

HERSHA HOSPITALITY TRUST  
Form DEF 14A  
April 20, 2018

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Hersha Hospitality Trust

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total Fee Paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

2018 PROXY STATEMENT



Dear Fellow Shareholders:

I hope you will join me and our Board of Trustees at our 2018 Annual Meeting of Shareholders on June 1, 2018 at the St. Gregory Hotel, 2033 M Street, N.W., Washington, DC 20036. The following pages contain the Notice of Annual Meeting and the Proxy Statement, which describes the business to be conducted at the meeting.

In 2017, Hersha completed its 24-month capital recycling campaign, increasing its presence in core markets such as Philadelphia, South Florida and entered the fast-growing Seattle market on the West Coast. During this period, the Company sold approximately 18 mature, stabilized hotels for \$870 million and successfully deferred \$270 million of taxable gains with \$816 million of accretive acquisitions. The sales were executed efficiently for an average 15x EBITDA multiple or 6% cap rate and we were able to achieve an unlevered 14.3% internal rate of return on these assets during our hold period.

In addition to refining the portfolio's market mix to urban gateway and coastal destinations, our improved portfolio quality focuses our capabilities on hotels with higher RevPAR and EBITDA growth potential in our core markets. In 2017, our capital recycling program allowed our consolidated portfolio RevPAR to increase 7.6% to \$179.84, a 15.9% premium to our consolidated RevPAR of \$155.19 as of the end of 2014 before we began this transformation.

Despite challenging market conditions for the lodging sector, our 2017 comparable portfolio RevPAR grew 2.3% to \$184.23, the highest year-end RevPAR figure in our history and at the high end of the lodging REIT sector. We outperformed the median RevPAR growth for our peer group in 2017 by 220 basis points and have outperformed the peer group by 430 basis points over the past 3 years.

In addition to driving core operating results, we were able to access the capital markets to lower our weighted average cost of debt and capitalized on dislocation in the markets by repurchasing \$35 million of our common shares. Since 2014, we have repurchased over \$241 million of our common shares, representing approximately 23% of our public float.

Following several years of well-timed dispositions, calculated acquisitions, and ROI-generating renovations, our collection of hotels is uniquely in tune with the tastes and preferences of today's traveler. We remain confident in the value of our portfolio, the markets where we are focused, and the overall EBITDA growth profile of our assets.

Thank you for your continued support of our Company. Your vote is important to us and our business and you will find instructions on how to vote on page 9.

Sincerely,

/s/ Jay H. Shah

Jay H. Shah  
Chief Executive Officer and Trustee  
April 20, 2018

HERSHA HOSPITALITY TRUST  
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
FRIDAY, JUNE 1, 2018  
9:00 A.M. (EDT)  
THE ST. GREGORY HOTEL  
2033 M STREET, N.W.  
WASHINGTON, DC 20036

Items of Business

1. To elect four Class I Trustees to the Board of Trustees.
2. To approve on an advisory basis the compensation of the Company's named executive officers.
3. To ratify the appointment of KPMG LLP as the Company's independent auditors for the year ending December 31, 2018.
4. To transact such other business as may properly come before the annual meeting and any adjournment or postponement thereof.

Record Date

You can vote if you were a holder of record of our Priority Class A common shares ("common shares"), at the close of business on March 29, 2018.

Proxy Materials

We are pleased to take advantage of the Securities and Exchange Commission (the "SEC") rule allowing companies to furnish proxy materials to shareholders over the Internet. We believe that this e-proxy process expedites shareholders' receipt of proxy materials, while setting a great precedent for our Company by keeping the costs down and reducing the environmental impact of our Annual Meeting. On or about April 20, 2018, we will begin mailing a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2017, how to vote over the Internet or how to request and return a proxy card by mail. Shareholders may request to receive a paper copy of the proxy materials and will subsequently be mailed the Proxy Statement, our annual report to shareholders accompanying our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, or the 2017 Annual Report, and a proxy card.

---

Your Vote is Important

It is important that your common shares are represented and voted at the annual meeting. You may authorize your proxy over the Internet or by telephone as described in the Notice of Internet Availability of Proxy Materials.

Alternatively, if you received a printed copy of the proxy materials by mail, you may authorize your proxy by signing and returning the proxy card in the enclosed envelope. You may revoke your proxy and vote in person at the annual meeting by (1) executing and submitting a later dated proxy card that is received at the Company's principal executive office prior to June 1, 2018, (2) subsequently authorizing a proxy over the Internet or by telephone, (3) sending a written revocation of your proxy to the Company's Corporate Secretary at its principal executive office or (4) attending the annual meeting and voting in person.

BY ORDER OF THE BOARD OF TRUSTEES,

/s/ David L. Desfor

David L. Desfor  
Corporate Secretary

44 Hersha Drive  
Harrisburg, Pennsylvania 17102  
April 20, 2018

---

PROXY STATEMENT

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE 2018 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 1, 2018:

The Notice of Annual Meeting of Shareholders, this proxy statement and the 2017 annual report to shareholders are available on Hersha Hospitality Trust's website, [www.hersha.com](http://www.hersha.com), and at [www.proxyvote.com](http://www.proxyvote.com). Information on or connected to these websites is not deemed to be a part of this proxy statement.

---

Table of Contents

	Page
PROXY SUMMARY	<u>1</u>
PLEASE VOTE	<u>9</u>
CORPORATE GOVERNANCE	<u>12</u>
ENVIRONMENTAL, SOCIAL AND GOVERNANCE - EARTHVIEW SUSTAINABLE HOSPITALITY	<u>15</u>
PROPOSAL ONE: Election of Class I Trustees	<u>17</u>
BOARD OF TRUSTEES AND EXECUTIVE OFFICERS	<u>18</u>
MEETINGS OF THE BOARD OF TRUSTEES	<u>26</u>
TRUSTEE COMPENSATION	<u>29</u>
SECURITY OWNERSHIP OF MANAGEMENT	<u>32</u>
OWNERSHIP OF EQUITY SECURITIES OF THE COMPANY	<u>34</u>
COMPENSATION COMMITTEE REPORT	<u>35</u>
COMPENSATION DISCUSSION AND ANALYSIS	<u>36</u>
EXECUTIVE COMPENSATION	<u>59</u>
PROPOSAL TWO: Advisory Vote on Executive Compensation	<u>70</u>
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	<u>72</u>
AUDIT COMMITTEE REPORT	<u>74</u>
INFORMATION ABOUT THE COMPANY'S INDEPENDENT AUDITORS	<u>75</u>
PROPOSAL THREE: Ratification of Appointment of Independent Auditors	<u>76</u>
SHAREHOLDER PROPOSALS AND NOMINATIONS FOR THE 2019 ANNUAL MEETING	<u>77</u>
OTHER MATTERS	<u>78</u>
ANNUAL REPORT ON FORM 10-K	<u>79</u>

---

## PROXY SUMMARY

This proxy summary highlights information that may be contained elsewhere in this proxy statement. This proxy summary does not contain all of the information that you should consider before authorizing your proxy, and you should read the entire proxy statement carefully before authorizing your proxy. Page references are supplied to help you find further information in this proxy statement. Unless the context otherwise indicates or requires, all references in this proxy statement to the terms “Hersha,” “we,” “us,” “our,” “our company” and “the Company” mean Hersha Hospitality Trust and its subsidiaries. Please refer to our website, [www.hersha.com](http://www.hersha.com), for additional information about the Company.

### Eligibility to Vote (page 9)

You can vote if you are a holder of record of our common shares as of the close of business on March 29, 2018.

### How to Cast Your Vote (page 9)

You can vote by any of the following methods:

Internet: [www.proxyvote.com](http://www.proxyvote.com) until 11:59 P.M. EDT on May 31, 2018;

Telephone: 1-800-690-6903 until 11:59 P.M. EDT on May 31, 2018; or

Mail: If you received a printed copy of the proxy materials by mail, completing, signing and returning your proxy or voting instruction card.

To decrease both printing costs to the Company and the environmental impact of our annual proxy solicitation process, pursuant to rules adopted by the SEC, we have elected to furnish our proxy materials over the Internet to our shareholders by delivering a Notice of Internet Availability of Proxy Materials in the mail. Unless requested, you will not receive a printed copy of the proxy materials in the mail. Instead, the Notice of Internet Availability of Proxy Materials instructs you on how to access and review the Proxy Statement and our 2017 Annual Report over the Internet at [www.proxyvote.com](http://www.proxyvote.com). The Notice of Internet Availability of Proxy Materials also instructs you on how you may submit your proxy over the Internet, or how you can request a full set of proxy materials, including a proxy card to return by mail. If you received a Notice of Internet Availability of Proxy Materials in the mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting these materials provided in the Notice of Internet Availability of Proxy Materials.

### Corporate Governance of the Company (page 11)

We strive to observe and continue to implement best practices in Corporate Governance and we are committed to high ethical standards.



Board Independence	<ul style="list-style-type: none"> <li>-6 out of 8 of our trustees and trustee nominees are independent</li> <li>-Our Chairman and CEO are the only management trustees</li> <li>-Independent Lead Trustee (selected by the trustees) regularly convenes executive sessions of independent trustees to discuss certain matters without management trustees or management present</li> <li>-The Nominating and Corporate Governance Committee leads the full Board in considering Board competencies and the identification and evaluation of trustee candidates</li> </ul>
Board Composition and Committees	<ul style="list-style-type: none"> <li>-We have four Board committees and one sub-committee - Acquisition, Audit (including Risk-Sub-Committee), Nominating and Corporate Governance, and Compensation</li> <li>-All committees are composed entirely of independent trustees</li> <li>-The Board and its committees and sub-committees conduct an annual self-assessment to review effectiveness</li> </ul>
Board Diversity	<ul style="list-style-type: none"> <li>-4 out of 8 of our trustees are women and minority board members</li> <li>-Chairman of the Board separate from CEO</li> </ul>
Leadership Structure	<ul style="list-style-type: none"> <li>-Independent Lead Trustee, among other duties, convenes and chairs executive sessions of the independent trustees</li> <li>-Our full Board is responsible for risk oversight, and has designated committees to have particular oversight of certain key risks</li> </ul>
Risk Oversight	<ul style="list-style-type: none"> <li>-Risk Sub-Committee established to promote active and focused discussion of risk and risk oversight</li> <li>-Our Board oversees management as management fulfills its responsibilities for the assessment and mitigation of risks and for taking appropriate risks</li> </ul>
Open Communication	<ul style="list-style-type: none"> <li>-We encourage open communication and strong working relationships among the Independent Lead Trustee, Chairman, CEO and other trustees</li> <li>-Our trustees have access to management and employees</li> <li>-Our independent trustees are required to own our common shares in an amount equal to five times the annual cash base retainer</li> </ul>
Trustee Stock Ownership	<ul style="list-style-type: none"> <li>-Our management trustees (CEO and Chairman) are required to own common stock in an amount equal to six times and four times their annual salary, respectively</li> <li>-Comprehensive insider trading policy and prohibitions on hedging transactions</li> <li>-We use majority voting in uncontested director elections</li> <li>-Shareholders have the power to amend the Bylaws</li> </ul>
Accountability to Stockholders	<ul style="list-style-type: none"> <li>-We do not have a shareholder rights plan</li> <li>-We have an annual advisory vote on executive compensation as opposed to every two or three years, as approved, on an advisory basis, by our shareholders at our 2017 annual meeting.</li> </ul>

Environmental Social and Governance - EarthView Sustainable Hospitality (page 14)

We believe that the financial success of our shareholders and the positive growth of our company is fueled by an unwavering commitment to highly ethical and moral business practices. We are proud that fair dealing is at the foundation of all that we do. It is our goal to constantly reinforce the promotion of good citizenship and community involvement in the activities of our Company.

We embrace environmental and community stewardship as an integral part of maintaining and building a successful business. To put this vision into practice, in 2010 we conceptualized and developed a proprietary corporate program, EarthView®, that encompasses a triple bottom line approach to sustainability. Comprehensively, the program delivers environmental and conservation initiatives that positively impact a hotel operation's bottom line while simultaneously improving the well being of our guests, our employees, our communities, and our planet.

Our sustainability commitment has been recognized by the National Association of Real Estate Investment Trusts (“NAREIT”). EarthView has repeatedly been awarded the prestigious “Leader in the Light” award amongst Lodging &

Resort companies for superior portfolio wide energy use practices and sustainability initiatives. In 2017, Hersha also participated in the Global Real Estate Sustainability Benchmark (GRESB) for the sixth consecutive year and ranked in the top 4% of GRESB participants globally.

## Board of Trustees (page 16)

Name	Age	Occupation	Committee Memberships	Other Public Company Boards
Class I Trustee Nominees				
Jay H. Shah	49	Chief Executive Officer of the Company	None	None
Thomas J. Hutchison III	76	Former CEO, CNL Hotel & Resorts and CNL Retirement Properties, Inc.	Compensation (Chair) Acquisition Audit Risk Sub-Committee Acquisition (Chair)	Marriott Vacations Worldwide Corp.
Donald J. Landry	69	Lead Independent Trustee of the Company Former CEO and President, Sunburst Hospitality, Inc.	Audit Risk Sub-Committee Nominating & Corporate Governance	Condor Hospitality Trust, Inc.
Michael A. Leven	80	Former President and Chief Operating Officer, Las Vegas Sands Corp.	Nominating & Corporate Governance (Chair) Acquisition Committee Compensation Committee	None
Class II Trustees				
Hasu P. Shah	73	Chairman of the Board of the Company	None	None
Jackson Hsieh	57	President and Chief Executive Officer, Spirit Realty Capital, Inc.	Acquisition Audit Compensation Risk Sub-Committee (Chair)	Spirit Realty Capital, Inc. Chesapeake Utilities Corp.,
Dianna F. Morgan	66	Former Senior Vice President, Walt Disney World Company	Audit Compensation Nominating & Corporate Governance Audit (Chair)	Marriott Vacations Worldwide Corp.
John M. Sabin	63	Executive Vice President and Chief Financial Officer, Revolution, LLC, Case Family Office, and The Case Foundation	Acquisition Compensation Nominating & Corporate Governance	Condor Hospitality Trust, Inc.

Executive Officers (page 23)

Name	Age	Title
Hasu P. Shah*	73	Chairman of the Board
Jay H. Shah*	49	Chief Executive Officer
Neil H. Shah*	44	President and Chief Operating Officer
Ashish R. Parikh*	48	Chief Financial Officer and Assistant Secretary
Michael R. Gillespie*	45	Chief Accounting Officer, Controller, and Assistant Secretary
David L. Desfor	57	Treasurer and Corporate Secretary

\* Indicates the executive is a named executive officer ("NEO" or, collectively, "NEOs") of the Company.

Executive Compensation (page 57)

The objectives of the Company's executive compensation program are to attract, retain and motivate experienced and talented executives who can maximize shareholder value, and is designed to closely align compensation paid to executives, including the Company's named executive officers ("NEOs"), with the Company's performance on both a short-term and long-term basis. Our program consists of rigorous goals, is targeted towards outperformance, and aligns management with investors.

Compensation Discussion and Analysis (page 33)

þ What We Do

The Company ties NEO pay to performance. For 2017, 83% of the NEOs' pay potential was performance-based and at-risk.

The Company sets clear goals for company performance and differentiates certain elements of compensation based on individual NEO achievement. 100% of at-risk compensation is payable only upon the achievement of specific performance metrics and individual achievement.

The Company mitigates undue risk, including retention provisions, multiple performance targets, and robust Board and management processes to identify risk. The Company will clawback bonuses and other incentive-based and equity-based compensation if misconduct results in a financial restatement. The Company has reasonable post-employment and change in control provisions. The employment agreements with the NEOs generally provide for cash payments after a change in control only if the NEO is also terminated without cause or voluntarily resigns for good reason within one year of the change in control (a double-trigger).

The Compensation Committee benefits from its utilization of an independent compensation consulting firm. The reports prepared by the compensation consulting firm are used by the Compensation Committee to set executive compensation at levels that are intended to be competitive with the Company's industry peers.

The Company has adopted share ownership guidelines for the NEOs. In addition, the Company implemented requirements for the NEOs to hold shares granted for two years beyond vesting.

Only customary perquisites, such as health and insurance benefits, are provided. Perquisites represent only a small portion of the total NEO compensation.

ý What We Do Not Do

The Company has no contractual arrangements for guaranteed payouts (other than base salary which is only 17% of the NEOs' pay potential). There are no guarantees in place for any potential changes to our NEOs' base salaries, cash incentive payments, or equity awards.

The Company does not issue equity compensation that is at-risk merely due to time-based vesting. Rather 100% of at-risk compensation is dependent upon specific performance metrics and individual achievement. Once earned, equity awards are subject to time-vesting requirements to promote retention.

The Compensation Committee does not believe the executive compensation program creates risks that are reasonably likely to pose a material adverse impact to the Company.

The Company does not have any tax gross-up provisions for any of the NEOs and maintains that it will not enter into an agreement with a new executive officer that includes a tax gross-up provision with respect to payments contingent upon a change in control.

The Company's compensation consulting firm does not provide any other services to the Company or management.

The Company has not used options or share appreciation rights. If used, the Company would not reprice these securities if they were underwater.

The Company does not have deferred compensation or pension plans and does not provide perquisites to the NEOs that would be considered significant or extraordinary.

During the past several years, the Company has been focused on transforming its portfolio through strategic acquisitions and dispositions, improving its balance sheet and strategically accessing capital markets. Management has significantly transformed the Company over the long-term into a lodging REIT focused on an urban transient customer and, amongst its hotel REIT peers, has one of the highest exposures to coastal gateway markets in the United States. As a result, Hersha Hospitality Trust achieved RevPAR that is \$16.88, or 10%, higher than its lodging REIT peers. The table below illustrates the Company's RevPAR compared to the RevPAR of its peers: (Source: Publicly available information and SEC filings)

The following table highlights the historical transformation of the Company since its IPO in 1999:

Since the start of the last lodging cycle, Hersha Hospitality Trust has been a leader in RevPAR growth. The following table highlights the Company's compound annual growth rate in RevPAR compared to peers in the lodging REIT sector for the period beginning January 1, 2009 through December 31, 2017:

(Table excludes certain hospitality REITs that the Company considers to be peers for executive compensation purposes that completed IPOs after January 1, 2009. Source: Publicly available information and SEC filings.)

7

---

Say on Pay (page 67)

Our shareholders have supported our NEO compensation program each year it has been presented for approval. The 2017 NEO compensation program was substantially the same as the 2016 NEO compensation program. Enhancements to the 2018 NEO compensation program developed by our Compensation Committee, in consultation with our independent compensation consultant, are not material to the overall program. We are asking our shareholders to approve, on an advisory basis, the compensation of our NEOs for 2017.

Ratification of Auditors (page 72)

We are asking our shareholders to ratify the selection of KPMG LLP as our independent registered public accounting firm for 2018.

Voting Proposals Summary

Proposal Number	Page Number	Proposal	Recommendation
PROPOSAL 1	16	To elect four Class I Trustees to the Board of Trustees.	FOR - All Nominees
PROPOSAL 2	68	To approve on an advisory basis the compensation of the Company's named executive officers.	FOR
PROPOSAL 3	72	To ratify the appointment of KPMG LLP as the Company's independent auditors for the year ending December 31, 2017	FOR



PLEASE VOTE

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND THIS PROXY STATEMENT  
THE PROXY SOLICITATION

This proxy statement is provided in connection with the solicitation of proxies by the Board of Trustees of Hersha Hospitality Trust for use at the 2018 annual meeting of shareholders to be held at the St. Gregory Hotel, 2033 M Street, N.W., Washington, DC 20036 at 9:00 a.m. (EDT) on June 1, 2018 and at any adjournment or postponement thereof. The mailing address of the Company's principal executive office is 44 Hersha Drive, Harrisburg, Pennsylvania 17102. The Notice of Internet Availability of Proxy Materials is first being mailed, and the Company's proxy materials, including the notice of the annual meeting, this proxy statement, the proxy card and the 2017 annual report to shareholders, are first being made available to the Company's shareholders, on or about April 20, 2018.

Solicitation of Proxies

The cost of preparing and mailing this proxy statement and accompanying proxy materials, and the cost of any supplementary proxy solicitations, which may be made by mail, telephone or personally by the Company's trustees, executive officers and employees, will be borne by the Company. Although no proxy solicitor has been engaged at this time, we may determine it is necessary to employ an outside firm to assist in the solicitation process. If so, we will pay the proxy solicitor reasonable and customary fees. No person is authorized to give any information or to make any representation not contained in this proxy statement and, if given or made, such information or representation should not be relied upon as having been authorized by the Company. This proxy statement does not constitute the solicitation of a proxy, in any jurisdiction, from any person to whom it is unlawful to make such solicitation in such jurisdiction. The delivery of this proxy statement shall not, under any circumstances, imply that there has not been any change in the information set forth herein since the date of the proxy statement.

#### How To Vote; Revocability of Proxy

You may authorize your proxy over the Internet (at [www.proxyvote.com](http://www.proxyvote.com)), by telephone (at 1-800-690-6903) or, if you receive a printed copy of the proxy materials by mail, by executing and returning the proxy card accompanying this proxy statement. Once you authorize a proxy, you may revoke that proxy by (1) executing and submitting a later-dated proxy card prior to June 1, 2018, (2) subsequently authorizing a proxy over the Internet or by telephone, (3) sending a written revocation of your proxy to the Company's Corporate Secretary at its principal executive offices, or (4) attending the annual meeting and voting in person.

Attending the annual meeting without submitting a new proxy or voting in person will not automatically revoke the prior authorization of your proxy. Only the last vote of a shareholder will be counted.

If you hold the Company's common shares in "street" name (i.e., through a bank, broker or other nominee), you will receive instructions from your bank, broker or nominee that you must follow in order to give them your voting instructions, or you may contact your nominee directly to request these instructions.

#### Shareholders Entitled To Vote

Only holders of record of the Company's common shares at the close of business on the record date, March 29, 2018, and their legal proxy holders, are entitled to notice of, and to vote at, the annual meeting. On the record date, there were 39,329,445 common shares outstanding. Each shareholder of record is entitled to one vote per common share.

Cumulative voting is not permitted in the election of Class I Trustees.

#### Attending the Annual Meeting In Person

If you would like to attend the annual meeting in person, you will need to bring an account statement or other evidence acceptable to the Company of ownership of your common shares as of the close of business on the record date. If you hold common shares in "street" name and wish to vote in person at the annual meeting, you will need to contact your broker, bank or nominee and obtain a written proxy from them and bring it to the annual meeting.

#### Quorum

The Company's Bylaws provide that the holders of a majority of the votes entitled to be cast at the annual meeting as of the close of business on the record date present in person or by proxy constitutes a quorum for the transaction of business at the annual meeting. As of March 29, 2018, there were 39,329,445 common shares outstanding.

#### Vote Required

The Company's Bylaws provide for the election of trustees in uncontested elections by a majority of the votes cast. Under this standard, a majority of the votes cast means the number of votes cast "for" a trustee's election exceeds the number of votes cast "against" that trustee's election. The Bylaws provide for the election of trustees by a plurality of the votes cast if the number of nominees exceeds the number of trustees to be elected (a contested election). The election of Class I Trustees at the annual meeting is uncontested. Therefore, in accordance with the Bylaws, Class I Trustee nominees will be elected at the annual meeting by a majority of the votes cast.

