this report are the following documents formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations and Comprehensive Income; (iii) Consolidated Statements of Equity; (iv) Consolidated Statements of Cash Flows; (v) Notes to Consolidated Financial Statements; and (vi) Cover Page (in connection with Exhibit 104).

SIGNATURES

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

PEBBLEBROOK HOTEL TRUST

Date: February 22, 2022

/s/ JON E. BORTZ
Jon E. Bortz
Chairman, President and Chief Executive Officer

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

Name	Title	Date
/s/ JON E. BORTZ Jon E. Bortz	Chairman of the Board, President and Chief Executive Officer (principal executive officer)	February 22, 2022
/s/ RAYMOND D. MARTZ Raymond D. Martz	Executive Vice President, Chief Financial Officer, Treasurer and Secretary (principal financial officer and principal accounting officer)	February 22, 2022
/s/ CYDNEY C. DONNELL Cydney C. Donnell	Trustee	February 22, 2022
/s/ RON E. JACKSON Ron E. Jackson	Trustee	February 22, 2022
/s/ PHILLIP M. MILLER Phillip M. Miller	Trustee	February 22, 2022
/s/ MICHAEL J. SCHALL Michael J. Schall	Trustee	February 22, 2022
/s/ BONNY W. SIMI Bonny W. Simi	Trustee	February 22, 2022
/s/ EARL E. WEBB Earl E. Webb	Trustee	February 22, 2022

PEBBLEBROOK HOTEL TRUST
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees
Pebblebrook Hotel Trust:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Pebblebrook Hotel Trust and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes and financial statement schedule III (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 22, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for convertible debt as of January 1, 2021 due to the adoption of ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40).*

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

The assessment of hotel properties for impairment

As discussed in Note 2 to the consolidated financial statements, the Company reviews its investments in hotel properties for impairment whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. For hotel properties that have an indication that its carrying value may not be recoverable, an undiscounted cash flow analysis is prepared using various inputs and assumptions, including estimated holding period and expected terminal capitalization rate. The novel coronavirus (COVID-19) has reduced travel significantly and adversely affected the hospitality industry and resulted in recoverability analyses being performed on all of the Company’s hotel properties. In addition, COVID-19 has increased uncertainty in future cash flow projections and hold periods. Investment in hotel properties was $6.1 billion, or 97% of total assets as of December 31, 2021.

We identified the assessment of hotel properties for impairment as a critical audit matter. Significant auditor judgment was required to evaluate certain key assumptions, specifically, the judgments related to the Company’s estimated holding period, expected terminal capitalization rate, and projected undiscounted cash flows from operations and eventual disposition, including the effects of COVID-19 and the resulting duration of the economic effects on its properties. Changes in the key assumptions could have a significant impact on the determination of recoverability of the carrying value of the Company’s investment in hotel properties.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company’s process to evaluate hotel properties for impairment, including the specific assumptions described above. We inquired of Company officials and inspected documents, such as meeting minutes of the board of trustees, to identify Company strategies that may indicate it was more-likely-than not that a property will be sold significantly before the end of its previously estimated useful life. We read publicly available information in order to identify information regarding potential sales of the Company’s properties. We also performed sensitivity analyses over the estimated holding period of certain of the Company’s hotel properties by changing the Company’s estimates to assess the impact on the analysis. We evaluated the Company’s expected terminal capitalization rates by comparing to published third-party industry reports as well as the Company’s historical hotel property sales. For certain of the hotel properties, we performed sensitivity analyses over the estimated terminal capitalization rate by considering points within the ranges we obtained from published third party industry reports. We evaluated the Company’s projected undiscounted cash flows from operations, by comparing to published third-party industry reports evaluating the impact of COVID-19 on the hotel industry. We inquired and obtained representations from the Company regarding the status and evaluation of any potential disposal of properties and read minutes of the board of trustees. We corroborated that information with others in the organization who are responsible for, and have authority over, disposition activities.

/s/ KPMG LLP

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

McLean, Virginia
February 22, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees
Pebblebrook Hotel Trust:

Opinion on Internal Control Over Financial Reporting

We have audited Pebblebrook Hotel Trust and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes and financial statement schedule III (collectively, the consolidated financial statements), and our report dated February 22, 2022 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired the Jekyll Island Club Resort, the Margaritaville Hollywood Beach Resort, and the Estancia La Jolla Hotel & Spa during 2021, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, the Jekyll Island Club Resort, the Margaritaville Hollywood Beach Resort, and the Estancia La Jolla Hotel & Spa's internal control over financial reporting associated with total assets of $7.8 million and total revenues of $35.5 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2021. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of the Jekyll Island Club Resort, the Margaritaville Hollywood Beach Resort, and the Estancia La Jolla Hotel & Spa.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ KPMG LLP

McLean, Virginia
February 22, 2022

Pebblebrook Hotel Trust
Consolidated Balance Sheets
(in thousands, except share and per-share data)

	December 31, 2021	December 31, 2020
ASSETS		
Investment in hotel properties, net	$ 6,079,333	$ 5,882,022
Cash and cash equivalents	58,518	124,274
Restricted cash	33,729	12,026
Hotel receivables (net of allowance for doubtful accounts of $1,142 and $183, respectively)	37,045	10,225
Prepaid expenses and other assets	52,565	47,819
Total assets	$ 6,261,190	$ 6,076,366
LIABILITIES AND EQUITY		
Debt	$ 2,441,888	$ 2,280,471
Accounts payable, accrued expenses and other liabilities	250,584	226,446
Lease liabilities - operating leases	319,426	255,106
Deferred revenues	69,064	36,057
Accrued interest	4,567	4,653
Distribution payable	11,756	9,307
Total liabilities	3,097,285	2,812,040
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred shares of beneficial interest, $.01 par value (liquidation preference $740,000 and $510,000 at December 31, 2021 and December 31, 2020, respectively), 100,000,000 shares authorized; 29,600,000 shares issued and outstanding at December 31, 2021 and 20,400,000 shares issued and outstanding at December 31, 2020	296	204
Common shares of beneficial interest, $.01 par value, 500,000,000 shares authorized; 130,813,750 shares issued and outstanding at December 31, 2021 and 130,673,300 shares issued and outstanding at December 31, 2020	1,308	1,307
Additional paid-in capital	4,268,042	4,169,870
Accumulated other comprehensive income (loss)	(19,442)	(60,071)
Distributions in excess of retained earnings	(1,094,023)	(853,973)
Total shareholders' equity	3,156,181	3,257,337
Non-controlling interests	7,724	6,989
Total equity	3,163,905	3,264,326
Total liabilities and equity	$ 6,261,190	$ 6,076,366

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

Pebblebrook Hotel Trust
Consolidated Statements of Operations and Comprehensive Income
(in thousands, except share and per-share data)

	For the year ended December 31, 2021	2020	2019
Revenues:			
Room	$ 483,191	$ 287,439	$ 1,103,947
Food and beverage	157,848	95,892	370,584
Other operating	92,005	59,557	137,682
Total revenues	733,044	442,888	1,612,213
Expenses:			
Hotel operating expenses:			
Room	127,105	91,771	275,855
Food and beverage	111,928	77,698	260,278
Other direct and indirect	257,547	209,957	438,035
Total hotel operating expenses	496,580	379,426	974,168
Depreciation and amortization	224,251	224,560	234,880
Real estate taxes, personal property taxes, property insurance, and ground rent	111,675	114,333	125,013
General and administrative	38,166	45,158	34,047
Transaction costs	100	10,544	8,679
Impairment loss	14,856	74,556	—
(Gain) loss on sale of hotel properties	(64,729)	(117,401)	(2,819)
Other operating expenses	1,936	4,421	8,903
Total operating expenses	822,835	735,597	1,382,871
Operating income (loss)	(89,791)	(292,709)	229,342
Interest expense	(96,633)	(104,098)	(108,474)
Other	113	517	29
Income (loss) before income taxes	(186,311)	(396,290)	120,897
Income tax (expense) benefit	(61)	3,697	(5,172)
Net income (loss)	(186,372)	(392,593)	115,725
Net income (loss) attributable to non-controlling interests	(1,514)	(864)	283
Net income (loss) attributable to the Company	(184,858)	(391,729)	115,442
Distributions to preferred shareholders	(42,105)	(32,556)	(32,556)
Issuance costs of redeemed preferred shares	(8,055)	—	—
Net income (loss) attributable to common shareholders	$ (235,018)	$ (424,285)	$ 82,886
Net income (loss) per share available to common shareholders, basic	$ (1.80)	$ (3.25)	$ 0.63
Net income (loss) per share available to common shareholders, diluted	$ (1.80)	$ (3.25)	$ 0.63
Weighted-average number of common shares, basic	130,804,354	130,610,015	130,471,670
Weighted-average number of common shares, diluted	130,804,354	130,610,015	130,718,306

Pebblebrook Hotel Trust
Consolidated Statements of Operations and Comprehensive Income - Continued
(in thousands, except share and per-share data)

	For the year ended December 31,		
	2021	2020	2019
Comprehensive Income:			
Net income (loss)	$ (186,372)	$ (392,593)	$ 115,725
Other comprehensive income (loss):			
Change in fair value of derivative instruments	15,289	(63,861)	(25,785)
Amounts reclassified from other comprehensive income	25,210	28,505	(260)
Comprehensive income (loss)	(145,873)	(427,949)	89,680
Comprehensive income (loss) attributable to non-controlling interests	(1,251)	(934)	209
Comprehensive income (loss) attributable to the Company	$ (144,622)	$ (427,015)	$ 89,471

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

Pebblebrook Hotel Trust
Consolidated Statements of Equity
(in thousands, except share data)

For the year ended December 31, 2019

	Preferred Shares		Common Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2018	20,400,000	$ 204	130,311,289	$ 1,303	$ 4,065,804	$ 1,330	$ (308,806)	$ 3,759,835	$ 10,095	$ 3,769,930
Issuance of shares, net of offering costs	—	—	—	—	(275)	—	—	(275)	—	(275)
Issuance of common shares for Board of Trustees compensation	—	—	25,282	1	739	—	—	740	—	740
Repurchase of common shares	—	—	(126,681)	(1)	(4,008)	—	—	(4,009)	—	(4,009)
Share-based compensation	—	—	275,066	2	7,180	—	—	7,182	1,057	8,239
Distributions on common shares/units	—	—	—	—	—	—	(199,076)	(199,076)	(562)	(199,638)
Distributions on preferred shares	—	—	—	—	—	—	(32,556)	(32,556)	(50)	(32,606)
Redemption of non-controlling interest LTIP units	—	—	—	—	(30)	—	—	(30)	(95)	(125)
Other comprehensive income (loss):										
Change in fair value of derivative instruments	—	—	—	—	—	(25,785)	—	(25,785)	—	(25,785)
Amounts reclassified from other comprehensive income	—	—	—	—	—	(260)	—	(260)	—	(260)
Net income (loss)	—	—	—	—	—	—	115,442	115,442	283	115,725
Balance at December 31, 2019	20,400,000	$ 204	130,484,956	$ 1,305	$ 4,069,410	$ (24,715)	$ (424,996)	$ 3,621,208	$ 10,728	$ 3,631,936

Pebblebrook Hotel Trust
Consolidated Statements of Equity - Continued
(in thousands, except share data)

	For the year ended December 31, 2020									
	Preferred Shares		Common Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2019	20,400,000	$ 204	130,484,956	$ 1,305	$ 4,069,410	$ (24,715)	$ (424,996)	$ 3,621,208	$ 10,728	$ 3,631,936
Issuance of shares, net of offering costs	—	—	—	—	(119)	—	—	(119)	—	(119)
Issuance of common shares for Board of Trustees compensation	—	—	23,528	1	636	—	—	637	—	637
Repurchase of common shares	—	—	(47,507)	(1)	(1,254)	—	—	(1,255)	—	(1,255)
Share-based compensation	—	—	103,083	1	12,162	—	—	12,163	10,616	22,779
Distributions on common shares/units	—	—	—	—	—	—	(4,692)	(4,692)	(45)	(4,737)
Distributions on preferred shares	—	—	—	—	—	—	(32,556)	(32,556)	—	(32,556)
Redemption of non-controlling interest LTIP units	—	—	109,240	1	13,445	—	—	13,446	(13,446)	—
Equity component of convertible senior notes	—	—	—	—	113,890	—	—	113,890	—	113,890
Purchases of capped calls in connection with convertible senior notes	—	—	—	—	(38,300)	—	—	(38,300)	—	(38,300)
Other comprehensive income (loss):										
Change in fair value of derivative instruments	—	—	—	—	—	(63,861)	—	(63,861)	—	(63,861)
Amounts reclassified from other comprehensive income	—	—	—	—	—	28,505	—	28,505	—	28,505
Net income (loss)	—	—	—	—	—	—	(391,729)	(391,729)	(864)	(392,593)
Balance at December 31, 2020	20,400,000	$ 204	130,673,300	$ 1,307	$ 4,169,870	$ (60,071)	$ (853,973)	$ 3,257,337	$ 6,989	$ 3,264,326

Pebblebrook Hotel Trust
Consolidated Statements of Equity - Continued
(in thousands, except share data)