The affirmative vote of a majority of all of the votes cast at the annual meeting, if a quorum is present, is required for the proposal to approve, on an advisory basis, the compensation of the Company's NEOs.

The affirmative vote of a majority of all of the votes cast at the annual meeting, if a quorum is present, is required to ratify the appointment of KPMG LLP ("KPMG") as the Company's independent auditors for the fiscal year ending December 31, 2018.

#### How Votes Will Be Counted

In the election of Class I Trustees, you may vote "for," "against" or "abstain" with respect to each Class I Trustee nominee. For the proposal to approve, on an advisory basis, the compensation of the Company's named executive officers and for the proposal to ratify the appointment of KPMG as the Company's independent auditors for the fiscal year ending December 31, 2018, you may vote "for," "against" or "abstain." For purposes of these advisory votes, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum. These votes are advisory and not binding on the Board of Trustees in any way, and the Board of Trustees, based upon the recommendation of the Compensation Committee, may determine that it is in the best interests of the Company to hold an advisory vote on the compensation of the Company's named executive officers more or less frequently than the option recommended by the shareholders.

Abstentions with respect to any proposal at the

10

---

annual meeting will be counted as present and entitled to vote for purposes of determining the presence of a quorum but will not be counted as a vote cast on the proposal and therefore will not be counted in determining the outcome of the proposal.

If you hold your common shares in street name through a brokerage firm and you do not submit voting instructions to your broker, your broker may generally vote your common shares in its discretion on routine matters. However, a broker cannot vote common shares held in street name on non-routine matters unless the broker receives voting instructions from the street name holder. The proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018 is considered routine under applicable rules, while each of the other items to be submitted for a vote of shareholders at the annual meeting is considered non-routine. Accordingly, if you hold your common shares in street name through a brokerage account and you do not submit voting instructions to your broker, your broker may exercise its discretion to vote your common shares on the proposal to ratify the appointment of KPMG but will not be permitted to vote your common shares on any of the other items at the annual meeting. If your broker exercises this discretion, your common shares will be counted as present for the purpose of determining the presence of a quorum at the annual meeting and will be voted on the proposal to ratify the appointment of KPMG in the manner directed by your broker, but your common shares will constitute “broker non-votes” on each of the other items at the annual meeting, including the election of Class I Trustees. Broker non-votes will not be counted as a vote cast with respect to these other items and therefore will not be counted in determining the outcome of the items.

#### Householding

We are sending only a single Notice of Internet Availability of Proxy Materials to any household at which two or more shareholders reside if they share the same last name or we reasonably believe they are members of the same family, unless we have received instructions to the contrary from any shareholders at that address. This practice is known as “householding” and is permitted by rules adopted by the SEC. This practice reduces the volume of duplicate information received at your household and helps us to reduce costs and the environmental impact of our annual proxy solicitation process. We will deliver promptly, upon written request or oral request, a copy of the proxy materials, as applicable, to holders of our common shares as of the record date for the annual meeting, March 29, 2018. If you prefer to receive printed copies of our proxy materials, you may direct requests to the following address: Hersha Hospitality Trust, Attention: Corporate Secretary, 44 Hersha Drive, Harrisburg, Pennsylvania 17102. If you are a shareholder who receives multiple copies of our proxy materials, you may request householding by contacting us in the same manner and requesting a householding consent form.

## CORPORATE GOVERNANCE

We are committed to pursuing best corporate governance practices. We undertake initiatives to structure our corporate governance in a manner we believe closely aligns our interests with those of our shareholders. Effective March 31, 2017, we have amended our Bylaws to permit shareholders to alter, amend or repeal the Bylaws upon obtaining the requisite shareholder approval.

### Board Leadership Structure

**Lead Independent Trustee** - The Board of Trustees designates an independent, non-employee trustee to serve as the Lead Independent Trustee that presides over the regularly conducted executive sessions of the independent trustees. In addition to chairing all executive sessions of the independent trustees, the Lead Independent Trustee has the authority to call meetings of the independent trustees, presides at all meetings of the Board of Trustees at which the Chairman of the Board, the Chief Executive Officer and the President and Chief Operating Officer are not present, and has such other duties as the Board of Trustees may determine from time to time. The Board of Trustees has currently designated Mr. Landry as the Lead Independent Trustee.

Mr. Landry has been honored by New York Stock Exchange Governance Services, a subsidiary of the New York Stock Exchange (“NYSE”), as the Independent Lead Director of the Year, in connection with its Governance, Risk and Compliance Leadership Awards. The Independent Lead Director of the Year Award is presented to an exemplary leader in governance, risk and compliance that has clearly demonstrated an unwavering commitment to independence, integrity, and leadership in governance at the board level. The Governance, Risk, and Compliance Leadership Awards underscore the role that corporate governance plays in shaping a company's success and a board's contribution to long-term value.

Mr. Landry is expected to continue serving in this capacity following the annual meeting. All interested parties may communicate with the Lead Independent Trustee by following the procedure described below under “-Communications with the Board of Trustees.”

**Chairman of the Board and Chief Executive Officer Separated** - The Board of Trustees believes that it is in the best interests of the Company that the roles of Chief Executive Officer and Chairman of the Board of Trustees be separated in order for the individuals to focus on their primary roles. The Company's Chief Executive Officer is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company, while the Company's Chairman of the Board of Trustees provides guidance to the Company's Chief Executive Officer, presides over meetings of the full Board of Trustees and, together with the Lead Independent Trustee, sets the agenda for Board of Trustees meetings.

### Board's Role in Risk Oversight

While the Board of Trustees believes it is the job of the Company's senior management to assess and manage the Company's exposure to risk, the Board of Trustees and its committees play an important role in the risk oversight of the Company. The Board of Trustees and its committees are involved in risk oversight through its direct decision-making authority with respect to significant matters and the oversight of management. The Board of Trustees (or the appropriate committee in the case of risks that are under the purview of a particular committee) administers its risk oversight function by receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal, regulatory, strategic and reputational risks, and from the chairs of the Audit Committee and the Compensation Committee. In addition, the Board of Trustees administers its risk oversight function through the required approval by the Board of Trustees (or a committee thereof) of significant transactions and other decisions, including, among others, acquisitions and dispositions of properties, new borrowings, significant capital expenditures, refinancing of existing indebtedness and the appointment and retention of the Company's senior management. The Board of Trustees met six times in 2017.

The Audit Committee has a Risk Sub-Committee to assist the Audit Committee and the Board of Trustees in developing guidelines and policies related to risk assessment and management which govern the process by which risk assessment and management is handled by the Company's senior management. The Risk Sub-Committee, which is chaired by Ms. Morgan, met four times in 2017. Senior management attended each meeting. Messrs. Hutchison and Landry, both of whom serve on the Audit Committee, also serve on the Risk Sub-Committee. Ms. Morgan reports to the full Audit Committee on the discussions and findings of the Risk Sub-Committee and makes recommendations to

the Audit Committee regarding steps the Company's senior management has taken to monitor and control major financial and other risk exposures. In addition, as discussed under "Compensation Discussion and Analysis-Compensation-Related Risk" below, the Compensation Committee meets with senior management to discuss compensation-related risks.

#### Trustee Independence

A majority of the Board of Trustees is independent. The Board of Trustees has determined that the following trustees and trustee nominees are independent in accordance with the corporate governance standards of the NYSE: Ms. Morgan and Messrs. Hutchison, Hsieh, Landry, Leven and Sabin.

#### Code of Ethics and Policies on Corporate Governance

The Board of Trustees has adopted a Code of Ethics that applies to all of the Company's trustees, executive officers and employees. The Company makes available on its website, [www.hersha.com](http://www.hersha.com), current copies of its corporate governance documents, including charters of the Audit, Compensation, Nominating and Corporate Governance ("NCG") and Acquisition Committees, its Corporate Governance Guidelines and its Code of Ethics. The Company will post any future changes to these corporate governance documents on its website and may not otherwise publicly file such changes. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from the Code of Ethics granted to the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and other executive officers by posting such information on the Company's website.

#### Majority Voting For Trustees Elections

The Company's Bylaws provide for the election of trustees in uncontested elections by a majority of the votes cast. Under this standard, a majority of the votes cast means the number of votes cast "for" a trustee's election exceeds the number of votes cast "against" that trustee's election. The Bylaws provide for the election of trustees by a plurality of the votes cast if the number of nominees exceeds the number of trustees to be elected (a contested election).

The Company's Bylaws include a trustee resignation policy, establishing procedures under which any incumbent trustee who fails to receive a majority of the votes cast in an uncontested election will be required to tender his or her resignation to the Board of Trustees for consideration. As provided in the Bylaws, the Board of Trustees will act on any such resignation, taking into account the NCG Committee's recommendation, and publicly disclose (by a press release, a filing with the SEC or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the uncontested election results.

#### Trustee Nominating Process

The NCG Committee performs the functions of a nominating committee and will actively seek, screen and recommend trustee candidates for nomination by the Board of Trustees, consistent with criteria approved by the Board of Trustees, including, without limitation, strength of character, maturity of judgment, independence, expertise in the hospitality industry, experience as a senior executive or with corporate strategy initiatives generally, diversity and the extent to which the candidate would fill a present need on the Board of Trustees. The NCG Committee Charter describes the Committee's responsibilities, including seeking, screening and recommending trustee candidates for nomination by the Board of Trustees.

The charter of the NCG Committee provides that the NCG Committee will consider shareholder recommendations for trustee candidates. Shareholders should submit any such recommendations for consideration by the NCG Committee through the method described under "-Communications with the Board of Trustees" below. In addition, in accordance with the Company's Bylaws, any shareholder of record entitled to vote for the election of trustees at the applicable meeting of shareholders may nominate persons for election to the Board of Trustees if such shareholder complies with the notice procedures set forth in the Bylaws and summarized in "-Shareholder Proposals and Nominations for the 2019 Annual Meeting" below. Trustee candidates submitted by our shareholders will be evaluated by the NCG Committee on the same basis as any other trustee.

The NCG Committee does not have a formal policy with respect to diversity; however, the Board of Trustees and the NCG Committee believe that it is important that the trustee candidates represent key and diverse skill sets. The NCG Committee considers diversity of race, ethnicity, gender, age, cultural background, professional experiences and expertise and education in evaluating trustee candidates for Board membership. We believe that considerations of diversity are, and will continue to be, an important component relating to the Board's composition as multiple and varied points of view contribute to a more effective decision-making process. Half of our trustees are women and minorities, placing us in the upper echelons of our industry in the area of board diversity. The NCG Committee

evaluates each candidate's qualifications to serve as a member of the Board of Trustees based on his or her skills and characteristics, as well as the composition of the board as a whole. In addition, the NCG Committee will evaluate a candidate's independence and diversity, age, skills and experience in the context of the board's needs. In addition to considering incumbent trustees, the NCG Committee identifies trustee candidates based on recommendations from the trustees, shareholders, management and others. The NCG Committee may in the future engage the services of third-party search firms to assist in identifying or evaluating trustee candidates. No such firm was engaged in 2017.



#### Communications with the Board of Trustees

Shareholders and other interested parties who wish to communicate with the Board of Trustees or any of its committees may do so by writing to the Lead Independent Trustee, Board of Trustees of Hersha Hospitality Trust, c/o Corporate Secretary, 44 Hersha Drive, Harrisburg, Pennsylvania 17102. The Corporate Secretary will review all communications received. All communications that relate to matters that are within the scope of the responsibilities of the Board of Trustees and its committees are to be forwarded to the Lead Independent Trustee. Communications that relate to matters that are within the scope of responsibility of one of the Board committees are also to be forwarded to the Chairperson of the appropriate committee. Solicitations, junk mail and frivolous or inappropriate communications are not to be forwarded but will be made available to any non-management trustee who wishes to review them.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's trustees, executive officers and persons who own more than 10% of any registered class of the Company's equity securities ("10% Holders") to report their ownership of common shares and any changes in ownership to the SEC. These persons are also required by SEC regulations to furnish the Company with copies of these reports. Based solely on a review of the copies of such reports received by the Company and on written representations from certain reporting persons that no reports were required, or if required, such reports were filed on a timely basis for those persons, the Company believes that one report was not filed on a timely basis. Neil Shah did not timely report on a Form 4 a single transaction related to the purchase of shares on July 11, 2017.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE - EARTHVIEW SUSTAINABLE HOSPITALITY

We embrace environmental and community stewardship as an integral part of maintaining and building a successful business. To best put this vision into practice, in 2010 we conceptualized and developed a proprietary corporate program, EarthView®, that encompasses a triple bottom line approach to sustainability. Comprehensively, the program delivers environmental and conservation initiatives that positively impact a hotel operation's bottom line while simultaneously improving the well being of our guests, our employees, our communities, and our planet.

### Financial Impact and Governance

We believe that being stewards of our environment and our communities makes good business sense. Through EarthView, Hersha is able to drive incremental value by implementing efficiency initiatives with measurable returns. This approach creates value via expense reduction in the short term and increased real estate valuation in the long term. Our sustainability commitment has been recognized by the National Association of Real Estate Investment Trusts (NAREIT). EarthView has repeatedly been awarded the prestigious “Leader in the Light” award amongst Lodging & Resort companies for superior portfolio wide energy use practices and sustainability initiatives. In 2017, Hersha also participated in the Global Real Estate Sustainability Benchmark (GRESB) for the sixth consecutive year and ranked in the top 4% of GRESB participants globally. EarthView focuses on:

**Creating Value:** EarthView is integrated across the company as part of our overall business strategy. Senior leadership takes an active role in ensuring we are meeting our company’s impact objectives, executing on savings opportunities, and sharing our accomplishments and lessons learned to help drive the industry forward.

**Mitigating Risk:** Hotels that reduce their reliance on natural resources by increasing their energy efficiency, conserving water, and/or purchasing products with recyclable content are less susceptible to the effects of resource shortages and price volatility. A majority of Hersha’s owned hotels have been retrofitted with energy efficient LED lighting. LEDs use less electricity than other types of lighting and therefore reduces our overall electricity load and exposure to price changes. We have a Risk Committee that works with the Audit Committee and the Board of Trustees to develop guidelines and policies related to risk assessment, resilience, and management.

**Stakeholder Trust:** We have seen a notable increase in sustainability interest and awareness from our stakeholders - including our management of key environmental, social, and governance (ESG) topics. Increasingly, shareholders are interested in these metrics as either aligning with their own values or as indicators of short and long term growth. We make information regarding the performance of our EarthView program available to our investors on our website, [www.hersha.com](http://www.hersha.com). In addition, a focus of our EarthView program is governance and responsible leadership. To that end, we have promulgated a comprehensive Corporate Governance Compendium. We believe that the financial success of our shareholders and the positive growth of our company is fueled by an unwavering commitment to highly ethical and moral business practices.

### Environmental Impact

As a hotel company, we rely on nature’s resources to construct our buildings, fill them with heat and light, and transform ordinary buildings into extraordinary places to stay. We strive to ensure that we provide the best experience to our guests, while also being responsible in regards to our environmental impact. As our portfolio continues to grow, we have an even greater obligation to ensure we are operating in a way that enhances our communities and preserves our local and global environment. Putting this philosophy into practice means we focus on reducing our environmental impact and integrating sustainable innovation across our value chain.

**Reducing Environmental Impact:** We track our utilities to allow us to better manage our energy, greenhouse gases (GHG), water, and waste. Having reliable access to this detailed information allows us to drive efficiencies, improve our operations, and become better stewards of our environment. We know that our short term and long term success depends on our ability to decouple our environmental impact from our growth.

**Integrating Sustainable Innovation Across our Value Chain:** We continue to innovate in ways that increase our efficiency - lowering our costs, reducing our risk, and utilizing our influence - to create positive change across our value chain. Each one of our hotels is evaluated for deployment of innovative and efficiency upgrades. This includes

LED lighting, guestroom energy management systems, and efficient laundry technology. We also aim to create a more sustainable supply chain by converting to recycled materials where possible, reducing unnecessary disposable products, using bio based products for laundry and cleaning, and establishing an energy and water efficient purchasing policy.

15

---

Enhancing Guest Experience: Hotels that care about people and the environment are likely to also take a holistic approach to all aspects of the hotel service, which our guests notice. Electric car charging stations (currently available at a growing number of Hersha's hotels), energy efficient lighting, locally sourced food items, recycling programs and, at some hotels, complimentary bike rentals all enhance the guest experience. For many of our corporate and group guests who are increasingly interested in tracking their environmental footprint while travelling, we are able to provide environmental information for Request for Proposals and provide sustainable options for their meetings. To that end, we offer guests the opportunity to help us in our mission by providing information about our sustainability efforts and inviting them to participate in initiatives such as in room recycling and the choice to opt out of housekeeping at specific hotels.

#### Community Impact

We believe there is no greater dignity than that found in service. Having hearts that serve is one of our core values and we have a long tradition of social responsibility and community engagement. By putting people first, we are able to provide for our guests, care for our communities, support our associates, and have a strong presence in our communities to drive positive change on a local and global scale. We honor our ongoing commitment to our communities by partnering with local organizations to not only support our neighbors, but also give our guests an authentic experience while staying with us.

Our associates invest in our communities by offering their time and talents through volunteering and donating clothing, linens, books, toys, and school supplies to local non profit organizations. Additionally, in response to the destructive hurricanes and wildfires across the country in 2017, hotel teams volunteered at pop-up shelters and collected goods and donations, while corporate offices sent hygiene kits to those stranded. We have continued to provide support in the rebuilding of these communities impacted by the hurricanes and wildfires.

Our focus on communities also extends to our support of national and global programs that help care for those in need. We are fortunate to be in a position where we can create both awareness and consciousness for our guests and associates while also helping members of our global communities in need.

Clean the World: There are communities around the world where two of the top five leading causes of death are hygiene related diseases, particularly in children. Simple hand washing can lower the risk of diarrhea and acute respiratory infection in children. Our hotels have partnered with Clean the World to help these communities in need by collecting partially used soaps and sending them to Clean the World. Clean the World sanitizes these items and distributes new bars of soap to communities around the world.

EarthView Water: Globally, one in ten people lack access to safe water. EarthView launched a private label water bottle sold at our hotels made from 100% recycled plastic. For each bottle purchased, we donate \$1 to help bring water to those in need.

To ensure our consistent engagement in serving the communities in which we live and work, Hersha has created a dedicated philanthropic committee. This committee is the strategic agent behind partnerships with the National Constitution Center, Cornell University, and the Philadelphia Museum of Art, along with many other local organizations in our hotel and corporate office communities. This committee meets regularly and provides a strategic focus to leverage our partnerships and create the biggest impact through community stewardship and revitalization efforts.

PROPOSAL ONE: ELECTION OF CLASS I TRUSTEES

The Board of Trustees, upon the recommendation of the Nominating and Corporate Governance Committee, nominated Jay H. Shah, Thomas J. Hutchison III, Donald J. Landry, and Michael A. Leven for election at the annual meeting as Class I Trustees. Each of these nominees currently is serving as a Class I Trustee. If elected, these individuals will serve as Class I Trustees until the 2020 annual meeting of shareholders and until their successors are duly elected and qualified.

Unless you direct otherwise in the proxy card accompanying this proxy statement, the persons named as proxies will vote your proxy for all of the nominees named above. If any nominee becomes unavailable or unwilling to serve as a Class I Trustee, the persons named as proxies in the accompanying proxy card will vote your proxy for an alternate nominee that has been nominated by the Board of Trustees. Alternatively, the Board of Trustees may reduce the size of the Board of Trustees and the number of nominees standing for election as Class I Trustees at the annual meeting. Proxies will only be voted for the nominees named above or their alternates. Each nominee for election to the Board of Trustees as a Class I Trustee has indicated that he is willing to serve if elected. The Board of Trustees has no reason to doubt that any nominee for election will be unable or unwilling to serve if elected.

The Board of Trustees unanimously recommends a vote "FOR" each of the nominees for election as a Class I Trustee.

## BOARD OF TRUSTEES AND EXECUTIVE OFFICERS

The Board of Trustees consists of nine trusteeships with eight currently serving trustees and one vacancy. At this time, the Board of Trustees has elected not to fill one of these openings and will continue to evaluate the composition of the Board. Shareholders are not being asked for proxies to fill this vacancy and proxies may only be voted for the nominees below. The Company's Declaration of Trust divides the Board of Trustees into two classes, as nearly equal in number as possible. At the annual meeting, shareholders are voting to elect four persons as Class I Trustees. Each Class I Trustee nominee currently is serving a two-year term expiring at the annual meeting. Each Class II trustee was elected at the 2017 annual meeting and is serving a two-year term expiring at the 2019 annual meeting of shareholders. Generally, one full class of trustees is elected by the shareholders of the Company at each annual meeting.

The following pages include biographical information for each of our Class I Trustee Nominees and Class II Trustees, including their qualifications to serve on our board of trustees.

### Class I Trustee Nominees

**Jay H. Shah** Mr. Jay Shah has been Chief Executive Officer and a trustee since 2006. Prior thereto, he had served as Chief Executive Officer and Class I Trustee Nominee. Mr. Jay Shah was a principal in the law firm of Shah & Byler, LLP, which he founded in 1997. Previously he was a consultant with Coopers & Lybrand LLP, served the late Senator John Heinz on Capitol Hill, and was employed by the Philadelphia District Attorney's office and two Philadelphia-based law firms. Mr. Jay Shah received a bachelor of science degree from the Cornell University School of Hotel Administration, a masters degree from the Temple University School of Business Management and a law degree from Temple University School of Law. Mr. Jay Shah serves on the Board of Temple University and on the Urban Land Institute's Hospitality Trustee since January 2006 and Class II Trustee, and the brother of Neil H. Shah, the Company's President and Chief Operating Officer.

**Served:** The Board of Trustees has determined that Mr. Jay Shah's qualifications to serve on the Board of Trustees include his extensive experience in the lodging and real estate industry and his experience negotiating and structuring real estate transactions and real estate-related joint ventures, including in his role as a former practicing real estate attorney. Mr. Jay Shah has more than 25 years of lodging and real estate experience and has developed a broad network of hotel industry contacts at leadership levels, including institutional investors, lenders, developers, brokers, franchisors and operators. His experience includes serving as the Company's President and Chief Operating Officer.

Thomas J. Hutchison III  
 Class I Trustee  
 Nominee  
 Age: 76  
 Trustee since  
 September 2008  
 Committees  
 Served:  
 Compensation  
 (Chair)  
 Acquisition  
 Audit  
 Risk  
 Sub-Committee  
 Other Public  
 Company  
 Boards:  
 Marriott  
 Vacations  
 Worldwide  
 Corp.