	For the year ended December 31, 2021									
	Preferred Shares		Common Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2020	20,400,000	$ 204	130,673,300	$ 1,307	$ 4,169,870	$ (60,071)	$ (853,973)	$ 3,257,337	$ 6,989	$ 3,264,326
Redemption of preferred shares	(10,000,000)	(100)	—	—	(241,845)	—	(8,055)	(250,000)	—	(250,000)
Issuance of shares, net of offering costs	19,200,000	192	—	—	463,862	—	—	464,054	—	464,054
Issuance of common shares for Board of Trustees compensation	—	—	27,711	1	515	—	—	516	—	516
Repurchase of common shares	—	—	(38,310)	(1)	(719)	—	—	(720)	—	(720)
Share-based compensation	—	—	151,049	1	10,433	—	—	10,434	2,445	12,879
Distributions on common shares/units	—	—	—	—	—	—	(5,032)	(5,032)	(66)	(5,098)
Distributions on preferred shares	—	—	—	—	—	—	(42,105)	(42,105)	—	(42,105)
Cumulative effect adjustment from adoption of new accounting standard	—	—	—	—	(113,099)	—	—	(113,099)	—	(113,099)
Purchases of capped calls in connection with convertible senior notes	—	—	—	—	(20,975)	—	—	(20,975)	—	(20,975)
Other adjustment	—	—	—	—	—	393	—	393	(393)	—
Other comprehensive income (loss):										
Change in fair value of derivative instruments	—	—	—	—	—	15,026	—	15,026	263	15,289
Amounts reclassified from other comprehensive income	—	—	—	—	—	25,210	—	25,210	—	25,210
Net income (loss)	—	—	—	—	—	—	(184,858)	(184,858)	(1,514)	(186,372)
Balance at December 31, 2021	29,600,000	$ 296	130,813,750	$ 1,308	$ 4,268,042	$ (19,442)	$ (1,094,023)	$ 3,156,181	$ 7,724	$ 3,163,905

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

Pebblebrook Hotel Trust
Consolidated Statements of Cash Flows
(in thousands)

	For the year ended December 31,		
	2021	2020	2019
Operating activities:			
Net income (loss)	$ (186,372)	$ (392,593)	$ 115,725
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	224,251	224,560	234,880
Share-based compensation	11,433	22,779	8,239
Amortization of deferred financing costs, non-cash interest and other amortization	16,633	17,200	17,349
(Gain) loss on sale of hotel properties	(64,729)	(117,401)	(2,819)
Impairment loss	14,856	74,556	—
Non-cash ground rent	7,061	6,198	6,395
Other adjustments	(1,959)	347	2,365
Changes in assets and liabilities:			
Hotel receivables	(27,509)	38,509	8,648
Prepaid expenses and other assets	(428)	3,358	1,061
Accounts payable and accrued expenses	51,793	(60,673)	(605)
Deferred revenues	25,736	(18,616)	3,964
Net cash provided by (used in) operating activities	70,766	(201,776)	395,202
Investing activities:			
Improvements and additions to hotel properties	(83,827)	(125,014)	(169,632)
Proceeds from sales of hotel properties	255,927	375,131	470,352
Acquisition of hotel properties	(253,541)	—	—
Other investing activities	(128)	—	(752)
Net cash provided by (used in) investing activities	(81,569)	250,117	299,968
Financing activities:			
Gross proceeds from issuance of preferred shares	480,000	—	—
Payment of offering costs — common and preferred shares	(15,947)	(119)	(275)
Payment of deferred financing costs	(14,510)	(16,372)	(461)
(Distributions to) contributions from non-controlling interest	—	—	(125)
Borrowings under revolving credit facilities	—	760,115	414,771
Repayments under revolving credit facilities	(40,000)	(885,115)	(419,771)
Proceeds from debt	268,599	512,965	—
Repayments of debt	(392,236)	(212,965)	(518,207)
Purchases of capped calls for convertible senior notes	(20,975)	(38,300)	—
Repurchases of common shares	(720)	(1,255)	(4,009)
Redemption of preferred shares	(250,000)	—	—
Distributions — common shares/units	(5,279)	(53,960)	(184,836)
Distributions — preferred shares	(39,443)	(32,556)	(32,556)
Repayments of refundable membership deposits	(2,739)	(1,354)	(637)
Net cash provided by (used in) financing activities	(33,250)	31,084	(746,106)
Net change in cash and cash equivalents and restricted cash	(44,053)	79,425	(50,936)
Cash and cash equivalents and restricted cash, beginning of year	136,300	56,875	107,811
Cash and cash equivalents and restricted cash, end of year	$ 92,247	$ 136,300	$ 56,875

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization

Pebblebrook Hotel Trust (the "Company") is an internally managed hotel investment company, formed as a Maryland real estate investment trust in October 2009 to opportunistically acquire and invest in hotel properties located primarily in major United States cities, with an emphasis on major gateway coastal markets.

As of December 31, 2021, the Company owned 53 hotels with a total of 13,247 guest rooms. The hotel properties are located in: Boston, Massachusetts; Chicago, Illinois; Hollywood, Florida; Jekyll Island, Georgia; Key West, Florida; Miami (Coral Gables), Florida; Los Angeles, California (Beverly Hills, Santa Monica, and West Hollywood); Naples, Florida; Philadelphia, Pennsylvania; Portland, Oregon; San Diego, California; San Francisco, California; Santa Cruz, California; Seattle, Washington; Stevenson, Washington; and Washington, D.C.

Substantially all of the Company's assets are held by, and all of the Company's operations are conducted through, Pebblebrook Hotel, L.P. (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership. As of December 31, 2021, the Company owned 99.3% of the common limited partnership units issued by the Operating Partnership ("common units"). The remaining 0.7% of the common units are owned by the other limited partners of the Operating Partnership. For the Company to maintain its qualification as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), it cannot operate the hotels it owns. Therefore, the Operating Partnership and its subsidiaries lease the hotel properties to subsidiaries of Pebblebrook Hotel Lessee, Inc. (collectively with its subsidiaries, "PHL"), a taxable REIT subsidiary ("TRS"), which in turn engage third-party eligible independent contractors to manage the hotels. PHL is consolidated into the Company's financial statements.

COVID-19 and Liquidity Update

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") to be a global pandemic and the virus spread throughout the United States and the world. As a result of this pandemic and subsequent government mandates, health official recommendations, corporate policy changes and individual responses, hotel demand dramatically declined. In response, the Company implemented significant cost controls, salary reductions and temporarily suspended operations at 47 of its hotels and resorts in 2020. In addition, to improve liquidity, the Company raised capital by issuing convertible notes and additional preferred shares as summarized below. As demand improved as a result of an increase in vaccinations and corresponding lifting of governmental restrictions and recommendations, the Company gradually reopened its hotels and resorts. As of December 31, 2021, all of the Company's hotels and resorts were open, with the exception of Hotel Vitale, whose operations will remain suspended until the completion of its renovations and repositioning, which we expect to occur in the second quarter of 2022.

The COVID-19 pandemic had a significant negative impact on the Company's operations and financial results throughout 2021. Although results improved relative to 2020, the Company cannot estimate with certainty when travel demand will fully recover. However, the Company anticipates further recovery in 2022. Leisure travel in 2021 exceeded expectations, particularly at the Company's warmer-weather and resort properties, and we expect this trend to continue in 2022. However, business travel continues to be substantially lower.

During 2021, the Company amended the agreements governing its existing credit facilities, term loan facilities and unsecured senior notes to, among other changes:

- waive quarterly financial covenants until the second quarter of 2022, with substantially less-restrictive covenants through the end of the first quarter of 2023;
- extend or provide the option for us to extend more than $1.0 billion of debt maturities including our revolving credit facility;
- increase pricing until the end of the covenant waiver period; and
- impose certain restrictions during the covenant waiver period on share repurchases, dividends, capital improvements, and hotel property acquisitions.

Based on the amendments to the Company's credit agreements, actions noted above, and assumptions regarding the recovery of demand, the Company believes it has sufficient liquidity to meet its obligations for the next 12 months. For further discussion on the Company's liquidity, see *Liquidity and Capital Resources* included in Part II, Item 7 of this Annual Report on Form 10-K.

During the year ended December 31, 2021, other significant transactions included:

- On February 9, 2021, the Company issued, at a 5.5% premium to par, an additional $250.0 million aggregate principal amount of the convertible notes originally issued in December 2020.
- On April 1, 2021, the Company sold the Sir Francis Drake for $157.6 million.
- On May 13, 2021, the Company raised $222.6 million of net proceeds from the issuance of 9,200,000 6.375% Series G Cumulative Redeemable Preferred Shares.
- On June 10, 2021, the Company sold The Roger New York for $19.0 million.
- On July 22, 2021, the Company acquired the leasehold interest in Jekyll Island Club Resort for $94.0 million.
- On July 27, 2021, the Company raised $242.1 million of net proceeds from the issuance of 10,000,000 5.70% Series H Cumulative Redeemable Preferred Shares.
- On August 21, 2021, the Company redeemed all outstanding 6.375% Series D Cumulative Redeemable Preferred Shares.
- On August 22, 2021, the Company redeemed all outstanding 6.50% Series C Cumulative Redeemable Preferred Shares.
- On September 9, 2021, the Company sold Villa Florence San Francisco on Union Square for $87.5 million.
- On September 23, 2021, the Company acquired the leasehold interest in Margaritaville Hollywood Beach Resort for $270.0 million, including the assumption of a $161.5 million mortgage loan.
- On October 20, 2021, the Company acquired Avalon Bed & Breakfast and Duval Gardens for $20.0 million, with both properties consolidated into the Company's Southernmost Beach Resort.
- On December 1, 2021, the Company acquired the leasehold interest in Estancia La Jolla Hotel & Spa for $108.0 million, including the assumption of a $61.7 million mortgage loan.
- The Company paid down $431.9 million of debt, consisting of $341.9 million of term loans, $50.0 million of senior unsecured notes and $40.0 million on the senior unsecured credit facility.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The Company and its subsidiaries are separate legal entities and maintain records and books of account separate and apart from each other. The consolidated financial statements include all of the accounts of the Company and its subsidiaries and are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant intercompany balances and transactions have been eliminated in consolidation. Investments in entities that the Company does not control, but over which the Company has the ability to exercise significant influence regarding operating and financial policies, are accounted for under the equity method.

Certain reclassifications have been made to the prior period's financial statements to conform to the current year presentation.

Use of Estimates

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

Risks and Uncertainties

The state of the overall economy can significantly impact hotel operational performance and thus, impact the Company's financial position. As discussed above, the impact of COVID-19 has significantly impacted the hotels' operational performance and therefore the Company has significantly reduced distributions to our shareholders in addition to taking other measures in order to reduce operating expenses. A continued reduction in travel may impact the Company's ability to service debt or meet other financial obligations.

Fair Value Measurements

A fair value measurement is based on the assumptions that market participants would use in pricing an asset or liability in an orderly transaction. The hierarchy for inputs used in measuring fair value are as follows:

1. Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 – Inputs include quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-derived valuations whose inputs are observable.
3. Level 3 – Model-derived valuations with unobservable inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

The Company's financial instruments include cash and cash equivalents, restricted cash, accounts payable and accrued expenses. Due to their short maturities, the carrying amounts of these assets and liabilities approximate fair value. See Note 5, Debt, to the accompanying consolidated financial statements for disclosures on the fair value of debt and derivative instruments.

Investment in Hotel Properties

Upon acquiring a business or hotel property, the Company measures and recognizes the fair value of the acquired land, land improvements, building, furniture, fixtures and equipment, identifiable intangible assets or liabilities, other assets and assumed liabilities. Identifiable intangible assets or liabilities typically arise from contractual arrangements in connection with the transaction, including terms that are above or below market compared to an estimated market agreement at the acquisition date. Acquisition-date fair values of assets and assumed liabilities are determined using a combination of the market, cost and income approaches. These valuation methodologies are based on significant Level 2 and Level 3 inputs in the fair value hierarchy, such as estimates of future income growth, capitalization rates, discount rates, capital expenditures and cash flow projections, including hotel revenues and net operating income, at the respective hotel properties.

Transaction costs related to business combinations are expensed as incurred and included on the consolidated statements of operations and comprehensive income. Transaction costs related to asset acquisitions are capitalized and recorded to investment in hotel property.

Hotel renovations and replacements of assets that improve or extend the life of the asset are recorded at cost and depreciated over their estimated useful lives. Furniture, fixtures and equipment under finance leases are recorded at the present value of the minimum lease payments. Repair and maintenance costs are expensed as incurred.

Hotel properties are recorded at cost and depreciated using the straight-line method over an estimated useful life of 10 to 40 years for buildings, land improvements, and building improvements and 1 to 10 years for furniture, fixtures and equipment. Leasehold improvements are amortized over the shorter of the lease term or the useful lives of the related assets. Intangible assets arising from contractual arrangements are typically amortized over the life of the contract. The Company is required to make subjective assessments as to the useful lives and classification of properties for purposes of determining the amount of depreciation expense to reflect each year with respect to the assets. These assessments may impact the Company’s results of operations.

The Company reviews its investments in hotel properties for impairment whenever events or changes in circumstances indicate that the carrying value of the hotel properties may not be recoverable. Events or circumstances that may cause a review include, but are not limited to, when a hotel property experiences a current or projected loss from operations, when it becomes more likely than not that a hotel property will be sold before the end of its useful life, adverse changes in the demand for lodging at the properties due to declining national or local economic conditions and/or new hotel construction in markets where the hotels are located. When such conditions exist, the Company performs an analysis to determine if the estimated undiscounted future cash flows from operations and the proceeds from the ultimate disposition of a hotel exceed its carrying value. If the estimated undiscounted future cash flows are less than the carrying value of the asset, an adjustment to reduce the carrying value to the related hotel’s estimated fair market value is recorded and an impairment loss is recognized. In the evaluation of impairment of its hotel properties, the Company makes many assumptions and estimates including projected cash flows both from operations and eventual disposition, expected useful life and estimated holding period, future required capital expenditures, and fair values, including consideration of expected terminal capitalization rates, discount rates, and comparable selling prices. The Company will adjust its assumptions with respect to the remaining useful life of the hotel property when circumstances change or it is more likely than not that the hotel property will be sold prior to its previously expected useful life.

The Company will classify a hotel as held for sale and will cease recording depreciation expense when a binding agreement to sell the property has been signed under which the buyer has committed a significant amount of nonrefundable cash, approval of the Company's board of trustees (the "Board of Trustees") has been obtained, no significant financing contingencies exist, and the sale is expected to close within one year. If the fair value less costs to sell is lower than the carrying value of the hotel, the Company will record an impairment loss. The Company will classify the loss, together with the related operating results, as continuing or discontinuing operations on the statements of operations and classify the assets and related liabilities as held for sale on the balance sheet.

Intangible Assets and Liabilities

Intangible assets or liabilities are recorded on non-market contracts assumed as part of the acquisition of certain hotels. The Company reviews the terms of agreements assumed in conjunction with the purchase of a hotel to determine if the terms are over or under market compared to an estimated market agreement at the acquisition date. Under market lease assets or over market contract liabilities are recorded at the acquisition date and amortized using the straight-line method over the term of the agreement. The Company does not amortize intangible assets with indefinite useful lives, but reviews these assets for impairment annually or at interim periods if events or circumstances indicate that the asset may be impaired.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions and short-term liquid investments with an original maturity of three months or less. The Company maintains cash and cash equivalents balances in excess of insured limits with various financial institutions. This may subject the Company to significant concentrations of credit risk. The Company performs periodic evaluations of the credit quality of these financial institutions.

Restricted Cash

Restricted cash primarily consists of reserves for replacement of furniture and fixtures, cash held in escrow pursuant to certain lender or hotel management agreement requirements to pay for real estate taxes, ground rent or property insurance and cash held in cash management and lockbox accounts pursuant to certain mortgage loan requirements.

Prepaid Expenses and Other Assets

The Company's prepaid expenses and other assets consist of prepaid real estate taxes, prepaid insurance, inventories, over or under market leases, and corporate office equipment and furniture.

Derivative Instruments

In the normal course of business, the Company is exposed to the effects of interest rate changes. The Company may enter into derivative instruments including interest rate swaps, caps and collars to manage or hedge interest rate risk. Derivative instruments are recorded at fair value on the balance sheet date. Unrealized gains and losses of hedging instruments are reported in other comprehensive income (loss) and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings.

Revenue Recognition

Revenue consists of amounts derived from hotel operations, including the sales of rooms, food and beverage, and other ancillary services. Room revenue is recognized over the length of a customer's hotel stay. Revenue from food and beverage and other ancillary services is generated when a customer chooses to purchase goods or services separately from a hotel room and revenue is recognized on these distinct goods and services at the point in time or over the time period that goods or services are provided to the customer. Certain ancillary services are provided by third parties and the Company assesses whether it is the principal or agent in these arrangements. If the Company is the agent, revenue is recognized based upon the commission earned from the third party. If the Company is the principal, the Company recognizes revenue based upon the gross sales price. Some contracts for rooms or food and beverage services require an upfront deposit which is recorded as deferred revenues (or contract liabilities) and recognized once the performance obligations are satisfied.

The Company recognizes revenue related to nonrefundable membership initiation fees and refundable membership initiation deposits over the expected life of an active membership. For refundable membership initiation deposits, the difference between the amount paid by the member and the present value of the refund obligation is deferred and recognized as other operating revenues on the consolidated statements of operations and comprehensive income over the expected life of an active membership. The present value of the refund obligation is recorded as a membership initiation deposit liability in the consolidated balance sheets and accretes over the nonrefundable term using the effective interest method using the Company's incremental borrowing rate. The accretion is included in interest expense.

Certain of the Company's hotels have retail spaces, restaurants or other spaces which the Company leases to third parties. Lease revenue is recognized on a straight-line basis over the life of the lease and included in other operating revenues in the Company's consolidated statements of operations and comprehensive income.

The Company collects sales, use, occupancy and similar taxes at its hotels which are presented on a net basis on the consolidated statements of operations and comprehensive income. Accounts receivable primarily represents receivables from hotel guests who occupy hotel rooms and utilize hotel services. The Company maintains an allowance for doubtful accounts sufficient to cover estimated potential credit losses.

Income Taxes

To qualify as a REIT for federal income tax purposes, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90 percent of its REIT taxable income (determined without regard to the deduction for dividends paid and excluding net capital gains) to its shareholders. As a REIT, the Company generally is not subject to federal corporate income tax on that portion of its taxable income that is currently distributed to shareholders. The Company is subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income. In addition, the Company's TRS lessees are subject to federal and state income taxes. The Company accounts for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Valuation allowances are provided if, based upon the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Share-based Compensation

The Company has adopted an equity incentive plan that provides for the grant of common share options, share awards, share appreciation rights, performance units and other equity-based awards. Equity-based compensation is measured at the fair value of the award on the date of grant and recognized as an expense on a straight-line basis over the vesting period. Share-based compensation awards that contain a performance condition are reviewed at least quarterly to assess the achievement of the performance condition. Compensation expense will be adjusted when a change in the assessment of achievement of the specific performance condition level is determined to be probable. The determination of fair value of these awards is subjective and involves significant estimates and assumptions including expected volatility of the Company's shares, expected dividend yield, expected term and assumptions of whether these awards will achieve parity with other operating partnership units or achieve performance thresholds.

Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing the net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income (loss) available to common shareholders, as adjusted for dilutive securities, by the weighted-average number of common shares outstanding plus dilutive securities. Any anti-dilutive securities are excluded from the diluted per-share calculation.

Comprehensive Income (Loss)

The purpose of reporting comprehensive income (loss) is to report a measure of all changes in equity of an entity that result from recognized transactions and other economic events of the period other than transactions with owners in their capacity as owners. Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss).

Segment Information

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

New Accounting Pronouncements

Convertible Debt

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)*, which simplified the accounting for convertible instruments by eliminating the requirement to separate conversion features from the host contract. The new guidance eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. As a result, in more cases, convertible debt will be accounted for as a single instrument. The guidance also removes certain conditions for equity classification related to contracts in an entity’s own equity and requires the application of the if-converted method for calculating diluted earnings per share.

The Company early adopted ASU 2020-06 effective January 1, 2021 and reclassified its equity component of the convertible debt to the liability. Convertible debt is now recorded entirely as a single liability with no portion of the proceeds from the issuance of the convertible debt instrument recorded as attributable to the conversion feature. In addition, the Company ceased recording non-cash interest expense associated with the amortization of the debt discount and calculates earnings per share using the if-converted method to the extent those shares are not anti-dilutive.

Reference Rate Reform

In March 2020 and January 2021, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* and ASU 2021-01, *Reference Rate Reform (Topic 848)*, respectively. ASU 2020-04 and ASU 2021-01 provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. The guidance in ASU 2020-04 and ASU 2021-01 was effective upon issuance and, once adopted, may be applied prospectively to contract modifications and hedging relationships through December 31, 2022.

In 2020, the Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company will continue to evaluate the impact of the adoption of ASU 2020-04 and ASU 2021-01 on its consolidated financial statements.

Note 3. Acquisition and Disposition of Hotel Properties

Acquisitions

On July 22, 2021, the Company acquired the leasehold interest in the 200-room Jekyll Island Club Resort in Jekyll Island, Georgia for $94.0 million, excluding prorations and transaction costs, using cash on hand.

On September 23, 2021, the Company acquired the leasehold interest in the 369-room Margaritaville Hollywood Beach Resort in Hollywood, Florida for $270.0 million, excluding prorations and transaction costs, using cash on hand and the assumption of a $161.5 million mortgage loan.

On October 20, 2021, the Company acquired the 19-room Avalon Bed & Breakfast and the 12-room Duval Gardens in Key West, Florida for $20.0 million, excluding prorations and transaction costs, using cash on hand. Both properties were consolidated into the Company's Southernmost Beach Resort.

On December 1, 2021, the Company acquired the leasehold interest in the 210-room Estancia La Jolla Hotel & Spain La Jolla, California for $108.0 million, excluding prorations and transaction costs, using cash on hand and the assumption of a $61.7 million mortgage loan.

See *Note 5, Debt*, for additional information about the mortgage loans assumed and *Note 11, Commitments and Contingencies*, for additional information about the leasehold interests acquired.

Dispositions

The following table summarizes disposition transactions during the years ended December 31, 2021 and 2020 (in thousands):

Hotel Property Name	Location	Sale Date	Sale Price	
Sir Francis Drake	San Francisco, CA	April 1, 2021	$	157,625
The Roger New York	New York, NY	June 10, 2021		19,000
Villa Florence San Francisco on Union Square	San Francisco, CA	September 9, 2021		87,500
2021 Total			$	264,125
Sofitel Washington DC Lafayette Square and InterContinental Buckhead Atlanta	Washington, DC / Buckhead, GA	March 6, 2020	$	331,000
Union Station Hotel Nashville, Autograph Collection	Nashville, TN	July 29, 2020		56,000
2020 Total			$	387,000

For the years ended December 31, 2021, 2020 and 2019, the accompanying consolidated statements of operations and comprehensive income included operating income (loss) of $(6.5) million, $(15.5) million and $33.8 million, respectively, excluding impairment loss and (gain) loss on sale of hotel properties, related to the hotel properties sold.

The sales of the hotel properties described above did not represent a strategic shift that had a major effect on the Company's operations and financial results, and therefore, did not qualify as discontinued operations.

Note 4. Investment in Hotel Properties

Investment in hotel properties as of December 31, 2021 and 2020 consisted of the following (in thousands):

	December 31, 2021	December 31, 2020
Land	$ 926,330	$ 973,848
Buildings and improvements	5,197,816	4,849,644
Furniture, fixtures and equipment	535,607	515,975
Finance lease asset	91,181	114,835
Construction in progress	15,869	5,443
	$ 6,766,803	$ 6,459,745
Right-of-use asset, operating leases	378,939	320,564
Investment in hotel properties	$ 7,145,742	$ 6,780,309
Less: Accumulated depreciation	(1,066,409)	(898,287)
Investment in hotel properties, net	$ 6,079,333	$ 5,882,022

Impairment

The Company reviews its investment in hotel properties for impairment whenever events or circumstances indicate potential impairment. As a result of the ongoing effects of the COVID-19 pandemic on its expected future operating cash flows and estimated hold periods for certain properties, the Company determined certain impairment triggers had occurred and therefore, the Company assessed its investment in hotel properties for recoverability. Based on the analyses performed, for the year ended December 31, 2021, the Company recognized an impairment loss of $14.9 million related to one hotel as a result of its fair value being lower than its carrying value. The impairment loss was determined using Level 2 inputs under authoritative guidance for fair value measurements using information from marketing efforts for this property. For the year ended December 31, 2020, the Company recognized an impairment loss of $74.6 million related to two hotels and the retail component of a hotel as a result of the fair value being lower than its carrying value. The impairment loss was determined using Level 2 inputs under authoritative guidance for fair value measurements using information from marketing efforts for this property.

Right-of-use Assets and Lease Liabilities

The Company recognized right-of-use assets and related liabilities related to its ground leases, all of which are operating leases. When the rate implicit in the lease could not be determined, the Company used incremental borrowing rates, which ranged from 4.7% to 7.6%. In addition, the term used includes any options to exercise extensions when it is reasonably certain the Company will exercise such option. See *Note 11, Commitments and Contingencies*, for additional information about the ground leases.

The right-of-use assets and liabilities are amortized to ground rent expense over the term of the underlying lease agreements. As of December 31, 2021, the Company's lease liabilities consisted of operating lease liabilities of $319.4 million and financing lease liabilities of $42.0 million. As of December 31, 2020, the Company's lease liabilities consisted of operating lease liabilities of $255.1 million and financing lease liabilities of $46.4 million. The financing lease liabilities are included in accounts payable, accrued expenses and other liabilities on the Company's accompanying consolidated balance sheets.

Note 5. Debt

On February 18, 2021, the Company amended its credit agreements and related documents governing its unsecured revolving credit facilities, term loan agreements and senior notes, which:

- waived all of its financial covenants until the second quarter of 2022 (with substantially less-restrictive covenants through the end of the first quarter of 2023), except for the minimum fixed charge coverage ("FCCR") and the minimum unsecured interest coverage ratio ("Unsecured ICR") which were extended through December 31, 2021;
- extended the majority of the remaining balance of the Company's Sixth Term Loan 2021 tranche, from November 2021 to November 2022;

- increased the spread on the unsecured revolving credit facility to LIBOR plus 2.40% and unsecured term loans to LIBOR plus 2.35%;
- increased the fixed rate on the senior unsecured notes by 0.45% during the waiver period; and
- extended other terms through the waiver period.

On December 9, 2021, the Company amended its credit agreements and related documents governing its unsecured revolving credit facilities, term loan agreements and senior notes, which:

- extended the maturity date of the Company's senior unsecured credit facility from January 2022 to March 2023, and provided an option to extend for up to two six-month periods;
- extended the maturity date of the Company's PHL unsecured credit facility from January 2022 to March 2023, and reduced the borrowing capacity principal amount from $25.0 million to $20.0 million;
- extended the maturity date for $274.0 million of the Company's First Term Loan from January 2023 to March 2024;
- provided an option to extend up to $69.8 million of the remaining principal balance of the Company's Sixth Term Loan Tranche 2021 from November 2022 to November 2023;
- provided an option to extend up to $93.0 million of the remaining principal balance of the Company's Sixth Term Loan Tranche 2022 from November 2022 to November 2023;
- set the maximum amount of permitted additional secured non-recourse indebtedness at $400.0 million;
- set the amount that may be reinvested in the acquisition of unencumbered hotel properties funded by the disposition of hotel properties at $1.0 billion;
- extended the waiver period for the minimum FCCR and the minimum Unsecured ICR financial covenants until the second quarter of 2022;
- set the minimum FCCR for the second quarter of 2022 to 1.25:1.00; and
- set the minimum Unsecured ICR for the second quarter of 2022 to 1.50:1.00.