Mr. Hutchison was the Chief Executive Officer of CNL Hotels & Resorts, Inc. (“CNL Hotels”), a real estate investment trust that owned hotels and resort properties through April 2007. During that same time period, Mr. Hutchison held various other executive officer positions with companies affiliated with CNL Hotels, including but not limited to President and Chief Executive Officer of CNL Hotel Investors, Inc. and Chief Executive Officer of CNL Income Properties, Inc. Since April 2007, Mr. Hutchison has served as a consultant with Hutchison Advisors, Inc., a real estate services company, and he has served as Chairman of Legacy Healthcare Advisors, LLC, a specialized real estate services group. Mr. Hutchison serves on the Board of Directors of Marriott Vacations Worldwide Corporation, where he is a member of that board’s Audit and Nominating and Corporate Governance committees and serves as Chair of that board’s Compensation Committee. Mr. Hutchison also serves on the Board of Directors of Target Healthcare REIT Ltd., a company traded on the London Stock Exchange. Mr. Hutchison is currently a director for KSL Capital Partners LLC, U.S. Chamber of Commerce, and The Trinity Forum Europe. Mr. Hutchison was formerly a director for ING DIRECT USA and ClubCorp, Inc. He is a member of The Real Estate Roundtable, Leadership Council for Communities in Schools, Advisory Council of the Erickson School of Aging Studies and serves on the Advisory Editorial Board of GlobalHotelNetwork.com. Additionally, he serves as a senior advisor to various service industry public companies. Mr. Hutchison attended Purdue University and the University of Maryland Business School.

Mr. Hutchison’s qualifications to serve on the Board of Trustees include his substantial experience in the real estate and lodging industries combined with his extensive leadership experience as a Chief Executive Officer of several SEC reporting REITs, including CNL Hotels

Donald J. Landry  
 Lead  
 Independent  
 Trustee and  
 Class I Trustee  
 Nominee  
 Age: 69  
 Trustee since  
 April 2001  
 Committees  
 Served:  
 Acquisition  
 (Chair)  
 Audit  
 Risk  
 Sub-Committee  
 NCG  
 Other Public  
 Company  
 Boards:  
 Condor  
 Hospitality  
 Trust, Inc.

Mr. Landry is president and owner of Top Ten, an independent hospitality industry consulting company, a position he has held since 2002. Mr. Landry has over 45 years of lodging and hospitality experience in a variety of leadership positions. Mr. Landry was the Chief Executive Officer, President and Vice Chairman of Sunburst Hospitality Inc and has served as President of Choice Hotels International, Inc., Manor Care Hotel Division and Richfield Hotel Management. Mr. Landry serves on the Board of Directors of Condor Hospitality Trust, Inc., where he is Chair of the Investment Committee and Nominating Committee. Mr. Landry currently serves on the corporate advisory boards of Unifocus, Campo Architects, First Hospitality Group, Windsor Capital Group and numerous nonprofit boards. NYSE Governance Services honored Mr. Landry as the 2015 Independent Lead Director of the Year, for his exemplary leadership in governance, risk and compliance in serving as the Company’s Lead Independent Trustee. The honor recognizes his unwavering commitment to independence, integrity, and leadership in governance at the board level. Mr. Landry is a frequent guest lecturer and serves on the board of the University of New Orleans’ School of Hospitality, Restaurant and Tourism. Mr. Landry holds a bachelor of science degree from the University of New Orleans. Mr. Landry is a Certified Hotel Administrator.

The Board of Trustees has determined that Mr. Landry’s qualifications to serve on the Board of Trustees include his 40 years of experience in the lodging and real estate industries, including his roles as Chief Executive Officer, President and Vice Chairman of Sunburst Hospitality Inc. and President of Choice Hotels International, Inc., Manor Care Hotel Division and Richfield Hotel Management.

Michael A.  
Leven  
Class I Trustee  
Nominee  
Age: 80  
Trustee since  
May 2012  
Committees  
Served:  
NCG (Chair)  
Acquisition  
Compensation  
Other Public  
Company  
Boards:  
None

Until his retirement in December of 2014, Mr. Leven was the President and Chief Operating Officer of the Las Vegas Sands Corp., a position he held since March 2009, and Secretary, a position held since June 2010. Mr. Leven had been a director of the Las Vegas Sands Corp. and a member of the Board of Directors of Sands China Ltd., a subsidiary of Las Vegas Sands Corp, until he retired from those boards in April of 2017. Mr. Leven is currently the Chairman and Chief Executive Officer at Georgia Aquarium, Inc. a position held since January 1, 2016. Mr. Leven's celebrated career in the lodging industry includes his role as the president and chief operating officer of Holiday Inn Worldwide, president of Days Inn of America, and president of Americana Hotels. Mr. Leven was also the Chairman, Chief Executive Officer and President of U.S. Franchise Systems, Inc., the company he founded in 1995 that developed and franchised the Microtel Inns & Suites and Hawthorn Suites hotel brands. Mr. Leven has served as the Vice Chairman of the Marcus Foundation, Inc., a non-profit foundation and serves on many other non-profit boards. Mr. Leven served the Company as a Class II Trustee from May 2001 through March 2010 and as a trustee emeritus from March 2010 through May 2012, at which time he was reelected as a Class I trustee by the Company's shareholders.

The Board of Trustees has determined that Mr. Leven's qualifications to serve on the Board of Trustees include his extensive experience in the hospitality industry, including as an executive officer and director of the Las Vegas Sands Corp. and his past employment in leadership positions with various other hospitality companies.



Class II Trustees

Mr. Hasu Shah has been the Chairman of the Board and a Class II Trustee since the Company's inception in May 1998 and was the Company's Chief Executive Officer until his retirement in 2005. Mr. Hasu Shah began his career in lodging with the purchase of a single hotel in Harrisburg, Pennsylvania in 1984. In the last 30 years, he has developed, owned, or managed over 50 hotels across the Eastern United States and started real estate related businesses in general construction, purchasing, and hotel management. He has been recognized for both his business accomplishments and his philanthropic endeavors, including the Entrepreneur of the Year award given by Ernst & Young LLP and the Central Penn Business Journal Hall of Fame award for lifetime achievements in both business and philanthropy. Mr. Hasu Shah and his wife, Hersha, are active members of the local community and remain involved with charitable initiatives in India. In 2010, he was honorably bestowed with the National United Way Tocqueville Society award, the highest honor given for philanthropic work across the country. Mr. Hasu Shah has been an active Rotarian for nearly 25 years and continues to serve as a trustee of several community service and spiritual organizations including Vraj Hindu Temple and the India Heritage Research Foundation. He also received an honorary Doctorate of Public Service (DPS) Degree from Harrisburg Area Community College. Mr. Hasu Shah received a bachelors of science degree in chemical engineering from Tennessee Technical University and obtained a masters degree in public administration from Pennsylvania State University, which named him as a Fellow. He is an alumnus of the Owner and President's Management program at Harvard Business School. Mr. Hasu Shah is the father of Jay H. Shah, the Company's Chief Executive Officer and Class I Trustee Nominee, and Neil H. Shah, the Company's President and Chief Operating Officer.

The Board of Trustees has determined that Mr. Hasu Shah's qualifications to serve on the Board of Trustees include his extensive experience in the lodging industry, including his role as our former Chief Executive Officer and his decades of experience building the Company, which he took public in 1999. Over the past 35 years he has developed, owned or managed over 50 hotels across the Eastern United States. With over three decades of lodging industry experience, Mr. Hasu Shah has developed a broad network of hotel industry contacts and relationships, including relationships with hotel owners, operators, project managers, contractors, franchisors, lenders, and other key industry participants.

Hasu P. Shah  
 Chairman of the Board and Class II Trustee  
 Age: 73  
 Trustee since May 1998  
 Committees Served: None  
 Other Public Company Boards: None

Jackson Hsieh  
 Class II Trustee  
 Age: 57  
 Trustee since  
 June 2017  
 Committees  
 Served:  
     Acquisition  
     Audit  
     Compensation  
 Other Public  
 Company  
 Boards:  
     Spirit Realty  
     Capital, Inc.

Mr. Hsieh has served as President and Chief Executive Officer of Spirit Realty Capital, Inc. since May of 2017. Mr Hsieh joined Spirit Realty Capital in September of 2016, serving as its President and Chief Operating Officer. Prior to joining Spirit, Mr. Hsieh worked for Morgan Stanley, where he served as Managing Director and a Vice Chairman of Investment Banking, primarily focusing on the firm’s real estate clients. Prior to rejoining Morgan Stanley, Jackson was Vice Chairman and Sole/Co-Global Head of UBS’s Real Estate Investment Banking Group, managing a team of over 70 professionals in six offices worldwide. During his career, including a prior period at Morgan Stanley and tenures at Bankers Trust Company and Salomon Brothers, Inc., he served as senior lead banker on over \$285 billion of real estate and lodging transactions. Mr. Hsieh is a graduate of the University of California at Berkeley and earned a Master’s degree from Harvard University.  
 The Board of Trustees has determined that Ms. Hsieh’s qualifications to serve on the Board of Trustees include his substantial experience in investment banking and the real estate and lodging industries.

Dianna F.  
 Morgan  
 Class II Trustee  
 Age: 66  
 Trustee since  
 April 2010  
 Committees  
 Served:  
     Risk  
 Sub-Committee  
 (Chair)  
     Audit  
     Compensation  
     NCG  
 Other Public  
 Company  
 Boards:  
     Chesapeake  
     Utilities Corp.  
     Marriott  
     Vacations  
     Worldwide  
 Corp.

Ms. Morgan retired in 2001 from a long career with the Walt Disney World Company, where she served as Senior Vice President of Public Affairs and Human Resources. She also oversaw the Disney Institute - a recognized leader in experiential training, leadership development, benchmarking and cultural change for business professionals around the world. Ms. Morgan currently serves on the Board of Directors of Chesapeake Utilities Corp., where she chairs the Compensation Committee, the Board of Directors of Marriott Vacations Worldwide Corporation, where she serves on the Compensation and Nominating and Governance Committees, and the Board of Directors of CNL Healthcare Properties II. She previously served on the Board of Directors and the Compensation and Audit Committees of CNL Hotels & Resorts, Inc. and the Board of Directors of CNL Bancshares, Inc. In addition, Ms. Morgan is the past Chair and is a former member of the Board of Trustees for the University of Florida. Ms. Morgan is a former member of the Board of Directors and past Chairman of Orlando Health and previously served as Chairman of the national board for the Children’s Miracle Network. Ms. Morgan received her Bachelor of Arts degree in organizational communications from Rollins College.  
 The Board of Trustees has determined that Ms. Morgan’s experience serving as a board member of both private and public companies, her previous experience overseeing the Disney Institute and her prior service as a senior manager at Walt Disney World Company provide her with extensive knowledge of innovation and customer service, a solid foundation in media relations, risk management, and government relations and “best practice” expertise in human capital and the customer experience.

John M. Sabin  
Class II Trustee  
Age: 63  
Trustee since  
June 2003  
Committees  
Served:  
Audit (Chair)  
Acquisition  
Compensation  
NCG  
Other Public  
Company  
Boards:  
Condor  
Hospitality  
Trust, Inc

Since May 2011 Mr. Sabin is the Executive Vice President and Chief Financial Officer of Revolution LLC as well as the Chief Financial Officer of The Stephen Case Foundation and the Case Family Office. Prior to May 2011, he was the Chief Financial Officer and General Counsel of Phoenix Health Systems, Inc., a private healthcare information technology outsourcing and consulting firm since October of 2014. Mr. Sabin has also served as a finance executive with Hudson Hotels Corporation, Vistana, Inc., Choice Hotels International, Inc., Manor Care, Inc. and Marriott International, Inc., all of which were public companies at the time of his service. Mr. Sabin has had experience in commercial leasing with a national law firm, real estate transactions with national hospitality and health care firms, commercial real estate financing, IPOs, as well as experience as an audit committee and board member of several other public companies (including Condor Hospitality Trust, Inc. from 2012 to the present). Mr. Sabin has received Bachelor of Science degrees in Accounting and in University Studies; a Masters of Accountancy and a Masters in Business Administration from Brigham Young University, and he also received a Juris Doctor from the J. Reuben Clark Law School at Brigham Young University. Mr. Sabin is a licensed CPA and is admitted to the bar in several states.

Mr. Sabin's qualifications to serve on the Board of Trustees include his substantial hospitality industry experience, as well as his substantial legal, finance and accounting experience. His service as both General Counsel and Chief Financial Officer of various companies provides the Board of Trustees with valuable insights with respect to finance, accounting, legal and corporate governance matters. He also has prior public company experience as a Chief Financial Officer and finance executive, as well as a director or trustee.

Executive Officers

In addition to Hasu P. Shah, the Company's executive Chairman of the Board and a Class II Trustee, and Jay H. Shah, the Company's Chief Executive Officer and a nominee for election as a Class I Trustee, whose biographical information appears above, the Company's executive officers include:

Neil H. Shah  
President  
and Chief  
Operating  
Officer  
Age: 44

Mr. Neil H. Shah has served as the Company's President and Chief Operating Officer since 2006. Mr. Shah has led the Company's hotel acquisitions, development, and asset management platforms since 2000. Prior to Hersha, Mr. Shah served as a Director and Consultant with The Advisory Board Company and the Corporate Executive Board, strategy research firms based in Washington D.C. Mr. Shah has also worked with the Phipps Foundation contributing to urban renewal projects in New York City. Mr. Shah earned a Bachelor of Arts in Political Science and a Bachelor of Science in Management both with honors from the University of Pennsylvania and the Wharton School. He earned his Masters in Business Administration from the Harvard Business School. He serves on the Board of Trustees for the National Constitution Center, the Corporate Council of the Barnes Foundation, and is a research sponsor at the Wharton Real Estate Center in Philadelphia. He is also a member of the Board of Directors of the Educational Foundation Institute and the Institutional Real Estate Finance Advisory Council (IREFAC) of the American Hotel & Lodging Association. Mr. Shah is an active supporter of the United Way Worldwide and a Tocqueville Society member. Mr. Shah is the son of Hasu P. Shah, the Company's Chairman of the Board and Class II Trustee, and brother of Jay H. Shah, the Company's Chief Executive Officer and Class I Trustee Nominee.

Ashish R. Parikh  
Chief  
Financial  
Officer and  
Assistant  
Secretary  
Age: 48

Mr. Parikh has been the Company's Chief Financial Officer since 1999. Prior to joining the Company, Mr. Parikh was an Assistant Vice President in the Mergers and Acquisition Group for Fleet Financial Group where he developed valuable expertise in numerous forms of capital raising activities including leveraged buyouts, bank syndications and venture financing. Mr. Parikh has also been employed by Tyco International, Ltd. and practiced as a Certified Public Accountant with Ernst & Young LLP. Mr. Parikh received his Masters in Business Administration from The Stern School of Business at New York University (NYU) and a Bachelors in Business Administration from the University of Massachusetts at Amherst. Mr. Parikh is currently a board member of the Center for Real Estate Finance at NYU's Stern School of Business, The Committee of Seventy, Philadelphia Real Estate Council, and a member of the Real Estate Capital Policy Advisory Committee of the Real Estate Roundtable.

Michael R. Gillespie  
Chief Accounting Officer,  
Controller, and Assistant Secretary  
Age: 45

Mr. Gillespie has served as the Company's Chief Accounting Officer since 2005. Prior to joining Hersha Hospitality Trust, Mr. Gillespie was Manager of Financial Policy & Controls for Tyco Electronics Corporation, a publicly traded global manufacturer of electronic components where he played a key role in developing the company's Sarbanes-Oxley compliance program. He has also been a Senior Manager in the Audit and Assurance Practice at KPMG LLP and Experienced Manager in the Audit and Business Advisory Practice at Arthur Andersen LLP. Mr. Gillespie received his business administration bachelors degree in accounting from Bloomsburg University of Pennsylvania. Mr. Gillespie is a licensed Certified Public Accountant. Mr. Gillespie is currently a board member and serves as an executive committee member of the United Way of the Capital Region and the Bloomsburg University Foundation. Mr. Gillespie a member of the Tax Policy Advisory Committee of the Real Estate Roundtable.

David L. Desfor  
Treasurer and Corporate Secretary  
Age: 57

Mr. Desfor has served as the Company's Treasurer since December 2002 and as Corporate Secretary since April 2007. Previously, Mr. Desfor gained lodging experience as a principal and comptroller of lodging organizations. Mr. Desfor previously co-founded and served as President of a hotel management company focused on conference centers and full service hotels. Mr. Desfor earned his undergraduate degree from East Stroudsburg University in Hotel Administration.

#### MEETINGS OF THE BOARD OF TRUSTEES

The Company's business is managed under the general direction of the Board of Trustees as provided by the Company's Bylaws and Maryland law. The Board of Trustees holds regular quarterly meetings during the Company's fiscal year and holds additional meetings as needed in the ordinary course of business. The Board of Trustees held a total of six meetings during 2017. With the exception Mr. Hsieh, each of the trustees attended at least 75% of the aggregate of (i) the total number of the meetings of the Board of Trustees and (ii) the total number of meetings of all committees of the Board on which the trustee then served. Mr. Hsieh was newly elected to the Board of Trustees on June 1, 2017 and attended 100% of the meetings of the Board of Trustees through December 31, 2017. Due to existing commitments, for which Mr. Hsieh provided advance notice, he was excused from attending four of the nine committee meetings that occurred from the date he was elected as a trustee through December 31, 2017.

#### Executive Sessions

The Company believes that it is important to promote open discussion among the independent trustees, and it schedules regular executive sessions in which those trustees meet without management and non-independent trustee participation. In 2017, the independent trustees met in executive session four times. Mr. Landry, who has been designated by the Board of Trustees as Lead Independent Trustee, chairs these executive sessions of the independent trustees.

#### Trustee Attendance at the Annual Meeting

The Board of Trustees has adopted a policy regarding trustee attendance at the annual meeting which specifies that all trustees should attend the annual meeting. All of the trustees that served on the Board of Trustees at the time of the 2017 annual meeting of shareholders were in attendance.

### Committees of the Board of Trustees

The Board of Trustees presently has an Audit Committee, Compensation Committee, Acquisition Committee and a Nominating and Corporate Governance (“NCG”) Committee. In addition, the Audit Committee established the Risk Sub-Committee to focus on oversight of the Company’s risk management processes. The Board of Trustees may, from time to time, form other committees as circumstances warrant. These committees have authority and responsibility as delegated by the Board of Trustees.

#### Audit Committee

Members: The Audit Committee is responsible for engaging the Company’s independent auditors, reviewing with the independent auditors the plans and results of the audit engagement, approving professional services provided by the independent auditors, reviewing the independence and qualifications of the independent auditors, considering the range of audit and non-audit fees and reviewing the adequacy of the Company’s internal accounting controls.

John M. Sabin (Chair) Jackson Hsieh Thomas J. Hutchison III Donald J. Landry Dianna F. Morgan

The Board of Trustees established the Audit Committee in accordance with Section 3(a)(58)(A) of the Exchange Act and has adopted a written charter for the Audit Committee, a current copy of which is available on the Company’s website, [www.hersha.com](http://www.hersha.com). The current members of the Audit Committee all meet the NYSE’s and the SEC’s standards of independence as currently in effect. The Board of Trustees has determined that Mr. Sabin is an “audit committee financial expert” as that term is defined in the rules promulgated by the SEC pursuant to the Sarbanes-Oxley Act of 2002. The Board of Trustees has also determined that each of the members of the Audit Committee is financially literate, as such term is interpreted by the Board of Trustees. For more information, please see “The Audit Committee Report” below.

Meetings in 2017: 8

#### Compensation Committee

Members: The Compensation Committee makes recommendations to the Board of Trustees with regard to compensation for the Company’s executive officers and administers the Company’s equity incentive plan. Subject to applicable law, the Compensation Committee may form and delegate its authority to subcommittees or executive officers when appropriate. At its meetings, the Compensation Committee discussed relevant topics regarding executive compensation and established a formal compensation plan for all officers and trustees.

Thomas J. Hutchison III (Chair) Jackson Hsieh Michael A. Leven Dianna F. Morgan John M. Sabin

The Board of Trustees has adopted a written charter for the Compensation Committee, a current copy of which is available on the Company’s website, [www.hersha.com](http://www.hersha.com). The current members of the Compensation Committee all meet the NYSE’s standards of independence as currently in effect. All of the members of the Compensation Committee are “non-employee” trustees within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable rules of the SEC and are “non-employee” trustees for the purposes of Rule 16b-3 under the Exchange Act. For more information about the Compensation Committee, please see the “Compensation Discussion and Analysis” below.

Meetings in 2017: 4

#### Nominating and Corporate Governance (“NCG”) Committee

Members: The NCG Committee is responsible for, among other things, assisting the Board in identifying individuals qualified to become Board members, recommending to the Board the trustee nominees to stand for election by our shareholders, recommending to the Board the trustees to serve on each of the Board’s committees, and, in some cases, makes recommendations regarding the election of officers. The NCG Committee also develops and recommends to the Board of Trustees a set of corporate governance

Michael A. Leven (Chair)

Donald J. Landry guidelines and annually reviews these guidelines, considers questions of possible conflicts of interest of trustees and executive officers and remains informed about existing and new corporate governance standards mandated by the SEC and the NYSE. The NCG Committee also evaluates the performance of the Board of Trustees and all of the Committees on an annual basis.

Dianna F. Morgan The Board of Trustees has adopted a written charter for the NCG Committee, a current copy of which is available on the Company's website, [www.hersha.com](http://www.hersha.com). The current members of the NCG Committee all meet the NYSE's standards of independence as currently in effect

John M. Sabin

Meetings in 2017: 4



Acquisition Committee

Members:

Donald J.

Landry

(Chair)

Jackson

Hsieh

Thomas J.

Hutchison III

Michael A.

Leven

John M.

Sabin

Meetings in

2017: 5

The Acquisition Committee establishes guidelines for acquisitions and dispositions to be presented to the Board of Trustees and leads the Board in its review of potential acquisitions and dispositions presented by management. The Acquisition Committee makes recommendations to the Board and senior management regarding potential acquisitions and dispositions and reviews due diligence reports prepared by management conducted on all potential acquisitions.

The Board of Trustees has adopted a written charter for the Acquisition Committee, a current copy of which is available on the Company's website, [www.hersha.com](http://www.hersha.com). The current members of the Acquisition Committee all meet the NYSE's standards of independence as currently in effect.

## TRUSTEE COMPENSATION

### Compensation of Non-Employee Trustees

The Board of Trustees believes that competitive compensation arrangements are necessary to attract and retain qualified non-employee trustees. The Compensation Committee has determined that any executive officer who serves on the Board of Trustees will not receive any fees for service on the Board of Trustees. The key components of our current trustee compensation program are annual retainer, fees for committee membership, annual share grants and restricted share grants, and additional compensation to committee chairs and the Lead Independent Trustee.

As discussed in “Compensation Discussion and Analysis- Independent Compensation Consultant” below, the Compensation Committee engaged FPL Associates L.P. (“FPL”) as its compensation consultant to assist it in reviewing and determining, among other things, the compensation paid to non-employee trustees in 2017. The Compensation Committee, based on the recommendations of FPL, approved the Company’s 2017 compensation program for non-employee trustees, effective as of January 1, 2017.

For 2017, the compensation program included:

• Annual Retainer - Non-employee trustees received an annual retainer of \$60,000.