The Company's debt consisted of the following as of December 31, 2021 and 2020 (dollars in thousands):

	Interest Rat		Maturity Date	Balance Outstanding as of December 31, 2021	Balance Outstanding as of December 31, 2020
Revolving credit facilities					
Senior unsecured credit facility	Floating	(1)(2)(3)	March 2023	$ —	$ 40,000
PHL unsecured credit facility	Floating	(2)(4)	March 2023	—	—
Total revolving credit facilities				$ —	$ 40,000
Unsecured term loans					
First Term Loan	Floating	(5)	January 2023	26,000	300,000
First Term Loan Extended	Floating	(5)	March 2024	274,000	—
Second Term Loan	Floating	(5)	April 2022	26,327	65,000
Fourth Term Loan	Floating	(5)	October 2024	110,000	110,000
Sixth Term Loan					
Tranche 2021	Floating	(5)	November 2021	—	40,966
Tranche 2021 Extended	Floating	(5)(9)	November 2022	82,071	173,034
Tranche 2022	Floating	(5)(10)	November 2022	114,670	286,000
Tranche 2023	Floating	(5)	November 2023	400,000	400,000
Tranche 2024	Floating	(5)	January 2024	400,000	400,000
Total Sixth Term Loan				996,741	1,300,000
Total term loans at stated value				1,433,068	1,775,000
Deferred financing costs, net				(5,812)	(8,455)
Total term loans				$ 1,427,256	$ 1,766,545
Convertible senior notes					
Convertible senior notes	1.75%		December 2026	750,000	500,000
Debt premium (discount), net				11,605	(113,099)
Deferred financing costs, net				(16,204)	(12,568)
Total convertible senior notes				$ 745,401	$ 374,333
Senior unsecured notes					
Series A Notes	5.15%	(6)	December 2023	47,600	60,000
Series B Notes	5.38%	(7)	December 2025	2,400	40,000
Total senior unsecured notes at stated value				50,000	100,000
Deferred financing costs, net				(162)	(407)
Total senior unsecured notes				$ 49,838	$ 99,593
Mortgage loans					
Margaritaville Hollywood Beach Resort	Floating	(8)	May 2022	161,500	—
Estancia La Jolla Hotel & Spa	5.07%		September 2028	61,373	—
Total mortgage loans at stated value				222,873	—
Debt premium (discount), net				(2,735)	—
Deferred financing costs, net				(745)	—
Total mortgage loans				$ 219,393	$ —
Total debt				$ 2,441,888	$ 2,280,471

(1) Borrowings bear interest at floating rates equal to, at the Company's option, either (i) LIBOR plus an applicable margin or (ii) an Adjusted Base Rate (as defined in the applicable credit agreement) plus an applicable margin.

(2) In December 2021, the Company exercised the option to extend the maturity date to March 2023, pursuant to certain terms and conditions and payment of an extension fee.

(3) Of the total borrowing capacity, $39.0 million will mature in January 2022. The Company has the option to extend the maturity date of March 2023 for the remaining $611.0 million for up to two six-month periods, pursuant to certain terms and conditions and payment of an extension fee.

(4) Borrowings bear interest at floating rates equal to, at the Company's option, either (i) LIBOR plus an applicable margin or (ii) a Eurocurrency Rate (as defined in the applicable credit agreement) plus an applicable margin.

(5) Borrowings under the term loan facilities bear interest at floating rates equal to, at the Company's option, either (i) LIBOR plus an applicable margin or (ii) a Base Rate plus an applicable margin. As of December 31, 2021, approximately $1.3 billion of the borrowings under the term loan facilities bore an effective weighted-average fixed interest rate of 4.06%, after taking into account interest rate swap agreements, and approximately $113.1 million bore an effective weighted-average floating interest rate of 2.64%. As of December 31, 2020, approximately $1.4 billion of the borrowings under the term loan facilities bore an effective weighted-average fixed interest rate of 4.19%, after taking into account interest rate swap agreements, and approximately $345.0 million bore a weighted-average floating interest rate of 2.46%.

(6) In February 2021, the interest rate increased from 4.70% to 5.15%. The increased interest rate is effective through the end of the waiver period.

(7) In February 2021, the interest rate increased from 4.93% to 5.38%. The increased interest rate is effective through the end of the waiver period.

(8) The loan bears interest at a floating rate equal to one-month LIBOR plus a weighted-average spread of 2.37%. The Company has the option to extend the maturity date for up to two one-year periods.

(9) The Company has the option to extend the maturity date for $69.8 million of the principal balance by up to one year, subject to certain terms and conditions and payment of an extension fee.

(10) The Company has the option to extend the maturity date for $93.0 million of the principal balance by up to one year, subject to certain terms and conditions and payment of an extension fee.

Unsecured Revolving Credit Facilities

The Company has a $650.0 million senior unsecured revolving credit facility, of which $39.0 million will mature in January 2022. The remaining $611.0 will mature in March 2023, with options to extend the maturity date for up to two six-month periods, subject to certain terms and conditions and payment of an extension fee. As of December 31, 2021, the Company had no outstanding borrowings, $12.1 million of outstanding letters of credit and borrowing capacity of $637.9 million remaining on its senior unsecured credit facility. Interest is paid on the periodic advances under the senior unsecured revolving credit facility at varying rates, based upon either the London Inter-bank Offered Rate ("LIBOR") or the alternate base rate, plus an additional margin amount, or spread. The Company has the ability to further increase the aggregate borrowing capacity under the credit agreement up to $1.3 billion, subject to lender approval. Borrowings on the revolving credit facility bear interest at LIBOR plus 1.45% to 2.25%, depending on the Company's leverage ratio. As a result of the amendments to the credit agreements and related documentation described above, the spread on the borrowings is fixed at 2.40% during the waiver period. Additionally, the Company is required to pay an unused commitment fee at an annual rate of 0.20% or 0.30% of the unused portion of the revolving credit facility, depending on the amount of borrowings outstanding. The credit agreement contains certain financial covenants, including a maximum leverage ratio, a minimum fixed charge coverage ratio, and a maximum percentage of secured debt to total asset value.

The Company also has a $20.0 million unsecured revolving credit facility (the "PHL Credit Facility") to be used for PHL's working capital and general corporate purposes. This credit facility has substantially similar terms as the Company's senior unsecured revolving credit facility and matures in March 2023. Borrowings on the PHL Credit Facility bear interest at LIBOR plus 1.45% to 2.25%, depending on the Company's leverage ratio. As a result of the amendments described above, the spread of the borrowings is fixed at 2.40% during the waiver period. The PHL Credit Facility is subject to debt covenants substantially similar to the covenants under the Company's credit agreement that governs the Company's senior unsecured revolving credit facility. As of December 31, 2021, the Company had no borrowings under the PHL Credit Facility and had $20.0 million borrowing capacity remaining available under the PHL Credit Facility.

Under the terms of the credit agreement for the unsecured revolving credit facility, one or more standby letters of credit, up to a maximum aggregate outstanding balance of $30.0 million, may be issued on behalf of the Company by the lenders under the unsecured revolving credit facility. The Company will incur a fee that shall be agreed upon with the issuing bank. Any outstanding standby letters of credit reduce the available borrowings on the senior unsecured revolving credit facility by a corresponding amount. Standby letters of credit of $12.1 million and $6.8 million were outstanding as of December 31, 2021 and 2020, respectively.

As of December 31, 2021, the Company was in compliance with all debt covenants of the credit agreements that govern the unsecured revolving credit facilities.

Unsecured Term Loan Facilities

The Company has senior unsecured term loans with different maturities. Each unsecured term loan bears interest at a variable rate of a benchmark interest rate plus an applicable margin, depending on the Company's leverage ratio. Each of the term loan facilities is subject to debt covenants substantially similar to the covenants under the credit agreement that governs the revolving credit facility. During the year ended December 31, 2021, the Company repaid $341.9 million aggregate principal balance of the Company's Second Term Loan and Sixth Term Loan. As of December 31, 2021, the Company was in compliance with all debt covenants of its term loan facilities.

The Company entered into interest rate swap agreements to fix the LIBOR rate on a portion of these unsecured term loan facilities. See *Derivative and Hedging Activities* for further discussion on the interest rate swaps.

Convertible Senior Notes

In December 2020, the Company issued $500.0 million aggregate principal amount of 1.75% Convertible Senior Notes due December 2026 (the "Convertible Notes"). The net proceeds from this offering of the Convertible Notes were approximately $487.3 million after deducting the underwriting fees and other expenses paid by the Company.

In February 2021, the Company issued an additional $250.0 million aggregate principal amount of Convertible Notes. These additional Convertible Notes were sold at a 5.5% premium to par and generated net proceeds of approximately $257.2 million after deducting the underwriting fees and other expenses paid by the Company of $6.5 million, which was offset by a premium received in the amount of $13.8 million.

The Convertible Notes are governed by an indenture (the "Base Indenture") between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. The Convertible Notes bear interest at a rate of 1.75% per annum, payable semi-annually in arrears on June 15th and December 15th of each year, beginning on June 15, 2021. The Convertible Notes will mature on December 15, 2026. The Company recorded coupon interest expense of $12.7 million and $0.4 million for the years ended December 31, 2021 and 2020, respectively.

The Company separated the Convertible Notes issued in December 2020 into liability and equity components. The initial carrying amount of the liability component was $386.1 million and was calculated using a discount rate of 6.25%. The discount rate was based on the terms of debt instruments that were similar to the Convertible Notes. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the principal amount of such Convertible Notes, or $113.9 million. The amount recorded in equity was not subject to remeasurement or amortization. The $113.9 million also represented the initial discount recorded on the Convertible Notes. As a result of the Company's early adoption of ASU 2020-06 on January 1, 2021, the Convertible Notes are now recorded as a single liability with no portion recorded in equity. The Company also ceased recording non-cash interest expense associated with the amortization of the debt discount.

Prior to June 15, 2026, the Convertible Notes will be convertible upon certain circumstances. On and after June 15, 2026, holders may convert any of their Convertible Notes into the Company's common shares of beneficial interest ("common shares") at the applicable conversion rate at any time at their election two days prior to the maturity date. The initial conversion rate is 39.2549 common shares per $1,000 principal amount of Convertible Notes, which represents an initial conversion price of approximately $25.47 per share. The conversion rate is subject to adjustment in certain circumstances. As of December 31, 2021 and 2020, the if-converted value of the Convertible Notes did not exceed the principal amount.

The Company may redeem for cash all or a portion of the Convertible Notes, at its option, on or after December 20, 2023 upon certain circumstances. The redemption price will be equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If certain make-whole fundamental changes occur, the conversion rate for the Convertible Notes may be increased.

In connection with the Convertible Notes issuances, the Company entered into privately negotiated capped call transactions (the “Capped Call Transactions”) with certain of the underwriters of the offerings of the Convertible Notes or their respective affiliates and other financial institutions. The Capped Call Transactions initially cover, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes, the number of common shares underlying the Convertible Notes. The Capped Call Transactions are expected generally to reduce the potential dilution to holders of common shares upon conversion of the Convertible Notes and/or offset the potential cash payments that the Company could be required to make in excess of the principal amount of any converted Convertible Notes upon conversion thereof, with such reduction and/or offset subject to a cap. The upper strike price of the Capped Call Transactions is $33.0225 per share. The cost of the Capped Call Transactions entered into in December 2020 and February 2021 was $38.3 million and $21.0 million, respectively, and was recorded within additional paid-in capital.

Senior Unsecured Notes

The Company has $47.6 million of senior unsecured notes outstanding bearing a fixed interest rate of 4.70% per annum and maturing in December 2023 (the "Series A Notes") and $2.4 million of senior unsecured notes outstanding bearing a fixed interest rate of 4.93% per annum and maturing in December 2025 (the "Series B Notes"). As a result of the amendments described above, the interest rates of the Series A Notes and the Series B Notes are fixed at 5.15% and 5.38%, respectively, for the duration of the waiver period. The debt covenants of the Series A Notes and the Series B Notes are substantially similar to those of the Company's senior unsecured revolving credit facility. As of December 31, 2021, the Company was in compliance with all such debt covenants.

Mortgage Loans

On September 23, 2021, the Company assumed a $161.5 million loan secured by a first-lien mortgage on the leasehold interest of Margaritaville Hollywood Beach Resort ("Margaritaville"). The loan requires interest-only payments based on a floating interest rate of one-month LIBOR plus a weighted-average spread of 2.37%. The loan matures on May 9, 2022 and may be extended for up to two one-year periods. If the loan is extended for the second of the two one-year periods, the interest rate spread will increase by 20 basis points for the second-year period only. The Company expects to exercise both extensions. The loan is also subject to an interest rate cap agreement.

On December 1, 2021, the Company assumed a $61.7 million loan secured by a first-lien mortgage on the leasehold interest of Estancia La Jolla Hotel & Spa ("Estancia"). The loan requires both principal and interest monthly payments based on a fixed interest rate of 5.07%. The loan matures on September 1, 2028.

The Company's mortgage loans associated with Margaritaville and Estancia are non-recourse to the Company except for customary carve-outs to the general non-recourse liability. The loans contain customary provisions regarding events of default, as well as customary cash management, cash trap and lockbox provisions. Cash trap provisions are triggered if the hotel's performance is below a certain threshold. Once triggered, all of the cash flow generated by the hotel is deposited directly into lockbox accounts and then swept into cash management accounts for the benefit of our lender. No event of default has occurred under the loan documents.

The mortgage loans triggered the cash trap provisions prior to the acquisitions, and therefore cash from hotel operations is being held by the lender in the cash management accounts and reflected as restricted cash in the accompanying consolidated balance sheets. Cash will be released from the lockbox once the hotel reaches profitability levels that terminate the cash trap or the loan is paid off.

Interest Expense

The components of the Company's interest expense consisted of the following for the years ended December 31, 2021, 2020, and 2019 (in thousands):

	For the year ended December 31,		
	2021	2020	2019
Unsecured revolving credit facilities	$ 2,092	$ 10,210	$ 4,530
Unsecured term loan facilities	61,529	72,642	79,813
Convertible senior notes	12,662	365	—
Senior unsecured notes	3,562	4,792	4,792
Mortgage debt	1,375	—	2,293
Amortization of deferred financing fees, (premiums) and discounts	9,741	7,296	7,115
Other	5,672	8,793	9,931
Total interest expense	$ 96,633	$ 104,098	$ 108,474

Fair Value

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates, taking into consideration general market conditions and maturity of the debt with similar credit terms and is classified within Level 2 of the fair value hierarchy. The estimated fair value of the Company's fixed rate debt (unsecured senior notes, convertible senior notes and the Estancia mortgage loan) as of December 31, 2021 and 2020 was $747.8 million and $491.8 million, respectively.

Future Minimum Principal Payments

As of December 31, 2021, the future minimum principal payments for the Company's debt, assuming all extension options available in the Company's debt agreements are exercised, are as follows (in thousands):

2022	$ 62,124
2023	638,419
2024	947,584
2025	4,602
2026	752,318
Thereafter	50,894
Total debt principle payments	$ 2,455,941
Deferred financing costs, net	(22,923)
Debt premium (discount), net	8,870
Total debt	$ 2,441,888

Derivative and Hedging Activities

The Company enters into interest rate swap agreements to hedge against interest rate fluctuations. All of the Company's interest rate swaps are cash flow hedges. All unrealized gains and losses on these hedging instruments are reported in accumulated other comprehensive income (loss) and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings.

The Company's interest rate swaps at December 31, 2021 and 2020 consisted of the following, by maturity date (dollars in thousands):

Hedge Type	Interest Rate Range	Maturity	Aggregate Notional Value as of December 31, 2021	Aggregate Notional Value as of December 31, 2020
Swap-cash flow	1.46% - 1.75%	January 2021	$ —	$ 490,000
Swap-cash flow	2.60%	October 2021	—	110,000
Swap-cash flow	1.78% - 1.79%	January 2022	180,000	180,000
Swap-cash flow	1.64% - 1.68%	April 2022	100,000	100,000
Swap-cash flow	0.17%	January 2023	200,000	—
Swap-cash flow	1.99%	November 2023	250,000	250,000
Swap-cash flow	2.60%	January 2024	300,000	300,000
Swap-cash flow	1.43% - 1.44%	February 2026	290,000	—
Total			$ 1,320,000	$ 1,430,000

The Company records all derivative instruments at fair value in the accompanying consolidated balance sheets. Fair values of interest rate swaps and caps are determined using the standard market methodology of netting the discounted future fixed cash receipts/payments and the discounted expected variable cash payments/receipts. Variable interest rates used in the calculation of projected receipts and payments on the swaps are based on an expectation of future interest rates derived from observable market interest rate curves (Overnight Index Swap curves) and volatilities (Level 2 inputs). Derivatives expose the Company to credit risk in the event of non-performance by the counterparties under the terms of the interest rate hedge agreements. The Company incorporates these counterparty credit risks in its fair value measurements. The Company believes it minimizes the credit risk by transacting with major creditworthy financial institutions.

As of December 31, 2021, the Company's derivative instruments were in both asset and liability positions, with aggregate asset and liability fair values of $0.6 million and $20.2 million, respectively. Derivative assets are included in prepaid expenses and other assets and derivative liabilities are included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets. The Company expects approximately $13.2 million will be reclassified from accumulated other comprehensive income (loss) to interest expense within the next 12 months.

Note 6. Revenue

The Company presents revenue on a disaggregated basis in the accompanying consolidated statements of operations and comprehensive income. The following table presents revenues by geographic location for the years ended December 31, 2021, 2020 and 2019 (in thousands):

	For the year ended December 31, 2021	2020	2019
Southern Florida/Georgia	$ 166,310	$ 76,971	$ 115,600
San Diego, CA	165,977	96,071	243,598
Boston, MA	124,440	63,356	273,669
Los Angeles, CA	94,275	51,664	200,398
Portland, OR	53,978	27,174	105,571
San Francisco, CA	43,601	66,896	319,195
Other[1]	28,608	27,453	128,627
Chicago, IL	27,279	15,604	82,690
Washington, D.C.	20,630	12,739	111,552
Seattle, WA	7,946	4,960	31,313
	$ 733,044	$ 442,888	$ 1,612,213

(1) Other includes: Nashville, TN, New York, NY, Philadelphia, PA and Santa Cruz, CA.

Payments from customers are primarily made when services are provided. Due to the short-term nature of the Company's contracts and the almost simultaneous receipt of payment, almost all of the contract liability balance at the beginning of the period is expected to be recognized as revenue over the following 12 months.

Note 7. Equity

Common Shares

The Company is authorized to issue up to 500,000,000 common shares. Each outstanding common share entitles the holder to one vote on each matter submitted to a vote of shareholders. Holders of common shares are entitled to receive dividends when authorized by the Board of Trustees.

Share Repurchase Program

On February 22, 2016, the Company announced that the Board of Trustees authorized a share repurchase program of up to $150.0 million of common shares. Under this program, the Company may repurchase common shares from time to time in transactions on the open market or by private agreement. The Company may suspend or discontinue this program at any time. Upon repurchase by the Company, common shares cease to be outstanding and become authorized but unissued common shares. For the year ended December 31, 2021, the Company had no repurchases under this program and as of December 31, 2021, $56.6 million of common shares remained available for repurchase under this program. The credit agreements governing the Company's existing indebtedness prohibits the Company from repurchasing common shares until the Company has certified compliance with certain financial covenants through June 30, 2022.

On July 27, 2017, the Company announced that the Board of Trustees authorized a new share repurchase program of up to $100.0 million of common shares. Under this program, the Company may repurchase common shares from time to time in transactions on the open market or by private agreement. The Company may suspend or discontinue this program at any time. This $100.0 million share repurchase program will commence upon completion of the Company's $150.0 million share repurchase program.

ATM Program

On April 29, 2021, the Company filed a prospectus supplement with the SEC to sell up to $200.0 million of common shares under an "at the market" offering program (the "ATM program"). No common shares were issued or sold under the ATM program during the year ended December 31, 2021. As of December 31, 2021, $200.0 million of common shares remained available for issuance under the ATM program.

Common Dividends

The Company declared the following dividends on common shares/units for the year ended December 31, 2021:

Dividend per Share/Unit		For the Quarter Ended	Record Date	Payable Date
$	0.01	March 31, 2021	March 31, 2021	April 15, 2021
$	0.01	June 30, 2021	June 30, 2021	July 15, 2021
$	0.01	September 30, 2021	September 30, 2021	October 15, 2021
$	0.01	December 31, 2021	December 31, 2021	January 18, 2022

Preferred Shares

The Company is authorized to issue up to 100,000,000 preferred shares of beneficial interest, $0.01 par value per share (“preferred shares”).

In May 2021, the Company issued 9,200,000 6.375% Series G Cumulative Redeemable Preferred Shares at a public offering price of $25.00 per share for net proceeds of $222.6 million. In July 2021, the Company issued 10,000,000 5.70% Series H Cumulative Redeemable Preferred Shares at a public offering price of $25.00 per share for net proceeds of $242.1 million.

In August 2021, the Company redeemed all outstanding shares of 6.50% Series C Cumulative Redeemable Preferred Shares and 6.375% Series D Cumulative Redeemable Preferred Shares at the redemption amount of $25.00 per share plus accrued and unpaid dividends of $0.17 and $0.16 per share, respectively.

The following Preferred Shares were outstanding as of December 31, 2021 and 2020:

Security Type	December 31, 2021	December 31, 2020
6.50% Series C	—	5,000,000
6.375% Series D	—	5,000,000
6.375% Series E	4,400,000	4,400,000
6.30% Series F	6,000,000	6,000,000
6.375% Series G	9,200,000	—
5.70% Series H	10,000,000	—
	29,600,000	20,400,000

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The Series E, Series F, Series G and Series H Cumulative Redeemable Preferred Shares (collectively, the "Preferred Shares") rank senior to the common shares and on parity with each other with respect to payment of distributions. The Preferred Shares do not have any maturity date and are not subject to mandatory redemption. The Series E and Series F Preferred Shares could not be redeemed prior to March 4, 2018, and May 25, 2021, respectively, except in limited circumstances relating to the Company's continuing qualification as a REIT or as discussed below. The Series G and Series H Preferred Shares may not be redeemed prior to May 13, 2026 and July 27, 2026, respectively, except in limited circumstances relating to the Company's continuing qualification as a REIT or as discussed below. On or after such dates, the Company may, at its option, redeem the Preferred Shares, in each case in whole or from time to time in part, by payment of $25.00 per share, plus any accumulated, accrued and unpaid distributions through the date of redemption. Upon the occurrence of a change of control, as defined in the Company's declaration of trust, the result of which the common shares and the common securities of the acquiring or surviving entity are not listed on the New York Stock Exchange, the NYSE MKT or Nasdaq, or any successor exchanges, the Company may, at its option, redeem the Preferred Shares in whole or in part within 120 days following the change of control by paying $25.00 per share, plus any accrued and unpaid distributions through the date of redemption. If the Company does not exercise its right to redeem the Preferred Shares upon a change of control, the holders of the Preferred Shares have the right to convert some or all of their shares into a number of common shares based on defined formulas subject to share caps. The share cap on each Series E Preferred Share is 1.9372 common shares, on each Series F Preferred Share is 2.0649 common shares, on each Series G Preferred Share is 2.1231 common shares, and on each Series H Preferred Share is 2.2311 common shares.

Preferred Dividends

The Company declared the following dividends on preferred shares for the year ended December 31, 2021:

Security Type		Dividend per Share/Unit	For the Quarter Ended	Record Date	Payable Date
6.50% Series C		$ 0.41	March 31, 2021	March 31, 2021	April 15, 2021
6.50% Series C		$ 0.41	June 30, 2021	June 30, 2021	July 15, 2021
6.50% Series C		$ 0.17		August 22, 2021	August 22, 2021
6.375% Series D		$ 0.40	March 31, 2021	March 31, 2021	April 15, 2021
6.375% Series D		$ 0.40	June 30, 2021	June 30, 2021	July 15, 2021
6.375% Series D		$ 0.16		August 21, 2021	August 21, 2021
6.375% Series E		$ 0.40	March 31, 2021	March 31, 2021	April 15, 2021
6.375% Series E		$ 0.40	June 30, 2021	June 30, 2021	July 15, 2021
6.375% Series E		$ 0.40	September 30, 2021	September 30, 2021	October 15, 2021
6.375% Series E		$ 0.40	December 31, 2021	December 31, 2021	January 18, 2022
6.30% Series F		$ 0.39	March 31, 2021	March 31, 2021	April 15, 2021
6.30% Series F		$ 0.39	June 30, 2021	June 30, 2021	July 15, 2021
6.30% Series F		$ 0.39	September 30, 2021	September 30, 2021	October 15, 2021
6.30% Series F		$ 0.39	December 31, 2021	December 31, 2021	January 18, 2022
6.375% Series G	(1)	$ 0.67	September 30, 2021	September 30, 2021	October 15, 2021
6.375% Series G		$ 0.40	December 31, 2021	December 31, 2021	January 18, 2022
5.70% Series H	(2)	$ 0.31	September 30, 2021	September 30, 2021	October 15, 2021
5.70% Series H		$ 0.36	December 31, 2021	December 31, 2021	January 18, 2022

(1) The initial long-period dividend for the 6.375% Series G Preferred Shares was paid in October 2021.

(2) The initial short-period dividend for the 5.70% Series H Preferred Shares was paid in October 2021.

Non-controlling Interest of Common Units in Operating Partnership

Holders of Operating Partnership units ("OP Units") have certain redemption rights that enable OP unit holders to cause the Operating Partnership to redeem their units in exchange for, at the Company's option, cash per unit equal to the market price of common shares at the time of redemption or common shares on a one-for-one basis. The number of shares issuable upon exercise of the redemption rights will be adjusted upon the occurrence of share splits, mergers, consolidations or similar pro-rata share transactions, which otherwise would have the effect of diluting the ownership interests of the Operating Partnership's limited partners or the Company's shareholders.

On November 30, 2018, in connection with the merger with LaSalle Hotel Properties ("LaSalle"), the Company issued 133,605 OP units in the Operating Partnership to third-party limited partners of LaSalle's operating partnership. As of December 31, 2021 and 2020, the Operating Partnership had 133,605 OP units held by third parties, excluding LTIP units.

As of December 31, 2021, the Operating Partnership had two classes of long-term incentive partnership units ("LTIP") units, LTIP Class A units and LTIP Class B units. All of the outstanding LTIP units are held by officers of the Company.

As of December 31, 2021 and 2020, the Operating Partnership had 727,208 and 127,111 LTIP units outstanding, respectively. Of the 727,208 LTIP units outstanding at December 31, 2021, 127,111 LTIP units have vested. Only vested LTIP units may be converted to common units of the Operating Partnership, which in turn can be tendered for redemption as described above.

Note 8. Share-Based Compensation Plan

The Company maintains the 2009 Equity Incentive Plan, as amended and restated (as amended, the "Plan"), to attract and retain independent trustees, executive officers and other key employees and service providers. The Plan provides for the grant of options to purchase common shares, share awards, share appreciation rights, performance units and other equity-based awards. Share awards under the Plan vest over a period determined by the Board of Trustees, generally over three to five years. The Company pays or accrues for dividends on share-based awards. All share awards are subject to full or partial accelerated vesting upon a change in control and upon death or disability or certain other employment termination events as set forth in the award agreements. As of December 31, 2021, there were 1,809,516 common shares available for issuance under the Plan.