• Lead Trustee and Committee Chair Fees - For service in the capacity of Lead Trustee or committee chairperson, non-employee trustees received an annual fee in the following amounts:

Lead Trustee	\$20,000
Audit Committee Chair	\$20,000
Risk Sub-Committee Chair	\$15,000
Compensation Committee Chair	\$20,000
Nominating & Corporate Governance Chair	\$15,000
Acquisition Committee Chair	\$15,000

• Committee Membership Fees – For service as a member of the Board’s committees, non-employee trustees, including committee chairpersons, received a fee in the following annual amounts:

Audit Committee	\$10,000
Risk Sub-Committee	\$7,500
Compensation Committee	\$10,000
Nominating & Corporate Governance	\$7,500
Acquisition Committee	\$10,000

Annual Share Based Compensation - Each of the Company’s non-employee trustees received a semi-annual grant of common shares, each equal to a value of approximately \$45,000. The number of shares issued for each fully vested grant was determined based on the per share volume weighted average trading price (“VWAP”) of the Company’s common shares on the NYSE for the 20 trading days prior to the grant date.

2017 Multi-Year Share Based Compensation - On December 30, 2016, each non-employee trustee received 1,000 restricted common shares, 33% of which vested on December 31, 2017, 33% of which will vest on December 31, 2018, and the remainder of which will vest on December 31, 2019 (subject to continued service on the vesting date).

Non-employee trustees may make a voluntary election to receive any portion of the annual retainer in the form of common equity valued at a 25% premium to the cash that would have been received. The number of common shares issued in lieu of cash payments for the annual retainer was determined based on the per share VWAP of the Company’s common shares on the NYSE for the 20 trading days prior to December 31, 2016, or \$21.33 per share. An aggregate of 4,395 restricted common shares were issued on December 30, 2016 and vested during the year ended December 31, 2017.

Non-employee trustees may also make a voluntary election to receive any portion of the fees received for committee membership, and service as Lead Independent Trustee or a committee or sub-committee chair in the form of common equity valued at a 25% premium to the cash that would have been received. The number of common shares issued in lieu of cash

29

---

payments was determined based on the per share VWAP of the Company's common shares on the NYSE for the 20 trading days prior to June 1, 2017, or \$18.48 per share. An aggregate of 5,074 common shares were issued on June 6, 2017 pursuant to the trustees' elections.

On June 6, 2017 and December 29, 2017, the Company's non-employee trustees received semi-annual grants of fully vested common shares that were issued under the Company's 2012 Equity Incentive Plan. Each grant had a value equal to approximately \$45,000. To determine the number of common shares subject to each grant, the dollar amount of the grant was divided by the VWAP for the Company's common shares for a 20-trading day period prior to June 1, 2017 and December 31, 2017 and then rounded to the nearest 100 common shares. The 20-day VWAP used for the grant on June 6, 2017 was \$18.48, resulting in a grant of 2,400 fully vested common shares with a grant date fair value of \$45,264 to Messrs. Hutchison, Landry, Leven and Sabin and Ms. Morgan. The 20-day VWAP used for the grant on December 30, 2017 was \$17.53, resulting in a grant of 2,600 fully vested common shares with a grant date fair value of \$45,240 to Messrs. Hsieh, Hutchison, Landry, Leven and Sabin and Ms. Morgan.

The Company reimburses all trustees for their reasonable out-of-pocket expenses incurred in connection with their service on the Board of Trustees.

The following table presents information relating to compensation of the non-employee trustees for the fiscal year ended December 31, 2017:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards(1) (\$)	Total (\$)
Jackson Hsieh	45,000	—	45,000
Thomas J. Hutchison III	6,620	265,563	272,183
Donald J. Landry	100,639	157,833	258,472
Michael A. Leven	104,479	116,604	221,083
Dianna F. Morgan	111,979	116,604	228,583
John M. Sabin	119,479	116,604	236,083

(1) See table below for additional disclosure of stock awards issued to non-employee trustees.

The following table presents information relating to stock awards included in the compensation of the non-management trustees for the fiscal year ended December 31, 2017:

Name	Semi-Annual Share Grants (1) (\$)	Multi-Year Share Award Grant (2) (\$)	Shares Elected in Lieu of Cash Board Fees		Total (\$)
			Annual Retainer (\$)	Lead Trustee, Committee Chair, and Committee Membership(4) (\$)	
Jackson Hsieh	45,240	26,100			
Thomas J. Hutchison III	90,504	26,100	75,594	73,365	265,563
Donald J. Landry	90,504	26,100	18,899	22,330	157,833
Michael A. Leven	90,504	26,100	—	—	116,604
Dianna F. Morgan	90,504	26,100	—	—	116,604

John M. Sabin	90,504	26,100	—	—	116,604
---------------	--------	--------	---	---	---------

Represents the aggregate grant date fair value of semi-annual share grants computed in accordance with FASB ASC 718. Common shares granted pursuant to these awards are fully vested on the grant date. The grant date fair value of the common shares granted on June 6, 2017 equals the number of common shares granted (2,400 common (1) shares) multiplied by the closing common share price of \$18.86 on the NYSE on the date of the grant. The grant date fair value of the common shares granted on December 29, 2017 equals the number of common shares granted (2,600 common shares) multiplied by the closing common share price of \$17.40 on the NYSE on the date of the grant.

Represents the aggregate grant date fair value of multi-year share awards computed in accordance with FASB ASC 718. The grant date fair value of the restricted common shares granted on December 29, 2017 equals the number of common shares granted (1,500 restricted common shares) multiplied by the closing common share price of \$17.40 on the NYSE on the date of the grant.

Represents the aggregate grant date fair value of shares elected to be received in lieu of all or a portion of a trustee's annual cash retainer, otherwise payable in cash, computed in accordance with FASB ASC 718. The grant date fair value of the restricted common shares granted on December 30, 2016 equals the number of common shares granted multiplied by the closing common share price of \$21.50 on the NYSE on the date of the grant. The following trustees received shares by making this election: Mr. Hutchison (3,516 shares) and Mr. Landry (879 shares).

Represents the aggregate grant date fair value of shares elected to be received in lieu of all or a portion of a trustee's Lead Trustee, Committee Chair and Committee Membership fees, otherwise payable in cash, computed in accordance with FASB ASC 718. The grant date fair value of the common shares granted on June 6, 2017 equals the number of common shares granted multiplied by the closing common share price of \$18.86 on the NYSE on the date of the grant. The following trustees received shares by making this election: Mr. Hutchison (3,890 shares) and Mr. Landry (1,184 shares).

#### Trustee Ownership Guidelines

Non-employee trustees are required to maintain share ownership of at least five times their annual retainer and have three years from the date they are appointed to comply with share ownership guidelines. For the purpose of these guidelines, a person shall be deemed to own all Company shares beneficially owned by such person within the meaning of the United States federal securities laws, including for these purposes preferred shares of the Company, common shares of the Company, operating partnership units (including LTIP Units) in Hersha Hospitality Limited Partnership and other securities issued by the Company or its subsidiaries that are exercisable for, convertible into or exchangeable for common shares of the Company.

#### 2018 Compensation of Non-Employee Trustees

The Compensation Committee, based on the recommendations of FPL, approved the Company's 2018 compensation program for non-employee trustees, effective as of January 1, 2018. For 2018, there is no change to the lead trustee and committee chair fees, committee membership fees, and annual share based compensation from amounts payable under the 2017 compensation program. For annual retainer, each of the Company's non-employee trustees will receive \$65,000 and for the 2018 multi-year share based compensation, each non-employee trustee will receive 1,500 restricted common shares, 33% of which will vest on December 31, 2018, 33% of which will vest on December 31, 2019, and the remainder of which will vest on December 31, 2020 (subject to continued service on the vesting date)

## SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information, known by the Company as of March 29, 2018, regarding the beneficial ownership of the Company's common shares by (i) each of the Company's trustees and trustee nominees, (ii) each of the Company's named executive officers and (iii) the Company's trustees and executive officers as a group. At March 29, 2018, there were 39,329,445 common shares outstanding. Except as set forth in the footnotes to the table below, each of the individuals identified in the table has sole voting and investment power over the common shares. The address for each of the Company's trustees, trustee nominees and named executive officers is c/o Hersha Hospitality Trust, 44 Hersha Drive, Harrisburg, Pennsylvania 17102.

Name of Beneficial Owner	Class A Common Shares	
	Number of Shares/Units Beneficially Owned <sup>(1)</sup>	Percentage of Class Beneficially Owned <sup>(2)</sup>
Hasu P. Shah	452,023 <sup>(3)</sup>	1.1%
Jay H. Shah	1,419,603 <sup>(4)</sup>	3.5%
Neil H. Shah	1,354,409 <sup>(5)</sup>	3.4%
Ashish R. Parikh	338,444	*
Michael R. Gillespie	137,257	*
David L. Desfor	54,676 <sup>(6)</sup>	*
Jackson Hsieh	8,735	*
Thomas J. Hutchison	94,722 <sup>(7)</sup>	*
Donald J. Landry	69,516	*
Michael A. Leven	48,996	*
Dianna F. Morgan	29,445	*
John M. Sabin	37,462 <sup>(8)</sup>	*
All executives officers, trustees, and trustee nominees as a group (12 persons)	4,045,288	10.3%

\*Represents less than one percent of the outstanding shares of the Class A common shares.

Includes the total number of common shares issuable upon redemption of partnership units and LTIP Units in Hersha Hospitality Limited Partnership, the Company's operating partnership subsidiary (the "Operating Partnership" (1) or "HHLPP"). Subject to certain restrictions, LTIP Units are convertible into an equivalent number of partnership units. Partnership units are redeemable by the holder for cash, or, at the Company's option, an equivalent number of common shares.

(2) The total number of common shares outstanding used in calculating the percentage ownership of each person assumes that the partnership units and LTIP Units held by such person, directly or indirectly, are redeemed for common shares and none of the partnership units and LTIP Units held by other persons are redeemed for common shares, notwithstanding that not all of the LTIP Units have vested to date.

(3) Includes: (i) 113,874 common shares issuable upon redemption of partnership units that are currently redeemable; and (ii) 195,084 common shares, all of which are held by Shree Associates, a family limited partnership that is controlled by Mr. Hasu Shah. Excludes: (i) 132,917 common shares issuable upon the redemption of partnership units that are currently redeemable and held by the Jay and Susie Shah 2008 Family Trust, in which Mr. Hasu Shah is the trustee; and (ii) 114,334 common shares issuable upon the redemption of partnership units that are currently redeemable and held by the Neil and Juhi Shah 2008 Family Trust, in which Mr. Hasu Shah is the trustee. Mr. Hasu Shah disclaims beneficial ownership of the common shares issuable upon the redemption of partnership units

and the partnership units held by the two family trusts for which he is the trustee, and this disclosure shall not be deemed an admission that Mr. Hasu Shah is the beneficial owner of these common shares or partnership units for purposes of Section 16 or for any other purpose.

Includes: (i) 89,889 common shares issuable upon redemption of partnership units that are currently redeemable; (ii) 75,000 common shares and 132,917 common shares issuable upon redemption of partnership units that are currently redeemable and which are held by the Jay and Susie Shah 2008 Family Trust, in which Mr. Hasu Shah is (4) the trustee; and (iii) 182,574 common shares issuable upon redemption of partnership units that are currently redeemable and held by the Hasu and Hersha Shah 2004 Trust FBO Jay H. Shah, in which the trustee is an unaffiliated third party. The partnership units held by the Hasu and Hersha Shah 2004 Trust FBO Jay H. Shah have been pledged as security to a third party.



- Includes: (i) 78,736 common shares issuable upon redemption of partnership units that are currently redeemable; (ii) 75,000 common shares and 114,334 common shares issuable upon redemption of partnership units that are currently redeemable and which are held by the Neil and Juhi Shah 2008 Family Trust, in which Mr. Hasu Shah is (5) the trustee; and (iii) 208,054 common shares issuable upon redemption of partnership units that are currently redeemable and held by the Hasu and Hersha Shah 2004 Trust FBO Neil H. Shah, in which the trustee is an unaffiliated third party. The partnership units held by the Hasu and Hersha Shah 2004 Trust FBO Neil H. Shah have been pledged as security to a third party.
- (6) Includes 52,976 common shares issuable upon redemption of partnership units held by Mr. Desfor.
- (7) Includes 15,000 common shares that are held by Mr. Hutchison's wife and with respect to which he shares voting and investment power.
- (8) Includes 287 common shares that are held indirectly by Mr. Sabin's wife and with respect to which he shares voting and investment power.

## OWNERSHIP OF EQUITY SECURITIES OF THE COMPANY

The following table sets forth certain information as of March 29, 2018, with respect to each person (including any “group” as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) who is known to the Company to be the beneficial owner of five percent or more of the Company’s common shares.

Name and Address of Beneficial Owner	Common shares Number of Common Shares Beneficially Owned	Percent of Class <sup>(1)</sup>
BlackRock Inc. <sup>(2)</sup> 55 East 52nd Street New York, NY 10055	6,637,774	16.9%
Jennison Associates LLC <sup>(3)</sup> 466 Lexington Avenue New York, NY 10017	3,693,171	9.4%
Prudential Financial, Inc. <sup>(4)</sup> 751 Broad Street Newark, New Jersey, 07102-3777	4,289,898	10.9%
The Vanguard Group, Inc. <sup>(5)</sup> 100 Vanguard Blvd. Malvern, Pennsylvania 19355	6,560,443	16.7%
Vanguard Specialized Funds - Vanguard REIT Index Fund <sup>(6)</sup> 100 Vanguard Blvd. Malvern, Pennsylvania 19355	2,816,679	7.2%

(1) Percentages are based on 39,329,445 common shares outstanding as of March 29, 2018.

Information based solely on Amendment No.9 to a Schedule 13G filed with the SEC on January 19, 2018 by

(2) Blackrock, Inc. which has reported sole voting power over 6,480,369 common shares and sole dispositive power over 6,637,774 common shares.

(3) Information based solely on Amendment No.2 to a Schedule 13G filed with the SEC on February 6, 2018 by Jennison Associates LLC, which has reported sole voting power and shared dispositive power over 3,693,171.

Information based solely on Amendment No. 4 to a Schedule 13G filed with the SEC on January 26, 2018 by

(4) Prudential Financial, Inc., which has reported sole voting and dispositive power over 38,954 common shares and shared voting and dispositive power over 4,250,944 common shares.

Information based solely on Amendment No. 10 to a Schedule 13G filed with the SEC on February 9, 2018 by The Vanguard Group, Inc. The Vanguard Group Inc. has disclosed that is has sole voting power over 91,909 common shares, sole dispositive power over 6,467,894 common shares, shared voting power over 52,368 and shared

(5) dispositive power over 92,549 common shares. The Vanguard Group, Inc. has reported that Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 40,181 common shares and that Vanguard Investment Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 104,096 common shares.

Information based solely on Amendment No. 6 to a Schedule 13G filed with the SEC on February 2, 2018 by

(6) Vanguard Specialized Funds - Vanguard REIT Index Fund which has reported sole voting power over 2,816,679 common shares.



## COMPENSATION COMMITTEE REPORT

### Review of Compensation Discussion and Analysis

The Compensation Committee has reviewed and discussed the CD&A contained in this proxy statement with management and, based on such review and discussion, the Compensation Committee recommends to the Board of Trustees that it be included in this proxy statement.

### Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee were an officer or employee of the Company or any of its subsidiaries during 2017 or any prior period. No executive officer of the Company served as a member of the compensation committee or as a director of any company where an executive officer of such company is a member of the Compensation Committee or is a trustee of the Company.

The Company's regular filings with the SEC and its trustees' and executive officers' filings under Section 16(a) of the Exchange Act are also available on the Company's website.

### COMPENSATION COMMITTEE,

Thomas J. Hutchison III (Chair)

Jackson Hsieh

Michael A. Leven

Dianna F. Morgan

April 20, 2018 John M. Sabin

## COMPENSATION DISCUSSION AND ANALYSIS

This section of the proxy statement explains the type and amount of compensation provided to the Company's NEOs in 2017, as well as the principles and processes that the Compensation Committee of the Board of Trustees follows in determining such compensation. The NEOs consist of the Company's Chief Executive Officer, the Company's Chief Financial Officer and the Company's three other most highly paid executive officers as of December 31, 2017.

The NEOs for 2017 are as follows:

- Hasu P. Shah, the Company's Chairman of the Board;
- Jay H. Shah, the Company's Chief Executive Officer;
- Neil H. Shah, the Company's President and Chief Operating Officer;
- Ashish R. Parikh, the Company's Chief Financial Officer; and
- Michael R. Gillespie, the Company's Chief Accounting Officer.

The NEOs named above were also NEOs in 2015 and 2016.

### Investor Outreach

At our 2017 annual shareholder meeting, shareholders overwhelmingly supported the Company's executive compensation program, with approximately 98% of the votes cast were in favor of the advisory vote to approve the compensation earned by the NEOs in 2016. The Compensation Committee viewed the advisory vote in favor of the Company's executive compensation as a validation of its compensation philosophy, including its emphasis on pay-for-performance and equity based compensation. In light of this overwhelming investor endorsement of the compensation program, the Compensation Committee retained all of the key elements of the 2016 program when formulating the 2017 compensation program for the NEOs.

During meetings with shareholders throughout 2017, management was provided with input on executive compensation issues, the results of the advisory vote on executive compensation at the 2017 annual shareholders meeting, governance matters and Company performance. The feedback that the Company received through this communicative process, along with a near unanimous shareholder vote on the 2016 program, highlighted for management and the Compensation Committee that our investors strongly support the executive compensation program structure and believe it is well designed.

### Executive Summary

The objectives of the Company's executive compensation program are to attract, retain and motivate experienced and talented executives who can help maximize shareholder value. The Company believes that a significant portion of the compensation paid to executive officers should be closely aligned with the Company's performance on both a short-term and long-term basis. In addition, a significant portion of compensation should be in the form of the Company's common shares to more fully align the interests of the Company's executives and its shareholders and to mitigate any risks associated with pay-for-performance components of our compensation program.

The following table summarizes our compensation philosophy:

Philosophy Component	Rationale/Commentary	Pay Element
Compensation should reinforce business objectives and Company values	The Company strives to provide a rewarding and professionally challenging work environment for its executive officers. The Company believes that executive officers who are motivated and challenged by their duties are more likely to achieve the individual and corporate performance goals designed by the Compensation Committee. The Company's executive compensation package should reflect this work environment and performance expectations.	All elements (salary, annual cash incentive, equity incentive compensation)
Key executive officers should be retained	The primary purpose of the Company's executive compensation program has been, and is, to achieve the Company's business objectives by attracting, retaining and motivating talented executive officers by providing incentives and economic security.	Equity incentive compensation, salary

Compensation should align interests of executive officers with shareholders

The Company's executive compensation is designed to reward favorable total shareholder returns, both in an absolute amount and relative to the Company's peers, taking into consideration the Company's competitive position within the lodging REIT industry and each executive's long-term career contributions to the Company. Executives are allowed to elect a portion of annual cash incentives earned to be paid in common shares. In 2017, all NEO's elected to receive 100% of their annual cash incentives earned to be paid in common shares.

Equity incentive compensation, common share election for annual cash incentive awards

Philosophy Component	Rationale/Commentary	Pay Element
A significant amount of compensation for top executive officers should be based on performance	<p>Performance-based pay aligns the interest of management with the Company's shareholders. Performance-based compensation motivates and rewards individual efforts and Company success. Approximately 80% of the NEO's targeted aggregate compensation is linked to Company specific or individual performance metrics. The performance-based percentage of actual compensation increases as performance improves and decreases as performance declines. If the Company has poor absolute or relative performance, the executive officers will receive reduced incentive compensation and reduced total compensation. All performance-based incentive compensation is is not merely time-based vesting, rather 100% of at-risk compensation is dependent upon specific performance metrics and individual achievement. Once earned, equity awards are subject to time-vesting requirements to promote retention.</p>	Annual cash incentive and equity incentive compensation
Compensation should be competitive	<p>To attract and retain valuable executive talent but avoid the expense of excessive pay, compensation should be competitive. The Compensation Committee, with the help of its independent compensation consultant, assesses the competitiveness of the Company's compensation program for each of its executive officers by comparison to the compensation of executive officers at other public real estate companies. The Compensation Committee has regularly retained the services of FPL, an independent human resources and compensation consulting firm which specializes in the REIT industry, to report on current market data regarding executive officer pay levels and incentive programs. In addition to its own proprietary databases, FPL obtains data for its reports from publicly-available proxy statements and other public filings with the SEC.</p>	All elements

Our program consists of rigorous goals, is targeted towards outperformance, and aligns management with investors. Our short term and long term incentives are tied 100% to performance.

The following table summarizes certain aspects of our pay practices:

**WHAT WE DO**

The Company ties NEO pay to performance. For 2017, 83% of the NEOs' pay potential was performance-based and at-risk. The Company sets clear goals for company performance and differentiates certain elements of compensation based on individual NEO achievement.

The Company sets clear goals for company performance and differentiates certain elements of compensation based on individual NEO achievement. 100% of at-risk compensation is payable only upon the achievement of specific performance metrics and individual achievement.

The Company mitigates undue risk, including retention provisions, multiple performance targets, and robust Board and management processes to identify risk. The Company will clawback bonuses and other incentive-based and equity-based compensation when misconduct results in a financial restatement.

The Company has reasonable post-employment and change in control provisions. The employment agreements with the NEOs generally provide for cash payments after a change in control only if the NEO is also terminated without cause or voluntarily resigns for good reason within one year of the change in control (a double-trigger).

The Compensation Committee benefits from its utilization of an independent compensation consulting firm. The reports prepared by the compensation consulting firm are used by the Compensation Committee to set executive compensation at levels that are intended to be competitive with the Company's industry peers.

The Company has adopted share ownership guidelines for the NEOs. In addition, the Company implemented requirements for the NEOs to hold shares granted for two years beyond vesting.

Only customary perquisites, such as health and insurance benefits, are provided. Perquisites represent only a small portion of the total NEO compensation.

The Compensation Committee establishes rigorous metrics for the NEOs and attempts to tie pay for performance on various company specific metrics and total shareholder returns

**WHAT WE DO NOT DO**

The Company has no contractual arrangements for minimum or guaranteed payouts (other than base salary which is only 17% of the NEOs' pay potential). There are no guarantees in place for any potential changes to our NEOs' base salaries, cash incentive payments or equity awards.

The Company does not issue equity compensation that is at-risk merely due to time-based vesting. Rather 100% of at-risk compensation is dependent upon specific performance metrics and individual achievement. Once earned, equity awards are subject to time-vesting requirements to promote retention.

The Compensation Committee does not believe the executive compensation program creates risks that are reasonably likely to pose a material adverse impact to the Company.

The Company does not have any tax gross-up provisions for any of the NEOs and maintains that it will not enter into an agreement with a new executive officer that includes a tax gross-up provision with respect to payments contingent upon a change in control.

The Company's compensation consulting firm does not provide any other services to the Company or management.

The Company has not used options or share appreciation rights. If used, the Company would not reprice these securities if they were underwater. The Company does not pay dividends on unvested performance shares.

The Company does not have deferred compensation or pension plans and does not provide perquisites to the NEOs that would be considered significant or extraordinary.



Pay-for-Performance

Pay-for-performance is an important cornerstone of the Company's compensation philosophy. Consistent with this focus, the Company's executive compensation program includes annual cash incentives, annual equity incentives and multi-year equity incentives.