Service Condition Share Awards

From time to time, the Company awards restricted common shares under the Plan to members of the Board of Trustees, officers and employees. These shares generally vest over three to five years based on continued service or employment.

The following table provides a summary of service condition restricted share activity as of December 31, 2021:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at January 1, 2019	127,732	$ 32.22
Granted	88,430	$ 32.64
Vested	(66,276)	$ 30.20
Forfeited	(707)	$ 32.70
Unvested at December 31, 2019	149,179	$ 33.37
Granted	390,242	$ 23.62
Vested	(72,824)	$ 33.13
Forfeited	(6,787)	$ 27.68
Cancelled	(217,083)	$ 25.53
Unvested at December 31, 2020	242,727	$ 24.94
Granted	415,531	$ 22.69
Vested	(81,591)	$ 30.41
Forfeited	(9,236)	$ 23.37
Unvested at December 31, 2021	567,431	$ 22.53

The fair value of each of these service condition restricted share awards is determined based on the closing price of the Company's common shares on the grant date and compensation expense is recognized on a straight-line basis over the vesting period. In March 2020, the Company canceled the February 2020 service condition share award (retention grant) and as a result accelerated and recognized an expense of $5.5 million. For the years ended December 31, 2021, 2020 and 2019 the Company recognized approximately $4.1 million, $8.1 million, and $2.4 million, respectively, of share-based compensation expense related to these awards in the accompanying consolidated statements of operations and comprehensive income. As of December 31, 2021, there was $8.8 million of total unrecognized share-based compensation expense related to unvested restricted shares. The unrecognized share-based compensation expense is expected to be recognized over the weighted-average remaining vesting period of 3.2 years.

Performance-Based Equity Awards

On December 13, 2013, the Board of Trustees approved a target award of 252,088 performance-based equity awards to officers and employees of the Company that were eligible for vesting in January 2016, 2017, 2018, 2019 and 2020. The actual number of common shares that vested was based on the two performance criteria defined in the award agreements for the period of performance beginning on the grant date and ending on the applicable vesting date. Based upon the extent to which the performance criteria had been met, the Company issued 25,134, 12,285, 72,236 and 35,471 common shares in January 2016, 2017, 2018 and 2019, respectively, and 27,881 common shares in February 2020.

On February 10, 2016, the Board of Trustees approved a target award of 100,919 performance-based equity awards to officers and employees of the Company. In January 2019, these awards were vested and the Company issued 142,173 and 31,146 common shares to officers and employees, respectively. The actual number of common shares that vested was based on the three performance criteria defined in the award agreements for the period of performance from January 1, 2016 through December 31, 2018.

On February 15, 2017, the Board of Trustees approved a target award of 81,939 performance-based equity awards to officers and employees of the Company. In January 2020, these awards vested and the Company issued 1,972 and 405 common shares to officers and employees, respectively. The actual number of common shares that vested was based on the two performance criteria defined in the award agreements for the period of performance from January 1, 2017 through December 31, 2019.

On February 14, 2018, the Board of Trustees approved a target award of 78,918 performance-based equity awards to officers and employees of the Company. In January 2021, none of these awards vested and the Company issued no common shares to officers or employees. The actual number of common shares that vested was based on the two performance criteria defined in the award agreements for the period of performance from January 1, 2018 through December 31, 2020.

On February 13, 2019, the Board of Trustees approved a target award of 126,891 performance-based equity awards to officers and employees of the Company. These awards will vest, if at all, in 2022. The actual number of common shares that ultimately vest will be from 0% to 200% of the target award and will be determined in 2022 based on the two performance criteria defined in the award agreements for the period of performance from January 1, 2019 through December 31, 2021.

On February 12, 2020, the Board of Trustees approved a target award of 161,777 performance-based equity awards to officers and employees of the Company. These awards will vest, if at all, in 2023. The actual number of common shares that ultimately vest will be from 0% to 200% of the target award and will be determined in 2023 based on the performance criteria defined in the award agreements for the period of performance from January 1, 2020 through December 31, 2022.

On February 18, 2021, the Board of Trustees approved a target award of 189,348 performance-based equity awards to officers and employees of the Company. These awards will vest, if at all, in 2024. The actual number of common shares that ultimately vest will be from 0% to 200% of the target award and will be determined in 2024 based on the performance criteria defined in the award agreements for the period of performance from January 1, 2021 through December 31, 2023.

The grant date fair value of the performance awards, with market conditions, were determined using a Monte Carlo simulation method with the following assumptions (dollars in millions):

Performance Award Grant Date	Percentage of Total Award	Grant Date Fair Value by Component	Volatility	Interest Rate	Dividend Yield
December 13, 2013					
Relative Total Shareholder Return	50.00%	$4.7	29.00%	0.34% - 2.25%	2.40%
Absolute Total Shareholder Return	50.00%	$2.9	29.00%	0.34% - 2.25%	2.40%
February 10, 2016					
Relative Total Shareholder Return	70.00%	$1.6	25.00%	0.71%	3.00%
Absolute Total Shareholder Return	15.00%	$0.2	25.00%	0.71%	3.00%
EBITDA Comparison	15.00%	$0.4	25.00%	0.71%	3.00%
February 15, 2017					
Relative and Absolute Total Shareholder Return	65.00% / 35.00%	$2.7	28.00%	1.27%	5.60%
February 14, 2018					
Relative and Absolute Total Shareholder Return	65.00% / 35.00%	$3.5	28.00%	2.37%	4.70%
February 13, 2019					
Relative and Absolute Total Shareholder Return	65.00% / 35.00%	$4.5	26.00%	2.52%	4.20%
February 12, 2020					
Relative Total Shareholder Return	100.00%	$4.9	23.40%	1.41%	—%
February 18, 2021					
Relative Total Shareholder Return	100.00%	$6.0	56.00%	0.19%	—%

In the table above, the Relative Total Shareholder Return and Absolute Total Shareholder Return components are market conditions as defined by ASC 718. The EBITDA Comparison component is a performance condition as defined by ASC 718, and, therefore, compensation expense related to this component will be reassessed at each reporting date based on the Company's estimate of the probable level of achievement, and the accrual of compensation expense will be adjusted as appropriate.

Dividends on unvested performance-based equity awards accrue over the vesting period and will be paid on the actual number of shares that vest at the end of the applicable period. The Company recognizes compensation expense on a straight-line basis through the vesting date. As of December 31, 2021, there was approximately $5.8 million of unrecognized compensation expense related to these performance-based equity awards which will be recognized over the weighted-average remaining vesting period of 1.7 years. For the years ended December 31, 2021, 2020 and 2019 the Company recognized approximately $4.9 million, $4.1 million and $4.8 million, respectively, of share-based compensation expense related to performance-based equity awards in the accompanying consolidated statements of operations and comprehensive income.

Long-Term Incentive Partnership ("LTIP") Units

LTIP units, which are also referred to as profits interest units, may be issued to eligible participants for the performance of services to or for the benefit of the Operating Partnership. LTIP units are a class of partnership unit in the Operating Partnership and receive, whether vested or not, the same per-unit profit distributions as the other outstanding units in the Operating Partnership, which equal per-share distributions on common shares. LTIP units are allocated their pro-rata share of the Company's net income (loss). Vested LTIP units may be converted by the holder, at any time, into an equal number of common Operating Partnership units and thereafter will possess all of the rights and interests of a common Operating Partnership unit, including the right to redeem the common Operating Partnership unit for a common share in the Company or cash, at the option of the Operating Partnership.

As of December 31, 2021, the Operating Partnership had two classes of LTIP units, LTIP Class A units and LTIP Class B units. All of the outstanding LTIP units are held by officers of the Company.

On December 13, 2013, the Board of Trustees approved a grant of 226,882 LTIP Class B units to executive officers of the Company. These LTIP units were subject to time-based vesting in five equal annual installments beginning January 1, 2016 and ending on January 1, 2020. The fair value of each award was determined based on the closing price of the Company's common shares on the grant date of $29.19 per unit. The aggregate grant date fair value of the LTIP Class B units was $6.6 million.

On February 12, 2020, the Board of Trustees granted 415,818 LTIP Class B units to executive officers of the Company. These LTIP units were to vest ratably on January 1, 2023, 2024, 2025 and 2026. In March 2020, the Company canceled this grant and as a result accelerated and recognized the full expense of $10.5 million.

On July 24, 2020, 109,240 LTIP Class B units were redeemed for common shares.

On February 18, 2021, the Board of Trustees granted 600,097 LTIP Class B units to executive officers of the Company. These LTIP units vest ratably on January 1, 2023, 2024, 2025 and 2026, contingent upon continued employment with the Company. The fair value of each award was determined based on the closing price of the Company's common shares on the grant date of $22.69 per unit. The aggregate grant date fair value of the LTIP Class B units was $13.6 million.

As of December 31, 2021 and 2020, the Operating Partnership had 727,208 and 127,111 LTIP units outstanding, respectively. Of the 727,208 LTIP units outstanding at December 31, 2021, 127,111 LTIP units have vested. Only vested LTIP units may be converted to common units of the Operating Partnership, which in turn can be tendered for redemption.

For the years ended December 31, 2021, 2020 and 2019, the Company recognized approximately $2.4 million, $10.6 million and $1.1 million, respectively, in expense related to these LTIP units. As of December 31, 2021, there was $11.2 million of unrecognized share-based compensation expense related to LTIP units. The aggregate expense related to the LTIP unit grants is presented as non-controlling interest in the Company's accompanying consolidated balance sheets.

Note 9. Income Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Code. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its REIT taxable income (determined without regard to the deduction for dividends paid and excluding net capital gains) to its shareholders. It is the Company's current intention to adhere to these requirements and maintain the Company's qualification for taxation as a REIT. As a REIT, the Company generally is not subject to federal corporate income tax on that portion of its taxable income that is currently distributed to shareholders. However, as a REIT, the Company is still subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income. In addition, taxable income of TRSs, including our TRS lessees, are subject to federal, state and local income taxes.

For federal income tax purposes, the cash distributions paid to the Company's common shareholders and preferred shareholders may be characterized as ordinary income, return of capital (generally non-taxable) or capital gains. Tax law permits certain characterization of distributions which could result in differences between cash basis and tax basis distribution amounts.

The following characterizes distributions paid per common share and preferred share on a tax basis for the years ended December 31, 2021, 2020 and 2019:

	2021		2020		2019	
	Amount	%	Amount	%	Amount	%
Common Shares:						
Ordinary non-qualified income	$ —	— %	$ —	— %	$ 0.5609	30.03 %
Qualified dividend	—	— %	—	— %	0.0069	0.37 %
Capital gain	0.0128	32.00 %	0.0100	33.33 %	1.3000	69.60 %
Return of capital	0.0272	68.00 %	0.0200	66.67 %	—	— %
Total	$ 0.0400	100.00 %	$ 0.0300	100.00 %	$ 1.8678	100.00 %
Series C Preferred Shares:						
Ordinary non-qualified income	$ —	— %	$ —	— %	$ 0.6100	30.03 %
Qualified dividend	—	— %	—	— %	0.0075	0.37 %
Capital gain	0.1725	12.45 %	0.4063	33.34 %	1.4138	69.60 %
Return of capital	1.2133	87.55 %	0.8125	66.66 %	—	— %
Total	$ 1.3858	100.00 %	$ 1.2188	100.00 %	$ 2.0313	100.00 %
Series D Preferred Shares:						
Ordinary non-qualified income	$ —	— %	$ —	— %	$ 0.5982	30.03 %
Qualified dividend	—	— %	—	— %	0.0074	0.37 %
Capital gain	0.1692	12.49 %	0.3984	33.33 %	1.3866	69.60 %
Return of capital	1.1855	87.51 %	0.7969	66.67 %	—	— %
Total	$ 1.3547	100.00 %	$ 1.1953	100.00 %	$ 1.9922	100.00 %
Series E Preferred Shares: (1)						
Ordinary non-qualified income	$ —	— %	$ —	— %	$ 0.5982	30.03 %
Qualified dividend	—	— %	—	— %	0.0074	0.37 %
Capital gain	0.5118	32.11 %	0.3984	33.33 %	1.3866	69.60 %
Return of capital	1.0819	67.89 %	0.7969	66.67 %	—	— %
Total	$ 1.5937	100.00 %	$ 1.1953	100.00 %	$ 1.9922	100.00 %
Series F Preferred Shares: (1)						
Ordinary non-qualified income	$ —	— %	$ —	— %	$ 0.5912	30.03 %
Qualified dividend	—	— %	—	— %	0.0073	0.37 %
Capital gain	0.5058	32.11 %	0.3938	33.34 %	1.3703	69.60 %
Return of capital	1.0692	67.89 %	0.7875	66.66 %	—	— %
Total	$ 1.5750	100.00 %	$ 1.1813	100.00 %	$ 1.9688	100.00 %
Series G Preferred Shares:						
Ordinary non-qualified income	$ —	— %	$ —	— %	$ —	— %
Qualified dividend	—	— %	—	— %	—	— %
Capital gain	0.5787	86.00 %	—	— %	—	— %
Return of capital	0.0942	14.00 %	—	— %	—	— %
Total	$ 0.6729	100.00 %	$ —	— %	$ —	— %
Series H Preferred Shares:						
Ordinary non-qualified income	$ —	— %	$ —	— %	$ —	— %
Qualified dividend	—	— %	—	— %	—	— %
Capital gain	0.2655	86.01 %	—	— %	—	— %
Return of capital	0.0432	13.99 %	—	— %	—	— %
Total	$ 0.3087	100.00 %	$ —	— %	$ —	— %

(1) Issued upon completion of the Company's merger with LaSalle on November 30, 2018.