The design of our compensation program results in almost 83% of our CEO compensation and 79% of the compensation of all other NEOs being performance based (at risk):

**ANNUAL CASH INCENTIVE AWARD** - Annual cash incentives are provided under the Company's annual cash incentive program ("Annual CIP") to all of the NEOs other than the Company's Chairman, Mr. Hasu Shah. The purpose of the program is to reward achievement of annual goals and objectives and to provide at-risk, comprehensive opportunities to earn additional cash compensation linked primarily to company-wide and, to a lesser extent, individual NEO performance. Eighty percent (80%) of the potential cash incentive is based on the achievement of company-wide operational and financial goals, including the achievement of adjusted funds from operations ("AFFO") targets, Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") multiple targets and fixed charge coverage ratio targets. The remaining 20% of the potential cash incentive is based on the achievement by each NEO of individual-specific operational and strategic goals.

**ANNUAL AND MULTI-YEAR EQUITY INCENTIVE PROGRAMS** - Annual and multi-year equity incentives are provided under the Company's annual long-term equity incentive program (the "Annual EIP") and its multi-year long-term equity incentive programs (the "Multi-Year EIPs"). If earned, the awards will be settled in the form of common shares issued by the Company or LTIP Units issued by the Company's operating partnership.

The Company must achieve certain financial performance goals during the performance period in order for Annual EIP awards to be earned by the NEOs. Under the Annual EIP, performance is measured based on the Company's achievement of absolute and relative RevPAR growth. In addition, the Compensation Committee has discretion under the Annual EIP to grant equity awards to the NEOs based on how the NEOs individually and as a group effected transactions that continued the transformation of the Company's portfolio and continued to strengthen the Company's financial position.

Under the 2015, 2016 and 2017 Multi-Year EIPs, performance is measured based on the Company's achievement of RevPAR growth relative to a predetermined peer group, absolute total shareholder return and total shareholder return relative to a predetermined peer group over a three-year period.

#### Annual CIP Equity Election

The Compensation Committee has adopted a policy that allows the NEOs to elect to receive payouts, if any, under the 2017 Annual CIP in LTIP Units or cash. For payments elected in LTIP Units, the NEO receives a 25% premium.

LTIP Units issued are subject to a two-year vesting period from the date of issuance. For 2017, each NEO has elected to receive 100% of any payouts earned under the Annual CIP in LTIP Units. As a result, almost 84% of CEO potential compensation and 80% of all other NEO potential compensation is paid in equity:

#### TOTAL COMPENSATION

BEFORE Annual CIP Equity election    AFTER Annual CIP Equity election

### Shareholder Interest Alignment

We believe that our Annual EIP and Multi-Year EIPs, as well as Annual CIP payouts elected to be paid in equity, further enhance long-term shareholder value by incentivizing long-term performance and aligning the interests of the NEOs and the shareholders. In addition, paying a significant portion of an NEO's compensation in the form of restricted equity awards mitigates potential risks associated with pay-for-performance elements of compensation and is a helpful tool in retaining senior executives. Therefore, equity is a key component of the Company's executive compensation program, with equity award potential (including Annual CIP awards elected in equity) accounting for almost 84% of the total compensation program for our CEO and 80% of the total compensation program of our other NEOs. All equity awards granted to the NEOs in 2017 were in the form of restricted equity that, once earned based on prior performance, subsequently vest over time and are required to be owned for a minimum of one year after the vesting date and therefore have a significant retention element. Before these awards are earned, as described above, significant value is at risk for the NEOs.

As described under "-Stock Ownership Guidelines" below, the Company has formal stock ownership guidelines that require:

- the Company's non-employee trustees, within three years of becoming a trustee, to own Company shares equal in value to at least five times the annual cash retainer paid to non-employee trustees;
- the Company's executive officers to own Company shares equal in value to a multiple of such executive's base salary as follows: Chairman of the Board (4 times); Chief Executive Officer (6 times); President and Chief Operating Officer (6 times); Chief Financial Officer (3 times); and Chief Accounting Officer and all other executive officers (1 times); and
- the Company's executive officers to own Company shares received from vesting of share awards for a minimum of one year after the vesting date.

For purposes of these guidelines, units of limited partnership interest issued by the Company's operating partnership are considered "Company Shares."

### Compensation and Corporate Governance

The Compensation Committee believes that solid corporate governance should be reinforced through the Company's executive compensation programs and has adopted the following policies with regard to share ownership and compensation that are intended to promote good corporate governance:

- hedging of Company shares is prohibited;
- if the Company is required to prepare an accounting restatement due to material noncompliance, as a result of misconduct, with any financial reporting under federal securities law, the Company will "clawback" any bonus or other incentive-based or equity-based compensation received by the NEOs from the Company during the twelve month period following the first issuance or filing of the financial statements that are required to be restated and any profits realized from the sale of the Company's securities during such twelve month period; and
- additional pledges of Company shares by Trustees and NEOs are prohibited.

### 2017 Performance Highlights

During the past several years, the Company has been focused on transforming its portfolio through strategic acquisitions and dispositions, improving its balance sheet and strategically accessing capital markets. The following table provides a summary of key performance highlights for 2017:

#### Compensation Principles

The Compensation Committee designs and oversees the Company's compensation policies and approves compensation for the NEOs. Each year, the Compensation Committee's goal is to create an executive compensation program for the NEOs that is linked to the creation of shareholder value. To accomplish this goal, the executive compensation program for the NEOs is designed to:

**Support the Company's business strategy-**The Compensation Committee seeks to align executive compensation programs for the NEOs with business strategies focused on long-term growth and sustained shareholder value. The programs are designed to motivate the NEOs to overcome challenges and exceed company goals.

**Pay for performance-**The Compensation Committee places a large portion of the NEOs' pay "at risk" and dependent upon the achievement of specific corporate and individual performance goals. The Company pays higher compensation when goals are exceeded and lower compensation when goals are not met.

**Pay competitively-**The Compensation Committee sets target compensation to be competitive with its peer group. We set "maximum" objectives that if achieved may place the compensation paid to the NEOs above the median compared to the peer group.

### Compensation Objectives

In designing the executive compensation programs for the NEOs, the objectives are to:

- drive superior business and financial performance by designing programs that motivate the NEOs to achieve or exceed goals within their control;
- attract, retain and motivate the right people in the right job by rewarding NEOs that perform at a high level;
- align the long-term interests of the NEOs and the shareholders by building significant ownership of common shares into our annual and multi-year equity incentive programs;
- focus on long-term results, such as total shareholder return; and
- create a balanced executive compensation program that utilizes elements that discourage excessive risk taking.

### Independent Compensation Consultant

The Compensation Committee engaged FPL during 2017 as its independent compensation consultant. FPL advised the Compensation Committee on the design of the Company's executive compensation program for 2017 and the amounts the Company should pay to the Chief Executive Officer and the other NEOs. FPL also provided the Compensation Committee with information on executive compensation trends, best practices and advice for potential improvements to the Company's executive compensation program. In addition, FPL advised the Compensation Committee on the design of the compensation program for the Company's non-employee trustees.

FPL does no work for management, receives no compensation from the Company other than for its work in advising the Compensation Committee and maintains no other economic relationships with the Company or any of its affiliates. From time to time, FPL receives input from the Company's Chief Executive Officer regarding the Company's strategic goals and the manner in which the executive compensation program should support these goals.

### Process for Determining Executive Compensation

The Compensation Committee structures executive compensation for the NEOs so that total targeted annual compensation opportunities are competitive with comparable positions at companies considered to be the Company's peers. The Compensation Committee intends for the level of compensation for the NEOs to be competitive with the compensation offered by publicly held companies that are comparable to the Company with regard to size (based on total assets and market capitalization) and industry focus (publicly trading lodging companies, including REITs). The Compensation Committee believes this allows the Company to successfully attract and retain the high quality executive talent critical to the Company's long-term success.

In setting executive compensation for the NEOs in 2017, the Compensation Committee considered levels of compensation paid by the following group of publicly traded lodging REIT companies (“2017 Peer Group”):

	Total Assets <sup>(1)</sup>	Total Capitalization <sup>(1)</sup>	Total Room Count <sup>(1)</sup>	Total Number of Properties <sup>(1)</sup>	Total Number of Employees <sup>(1)</sup>
Apple Hospitality REIT, Inc.	\$ 5.0 billion	\$ 5.8 billion	30,073	235	56
Ashford Hospitality Trust, Inc.	\$ 4.9 billion	\$ 5.2 billion	26,099	124	0
Chatham Lodging Trust	\$ 1.3 billion	\$ 1.4 billion	18,210	133	5
Chesapeake Lodging Trust	\$ 2.0 billion	\$ 2.4 billion	6,694	22	15
DiamondRock Hospitality Company	\$ 3.1 billion	\$ 3.2 billion	9,472	26	26
LaSalle Hotel Properties	\$ 3.9 billion	\$ 4.9 billion	11,458	46	35
Pebblebrook Hotel Trust	\$ 2.8 billion	\$ 3.4 billion	7,219	29	26
RLJ Lodging Trust	\$ 4.0 billion	\$ 4.6 billion	20,138	122	58
Summit Hotel Properties, Inc.	\$ 1.7 billion	\$ 2.4 billion	10,957	81	44
Sunstone Hotel Investors, Inc.	\$ 3.7 billion	\$ 4.5 billion	13,666	28	48
Xenia Hotels & Resorts, Inc.	\$ 2.9 billion	\$ 3.2 billion	10,911	42	49
25th Percentile	\$ 2.4 billion	\$ 2.8 billion	10,192	29	21
50th Percentile	\$ 3.1 billion	\$ 3.4 billion	11,458	46	35
75th Percentile	\$ 4.0 billion	\$ 4.8 billion	19,174	123	49
Hersha Hospitality Trust	\$ 2.2 billion	\$ 2.4 billion	8,800	55	49

(1) Information presented was derived from public filings for the year ended December 31, 2016.

The Compensation Committee, with input from FPL and from management, annually reviews the companies included in the peer group. Accordingly, the Compensation Committee may add or eliminate companies based on factors the Compensation Committee deems relevant. The primary criteria evaluated in the selection of the peer group include similarity of business strategy, scope of operations, total market capitalization and total assets. The Compensation Committee excluded certain lodging-focused, self-managed equity REITs with dissimilar business strategies or that were larger and smaller than the companies named above in terms of scope of operations, total assets and market capitalization, such as Host Hotels & Resorts, Inc., and Condor Hospitality Trust, Inc.

Based on information provided to the Compensation Committee by FPL, the Compensation Committee determined that the total targeted annual compensation opportunity for each of the NEOs was competitive compared to the 2017 Peer Group.

The following table shows each element of the total annual compensation for 2016 for each NEO compared to the same information for the 2017 Peer Group:

Executive	Benchmark	Base Salary	Non-Equity Incentive	Equity Incentive	Total Annual Compensation
Hasu P. Shah	Chairman	3rd of 3	3rd of 3	2nd of 3	3rd of 3
Jay H. Shah	CEO	8th of 12	5th of 12	12th of 12	8th of 12
Neil H. Shah	COO	1st of 10	1st of 10	1st of 10	1st of 10
Ashish R. Parikh	CFO	4th of 12	1st of 12	11th of 12	9th of 12
Michael R. Gillespie	CAO	2nd of 4	2nd of 4	4th of 4	3rd of 4

Although the Compensation Committee seeks to provide total targeted annual compensation opportunities that approximate the 50<sup>th</sup> percentile of the 2017 Peer Group, the Compensation Committee does not rely exclusively on the 2017 Peer Group data in establishing target levels of compensation and does not have a rigid or formulaic process with regard to using peer data to set target levels of compensation (for example, assigning specific weights or values to each member of the 2017 Peer Group). Instead, the Compensation Committee uses the 2017 Peer Group data as one of many tools to assist the Compensation Committee. Survey information provided by FPL to the Compensation Committee assists the Compensation Committee in confirming the validity of the market competitiveness of the Company’s executive compensation program and



provides broader context to the 2017 Peer Group data, as well as provide data for positions where data for the 2017 Peer Group is not available from public filings with the SEC. In setting total target annual compensation opportunities for each NEO, the Compensation Committee considers the following factors:

- the competitive data (2017 Peer Group and survey data), focusing on the median of the data as a starting point;
- each NEO's past and continuing performance;
- each NEO's scope of responsibility and impact on the Company's performance and contribution to its long-term success;
- internal equity (i.e., an NEO's compensation levels relative to his or her peers, direct reports and supervisors);
- the Chief Executive Officer's recommendations for the other NEOs; and
- the views of the members of the Compensation Committee and the other members of the Board of Trustees on individual contribution based upon routine interaction with the NEOs on corporate and public reporting matters.

In making executive compensation determinations, the Compensation Committee generally considers the results of the most recent shareholder advisory vote on executive compensation. As reported in the Company's Current Report on Form 8-K filed with the SEC on June 1, 2017, approximately 98% of the votes cast on the "say-on-pay" proposal were in favor of the advisory vote to approve the NEOs' 2016 compensation. The Compensation Committee viewed the advisory vote in favor of the NEOs' 2016 compensation as a validation of its compensation philosophy, including its emphasis on pay for performance and equity based compensation.

In summary, the Compensation Committee's process for setting total targeted annual compensation opportunities employs a flexible approach that responds to and adjusts for the evolving business environment. The Compensation Committee believes this approach permits the Company to respond to dynamics in the market for executive talent and provides the Company with flexibility in maintaining and enhancing the NEOs' engagement, focus, motivation and enthusiasm for the Company's long-term growth and sustained shareholder value.

Each of the NEOs' performance is evaluated in light of the Company's overall performance (as described in greater detail below) and non-financial goals and strategic objectives approved by the Compensation Committee and the Board of Trustees. For 2017, the Compensation Committee believed annual base salary and benefits when added to the potential variability of the annual cash and equity incentive programs and the multi-year equity incentive program provided an appropriate mix of financial security, risk and reward.

#### Dual Role Structure

In establishing the compensation for Mr. Neil Shah, President and Chief Operating Officer, the Compensation Committee considers the dual roles that Mr. Neil Shah serves for the Company. Mr. Neil Shah is currently the President and Chief Operating Officer of the Company and serves as the Chief Investment Officer and Head of Asset Management. These roles are typically performed by multiple executive level individuals. The Compensation Committee has worked with FPL, our Compensation Consultant, to put together a pay structure for Mr. Neil Shah that incorporates these additional duties and the leadership role that Mr. Neil Shah serves in these dual roles. The Compensation Committee believes that the overall compensation for Mr. Neil Shah is commensurate for the dual roles that he serves within the Company.

In addition, the Compensation Committee considers the compensation of Mr. Neil Shah as a part of a broader analysis of the aggregate pay level of our NEOs to ensure that, on a total pay basis across our executive team, it is appropriate when compared to our peers.

#### Interaction with Management

Our Compensation Committee regularly meets in executive sessions without management present. Our Chief Executive Officer, considering each of the performance factors outlined below under "-Components of Executive Compensation," annually reviews the compensation for each NEO, other than himself, and makes recommendations to the Compensation Committee regarding any proposed adjustments. Recommendations, if any, for interim modifications to salaries are also based on the factors outlined above and are made by the Chief Executive Officer to the Compensation Committee. Final compensation decisions are ultimately made in the sole discretion of the Compensation Committee.





### Components of Executive Compensation

In 2017, the components of executive compensation consisted of the following:

- base salary;
- annual cash incentives;
- long-term equity incentives (annual and multi-year); and
- benefits.

#### Base Salary

Base salary provides the NEOs with a basic level of financial security and promotes the Compensation Committee's objectives by attracting and retaining top talent. Base salary increases for the Company's Chief Executive Officer are determined by the Compensation Committee and approved by the Board of Trustees. Base salary increases for the other NEOs are recommended by the Company's Chief Executive Officer and are subject to review and approval by the Compensation Committee.

To more appropriately align with the market data provided for the 2017 Peer Group, the Compensation Committee increased base salaries of the NEOs by 3.1% in the aggregate with individual increases ranging between 2.5% and 4.8%. The Compensation Committee was satisfied that each NEO's base salary for 2017 was reasonable and appropriate based on each NEO's responsibilities and performance.

Base salaries for the NEOs for 2016 and 2017 are as follows:

	2016	2017	Increase over	
	Base	Base	2016	
	Salary	Salary	(\$)	(%)
Hasu P. Shah	\$242,000	\$250,000	\$8,000	3.3%
Jay H. Shah	\$732,000	\$750,000	\$18,000	2.5%
Neil H. Shah	\$706,000	\$725,000	\$19,000	2.7%
Ashish R. Parikh	\$460,000	\$475,000	\$15,000	3.3%
Michael R. Gillespie	\$310,000	\$325,000	\$15,000	4.8%

#### Annual Cash Incentive Program ("Annual CIP")

The purpose of the Annual CIP is to reward achievement of annual goals and objectives and provide at-risk, comprehensive pay opportunities linked primarily to company-wide performance and, to a lesser extent, individual performance. Each year, management proposes and the Compensation Committee evaluates and finalizes the annual goals and objectives, which are subsequently approved by the Board of Trustees. By using goals and objectives thoroughly reviewed by the Board of Trustees, the Compensation Committee rewards participants for achieving performance levels that management has identified and the Board of Trustees are critical to creating and sustaining long-term shareholder value.

The Compensation Committee believes the Annual CIP provides the NEOs other than Mr. Hasu Shah, who has not historically participated in the program, with an incentive to excel at their individual job function and area of expertise in a manner that contributes to overall Company-wide performance, and further aligns the financial interests of the participating NEOs with those of shareholders. The selected performance criteria include Company-wide performance goals and specific performance goals related to the job function of each participating NEO.

Key features of the Annual CIP include the following:

- a primary emphasis on (1) sustained Company-wide financial growth as measured by such metrics as AFFO per share, an EBITDA multiple, and (2) financial flexibility and balance sheet strength as measured by a fixed charge coverage ratio;
- a structured approach to determine awards by measuring against pre-established metrics; and
- the recognition of individual leadership achievements and contributions of participants by making a portion of the award subject to individual-specific performance goals.

The Compensation Committee, in conjunction with the Chief Executive Officer, reviewed the annual cash incentive awards. Annual cash incentive awards were based on an evaluation of the performance, level of responsibility and leadership of the named executive officer in relation to overall corporate results.

For 2017, the Compensation Committee established the following mix of Company performance measures for the Annual CIP:

The Compensation Committee believes AFFO per share, an EBITDA multiple and a fixed charge coverage ratio are appropriate and effective measures of annual Company-wide performance. These performance measures were chosen because they strike a balance between maximizing AFFO per share in the short-term and driving a premium multiple for our shares while maintaining long-term value with a lower risk balance sheet. The threshold level for each performance measure was set based on a level of performance that was believed at the time to be achievable in order to motivate and retain the participating NEOs. The target level for each performance measure was set based on a level of performance that was believed at the time to be aggressive, but obtainable. The maximum level for each performance measure was set based on a level of performance that was believed to be realizable, but only as a result of exceptional performance.

The Compensation Committee chose the performance targets described above to align the Annual CIP with the Company's 2017 goals and objectives as established by management and the Board of Trustees. The Compensation Committee chose the relative weights of the performance measures based on the Compensation Committee's desire to emphasize financial results while maintaining a focus on non-financial initiatives.

AFFO per share: The Company achieved AFFO per share of \$2.16 in 2017 which was 100.5% of the target hurdle resulting in target performance.

AFFO per share is determined by calculating funds from operations (“FFO”) applicable to common shares and partnership units in accordance with the April 2002 National Policy Bulletin of the National Association of Real Estate Investment Trusts (“NAREIT”), which the Company refers to as the “White Paper.” The White Paper defines FFO as net income (loss) (computed in accordance with GAAP) excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated assets, plus certain non-cash items, such as loss from impairment of assets and depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Management’s interpretation of the NAREIT definition is that noncontrolling interest in net income (loss) should be added back to (deducted from) net income (loss) as part of reconciling net income (loss) to (1) FFO. Management calculated AFFO, which reflects FFO in accordance with the NAREIT definition further adjusted by: (i) adding back write-offs of deferred financing costs on debt extinguishment, both for consolidated and unconsolidated properties; (ii) adding back amortization of deferred financing costs; (iii) making adjustments for the amortization of original issue discount/premium; (iv) adding back non-cash stock expense; (v) adding back acquisition and terminated transaction expenses, as well as accruals for contingent consideration on acquisitions ; (vi) adding back FFO attributed to the Company’s partners in consolidated joint ventures; (vii) making adjustments to ground lease payments, which are required by GAAP to be amortized on a straight-line basis over the term of the lease, to reflect the actual lease payment; and (viii) state and local tax expense related to the reassessment of prior period assessments.

EBITDA multiple: The Company achieved EBITDA multiple of 13.8x which was in excess of the high performance hurdle resulting in incentive earned at the high level.

Calculated as (i) enterprise value divided by (ii) consolidated adjusted earnings before income tax, depreciation and amortization (“Adjusted EBITDA”). The Company’s interpretation of Adjusted EBITDA is that EBITDA derived from its investment in unconsolidated joint ventures should be added back to net income (loss) as part of reconciling net income (loss) to Adjusted EBITDA. In addition, Adjusted EBITDA is adjusted to (i) add back write-offs of deferred financing costs on debt extinguishment, both for consolidated and unconsolidated properties; (1) (ii) adding back non-cash stock expense; (iii) adding back impairment related expenses; (iv) adding back acquisition and terminated transaction expenses, as well as accruals for contingent consideration on acquisitions; (v) making adjustments to ground lease payments, which are required by GAAP to be amortized on a straight-line basis over the term of the lease, to reflect the actual lease payment; and (vi) state and local tax expense related to the reassessment of prior period assessments.

Fixed Charge Coverage Ratio: The Company's Fixed Charge Coverage Ratio for 2017 was 2.5x, equal to the high performance hurdle resulting in incentive earned at the high level.

Calculated as (i) consolidated adjusted earnings before income tax, depreciation and amortization ("Adjusted EBITDA"), divided by (i) the sum of (A) interest expense, plus (B) preferred share distributions. The Company's interpretation of Adjusted EBITDA is that EBITDA derived from its investment in unconsolidated joint ventures should be added back to net income (loss) as part of reconciling net income (loss) to Adjusted EBITDA. In addition, Adjusted EBITDA is adjusted to (i) add back write-offs of deferred financing costs on debt extinguishment, both for consolidated and unconsolidated properties; (ii) adding back non-cash stock expense; (iii) adding back impairment related expenses; (iv) adding back acquisition and terminated transaction expenses, as well as accruals for contingent consideration on acquisitions; (v) making adjustments to ground lease payments, which are required by GAAP to be amortized on a straight-line basis over the term of the lease, to reflect the actual lease payment; and (vi) state and local tax expense related to the reassessment of prior period assessments.

(1) Individual Specific Performance Objectives: For purposes of the Annual CIP, the Compensation Committee utilized the individual-specific performance objectives which were similar to the objectives used for the 2016 program. These objectives related to meetings with investors; timely, accurate, and complete filing of the Company's reports with the SEC; and maintaining internal control over financial reporting that is free of material weakness. The participating NEOs satisfied these individual-specific performance objectives.

Under the 2017 Annual CIP each of the participating NEOs was awarded the target cash payment under the AFFO per share metric and maximum cash payment under the EBITDA multiple metric, fixed charge coverage ratio metric and the individual performance-specific objectives.

The following table indicates the amounts the participating NEOs may earn for threshold, target and maximum performance and the amount of the cash bonuses that were earned:

	Threshold (as a % of 2017 base salary)	Target (as a % of 2017 base salary)	Maximum (as a % of 2017 base salary)	Actual Bonus Earned (as a % of 2017 base salary)	(in dollars)
Jay H. Shah	100%	150%	200%	185%	\$1,387,500
Neil H. Shah	100%	150%	200%	185%	\$1,341,250
Ashish R. Parikh	75%	125%	175%	160%	\$760,000
Michael R. Gillespie	50%	100%	125%	118%	\$381,875

The Compensation Committee has adopted a policy that allows the NEOs to elect to receive payouts, if any, under the 2017 Annual CIP in LTIP Units or cash. For payments elected in LTIP Units, the NEO receives a 25% premium. LTIP Units issued are subject to a two-year vesting period from the end of the performance period. For 2017, each NEO had elected to receive 100% of any payouts earned under the Annual CIP in LTIP Units. As a result, the Compensation Committee approved the following LTIP Units for the NEOs in March 2018: Mr. Jay H. Shah, 98,937 LTIP Units; Mr. Neil H. Shah, 95,639 LTIP Units; Mr. Parikh, 54,192 LTIP Units; and Mr. Gillespie, 27,320 LTIP Units. The LTIP Units awarded were determined by dividing the sum of the dollar amount of the award under the Annual CIP and the 25% premium by \$17.53, the per share volume weighted average trading price of the Company's common shares on the NYSE for the 20 trading days prior to and including December 31, 2017. The awards issued to the NEOs pursuant to the Annual CIP vest on December 31, 2019.

#### Long-Term Equity Incentive Programs

The Compensation Committee believes it is important to provide the NEOs with equity incentives to promote retention, incent sustainable growth and long-term value creation, and to further align the interests of the NEOs with those of shareholders by exposing the NEOs to stock price changes during the performance and vesting periods. Awards under the long-term equity incentive programs are both "performance based" and "time based." To balance annual performance with performance over a longer term, the Compensation Committee uses a mix of long-term equity incentives that include one and three year performance periods. The multi-year long-term incentive programs ("Multi-Year EIPs") have a three-year performance period followed by a one-year vesting period for awards issued under the programs. The annual long term equity incentive programs ("Annual EIPs") have a one-year performance period followed by a three-year vesting period for awards issued under the programs.

The following illustrates the Multi-Year EIPs and Annual EIPs designed by the Compensation Committee:

- Awards can be earned under the Multi-Year EIPs programs based on the achievement of determined levels of
- (1) Absolute Total Shareholder Return ("TSR") (37.5% of the potential award), TSR relative to the Company's peers (37.5% of the potential award), and RevPAR growth relative to the Company's peers (25.0% of the potential award).

Awards can be earned under the Annual EIP programs based on the achievement of determined levels of Absolute (2) RevPAR growth (40% of the potential award), RevPAR growth relative to the Company's peers (40% of the potential award), and subjective factors determined by the Compensation Committee (20% of the potential award). Annual Long-Term Equity Incentive Program for 2017 ("Annual EIP")

The Compensation Committee adopted the Annual EIP for the NEOs, pursuant to which the NEOs are eligible to earn equity awards in the form of stock awards, performance share awards or LTIP Units. The Company must achieve certain financial performance during the performance period in order for 80% of the award to be earned. The remaining portion of the award is granted at the discretion of the Compensation Committee based on its assessment of company and individual performance without regard to pre-defined performance criteria. If awards are earned, the equity securities granted are subject to vesting over a four-year period that begins on the first day of the performance period. The following table summarizes the threshold, target and maximum levels of performance for the Annual EIP in relation to the RevPAR performance goals:

The Company's actual 2017 absolute RevPAR growth was 2.3%, exceeding the maximum payout hurdle. The Company's 2017 RevPAR growth was above the Peer Group median RevPAR growth by 220bps, exceeding the maximum payout hurdle of 60bps. In assessing the individual-specific performance objectives of the Annual EIP, the Compensation Committee considered, in general, how the NEOs individually and as a group effected transactions that continued the transformation of the Company's portfolio and continued to strengthen the Company's financial position. The Compensation Committee believes that the NEOs performance in 2017 transformed and positioned the Company for continued growth in 2018.

The Compensation Committee also considered the following:

Management's completion of its 24-month capital recycling campaign, during which, the Company sold approximately \$870 million of mature, stabilized hotels and successfully deferred \$270 million of taxable gains with \$816 million of accretive acquisitions. The sales were executed efficiently for an average 15x EBITDA multiple or 6% cap rate and we were able to achieve an unlevered 14.3% internal rate of return on these assets during our hold period.

Notable outperformance in a majority of our core markets on an ADR and Occupancy-driven basis in 2017 due to our strategy of clustering our portfolio. Additionally, over 14 of the past 16 quarters, our Manhattan portfolio has outperformed the market in RevPAR growth.

Median RevPAR growth for the peer group in 2017 was 0.1% versus 2.3% for Hersha's comparable portfolio of hotels.

Closing on a new \$475 million senior unsecured credit facility that is expandable to \$875 million. This refinancing allowed us to lower our weighted average interest rate to 3.78% while extending out the weighted average life to maturity and extending our repayment profile so that we have no significant debt maturities until 2020.



As a result of these contributions and the performance with respect to the relative RevPAR growth performance measure established under the Annual EIP, the Compensation Committee approved the following awards for the NEOs in March 2018:

NEO	Dollar Value of Possible Equity Awards (Threshold to Maximum) <sup>(1)</sup>	Dollar Amount of Annual EIP Awards (Actual Performance) <sup>(1)</sup>	Number of Restricted LTIP Units Awarded <sup>(2)</sup>
Hasu P. Shah	\$375,000 to \$500,000	\$500,000	28,523
Jay H. Shah	\$1,312,500 to \$1,687,500	\$1,687,500	96,264
Neil H. Shah	\$1,268,750 to \$1,631,250	\$1,631,250	93,055
Ashish R. Parikh	\$475,000 to \$831,250	\$831,250	47,419
Michael R. Gillespie	\$243,750 to \$406,250	\$406,250	23,175

(1) Threshold amounts presented as an aggregate of the threshold amounts achievable for each component/metric. As noted, failure to achieve Absolute RevPAR growth at or above a threshold level resulted in no payout for that component of the Annual EIP awards and the dollar amount of Annual EIP awards earned was less than the aggregate threshold potential.

(2) Determined by dividing the dollar amount of the award under the Annual EIP by \$17.53, the per share volume weighted average trading price of the Company's common shares on the NYSE for the 20 trading days prior to and including December 31, 2017. The awards issued to the NEOs pursuant to the Annual EIP vest as follows: 25% on the date of grant and 25% on each of December 31, 2018, 2019 and 2020.

The establishing performance hurdles, the Compensation Committee considers the rigors of these hurdles by considering the current operating environment, the Company's forecast and planned transactions, as well as past performance. While maximum performance hurdles were exceeded in the current year, performance in the past for certain hurdles have been achieved at the target, threshold or even below threshold in which the executives received no payout for that hurdle. In 2017, the CEO payout under the 2017 Annual EIP was 112.5% of the target payout which compares to a CEO payout at 62.5% of the target level under the 2016 Annual EIP.

The following table compares the actual Annual EIP value achieved compared to the target levels for 2016 and 2017:

## Multi-Year Long-Term Equity Incentive Programs (“Multi-Year EIPs”)

In 2015, 2016 and 2017, the Compensation Committee adopted multi-year long-term incentive programs (“2015 Multi-Year EIP,” “2016 Multi-Year EIP,” and “2017 Multi-Year EIP,” collectively the “Multi-Year EIPs”) and granted awards pursuant to the programs to the NEOs. The awards pursuant to the Multi-Year EIPs consisted of agreements to issue equity awards where the number of awards issued is not determined until the end of a three-year performance period. The 2015 Multi-Year EIP commenced on January 1, 2015 and ended on December 31, 2017. The 2016 Multi-Year EIP commenced on January 1, 2016 and ends on December 31, 2018, and the 2017 Multi-Year EIP commenced January 1, 2017 and ends on December 31, 2019.

Once the Compensation Committee determines the awards have been earned and the equity underlying the awards has been issued, one-half of the equity awards will remain subject to time-based forfeiture provisions. Common shares, LTIP Units or a combination of common shares and LTIP Units may be used to settle awards under the programs, if the awards are earned based on the metrics described below. Any equity awards pursuant to the programs will be made under the Company’s 2012 Equity Incentive Plan or any other equity incentive plan approved by the Company’s shareholders.

The following table summarizes the metrics used to determine awards to issued under the Multi-Year EIPs:

Relative TSR and Relative RevPar performance is determined by comparing the performance of the 2015 Peer (1)Group for the 2015 Multi-Year EIP, the 2016 Peer Group for the 2016 Multi-Year EIP, and the 2017 Peer Group for the 2017 Peer Group over the same performance period.

Actual performance for the Absolute TSR and Relative TSR vs. Peer Group median metrics were below threshold performance and, as such, no amounts were paid for those components under the 2015 Multi-Year EIP. Actual performance for the Relative RevPAR vs. Peer Group median was in excess of the maximum hurdle and the Compensation Committee determined the maximum payout was warranted for this component of the 2015 Multi-Year EIP. As a result, the Compensation Committee approved the following awards for the NEOs in March 2018:

NEO	Dollar Value of Possible Equity Awards (Threshold to Maximum) <sup>(1)</sup>	Dollar Amount of Multi-Year EIP Awarded <sup>(1)</sup>	Number of Restricted LTIP Units Awarded <sup>(2)</sup>
Hasu P. Shah	\$225,000 to \$375,000	\$93,750	3,225
Jay H. Shah	\$600,000 to \$1,000,000	\$250,000	8,600
Neil H. Shah	\$600,000 to \$1,000,000	\$250,000	8,600
Ashish R. Parikh	\$225,000 to \$375,000	\$93,750	3,225
Michael R. Gillespie	\$71,250 to \$118,750	\$29,688	1,022

Threshold amounts presented as an aggregate of the threshold amounts achievable for each component/metric. As noted, failure to achieve Absolute and Relative TSR at or above a threshold level resulted in no payout for that component of the Multi-Year EIP awards and the dollar amount of Multi-Year EIP awards earned was less than the aggregate threshold potential.

Determined by dividing the dollar amount of the award under the Multi-Year EIP by \$29.07, the per share volume weighted average trading price of the Company’s common shares on the NYSE for the 20 trading days prior to and including December 31, 2014. The awards issued to the NEOs pursuant to the Multi-Year EIP vest as follows: 50% on the date of issuance and 50% on December 31, 2018.



Performance under the 2015 Multi-Year EIP resulted in payout to the CEO and all other NEOs that equaled 31.25% of the target compensation for the program.

The equity awards issuable pursuant to the 2016 Multi-Year EIP and the 2017 Multi-Year EIP will be determined and issued to the NEOs in the first quarter of 2019 and 2020, respectively, if earned. The number of shares or units awarded pursuant to the programs will be based on a specified dollar amount for each NEO divided by the 20-day volume weighted average closing price of the Company's common shares on the New York Stock Exchange as of December 31, 2015 and December 31, 2016, respectively.

The following table sets forth the potential equity awards for each of the 2017 Multi-Year EIP and 2016 Multi-Year EIP, in terms of dollar value, that each NEO may earn for each program:

NEO	Dollar Value of Possible Equity Awards	
	2017 Multi-Year EIP	2016 Multi-Year EIP
Hasu P. Shah	\$300,000 to \$450,000	\$225,000 to \$375,000
Jay H. Shah	\$800,000 to \$1,200,000	\$600,000 to \$1,000,000
Neil H. Shah	\$800,000 to \$1,200,000	\$600,000 to \$1,000,000
Ashish R. Parikh	\$300,000 to \$450,000	\$225,000 to \$375,000
Michael R. Gillespie	\$100,000 to \$150,000	\$71,250 to \$118,750

Based on known results as of December 31, 2017, the following depicts actual CEO payouts under the 2014 and 2015 Multi-Year EIPs and the CEO payout amounts tracking under the 2016 and 2017 Multi-Year EIPs compared to the targets under each program:

Distributions on the common shares and/or LTIP Units issuable pursuant to the 2016 Multi-Year EIP and the 2017 Multi-Year EIP accumulate from the beginning of the performance period and will be paid in cash when, and to the extent that, the common shares and/or LTIP Units issuable pursuant to the program are issued. It is the Compensation Committee's intention to make the multi-year long term incentive program a rolling program, and a similar program has been put in place in 2018, with a performance period that commenced on January 1, 2018 and will end on December 31, 2020.

#### Benefits

Benefits are established based upon an assessment of competitive market factors and a determination of what is required to attract and retain talent, as well as provide long-term financial security to the Company's employees and their families. The Compensation Committee periodically considers benefit levels based on competitive influences, as well as the cost of the programs to the Company relative to the value to employees. The Company's primary benefits for executive officers include participation in the Company's health, dental and vision plans on the same basis as any other employee. Except as described in this paragraph, the Company does not provide NEOs with other benefits or perquisites.

#### Contractual Arrangements

The Company has entered into employment agreements with Hasu P. Shah, Jay H. Shah, Neil H. Shah, Ashish R. Parikh and Michael R. Gillespie. The terms of these employment agreements include provisions related to payments to be made to the officers for events related to changes of control of the Company. These employment agreements are described under "Executive Compensation - Agreements with Executive Officers and Potential Payments Upon Termination or Change-in-Control" below. The Compensation Committee believes it is appropriate for the Company to have an employment agreement with the executive officers to support stable and highly competent management on a long-term basis.

The Compensation Committee believes that the employment agreements serve the interests of the Company and its shareholders by ensuring that if a hostile or friendly change of control is ever under consideration, its executives will be able to advise the Board of Trustees about the potential transaction in the best interests of shareholders, without being unduly influenced by personal considerations, such as fear of the economic consequences of losing their jobs as a result of a change of control. The change of control provisions of the employment agreements include so-called double triggers, which mean that benefits become available to executives under the agreements only upon a change of control followed by termination of the executive without cause or resignation by the executive for good reason. The Compensation Committee believes that a double trigger appropriately protects the legitimate interests in employment security without unduly burdening the Company or shareholder value.

#### Stock Ownership Guidelines

To further align the interests of the Company's trustees and executive officers with the interests of our shareholders, the Board has established minimum share ownership guidelines that apply to all non-management trustees and named executive officers. Non-employee trustees are required to own Company shares equal in value to at least five times the annual cash retainer paid to non-management trustees. In addition, the Company's executive officers are required to own Company shares equal in value to a multiple of such executive's base salary as follows: Chairman of the Board: 4 times; Chief Executive Officer: 6 times; President and Chief Operating Officer: 6 times; Chief Financial Officer: 3 times; and Chief Accounting Officer and all other named executive officers: 1 times.

All trustees and executives are expected to achieve this minimum ownership within three years of assuming the relevant positions with the Company. For the purpose of these guidelines, a person shall be deemed to own all Company shares beneficially owned by such person within the meaning of the United States federal securities laws, including for these purposes preferred shares of the Company, common shares of the Company, operating partnership units (including LTIP Units) in Hersha Hospitality Limited Partnership and other securities issued by the Company or its subsidiaries that are exercisable for, convertible into or exchangeable for common shares of the Company.

#### Compensation-Related Risk

The Compensation Committee oversees the compensation policies and plans for all employees. The Company's senior management, at the request of the Compensation Committee, has assessed the Company's compensation programs and has concluded that they do not create risks that are reasonably likely to have a material adverse effect on the Company.

As part of its annual risk assessment, the Company's senior management, with oversight from Risk Sub-Committee of the Audit Committee, analyzed whether the Company's compensation policies and practices, including non-executive officer compensation practices, could reasonably have a material adverse effect on the Company. This assessment focused primarily on the design of the Company compensation programs and practices for executive officers and employees as it relates to the business risks that the Company faces. Specifically, management considered the fact that employees, other than the NEOs who participate in the executive compensation program described in this proxy statement, receive only a small percentage of their total compensation in the form of variable, performance-based compensation. Further, performance-based compensation to executive officers is primarily in the form of equity awards, which the Company believes encourages actions for long term shareholder value, rather than short term risk-taking that could materially and adversely affect the Company's business. The Company's senior management also considered the active role played by the Compensation Committee and the overall design of the executive compensation program, which the Company's senior management believes encourages an appropriate level of risk taking, creates long-term shareholder value and avoids unnecessary or excessive levels of enterprise risk.

In addition, the Company's senior management discussed its assessment of the Company's compensation practices and programs and whether those practices and programs create risks that could reasonably be expected to have a material adverse effect on the Company. Based on its assessment, the Company's senior management has concluded that the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company. Upon completion of the risk assessment, the Company's senior management reported its findings to the Compensation Committee and discussed with the Compensation Committee those findings in light of the disclosure requirements under applicable SEC rules.

#### 2018 Executive Compensation Program

The Compensation Committee, in consultation with FPL, has conducted a comprehensive review of the Company's executive compensation arrangements, including a comparison of compensation practices at several peer companies. As a result of that review, and in preserving the previously stated Compensation Philosophy, on March 9, 2018, the Compensation Committee

adopted the 2018 executive compensation program for the NEOs as indicated below. The structure of the 2018 executive compensation program is substantially the same as the 2017 program.

#### Base Salary

The Compensation Committee and FPL undertook a review of base salary practices at peer companies. Based on that review, in furtherance of the Committee's philosophy of targeting compensation practices that are commensurate with those at peer companies, and taking into consideration the Company's recent performance, the Committee increased 2018 base salaries by 3.0% in the aggregate for the NEOs, ranging between 2.0% and 3.4% individually over 2017 levels.

#### 2018 Annual Cash Incentive Program ("2018 Annual CIP")

Consistent with the 2017 Annual CIP, 80% of the 2018 Annual CIP award will be based on the achievement of Company performance goals. Minimum, target and maximum payout as a percentage of base salary under the 2018 Annual CIP remain unchanged. The Compensation Committee retains discretion to determine the actual payout within the range established for each NEO if the Company and individual-specific performance goals are achieved for the 2018 performance year.

The Compensation Committee has adopted a policy that allows the NEOs to elect to receive payouts, if any, under the 2018 Annual CIP in LTIP Units or cash. For payments elected in LTIP Units, the NEO will receive a 25% premium. LTIP Units issued will be subject to a two-year vesting period from the date of issuance. Each NEO has continued to elect to receive 100% of payouts, if earned, under the 2018 Annual CIP in LTIP Units.

#### 2018 Annual Long-Term Equity Incentives ("2018 Annual EIP")

Consistent with the 2017 Annual EIP, 80% of the 2018 Annual EIP will be based on the achievement of Company performance goals and the remaining 20% of the award is subject to the sole discretion of the Committee. All of the common shares and/or LTIP Units subject to these equity awards will be granted subject to time-based forfeiture restrictions that will lapse over a four-year period. Minimum, target and maximum payout as a percentage of base salary under the 2018 Annual EIP remain unchanged.

#### 2018 Multi-Year Long-Term Equity Incentives ("2018 Multi-Year EIP")

Consistent with the 2017 Multi-Year EIP, the Compensation Committee adopted a multi-year long-term incentive program and granted awards pursuant to the program to the NEOs. The performance period commenced on January 1, 2018 and ends on December 31, 2020. Once the Compensation Committee determines the awards have been earned, which will not occur until the first quarter of 2021, and the common shares and/or units underlying the awards have been issued, if any, one-half of the equity awarded will remain subject to time-based forfeiture provisions. Minimum, target and maximum payout under the 2018 Multi-Year EIP remain unchanged.



## EXECUTIVE COMPENSATION

## Summary Compensation Table for 2017

The following table presents information relating to total compensation of the NEOs for the fiscal year ended December 31, 2017:

Name and Principal Position	Year	Salary	Stock Awards <sup>(1)</sup>		Non-Equity Incentive Plan Compensation (2)	All Other Compensation (3)	Total
			Award Amount	Premium for Share Election			
Hasu P. Shah Chairman of the Board of Trustees	2017	\$250,000	\$702,905	\$—	\$	—\$ 4,061	\$956,966
	2016	242,000	454,147	—	—	4,040	700,187
	2015	235,000	623,401	—	—	3,613	862,014
Jay H. Shah Chief Executive Officer	2017	\$750,000	\$3,616,069	\$346,866	\$	—\$ 5,446	\$4,718,381
	2016	732,000	1,389,197	—	1,354,200	5,446	3,480,843
	2015	710,000	1,945,101	—	745,500	5,196	3,405,797
Neil H. Shah President and Chief Operating Officer	2017	\$725,000	\$3,513,565	\$335,302	\$	—\$ 23,462	\$4,597,329
	2016	706,000	1,360,957	—	1,306,100	23,462	3,396,519
	2015	685,000	1,945,101	—	719,250	23,462	3,372,813
Ashish R. Parikh Chief Financial Officer	2017	\$475,000	\$1,794,152	\$189,986	\$	—\$ 23,462	\$2,482,600
	2016	460,000	542,572	—	655,500	23,462	1,681,534
	2015	445,000	642,252	—	389,375	23,462	1,500,089
Michael R. Gillespie Chief Accounting Officer	2017	\$325,000	\$854,837	\$95,467	\$	—\$ 23,462	\$1,298,766
	2016	310,000	232,189	—	286,750	23,462	852,401
	2015	300,000	240,299	—	157,500	23,462	721,261

The amounts in the “Stock Awards” columns for 2017 include the aggregate grant date fair value of LTIP Units, some of which are subject to time-based forfeiture restrictions, issued to the named executive officers in March 2018 pursuant to the 2017 Annual CIP and the 2017 Annual EIP following completion of the one-year performance period and pursuant to the 2015 MYEIP following completion of the three-year performance period. The Compensation Committee has adopted a policy that allows the NEOs to elect to receive payouts, if any, under the 2017 Annual CIP in LTIP Units or cash. For payments elected in LTIP Units, the NEO receives a 25% premium. For 2017, each eligible NEO had elected to receive 100% of any payouts earned under the Annual CIP in LTIP Units. The aggregate grant date fair value of these LTIP Units has been computed in accordance with FASB ASC Topic 718. These amounts are based on the performance levels determined to be achieved by the Compensation Committee for each component of the 2017 Annual CIP, 2017 Annual EIP and the relative RevPAR component of the 2015 MYEIP. The performance levels are described in “Compensation Discussion and Analysis—Components of Executive Compensation.” The aggregate grant date fair value of these awards was determined by multiplying the number of LTIP Units granted to the NEO by \$17.53, the closing price of the Company’s common shares on the NYSE on March 28, 2018.