Of the common distributions declared on November 19, 2018 and December 14, 2018 and paid on January 15, 2019, $0.3478 was treated as a 2019 distribution for tax purposes. The preferred share distributions declared on December 14, 2018 and paid on January 15, 2019, $0.4063 per Series C Preferred Share, $0.3984 per Series D Preferred Share, $0.3984 per Series E Preferred Share and $0.3938 per Series F Preferred Share, were treated as 2019 distributions for tax purposes.

Of the common distribution declared on December 16, 2019 and paid on January 15, 2020, $0.3800 was treated as a 2019 distribution for tax purposes. The preferred share distributions declared on December 16, 2019 and paid on January 15, 2020 were treated as 2019 distributions for tax purposes.

Of the common distribution declared on December 15, 2020 and paid on January 15, 2021, $0.0100 was treated as a 2021 distribution for tax purposes. The preferred share distributions declared on December 15, 2020 and paid on January 15, 2021 were treated as 2021 distributions for tax purposes.

Of the common distribution declared on December 15, 2021 and paid on January 18, 2022, $0.0100 will be treated as a 2022 distribution for tax purposes. The preferred share distributions declared on December 15, 2021 and paid on January 18, 2022, $0.3984 of Series E, $0.3938 of Series F, $0.3984 of Series G and $0.3563 of Series H will be treated as 2022 distributions for tax purposes.

The Company's provision (benefit) for income taxes consists of the following (in thousands):

	For the year ended December 31,		
	2021	2020	2019
Federal			
Current	$ —	$ (127)	$ 3,061
Deferred	—	(6,266)	(106)
State and local			
Current	61	668	3,938
Deferred	—	2,028	(1,721)
Income tax expense (benefit)	$ 61	$ (3,697)	$ 5,172

A reconciliation of the statutory federal tax expense (benefit) to the Company's income tax expense (benefit) is as follows (in thousands):

	For the year ended December 31,		
	2021	2020	2019
Statutory federal tax expense (benefit)	$ (38,251)	$ (72,098)	$ 25,388
State income tax expense (benefit), net of federal tax expense (benefit)	(6,990)	(5,046)	943
REIT income not subject to tax	22,235	53,311	(21,522)
Change in valuation allowance	23,077	20,056	—
Other	(10)	80	363
Income tax expense (benefit), net	$ 61	$ (3,697)	$ 5,172

The Company has provided a valuation allowance against its federal and state deferred tax asset at December 31, 2021 and 2020 due to the uncertainty of realizing the loss in future years. As of December 31, 2021, the Company had a receivable of $6.9 million representing the portion of taxable losses that were carried back to prior years in which the Company had taxable income.

The significant components of the Company's deferred tax assets as of December 31, 2021 and 2020 consisted of the following (in thousands):

	December 31, 2021	December 31, 2020
Deferred Tax Assets:		
Net operating loss carryover	$ 41,109	$ 18,309
State taxes and other	2,470	1,631
Depreciation	418	980
Total deferred tax asset before valuation allowance	$ 43,997	$ 20,920
Valuation allowance	(43,997)	(20,920)
Deferred tax asset net of valuation allowance	$ —	$ —

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state and local jurisdictions, where applicable. As of December 31, 2021 and 2020, the statute of limitations remains open for all major jurisdictions for tax years dating back to 2017 and 2016, respectively.

Note 10. Earnings Per Share

The following is a reconciliation of basic and diluted earnings per common share (in thousands, except share and per-share data):

	For the year ended December 31,		
	2021	2020	2019
Numerator:			
Net income (loss) attributable to common shareholders	$ (235,018)	$ (424,285)	$ 82,886
Less: dividends paid on unvested share-based compensation	(47)	(8)	(294)
Net income (loss) available to common shareholders	$ (235,065)	$ (424,293)	$ 82,592
Denominator:			
Weighted-average number of common shares — basic	130,804,354	130,610,015	130,471,670
Effect of dilutive share-based compensation	—	—	246,636
Weighted-average number of common shares — diluted	130,804,354	130,610,015	130,718,306
Net income (loss) per share available to common shareholders — basic	$ (1.80)	$ (3.25)	$ 0.63
Net income (loss) per share available to common shareholders — diluted	$ (1.80)	$ (3.25)	$ 0.63

For the years ended December 31, 2021, 2020 and 2019, 1,033,747, 600,436 and zero, respectively, of unvested service condition restricted shares and performance-based equity awards were excluded from diluted weighted-average common shares, as their effect would have been anti-dilutive. For the years ended December 31, 2021 and 2020, 29,441,175 and 19,627,450, respectively, of common shares underlying the Convertible Notes have been excluded from diluted shares as their effect would have been anti-dilutive. The LTIP and OP units held by the non-controlling interest holders have been excluded from the denominator of the diluted earnings per share as there would be no effect on the amounts since the limited partners' share of income (loss) would also be added or subtracted to derive net income (loss) available to common shareholders.

Note 11. Commitments and Contingencies

Hotel Management Agreements

The Company's hotel properties are operated pursuant to management agreements with various management companies. The terms of these management agreements range from 1 year to 22 years, not including renewals, and 1 year to 52 years, including renewals. The majority of the Company's management agreements are terminable at will by the Company upon paying a termination fee and some are terminable by the Company upon sale of the property, with, in some cases, the payment of termination fees. Most of the agreements also provide the Company the ability to terminate based on failure to achieve defined operating performance thresholds. Termination fees range from zero to up to six times the annual base management and incentive management fees, depending on the agreement and the reason for termination. Certain of the Company's management agreements are non-terminable except upon the manager's breach of a material representation or the manager's failure to meet performance thresholds as defined in the management agreement.

The management agreements require the payment of a base management fee generally between 1% and 4% of hotel revenues. Under certain management agreements, the management companies are also eligible to receive an incentive management fee if hotel operating income, cash flows or other performance measures, as defined in the agreements, exceed certain performance thresholds. The incentive management fee is generally calculated as a percentage of hotel operating income after the Company has received a priority return on its investment in the hotel. For the years ended December 31, 2021, 2020 and 2019, combined base and incentive management fees were $18.4 million, $9.4 million and $44.8 million, respectively. Base and incentive management fees are included in other direct and indirect expenses in the Company's accompanying consolidated statements of operations and comprehensive income.

Reserve Funds

Certain of the Company's agreements with its hotel managers, franchisors, ground lessors and lenders have provisions for the Company to provide funds, typically 4.0% of hotel revenues, sufficient to cover the cost of (a) certain non-routine repairs and maintenance to the hotels and (b) replacements and renewals to the hotels' furniture, fixtures and equipment.

Restricted Cash

At December 31, 2021 and 2020, the Company had $33.7 million and $12.0 million, respectively, in restricted cash, which consisted of funds held in cash management and lockbox accounts held by a lender, reserves for replacement of furniture and fixtures and reserves to pay for real estate taxes, ground rent or property insurance under certain hotel management agreements or loan agreements.

Hotel, Ground and Finance Leases

As of December 31, 2021, the following hotels were subject to leases as follows:

Lease Properties	Lease Type	Lease Expiration Date	
Restaurant at Southernmost Beach Resort	Operating lease	April 2029	
Paradise Point Resort & Spa	Operating lease	May 2050	
Hotel Monaco Washington DC	Operating lease	November 2059	
Argonaut Hotel	Operating lease	December 2059	
Hotel Zephyr Fisherman's Wharf	Operating lease	February 2062	
Viceroy Santa Monica Hotel	Operating lease	September 2065	
Estancia La Jolla Hotel & Spa	Operating lease	January 2066	
San Diego Mission Bay Resort	Operating lease	July 2068	
Hotel Vitale	Operating lease	March 2070	(1)
Hyatt Regency Boston Harbor	Operating lease	April 2077	
The Westin Copley Place, Boston	Operating lease	December 2077	(2)
The Liberty, a Luxury Collection Hotel, Boston	Operating lease	May 2080	
Jekyll Island Club Resort and Restaurant	Operating lease	January 2089	
Hotel Zelos San Francisco	Operating lease	June 2097	
Hotel Palomar Los Angeles Beverly Hills	Operating lease	January 2107	(3)
Margaritaville Hollywood Beach Resort	Operating lease	July 2112	
Hotel Zeppelin San Francisco	Operating and finance lease	June 2089	(4)
Harbor Court Hotel San Francisco	Finance lease	August 2052	

(1) The expiration date assumes the exercise of a 14-year extension option.
(2) No payments are required through maturity.
(3) The expiration date assumes the exercise of all 19 five-year extension options.
(4) The expiration date assumes the exercise of a 30-year extension option.

The Company's leases may require minimum fixed rent payments, percentage rent payments based on a percentage of revenues in excess of certain thresholds or rent payments equal to the greater of a minimum fixed rent or percentage rent. Minimum fixed rent may be adjusted annually by increases in the consumer price index and may be subject to minimum and maximum increases. Some leases also contain certain restrictions on modifications that can be made to the hotel structures due to their status as national historic landmarks.

The Company records expense on a straight-line basis for leases that provide for minimum rental payments that increase in pre-established amounts over the remaining terms of the leases. Ground rent expense is included in real estate taxes, personal property taxes, property insurance and ground rent in the Company's accompanying consolidated statements of operations and comprehensive income. The components of ground rent expense for the years ended December 31, 2021, 2020 and 2019 are as follows (in thousands):

	For the year ended December 31,		
	2021	2020	2019
Fixed ground rent	$ 16,825	$ 17,220	$ 17,042
Variable ground rent	9,616	4,924	14,689
Total ground rent	$ 26,441	$ 22,144	$ 31,731

Future maturities of lease liabilities for the Company's operating leases at December 31, 2021 were as follows (in thousands):

2022	$ 20,556
2023	20,252
2024	20,356
2025	20,485
2026	20,781
Thereafter	1,605,674
Total lease payments	$ 1,708,104
Less: Imputed interest	(1,388,678)
Present value of lease liabilities	$ 319,426

Litigation

The nature of the operations of hotels exposes the Company's hotels, the Company and the Operating Partnership to the risk of claims and litigation in the normal course of their business. The Company has insurance to cover certain potential material losses. The Company is not presently subject to any material litigation nor, to the Company's knowledge, is any material litigation threatened against the Company.

Note 12. Supplemental Information to Statements of Cash Flows

	(in thousands) For the year ended December 31,		
	2021	2020	2019
Interest paid, net of capitalized interest	$ 84,453	$ 90,655	$ 91,918
Interest capitalized	$ 1,391	$ 1,247	$ 347
Income taxes paid (refunded)	$ (258)	$ 3,469	$ 4,568
Non-Cash Investing and Financing Activities:			
Convertible debt discount adjustment	$ 113,099	$ —	$ —
Distributions payable on common shares/units	$ 1,537	$ 1,749	$ 51,006
Distributions payable on preferred shares	$ 10,219	$ 7,558	$ 7,558
Issuance of common shares for Board of Trustees compensation	$ 516	$ 637	$ 740
Issuance of common shares for executive and employee bonuses	$ 1,446	$ —	$ —
Issuance of common shares for LTIP units redemption	$ —	$ 2,831	$ —
Accrued additions and improvements to hotel properties	$ 3,110	$ 9,164	$ 3,192
Right of use assets obtained in exchange for lease liabilities	$ 65,599	$ —	$ 257,167
Purchase of ground lease	$ —	$ —	$ 16,604
Write-off of fully depreciated building, furniture, fixtures and equipment	$ —	$ —	$ 28,120
Write-off of deferred financing costs	$ 6,574	$ 1,979	$ 3,013
Mortgage loans assumed in connection with acquisition of hotel properties	$ 223,177	$ —	$ —
Below (above) market contracts assumed in connection with acquisition of hotel properties	$ 3,071	$ —	$ —

Note 13. Subsequent Events

On February 18, 2022, the Board of Trustees granted awards of an aggregate of 303,858 service condition restricted common shares and target performance-based equity to executive officers and employees of the Company. These awards will vest over three years. The actual number of common shares to be issued under the performance-based equity awards will be determined in early 2025 and will be based on certain performance criteria stipulated in the agreements for the period January 1, 2022 through December 31, 2024.