The amounts in “Stock Awards” for 2017 also include the aggregate grant date fair value of the right to receive common shares, LTIP Units, or a combination of common shares and LTIP Units following completion of the three-year performance period under Absolute TSR and Relative TSR components of the 2017 Multi-Year EIP. These amounts

are based on the probable outcome of the performance conditions established by the Compensation Committee in March of 2017, which are described in “Compensation Discussion and Analysis- Components of Executive Compensation” above. The aggregate grant date fair value of these awards has been computed in accordance with FASB ASC Topic 718. For additional information relating to assumptions made in the valuation of the awards pursuant to the 2017 Multi-Year EIP, please refer to footnote 8 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

As described in “Compensation Discussion and Analysis- Components of Executive Compensation” above, The (2) Compensation Committee has adopted a policy that allows the NEOs to elect to receive payouts, if any, under the 2017 Annual CIP in LTIP Units

or cash. For 2017, each NEO had elected to receive 100% of any payouts earned under the Annual CIP in LTIP Units and, accordingly, the amounts earned under the 2017 Annual CIP are included in the “Stock Awards” column.  
(3) Includes insurance premiums paid by the Company for medical, dental and life insurance benefits.

As described in “Compensation Discussion and Analysis- Components of Executive Compensation” above, the Company does not grant equity awards under the 2017 Annual CIP, the 2017 Annual EIP or the 2017 Multi-Year EIP until the applicable performance period has been completed and the actual level of performance achieved has been determined. The performance period under the 2017 Annual CIP and the 2017 Annual EIP began on January 1, 2017 and was completed on December 31, 2017. In March of 2018, the Compensation Committee determined that the named executive officers had achieved a certain level of performance and the Company awarded an aggregate of 288,436 LTIP Units under the 2017 Annual EIP and an aggregate of 275,998 LTIP Units under the 2017 Annual CIP to the NEOs. The performance period under the 2017 Multi-Year EIP began on January 1, 2017 and will not be completed until December 31, 2019. The Compensation Committee intends to determine the actual level of performance under the 2017 Multi-Year EIP during the first quarter of 2020. Estimated future payouts for the absolute TSR and relative TSR components under the Company’s 2017 Multi-Year EIP appear under the column “Estimated Future Payouts Under Equity Incentive Plan Awards” in the Grants of Plan-Based Awards Table for 2017.

The 2012 Equity Incentive Plan, as amended (“the 2012 Plan”), allows for LTIP Units as a type of award available. The LTIP Units granted are subject to the same time-based vesting conditions that apply to restricted stock awards. Initially, all LTIP Units will not have full parity with HHLP’s common units with respect to liquidating distributions. Upon the occurrence of certain “book-up” events described in the partnership agreement, LTIP Units can, over time, achieve full parity with our operating partnership’s common units for all purposes, and therefore accrete to an economic value equivalent to one common share. If such parity is reached, vested LTIP Units may be redeemed for cash in an amount equal to the then fair market value of an equal number of Hersha common shares or converted into an equal number of Hersha common shares, as determined by Hersha at its election.

Grants of Plan-Based Awards Table for 2017

The following table presents information regarding grants of plan-based awards to the named executive officers during the fiscal year ended December 31, 2017. For more information regarding grants of plan-based awards, see “Compensation Discussion and Analysis” above.

Edgar Filing: HERSHA HOSPITALITY TRUST - Form DEF 14A

Name	Type of Award (1)	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(2)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)			Grant Date Fair Value of Stock Awards (4) (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)	
Hasu P. Shah	Annual EIP 2017	3/10/2017				375,000	437,500	500,000	500,008
	MYEIP 2017	3/10/2017				225,000	281,250	337,500	146,363
	MYEIP 2015	3/18/2015				56,250	75,000	93,750	56,534
Jay H. Shah	Annual CIP	3/10/2017	(2)	(2)	(2)	937,500	1,406,250	1,875,000	1,734,366
	Annual EIP 2017	3/10/2017				1,312,500	1,500,000	1,687,500	1,687,508
	MYEIP 2017	3/10/2017				600,000	750,000	900,000	390,303
	MYEIP 2015	3/18/2015				150,000	200,000	250,000	150,758
Neil H. Shah	Annual CIP	3/10/2017	(2)	(2)	(2)	906,250	1,359,375	1,812,500	1,676,552
	Annual EIP 2017	3/10/2017				1,268,750	1,450,000	1,631,250	1,631,254
	MYEIP 2017	3/10/2017				600,000	750,000	900,000	390,303
	MYEIP 2015	3/18/2015				150,000	200,000	250,000	150,758
Ashish R. Parikh	Annual CIP	3/10/2017	(2)	(2)	(2)	445,313	742,188	1,039,063	949,986
	Annual EIP 2017	3/10/2017				460,000	575,000	690,000	831,255
	MYEIP 2017	3/10/2017				225,000	281,250	337,500	146,363
	MYEIP 2015	3/18/2015				56,250	75,000	93,750	56,534
Michael R. Gillespie	Annual CIP	3/10/2017	(2)	(2)	(2)	203,125	406,250	507,813	477,342
	Annual EIP 2017	3/10/2017				232,500	310,000	310,000	406,258
	MYEIP 2017	3/10/2017				75,000	93,750	112,500	48,788
	MYEIP 2015	3/18/2015				17,813	23,750	29,688	17,916

(1)Type of award:

▲Annual CIP-Annual CIP for 2017

▲Annual EIP-Annual EIP for 2017

●2017 MYEIP - Multi-Year EIP for 2017

●2015 MYEIP - Multi-Year EIP for 2015

The Compensation Committee has adopted a policy that allows the NEOs to elect to receive payouts, if any, under the 2017 Annual CIP in LTIP Units or cash. For payments elected in LTIP Units, the NEO receives a 25% premium. For 2017, each NEO had elected to receive 100% of any payouts earned under the Annual CIP in LTIP Units and, accordingly, the amounts earned under the 2017 Annual CIP are included in the “Stock Awards” columns. The following table represents the range of potential cash payouts to be made to the named executive officers other than Mr. Hasu Shah pursuant to the Company’s Annual CIP if each NEO elected to receive 100% cash:

Name	Threshold (\$)	Target (\$)	Maximum (\$)
Jay H. Shah	750,000	1,125,000	1,500,000
Neil H. Shah	725,000	1,087,500	1,450,000
Ashish R. Parikh	356,250	593,750	831,250
Michael R. Gillespie	162,500	325,000	406,250

Awards pursuant to the 2017 Annual CIP and the 2017 Annual EIP are denominated in dollars, but are payable in common shares, LTIP Units, or a combination of common shares and LTIP Units based on the volume-weighted average price of the common shares for the 20 trading days prior to and including December 31, 2017, as reported by the NYSE, or \$17.40 per share. On March 28, 2018, the Company issued to the NEOs an aggregate of 288,436 LTIP Units pursuant to the 2017 Annual EIP and an aggregate of

275,998 LTIP Units pursuant to the 2017 Annual CIP. The LTIP Units were issued pursuant to the Company's 2012 Equity Incentive Plan. LTIP Units issued pursuant to the 2017 Annual EIP are subject to time-based forfeiture restrictions which lapse over the following schedule: 25% upon issuance and 25% on December 31, 2018, 2019 and 2020. LTIP Units issued pursuant to the 2017 Annual CIP are subject to time-based forfeiture restrictions which lapse on December 31, 2019.

Awards pursuant to the Company's 2017 Multi-Year EIP are denominated in dollars, but are payable in common shares, LTIP Units, or a combination of common shares and LTIP Units based on the volume-weighted average price of the common shares for the 20 trading days prior to and including December 31, 2016, as reported by the NYSE, or \$21.33 per share.

Awards pursuant to the 2015 Multi-Year EIP are denominated in dollars, but are payable in common shares, LTIP Units, or a combination of common shares and LTIP Units based on the volume-weighted average price of the common shares for the 20 trading days prior to and including December 31, 2014, as reported by the NYSE, or \$29.07 per share. On March 28, 2018, the Company issued an aggregate of 24,672 LTIP Units to the NEOs pursuant to the Relative RevPAR performance component of the 2015 Multi-Year EIP. The LTIP Units were issued pursuant to the Company's 2012 Equity Incentive Plan and are subject to time-based forfeiture restrictions which lapse over the following schedule: 50% upon issuance and 50% on December 31, 2018.

For the 2017 Annual EIP and the 2017 Annual CIP, amount represents the aggregate fair value of the common shares and restricted common shares on the date of issuance, or \$17.53 per share, at the actual level of performance. For the 2017 Multi-Year EIP awards, amount represents the aggregate grant date fair value of the (4)right to receive common shares following the three-year performance period. Fair value of these awards has been computed in accordance with FASB ASC Topic 718. For the 2015 Multi-Year EIP, amount represents the aggregate fair value of the common shares and restricted common shares on the date of issuance, or \$17.53 per share, at the actual level of performance.

## Outstanding Equity Awards at Fiscal Year-End Table for 2017

The following table presents information concerning outstanding equity awards as of the end of the fiscal year ended December 31, 2017:

NEO	Award Type	Stock Awards		Equity Incentive Plan Awards	
		Time Vested Awards	Market Value of Shares That Have Not Vested (#) <sup>(1)</sup>	Number of Shares That Have Not Vested (#)	Payout Value of Unearned Shares That Have Not Vested (\$)
Hasu P. Shah	Time Vest	11,264	\$195,994		
	Annual EIP			28,523 <sup>(3)</sup>	\$496,300 <sup>(4)</sup>
	2017 MYEIP			14,065 <sup>(5)</sup>	\$244,726 <sup>(6)</sup>
	2016 MYEIP			10,045 <sup>(5)</sup>	\$174,777 <sup>(6)</sup>
	2015 MYEIP			7,740 <sup>(5)</sup>	\$134,675 <sup>(6)</sup>
Jay H. Shah	Time Vest	38,191	\$664,523		
	Annual CIP			98,937 <sup>(3)</sup>	\$1,721,504 <sup>(4)</sup>
	Annual EIP			96,264 <sup>(3)</sup>	\$1,674,994 <sup>(4)</sup>
	2017 MYEIP			37,506 <sup>(5)</sup>	\$652,602 <sup>(6)</sup>
	2016 MYEIP			26,786 <sup>(5)</sup>	\$466,071 <sup>(6)</sup>
2015 MYEIP			20,640 <sup>(5)</sup>	\$359,133 <sup>(6)</sup>	
Neil H. Shah	Time Vest	37,429	\$651,265		
	Annual CIP			95,639 <sup>(3)</sup>	\$1,664,119 <sup>(4)</sup>
	Annual EIP			93,055 <sup>(3)</sup>	\$1,619,157 <sup>(4)</sup>
	2017 MYEIP			37,506 <sup>(5)</sup>	\$652,602 <sup>(6)</sup>
	2016 MYEIP			26,786 <sup>(5)</sup>	\$466,071 <sup>(6)</sup>
2015 MYEIP			20,640 <sup>(5)</sup>	\$359,133 <sup>(6)</sup>	
Ashish R. Parikh	Time Vest	13,873	\$241,390		
	Annual CIP			54,192 <sup>(3)</sup>	\$942,941 <sup>(4)</sup>
	Annual EIP			47,419 <sup>(3)</sup>	\$825,091 <sup>(4)</sup>
	2017 MYEIP			14,065 <sup>(5)</sup>	\$244,726 <sup>(6)</sup>
	2016 MYEIP			10,045 <sup>(5)</sup>	\$174,777 <sup>(6)</sup>
2015 MYEIP			7,740 <sup>(5)</sup>	\$134,675 <sup>(6)</sup>	
Michael R. Gillespie	Time Vest	6,460	\$112,404		
	Annual CIP			27,230 <sup>(3)</sup>	\$473,802 <sup>(4)</sup>
	Annual EIP			23,175 <sup>(3)</sup>	\$403,245 <sup>(4)</sup>
	2017 MYEIP			4,688 <sup>(5)</sup>	\$81,575 <sup>(6)</sup>
	2016 MYEIP			3,181 <sup>(5)</sup>	\$55,346 <sup>(6)</sup>
2015 MYEIP			2,451 <sup>(5)</sup>	\$42,647 <sup>(6)</sup>	





(1) Represents LTIP Units issued to the NEOs on March 30, 2016, and March 28, 2017 and vest as follows:

Vesting Date	March	March	Annual Total
	30,	28,	
	2016	2017	
	2015	2016	
	Annual EIP	Annual EIP	
December 31, 2018	45,852	30,680	76,532
December 31, 2019		30,685	30,685

45,852 61,365 107,217

(2) Calculated by multiplying the number of unvested LTIP Units as of December 29, 2017 by \$17.40, which was the closing market price of the Company's common shares on that date.

Represents the number of common shares and/or LTIP Units issuable pursuant to the 2017 Annual EIP and the 2017 Annual CIP based on achieving actual performance goals established by the Compensation Committee. On March 28, 2018, the Company granted a total of 288,436 LTIP Units to the named executive officers pursuant to 2017 Annual EIP of which 25%, or 72,106 LTIP Units, vested immediately upon issuance. The remaining LTIP Units issued are restricted and vest 25%, or 72,110, on December 31, 2018, 25%, or 72,110, on December 31, 2019, and 25%, or 72,110, on December 31, 2020. On March 28, 2018, the Company also granted a total of 275,998 LTIP Units to the named executive officers pursuant to 2017 Annual CIP. All shares issued pursuant to the 2017 Annual CIP are restricted and vest on December 31, 2019.

Calculated by multiplying the number of common shares and restricted common shares and/or LTIP Units issuable pursuant to the 2017 Annual EIP and the 2017 Annual CIP based on achieving actual performance goals

(4) established by the Compensation Committee by \$17.40, which was the closing market price of the Company's common shares on December 29, 2017. As discussed elsewhere in this proxy statement, the LTIP Units were

issued on March 28, 2018. Actual closing market price of the Company's common shares on March 28, 2018, the date the LTIP Units were issued under the 2017 Annual EIP and the 2017 Annual CIP, was \$17.53 per share.

Represents the number of common shares and/or LTIP Units issuable pursuant to the 2017 Multi-Year EIP, the 2016 Multi-Year EIP, and the 2015 Multi-Year EIP based on achieving threshold performance goals established by

(5) the Compensation Committee. The common shares and/or LTIP Units will be issued, if earned, pursuant to the 2017 Multi-Year EIP, the 2016 Multi-Year EIP and the 2015 Multi-Year EIP in the first quarter of 2020, in the first quarter of 2019 and in the first quarter of 2018, respectively.

On March 28, 2018, the Company granted a total of 24,672 LTIP Units to the named executive officers pursuant to 2015 Multi-Year EIP program of which 50%, or 12,335 LTIP Units, vested immediately upon issuance. The remaining 12,337 LTIP Units issued are restricted and vest on December 31, 2018.

Calculated by multiplying the number of common shares and/or LTIP Units issuable pursuant to the 2017 Multi-Year EIP, the 2016 Multi-Year EIP and the 2015 Multi-Year EIP based on achieving threshold performance goals established by the Compensation Committee by \$17.40, which was the closing market price of the Company's common shares on December 29, 2017. The aggregate grant date fair value of the right to receive equity awards under the 2017 Multi-Year EIP, calculated in accordance with FASB ASC 718, was \$146,363 for Mr. Hasu Shah, \$390,303 for Mr. Jay Shah, \$390,303 for Mr. Neil Shah, \$146,363 for Mr. Parikh and \$48,788 for Mr. Gillespie.

(6) The aggregate grant date fair value of the right to receive equity awards under the 2016 Multi-Year EIP, calculated in accordance with FASB ASC 718, was \$145,029 for Mr. Hasu Shah, \$386,742 for Mr. Jay Shah, \$386,742 for Mr. Neil Shah, \$145,029 for Mr. Parikh and \$45,926 for Mr. Gillespie. The aggregate grant date fair value of the right to receive equity awards under the 2015 Multi-Year EIP, calculated in accordance with FASB ASC 718, was \$97,340 for Mr. Hasu Shah, \$259,573 for Mr. Jay Shah, \$259,573 for Mr. Neil Shah, \$97,340 for Mr. Parikh and \$30,825 for Mr. Gillespie.



## Option Exercises and Stock Vested Table for 2017

The following table presents information concerning restricted common shares and performance share awards that vested or were earned for each of the named executive officers during the fiscal year ended December 31, 2017:

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(1)</sup>
Hasu P. Shah	28,083	\$504,896 <sup>(2)</sup>
Jay H. Shah	122,327	\$2,233,628 <sup>(3)</sup>
Neil H. Shah	91,552	\$1,650,292 <sup>(4)</sup>
Ashish R. Parikh	32,561	\$586,759 <sup>(5)</sup>
Michael R. Gillespie	12,253	\$219,842 <sup>(6)</sup>

Represents the aggregate dollar amount realized upon the vesting of restricted common shares and LTIP Units.

(1) This amount has been calculated by multiplying the number of vested common shares or LTIP Units, including vested common shares or LTIP Units issued upon the settlement of performance awards that have been earned, by the closing price of the Company's common shares on the NYSE on the vesting date.

(2) Represents the vesting of 7,110 LTIP Units on March 28, 2017, 5,201 LTIP Units on June 1, 2017 and 15,772 LTIP Units on December 31, 2017.

(3) Represents the vesting of 21,364 LTIP Units on March 28, 2017, 51,264 LTIP Units on June 1, 2017 and 49,699 LTIP Units on December 31, 2017.

(4) Represents the vesting of 20,983 LTIP Units on March 28, 2017, 21,251 LTIP Units on June 1, 2017 and 49,318 LTIP Units on December 31, 2017.

(5) Represents the vesting of 8,303 LTIP Units on March 28, 2017, 6,845 LTIP Units on June 1, 2017 and 17,413 LTIP Units on December 31, 2017.

(6) Represents the vesting of 3,444 LTIP Units on March 28, 2017, 1,739 LTIP Units on June 1, 2017 and 7,070 LTIP Units on December 31, 2017.

## Agreements with Executive Officers and Potential Payments Upon Termination or Change-in-Control

As described above under the heading "Compensation Discussion & Analysis - Contractual Arrangements," the Company has entered into employment agreements with Hasu P. Shah (Chairman of the Board), Jay H. Shah (Chief Executive Officer), Neil H. Shah (President and Chief Operating Officer), Ashish R. Parikh (Chief Financial Officer) and Michael R. Gillespie (Chief Accounting Officer). Each agreement was for an initial term through December 31, 2014. The employment agreements have renewed for additional successive one-year terms, the latest of which expire on December 31, 2018. The employment agreements will continue to renew for successive one year periods unless terminated by either party.

Each employment agreement provides for the payment of a minimum annual base salary to the executive officer, subject to any increase approved by the Board of Trustees. In addition, each executive officer is eligible to receive other incentive compensation, which may include common shares and LTIP Units in accordance with rules and criteria established by the Compensation Committee and approved by the Board of Trustees. Each of the employment agreements also contains certain confidentiality, non-competition and non-recruitment provisions.

Each of the employment agreements provides for cash payments and the provision of other benefits to the executive officer upon the occurrence of certain triggers. These triggers include the executive officer's voluntary termination, the executive officer's termination without cause (other than a termination without cause during the 12-month period following a change of control), the executive officer's termination with cause, the executive officer's death or disability and the executive officer's termination without cause or resignation for good reason within 12 months of a change of control. In addition, unvested LTIP Units issued on or after December 23, 2014 will be subject to accelerated vesting

under certain conditions (termination without cause, termination due to death or disability or in the event of a change of control, as defined in the 2012 Plan), provided the executive officer has remained in the continuous employ of the Company until the date of such termination or the date of the change in control.

65

---

The following tables set forth the total cost that the Company would have incurred and the payments the named executive officers would have received if they were terminated as of December 31, 2017 under the terms of the employment agreements, assuming such agreements were in place as of December 31, 2017:

Voluntary Termination/Termination With Cause

	Cash Payment (\$) <sup>(1)</sup>	Continued Medical and Dental Benefits (\$)	Number of Shares to Vest Upon Termination (#)	Value of Shares to Vest Upon Termination (\$)	Total Cost of Termination (\$)
Hasu P. Shah	\$ —	\$ —	—N/A	N/A	\$ —
Jay H. Shah	\$ —	\$ —	—N/A	N/A	\$ —
Neil H. Shah	\$ —	\$ —	—N/A	N/A	\$ —
Ashish R. Parikh	\$ —	\$ —	—N/A	N/A	\$ —
Michael R. Gillespie	\$ —	\$ —	—N/A	N/A	\$ —

Each employment agreement provides that if the executive officer ceases being an employee of the Company on account of the executive officer's voluntary termination or the executive officer's termination with cause, the executive officer will not be entitled to any compensation after the effective date of the voluntary termination or termination with cause (except base salary and vacation accrued but unpaid on the effective date of such event).

Death or Disability

	Cash Payment (\$) <sup>(1)</sup>	Continued Medical and Dental Benefits (\$)	Number of Shares to Vest Upon Termination (#) <sup>(2)</sup>	Value of Shares to Vest Upon Termination (\$) <sup>(3)</sup>	Total Cost of Termination (\$)
Hasu P. Shah	\$ 20,833	\$ —	—71,636	\$ 1,246,471	\$ 1,267,305
Jay H. Shah	\$ 62,500	\$ —	—318,323	\$ 5,538,827	\$ 5,601,327
Neil H. Shah	\$ 60,417	\$ —	—311,054	\$ 5,412,347	\$ 5,472,763
Ashish R. Parikh	\$ 39,583	\$ —	—147,333	\$ 2,563,599	\$ 2,603,182
Michael R. Gillespie	\$ 27,083	\$ —	—63,130	\$ 1,098,462	\$ 1,125,546

Each employment agreement provides that in the event of the death or disability of the executive officer, the Company will continue to pay the executive officer or his heirs, devisees, executors, legatees or personal representatives, as appropriate, the executive officer's base salary then in effect through the month following the month in which such event occurs plus vacation accrued but unpaid as of the termination date.

Represents the sum of the number of unvested LTIP Units (including the LTIP Units granted on March 28, 2018 pursuant to the 2017 Annual EIP, the 2017 Annual CIP and the 2015 Multi-Year EIP and the common shares and/or LTIP Units issuable pursuant to the 2017 Multi-Year EIP and 2016 Multi-Year EIP). The amount presented excludes the number of common shares and/or LTIP Units issuable pursuant to the 2018 Annual EIP and the 2018 Multi-Year EIP as those programs were not in existence as of December 31, 2017.

Calculated by multiplying the number of shares to vest upon termination by \$17.40, which was the closing market price of the Company's common shares on December 29, 2017.



## Termination without Cause

	Cash Payment (\$) <sup>(1)</sup>	Continued Medical and Dental Benefits (\$) <sup>(1)</sup>	Number of Shares to Vest Upon Termination (#) <sup>(2)</sup>	Value of Shares to Vest Upon Termination (\$) <sup>(3)</sup>	Total Cost of Termination (\$)
Hasu P. Shah	\$250,000	\$	—71,636	\$1,246,471	\$1,496,471
Jay H. Shah	\$750,000	\$	—318,323	\$5,538,827	\$6,288,827
Neil H. Shah	\$725,000	\$	—311,054	\$5,412,347	\$6,137,347
Ashish R. Parikh	\$475,000	\$	—147,333	\$2,563,599	\$3,038,599
Michael R. Gillespie	\$325,000	\$	—63,130	\$1,098,462	\$1,423,462

(1) Each employment agreement provides that upon a termination without cause (other than a termination without cause during the 12-month period following a change of control), the Company will make a lump sum payment to the executive officer within ten days after such termination equal to the sum of: (1) the executive officer's accrued but unused vacation to the date of termination, plus (2) the amount of the executive officer's monthly base salary then in effect for the lesser of 12 months or the number of months (including a fractional month) remaining in the term of the employment agreement.

(2) Represents the sum of the number of unvested LTIP Units (including the LTIP Units granted on March 28, 2018 pursuant to the 2017 Annual EIP, the 2017 Annual CIP and the 2015 Multi-Year EIP and the common shares and/or LTIP Units issuable pursuant to the 2017 Multi-Year EIP and 2016 Multi-Year EIP). The amount presented excludes the number of common shares and/or LTIP Units issuable pursuant to the 2018 Annual EIP and the 2018 Multi-Year EIP as those programs were not in existence as of December 31, 2017.

(3) Calculated by multiplying the number of shares to vest upon termination by \$17.40, which was the closing market price of the Company's common shares on December 31, 2017.

## Termination without Cause / Resignation for Good Reason (Following a Change in Control)

	Cash Payment (\$) <sup>(1)</sup>	Continued Medical and Dental Benefits (\$) <sup>(1)</sup>	Number of Shares to Vest Upon Termination (#) <sup>(2)</sup>	Value of Shares to Vest Upon Termination (\$) <sup>(1)(3)</sup>	Total Cost of Termination (\$) <sup>(4)</sup>
Hasu P. Shah	\$1,492,600	\$5,246	43,113	\$750,171	\$2,248,018
Jay H. Shah	\$11,735,731	\$2,008	222,059	\$3,863,834	\$15,601,573
Neil H. Shah	\$11,344,529	\$34,253	217,999	\$3,793,190	\$15,171,972
Ashish R. Parikh	\$4,262,681	\$34,253	99,914	\$1,738,508	\$6,035,442
Michael R. Gillespie	\$1,134,495	\$34,253	44,010	\$765,774	\$1,934,522

(1) Each employment agreement provides that upon a termination without cause or a resignation for good reason within 12 months following a change of control, the Company will fully vest the executive officer in any outstanding awards made pursuant to the Company's 2012 Plan or any other equity compensation plan adopted by the Company. The 2015 Multi-Year EIP, the 2016 Multi-Year EIP and the 2017 Multi-Year EIP provides for the right to receive common shares and/or LTIP Units based on the performance level achieved to date upon termination without cause or a resignation for good reason within 12 months following a change of control. In

addition, the Company will pay to the executive officer, in a lump sum, the following:

- the executive officer's base salary and expenses reimbursable, each through the date of the termination;
- a severance payment equal to a multiple of the sum of: (i) the executive officer's then annual base salary, (ii) the maximum annual bonus that the executive officer could earn for the year that includes the date of termination (or if no maximum bonus amount has been set, the executive officer's target bonus for that year) and (iii) the fair market value (determined as of the date of the change of control) of the share award(s) or other equity-based awards received by the executive officer for the year that includes the date of termination (or if no such awards were made in that year, the next preceding year in which the effected executive officer received such an award). For purposes of calculating the severance payment, the following multiples apply: Hasu P. Shah-2x; Jay H Shah-2.99x; Neil H. Shah-2.99x; Ashish R. Parikh-2x; and Michael R. Gillespie-1x; and
- the premiums paid for the executive officer's medical and dental insurance benefits for a period of 18 months after termination.

The severance payment was calculated for each named executive officer by taking the sum of (i) each executive's 2017 annual base salary, (ii) the maximum annual cash bonus for 2017 under the 2017 Annual CIP, and (iii) the fair value of the maximum number of common shares and/or LTIP Units issuable under the 2017 Annual EIP (which were issued in March 2018 in the form of LTIP Units), and multiplying that sum by each named executive officer's defined multiple. The fair value of the number of common



shares and/or LTIP Units issuable under the 2017 Annual EIP was based on a per share value of \$17.40, which was the closing market price of the Company's common shares on December 29, 2017.

Represents the sum of the number of unvested LTIP Units (excluding the LTIP Units granted on March 28, 2018 pursuant to the 2017 Annual EIP which are factored into the change of control cash payment described in footnote 1 to this table), the LTIP Units granted on March 28, 2018 pursuant to the 2015 Multi-Year EIP, the number of (2) common shares and/or LTIP Units issuable pursuant to the 2016 Multi-Year EIP and the number of common shares and/or LTIP Units issuable pursuant to the 2017 Multi-Year EIP. The amount presented also excludes the number of common shares and/or LTIP Units issuable pursuant to the 2018 Annual EIP and the 2018 Multi-Year EIP as those programs were not in existence as of December 31, 2017.

(3) Calculated by multiplying the number of shares to vest upon termination by \$17.40, which was the closing market price of the Company's common shares as of December 29, 2017.

The benefits payable to the named executive officers on account of a change in control, including on account of a termination without cause or resignation with good reason, within 12 months after a change in control, could constitute excess parachute payments under Section 280G the Code. A named executive officer who receives excess parachute payments would be liable for the 20% excise tax on a portion of the parachute payments, and the Company would not be permitted to claim a federal income tax deduction for a portion of the parachute payments.

(4) The amended and restated employment agreements between the Company and each of the named executive officers provides that the Company will not indemnify the executive for any parachute payment excise tax liability. However, the total cash amounts payable to a named executive officer may be reduced if and only to the extent that a reduction will allow the named executive officer to receive a greater net after tax amount than executive would receive absent such reduction.

#### Pay Ratio Disclosure

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K promulgated by the SEC, the Company is providing the following information about the ratio of the median employee's total annual compensation to the total annual compensation of the Company's Chief Executive Officer for the year ended December 31, 2017:

• Median employee total annual compensation (excluding the Chief Executive Officer)-\$94,852

• Chief Executive Officer total annual compensation (as reported in the "Summary Compensation Table" presented above)-\$4,718,381

• Ratio of Chief Executive Officer to median employee total annual compensation-50:1

-In determining the median employee, the Company prepared a list of all employees as of December 31, 2017 and reviewed the amount of salary, wages and equity awards of all such employees as reflected in the Company's payroll records reported to the Internal Revenue Service on Form W-2 for 2017. The Company had 51 employees as of December 31, 2017. The Company identified the median employee using this compensation measure, which was consistently applied to all employees included in the calculation. Since all employees are located in the United States, the Company did not make any cost-of-living adjustments in identifying the median employee. Once the median employee was identified, the Company combined all of the elements of such employee's compensation for 2017 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K promulgated by the SEC, resulting in median employee total annual compensation of \$94,852. Given the different methodologies that various public companies will use to determine an estimate of their pay ratio, the estimated ratio reported above should not be used as a basis for comparison between companies.

## PROPOSAL TWO - ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires that the Company provide shareholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of the Company's named executive officers as disclosed in this proxy statement in accordance with the compensation disclosure rules of the SEC.

At our 2017 annual meeting of shareholders, we asked our shareholders to vote, on an advisory basis, on the frequency of future advisory votes on executive compensation, as disclosed in our 2017 proxy statement, commonly referred to as a "say-when-on-pay" advisory vote. Our shareholders overwhelmingly approved holding an advisory vote on executive compensation annually, with approximately 86% of the votes cast voting in favor of an annual advisory vote on executive compensation. The Board took into consideration the results of the say-when-on-pay advisory vote and determined that advisory votes on executive compensation will be submitted to our shareholders every year until the next required advisory vote on the frequency of shareholder votes on executive compensation. However, through our ongoing engagement with shareholders, the Board will continue to consider any shareholder concerns and feedback in the future.

This vote is advisory, which means that the vote on executive compensation is not binding on the Company, the Board of Trustees or any of its committees. The vote on this resolution is not intended to address any specific element of compensation, but rather relates to the overall compensation of the Company's named executive officers, as described in this proxy statement in accordance with the compensation disclosure rules of the SEC.

As described in greater detail under the heading "Compensation Discussion and Analysis," the Company seeks to maintain an executive compensation program that is directly tied to maximizing long-term shareholder value. To achieve this goal, the three primary tenants of the Company's executive compensation philosophy are:

- align compensation structure with business growth strategies;
- pay for performance; and
- pay competitively to attract, motivate and retain talented executives.

To ensure that the Company's executive compensation program was structured accordingly, at the beginning of 2017, the Compensation Committee retained FPL as its independent compensation consultant to assist the committee in studying the Company's executive compensation structure as well as those of the Company's peer companies. Seeking to compensate the named executive officers at approximately the median (50<sup>th</sup> percentile) of the peer group companies, and to achieve the compensation goals describe above, the Compensation Committee implemented the following:

• Developed a performance based cash bonus plan tied 80% to achievement of key financial metrics, tied to earnings and balance sheet strength, and 20% to each executive's specific performance goals. Target awards under the plan were geared toward the median of the peer group companies.

• Developed one year and multi-year long term incentive plans that are both performance and service based with target awards tied to the median of the peer group companies.

• Based the awards under the one year long term incentive plan 80% on RevPAR growth (both absolute and relative to our peer).

• Based awards under the multi-year long term incentive plan 75% on total shareholder return (TSR): 37.5% of which is based on the Company's absolute TSR over a three year performance period and 37.5% of which is focused on the Company's TSR over a three year performance period relative to the peer group. The remaining 25% of the awards under the multi-year long term incentive plan is based on the Company's growth in RevPAR over a three year performance period relative to the peer group.

• Set base salary for all NEOs except for one below the median salary for the comparable position in the peer group companies.

At the outset of 2017, the Compensation Committee believed this was the right compensation structure to incentivize the NEOs to drive performance and shareholder return for the Company.

Management undertook several initiatives in 2017 to execute its strategic plan and continue the Company's transformation. The following highlights accomplishments for 2017:

**RevPAR Growth Outpaces Peer Median** - Median RevPAR growth for the peer group in 2017 was 0.1% versus 2.3% for Hersha's comparable portfolio of hotels. Looking back 3 years, Hersha's annualized RevPAR growth was 7.4%, 430 basis points higher than the peer median of 3.1%.

**Portfolio Cluster Strategy Outperforms Competitor Landscape** - In 2017, our strategy of clustering our portfolio led to notable outperformance in a majority of our core markets on an ADR and Occupancy-driven basis. Additionally, over 14 of the past 16 quarters, our Manhattan portfolio has outperformed the market in RevPAR growth.

**24-Month Capital Recycling Campaign Complete** - In 2017, Hersha completed its 24-month capital recycling campaign, during which, the Company sold approximately \$870 million of mature, stabilized hotels and successfully deferred \$270

million of taxable gains with \$816 million of accretive acquisitions. The sales were executed efficiently for an average 15x EBITDA multiple or 6% cap rate and we were able to achieve an unlevered 14.3% internal rate of return on these assets during our hold period.

Strategic Refinancing Led to Lower Cost of Capital - In the third quarter of 2017, the Company closed on a new \$475 million senior unsecured credit facility that is expandable to \$875 million. This refinancing allowed us to lower our weighted average interest rate to 3.78% while extending out the weighted average life to maturity and extending our repayment profile so that we have no significant debt maturities until 2020.

As described in more detail under “Compensation Discussion and Analysis,” the Company achieved certain performance metrics set by the Compensation Committee, and each NEO achieved his personal performance objectives. As a result, 84% of the actual total compensation paid to our CEO and 80% of the actual total compensation paid to our other NEOs for 2017 was performance based. Additionally, all performance based compensation, more than 81% of the actual total compensation paid to the NEOs for 2017 was in the form of equity awards.

For these reasons and others, the Board of Trustees believes the Company’s executive compensation program is meeting the objectives of the program-the NEOs are driving the Company’s key performance metrics. Accordingly, the Board of Trustees unanimously recommends that you vote “FOR” the following resolution on executive compensation: RESOLVED, that the Company’s shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company’s Proxy Statement for the 2018 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure.

The Board of Trustees unanimously recommends a vote “FOR” the approval of the compensation of the company’s named executive officers as disclosed in this proxy statement.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Review and Approval of Related Party Transactions

The Acquisition Committee of the Board of Trustees, which was comprised of four independent trustees at December 31, 2017, considers questions of possible conflicts of interest with regard to related party transactions and attempts to ensure that proper safeguards are in place and are being followed when the Company enters into related party transactions. This policy is set forth in the Acquisition Committee's written charter, which is available on the Company's website. A majority of the members of the Acquisition Committee must approve the terms of each acquisition from or loan to a related party; however, this requirement is not expressly set forth in the Acquisition Committee's written charter.

The Board of Trustees has a policy regarding the approval of any "related person transaction," which is defined as any transaction or series of transactions in which the Company or any of its subsidiaries is to be a participant, the amount involved exceeds \$120,000, and a "related person" (as defined in Item 404 of Regulation S-K promulgated by the SEC) has a direct or indirect material interest. Related person transactions must be approved by a majority of the Company's independent trustees; however, if the related person transaction involves an acquisition from or development loan to a related person, the transaction will be referred to the Acquisition Committee for its approval as described above. The Board of Trustees' policy requires any independent trustee with a direct or indirect interest in the transaction to excuse himself from any consideration of the related person transaction in which he has an interest.

### Transactions with Trustees and Officers

In connection with the Company's initial public offering, the Company entered into an option agreement with the following members of the Company's management team: Hasu Shah, Jay Shah, Neil Shah, and David Desfor. Pursuant to this agreement, the Company had the option to purchase any hotel owned or developed by these individuals or their affiliates that was within fifteen miles of any of the Company's hotels or any hotel subsequently acquired by the Company for two years after such acquisition or development. In September 2003, the parties to this agreement amended the option agreement so that (a) the right of first refusal now applies to all hotels owned or developed by the parties, regardless of proximity to the Company's hotels, and (b) the right of first refusal applies to each party until one year after such party ceases to be an officer or trustee. The option agreement, as amended, terminates with respect to each of the affiliates covered by the agreement one year after each such affiliate ceases to be a trustee, officer, partner or employee of the Company. Since January 1, 2010, the Company did not acquire, or agree to acquire, hotels from entities controlled by related persons. As of the date of this proxy statement, the Company does not have any plans to acquire any hotels from affiliates of the Company pursuant to the option agreement or otherwise.

### Management Agreements with HHMLP

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

As of December 31, 2017, HHMLP managed 39 of the properties leased to the Company's TRS and seven hotels that are owned by an entity for which we hold an interest through our investment in an unconsolidated joint venture. For its services, HHMLP receives a base management fee, and if a hotel exceeds certain thresholds, an incentive management fee. The base management fee for a hotel is due monthly and is equal to 3% of gross revenues associated with each hotel managed for the related month. The incentive management fee, if any, for a hotel is due annually in arrears on the ninetieth day following the end of each fiscal year and is based upon the financial performance of the

hotel. For the year ended December 31, 2017 the Company paid no incentive management fees to HHMLP. For the year ended December 31, 2017, base management fees incurred totaled \$13.4 million. Hasu P. Shah, Jay H. Shah, Neil H. Shah, and David L. Desfor, executive officers and/or trustees of the Company, collectively own a 40.0% interest in HHMLP.

**Accounting and Information Technology Services Provided by HHMLP**

HHMLP provides accounting and information technology services for the Company. Monthly fees for accounting services are between \$2,000 and \$3,000 per wholly owned property. Monthly information technology fees are between \$1,000 and \$2,000 per wholly owned property and for the corporate headquarters. For the year ended December 31, 2017, the Company incurred accounting fees of \$1.3 million and information technology fees of \$0.4 million.

**Capital Expenditure Services Provided by HHMLP**

HHMLP charges a 5% fee on all capitalized expenditures and pending renovation projects at the properties as compensation for procurement services related to capital expenditures and for project management of renovation projects. For the year ended December 31, 2017, the Company incurred fees of approximately \$1.1 million, which were paid to HHMLP.



#### AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Trustees is composed of five trustees, all of whom are independent under the standards of the NYSE and the SEC, and the Audit Committee operates under a written charter adopted by the Board of Trustees. The Audit Committee reviews audit fees and recommends to the Board of Trustees the selection of the Company's independent accountants. Management is responsible for the Company's internal controls and the financial reporting process. The independent accountants are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the Public Company Accounting Oversight Board (the "PCAOB") standards and for issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes and to report thereon to the Board of Trustees. In this context, the Audit Committee has met and held discussions with management and KPMG LLP, the Company's independent registered public accounting firm for the 2017 fiscal year.

Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the audited consolidated financial statements with management and KPMG LLP.

The Audit Committee has discussed with KPMG LLP the matters required to be discussed by the requirements of the PCAOB.

The Audit Committee also has received the written disclosures and the letter from KPMG LLP required by the applicable requirements of the PCAOB relating to KPMG LLP's communications with the Audit Committee concerning independence, and has discussed with KPMG LLP that firm's independence.

Based upon the Audit Committee's review and discussions with management and KPMG LLP referred to above, the Audit Committee recommended that the Board of Trustees include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission.

THE AUDIT COMMITTEE,

John M. Sabin (Chair)

Jackson Hsieh

Thomas J. Hutchison III

Donald J. Landry

Dianna F. Morgan

April 20, 2018

#### INFORMATION ABOUT THE COMPANY'S INDEPENDENT AUDITORS

KPMG LLP served as the Company's independent auditors for the 2017 fiscal year. The Company anticipates that two representatives from KPMG LLP will attend the annual meeting and these persons will have an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The fiscal year 2017 was the second year KPMG LLP's lead engagement partner served on the Company's audit. In its role of overseeing the relationship with the Company's independent auditor, the Audit Committee played an active role in working with KPMG LLP to select the lead engagement partner with an appropriate level of relevant public company experience in the Company's industry. This included interviewing potential candidates and verifying references to substantiate the partner's relevant public company and industry experience.

The Audit Committee reviews with management and KPMG LLP the results of the independent accountants' review of the unaudited financial statements that are included in the Company's quarterly reports on Form 10-Q. The Audit Committee also reviews the fees charged by the Company's independent accountants.

KPMG LLP was Hersha's independent registered public accounting firm for the 2017 and 2016 fiscal years and billed, or expects to bill, the following fees for fiscal 2017 and fiscal 2016:

**Audit Fees.** For professional services rendered by KPMG LLP for the audit of the Company's annual financial statements, reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q, and other services provided in connection with statutory and regulatory filings, and an audit of internal control over financial reporting, KPMG LLP billed the Company \$660,900 with respect to 2017 and \$709,000 with respect to 2016. For professional services rendered by KPMG LLP provided in connection with comfort letters and SEC registration statements, KPMG LLP billed the Company \$77,500 with respect to 2017 and \$180,000 with respect to 2016.

**Tax Fees.** In 2017, KPMG LLP rendered professional services related to tax compliance, tax advice and tax planning and billed the Company \$110,000. KPMG LLP did not render or charge the Company for professional services related to tax compliance, tax advice and tax planning with respect to 2016.

**Audit Related and All Other Fees.** With respect to 2017 and 2016, KPMG LLP billed the Company \$1,780 and \$1,650, respectively, for an annual subscription to their online accounting research software. Except for this subscription, KPMG LLP did not render or charge the Company for any other services not included in audit fees or tax fees as disclosed above with respect to 2017 or 2016.

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, the Audit Committee has established a policy that it must pre-approve all audit and permissible non-audit services provided by the independent auditor prior to engagement of the auditor for each such service, and all such services provided in 2017 and 2016 were pre-approved by the Audit Committee. Except as disclosed above, there were no other non-audit services provided by KPMG LLP in 2017 or 2016.

**PROPOSAL THREE - RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

KPMG LLP currently serves as the Company's independent registered public accounting firm, and that firm conducted the audit of the Company's consolidated financial statements as of and for the year ended December 31, 2017. The Audit Committee has appointed KPMG LLP to serve as its independent registered public accounting firm to conduct an audit of the Company's consolidated financial statements as of and for the year ending December 31, 2018 and the Company's system of internal controls over financial reporting.

Selection of the Company's independent registered public accounting firm is not required to be submitted to a vote of shareholders for ratification. In addition, the Sarbanes-Oxley Act of 2002 requires the Audit Committee to be directly responsible for the appointment, compensation and oversight of the audit work of the independent auditors. However, the Board of Trustees is submitting this matter to shareholders as a matter of good corporate practice. If shareholders fail to vote on an advisory basis in favor of the selection, the Audit Committee will reconsider whether to retain KPMG LLP, and may retain that firm or another without re-submitting the matter to the Company's shareholders. Even if shareholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Company.

Unless you direct otherwise, proxies will be voted for the proposal.

The Board of Trustees unanimously recommends a vote "FOR" this proposal.

#### SHAREHOLDER PROPOSALS AND NOMINATIONS FOR THE 2019 ANNUAL MEETING

Under the regulations of the SEC, any shareholder desiring to make a proposal to be acted upon at the 2019 annual meeting of shareholders must present such proposal to the Company at its principal office in Harrisburg, Pennsylvania not later than December 21, 2018, in order for the proposal to be considered for inclusion in the Company's proxy statement. The Company will not consider proposals received after December 21, 2018 for inclusion in the Company's proxy materials for the Company's 2019 annual meeting of shareholders.

The Company's Bylaws provide that, in addition to any other applicable requirements, for business to be properly brought before the annual meeting by a shareholder, but not included in the Company's proxy statement, the shareholder must give timely notice in writing not earlier than November 21, 2018 nor later than December 21, 2018; provided, however, that in the event the annual meeting is advanced by more than 30 days or delayed by more than 60 days, notice must be received not earlier than the 150th day prior to the first anniversary of the date of the preceding year's annual meeting and not later than the close of business on the later of the 120th day prior to the first anniversary of the date of the preceding year's annual meeting and the 10th day following the day on which the Company first publicly announces the date of the annual meeting. As to each matter, the notice must contain the information specified in the Bylaws regarding the shareholder giving the notice and the business proposed to be brought before the annual meeting.

The Company's Bylaws provide that a shareholder of record, both at the time of the giving of the required notice set forth in this sentence and at the time of the 2019 annual meeting, entitled to vote at the annual meeting may nominate persons for election to the Board of Trustees by mailing written notice to the Corporate Secretary of the Company not more than 150 days nor less than 120 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event the annual meeting is advanced by more than 30 days or delayed by more than 60 days, notice must be received not earlier than the 150th day prior to the first anniversary of the date of the preceding year's annual meeting and not later than the close of business on the later of the 120th day prior to the first anniversary of the date of the preceding year's annual meeting and the 10th day following the day on which the Company first publicly announces the date of the annual meeting. The notice must contain the information specified in the Bylaws regarding the shareholder giving the notice and each person whom the shareholder wishes to nominate for election as a trustee. The notice must be accompanied by the written consent of each proposed nominee to serve as one of the Company's trustees, if elected.

**OTHER MATTERS**

The Board of Trustees knows of no other business to be brought before the annual meeting. If any other matters properly come before the annual meeting, the proxies will be voted on such matters in accordance with the judgment of the persons named as proxies therein, or their substitutes, present and acting at the meeting.

ANNUAL REPORT ON FORM 10-K

The Company will furnish to each beneficial owner of common shares entitled to vote at the annual meeting, upon written request to Ashish Parikh, the Company's Chief Financial Officer, at 44 Hersha Drive, Harrisburg, Pennsylvania 17102, Telephone (717) 236-4400, a copy of the Company's Annual Report on Form 10 K for the fiscal year ended December 31, 2017, including the financial statements and financial statement schedules filed by the Company with the SEC.

By Order of the Board of Trustees,

/s/ David L. Desfor

David L. Desfor  
Corporate Secretary  
April 20, 2018