Pebblebrook Hotel Trust
Schedule III--Real Estate and Accumulated Depreciation
As of December 31, 2021
(in thousands)

		Initial Costs				Gross Amount at End of Year								
Description	Encumbrances	Land	Building and Improvements	Furniture, Fixtures and Equipment	Cost Capitalized Subsequent to Acquisition	Land	Building and Improvements	Furniture, Fixtures and Equipment	Total	Accumulated Depreciation	Net Book Value	Year of Original Construction	Date of Acquisition	Depreciation Life
Hotel Monaco Washington DC	$ —	$ —	$ 60,630	$ 2,441	$ 22,193	$ —	$ 77,178	$ 8,086	$ 85,264	$ 30,084	$ 55,180	1839	9/9/2010	3-40 years
Skamania Lodge	—	7,130	44,987	3,523	28,117	11,058	62,757	9,942	83,757	24,592	59,165	1993	11/3/2010	3-40 years
Le Meridien Delfina Santa Monica	—	18,784	81,580	2,295	19,253	18,784	92,782	10,346	121,912	37,563	84,349	1972	11/19/2010	3-40 years
Sofitel Philadelphia at Rittenhouse Square	—	18,000	64,256	4,639	21,432	18,000	76,777	13,550	108,327	32,618	75,709	2000	12/3/2010	3-40 years
Argonaut Hotel	—	—	79,492	4,247	8,958	—	83,861	8,836	92,697	32,054	60,643	1907	2/16/2011	3-40 years
The Westin San Diego Gaslamp Quarter	—	25,537	86,089	6,850	39,487	25,537	116,189	16,237	157,963	44,374	113,589	1987	4/6/2011	1-40 years
Hotel Monaco Seattle	—	10,105	38,888	2,073	12,437	10,105	45,713	7,685	63,503	20,471	43,032	1969	4/7/2011	3-40 years
Mondrian Los Angeles	—	20,306	110,283	6,091	32,922	20,306	128,022	21,274	169,602	51,015	118,587	1959	5/3/2011	3-40 years
W Boston	—	19,453	63,893	5,887	17,225	19,453	76,499	10,506	106,458	27,998	78,460	2009	6/8/2011	2-40 years
Hotel Zetta San Francisco	—	7,294	22,166	290	17,692	7,294	35,390	4,758	47,442	14,236	33,206	1913	4/4/2012	3-40 years
Hotel Vintage Seattle	—	8,170	23,557	706	8,974	8,170	29,875	3,362	41,407	11,487	29,920	1922	7/9/2012	3-40 years
Hotel Vintage Portland	—	6,222	23,012	1,093	16,328	6,222	35,050	5,383	46,655	15,305	31,350	1894	7/9/2012	3-40 years
W Los Angeles - West Beverly Hills	—	24,403	93,203	3,600	31,990	24,403	119,015	9,778	153,196	39,777	113,419	1969	8/23/2012	3-40 years
Hotel Zelos San Francisco	—	—	63,430	3,780	13,346	—	74,705	5,851	80,556	22,532	58,024	1907	10/25/2012	3-40 years
Embassy Suites San Diego Bay -	—	20,103	90,162	6,881	36,346	20,103	117,542	15,847	153,492	40,036	113,456	1988	1/29/2013	3-40 years
The Hotel Zags	—	8,215	37,874	1,500	7,696	8,215	43,609	3,461	55,285	12,248	43,037	1962	8/28/2013	3-40 years
Hotel Zephyr Fisherman's Wharf	—	—	116,445	3,550	41,186	—	153,626	7,555	161,181	44,737	116,444	1964	12/9/2013	3-40 years
Hotel Zeppelin San Francisco	—	12,561	43,665	1,094	36,945	12,561	75,653	6,051	94,265	25,281	68,984	1913	5/22/2014	1-45 years
The Nines, a Luxury Collection Hotel, Portland	—	18,493	92,339	8,757	12,898	18,493	98,967	15,027	132,487	32,493	99,994	1909	7/17/2014	3-40 years
Hotel Colonnade Coral Gables, Autograph Collection	—	12,108	46,317	1,271	19,043	12,108	59,389	7,242	78,739	18,572	60,167	1989	11/12/2014	2-40 years
Hotel Palomar Los Angeles Beverly Hills	—	—	90,675	1,500	14,627	—	100,465	6,337	106,802	24,113	82,689	1972	11/20/2014	3-40 years

Pebblebrook Hotel Trust
Schedule III--Real Estate and Accumulated Depreciation
As of December 31, 2021
(in thousands)

		Initial Costs				Gross Amount at End of Year								
Description	Encumbrances	Land	Building and Improvements	Furniture, Fixtures and Equipment	Cost Capitalized Subsequent to Acquisition	Land	Building and Improvements	Furniture, Fixtures and Equipment	Total	Accumulated Depreciation	Net Book Value	Year of Original Construction	Date of Acquisition	Depreciation Life
Revere Hotel Boston Common	—	41,857	207,817	10,596	(42,702)	17,367	181,990	18,211	217,568	52,464	165,104	1972	12/18/2014	3-40 years
LaPlaya Beach Resort & Club	—	112,575	82,117	6,733	37,601	112,575	116,386	10,065	239,026	29,961	209,065	1968	5/21/2015	3-40 years
Hotel Zoe Fisherman's Wharf	—	29,125	90,323	2,500	16,757	29,125	105,128	4,452	138,705	22,443	116,262	1990	6/11/2015	2-40 years
Hotel Vitale	—	—	105,693	3,896	22,215	—	117,578	14,226	131,804	13,178	118,626	2005	11/30/2018	3-40 years
The Marker San Francisco	—	45,243	68,244	5,453	2,579	45,243	69,799	6,477	121,519	11,222	110,297	1910/1995	11/30/2018	3-40 years
Hotel Spero	—	39,363	64,804	11,235	760	39,363	65,154	11,645	116,162	10,164	105,998	1928/1999	11/30/2018	3-40 years
Chaminade Resort & Spa	—	22,590	37,114	6,009	14,890	22,590	49,484	8,529	80,603	8,898	71,705	1985	11/30/2018	3-40 years
Harbor Court Hotel San Francisco	—	—	79,009	6,190	1,634	—	79,843	6,990	86,833	9,126	77,707	1926/1991	11/30/2018	3-40 years
Viceroy Santa Monica Hotel	—	—	91,442	5,257	11,000	—	99,912	7,787	107,699	12,971	94,728	1967/2002	11/30/2018	3-40 years
Le Parc Suite Hotel	—	17,876	65,515	2,496	12,525	17,876	74,626	5,910	98,412	9,834	88,578	1970	11/30/2018	3-40 years
Montrose West Hollywood	—	16,842	58,729	6,499	2,329	16,842	59,623	7,934	84,399	7,821	76,578	1976	11/30/2018	3-40 years
Chamberlain West Hollywood Hotel	—	14,462	43,157	5,983	1,847	14,462	44,372	6,615	65,449	6,294	59,155	1970/2005	11/30/2018	3-40 years
Grafton on Sunset	—	12,440	36,932	3,951	4,040	12,440	39,095	5,828	57,363	6,121	51,242	1954	11/30/2018	3-40 years
The Westin Copley Place, Boston	—	—	291,754	35,780	6,494	—	296,555	37,473	334,028	39,291	294,737	1983	11/30/2018	3-40 years
The Liberty, A Luxury Collection Hotel, Boston	—	—	195,797	15,126	3,937	—	198,148	16,712	214,860	22,534	192,326	1851/2007	11/30/2018	3-40 years
Hyatt Regency Boston Harbor	—	—	122,344	6,862	8,176	—	130,027	7,355	137,382	14,807	122,575	1993	11/30/2018	3-40 years
George Hotel	—	15,373	65,529	4,489	427	15,373	65,805	4,640	85,818	8,593	77,225	1928	11/30/2018	3-40 years
Viceroy Washington DC	—	18,686	60,927	2,838	9,064	18,686	66,819	6,010	91,515	8,284	83,231	1962	11/30/2018	3-40 years
Hotel Zena Washington DC	—	19,035	60,402	2,066	27,972	19,035	84,559	5,881	109,475	8,304	101,171	1972	11/30/2018	3-40 years
Paradise Point Resort & Spa	—	—	199,304	22,032	10,843	21	205,749	26,409	232,179	27,274	204,905	1962	11/30/2018	3-40 years
Hilton San Diego Gaslamp Quarter	—	33,017	131,926	7,741	2,027	33,017	133,368	8,326	174,711	16,434	158,277	2000	11/30/2018	3-40 years

Pebblebrook Hotel Trust
Schedule III--Real Estate and Accumulated Depreciation
As of December 31, 2021
(in thousands)

		Initial Costs				Gross Amount at End of Year								
Description	Encumbrances	Land	Building and Improvements	Furniture, Fixtures and Equipment	Cost Capitalized Subsequent to Acquisition	Land	Building and Improvements	Furniture, Fixtures and Equipment	Total	Accumulated Depreciation	Net Book Value	Year of Original Construction	Date of Acquisition	Depreciation Life
Solamar Hotel	—	—	74,768	8,830	25,656	23,472	75,642	10,140	109,254	11,631	97,623	2005	11/30/2018	3-40 years
L'Auberge Del Mar	—	33,304	92,297	5,393	13,198	33,316	102,110	8,766	144,192	10,876	133,316	1989	11/30/2018	3-40 years
San Diego Mission Bay Resort	—	—	80,733	9,458	26,754	30	99,627	17,288	116,945	16,729	100,216	1962	11/30/2018	3-40 years
The Heathman Hotel	—	14,243	38,694	7,062	1,341	14,243	39,672	7,425	61,340	6,419	54,921	1927	11/30/2018	3-40 years
Southernmost Beach Resort	—	90,396	253,954	8,676	21,067	90,420	269,376	14,297	374,093	26,873	347,220	1958-2008	11/30/2018	3-40 years
The Marker Resort Key West Harbor Resort	—	25,463	66,903	2,486	3,762	25,463	69,430	3,721	98,614	7,870	90,744	2014	11/30/2018	3-40 years
Hotel Chicago Downtown, Autograph Collection	—	39,576	114,014	7,608	(17,007)	39,576	96,300	8,315	144,191	13,128	131,063	1998	11/30/2018	3-40 years
The Westin Michigan Avenue Chicago	—	44,983	103,160	23,744	10,446	44,983	112,155	25,195	182,333	19,510	162,823	1963/1972	11/30/2018	3-40 years
Jekyll Island Club Resort	—	—	88,912	5,031	872	—	89,091	5,724	94,815	2,383	92,432	1986	7/22/2021	2-40 years
Margaritaville Hollywood Beach Resort(2)	161,500	—	244,230	22,288	82	—	244,230	22,370	266,600	2,993	263,607	2015	9/23/2021	3-40 years
Estancia La Jolla Hotel & Spa(3)	61,373	—	104,280	3,646	—	—	104,280	3,646	107,926	393	107,533	2004	12/1/2021	2-40 years
	$ 222,873	$ 923,333	$ 4,793,767	$ 350,022	$ 699,681	$ 926,330	$ 5,288,997	$551,476	$ 6,766,803	$ 1,066,409	$ 5,700,394			

(1) Disposals are reflected as reductions to cost capitalized subsequent to acquisition

(2) Encumbrance on Margaritaville Hollywood Beach Resort is presented at face value, which excludes an unamortized loan discount and deferred financing costs of $2.7 million and $0.4 million, respectively, at December 31, 2021.

(3) Encumbrance on Estancia La Jolla Hotel & Spa is presented at face value, which excludes unamortized deferred financing costs of $0.3 million at December 31, 2021.

Pebblebrook Hotel Trust
Schedule III--Real Estate and Accumulated Depreciation - Continued
As of December 31, 2021
(in thousands)

Reconciliation of Real Estate and Accumulated Depreciation:

Reconciliation of Real Estate:

Balance at December 31, 2018	$	7,077,623
Acquisitions		23,472
Capital expenditures		159,574
Disposal of Assets		(503,383)
Other		(24,649)
Balance at December 31, 2019	$	6,732,637
Capital expenditures		115,850
Disposal of Assets		(314,186)
Other		(74,556)
Balance at December 31, 2020	$	6,459,745
Acquisitions		488,447
Capital expenditures		86,936
Disposal of Assets		(253,469)
Other		(14,856)
Balance at December 31, 2021	$	6,766,803

Reconciliation of Accumulated Depreciation:

Balance at December 31, 2018	$	543,430
Depreciation		226,953
Disposal of Assets		(35,061)
Balance at December 31, 2019	$	735,322
Depreciation		223,286
Disposal of Assets		(60,321)
Balance at December 31, 2020	$	898,287
Depreciation		223,225
Disposal of Assets		(55,103)
Balance at December 31, 2021	$	1,066,409

The aggregate cost of properties for federal income tax purposes is approximately $6.4 billion as of December 31, 2021.

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Corporate Information

Executive Officers

Jon E. Bortz
Chairman of the Board of Trustees, President and CEO

Raymond D. Martz
CFO, Executive Vice President, Treasurer and Secretary

Thomas C. Fisher
CIO and Executive Vice President

Board of Trustees

Annual Meeting of Shareholders

The 2022 Annual Meeting of Shareholders will be held on May 16, 2022, at 9:00 AM ET at the offices of Hunton Andrews Kurth LLP, 8405 Greensboro Drive Suite 140, Tysons, VA 22102

Corporate Address

Pebblebrook Hotel Trust
4747 Bethesda Avenue
Suite 1100
Bethesda, MD 20814

(240) 507-1300 (phone)
(240) 396-5626 (fax)

Visit our website at:
www.pebblebrookhotels.com

Legal Counsel

Hunton Andrews Kurth LLP
Richmond, Virginia

Transfer Agent

EQ Shareowner Services
1110 Centre Pointe Curve Suite 101
Mendota Heights, MN 55120

800-468-9716

Stock Listing

Pebblebrook Hotel Trust is traded on the New York Stock Exchange under the symbol PEB. The number of beneficial shareholders as of March 11, 2022 was approximately 45,178.

SEC Form 10-K and Other Information

Requests for additional copies of the Company's 2021 Annual Report on Form 10-K, charters of the board committees, code of ethics and corporate governance guidelines are made available on our website or to shareholders in print (which will be provided free of charge) by sending written requests to:

Pebblebrook Hotel Trust
Investor Relations Department
4747 Bethesda Avenue
Suite 1100
Bethesda, MD 20814

Dividends

The Company paid cash dividends of $0.04 per share on its common shares in 2021.

The Company paid cash dividends of $1.3858 per share on its 6.5% Series C Cumulative Redeemable Preferred Shares in 2021.

The Company paid cash dividends of $1.3547 per share on its 6.375% Series D Cumulative Redeemable Preferred Shares in 2021.

The Company paid cash dividends of $1.5938 per share on its 6.375% Series E Cumulative Redeemable Preferred Shares in 2021.

The Company paid cash dividends of $1.5750 per share on its 6.3% Series F Cumulative Redeemable Preferred Shares in 2021.

The Company paid cash dividends of $0.6729 per share on its 6.375% Series G Cumulative Redeemable Preferred Shares in 2021.

The Company paid cash dividends of $0.3088 per share on its 5.7% Series H Cumulative Redeemable Preferred Shares in 2021.

Independent Registered Public Accountants

KPMG LLP
McLean, Virginia

NYSE: PEB

www.pebblebrookhotels.com

Follow us on Twitter at @PebblebrookPEB

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