

Templin Donald C.
Form 4
November 02, 2012

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Templin Donald C.

2. Issuer Name and Ticker or Trading Symbol
MPLX LP [MPLX]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
C/O MPLX LP, 200 E. HARDIN STREET

3. Date of Earliest Transaction (Month/Day/Year)
10/31/2012

Director 10% Owner
 Officer (give title below) Other (specify below)
VP and Chief Financial Officer

(Street)
FINDLAY, OH 45840

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(D)	Price
Common Units (Limited Partner Interests)	10/31/2012		P		15,000	A	\$ 22 15,000
						I	By spouse

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Reporting Transaction (Instr. 6)
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Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Templin Donald C. C/O MPLX LP 200 E. HARDIN STREET FINDLAY, OH 45840	X		VP and Chief Financial Officer	

Signatures

/s/ Molly R. Benson, Attorney-in-Fact for Donald C. Templin

 **Signature of Reporting Person

11/02/2012

 Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Remarks:

The Reporting Person is a director and the Vice President and Chief Financial Officer of MPLX GP LLC, the general partner of MPLX LP.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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(294,123)

—

(294,123)

Series D preferred dividends and dividends payable at \$2.00 per share

—

—

—

—

—

—

—

—

—

—

(9,200)

—

(9,200)

Net income

—

—

—

—

—

—

—

—

—

347,355

—

8,164

355,519

Modified retrospective adjustment due to adoption of ASU No. 2016-09

—

—

—

—

Explanation of Responses:

—

—

—

—

154

(154)

—

—

—

Balance at December 31, 2015

4,600,000

115,000

—

—

—

—

207,604,391

2,076

2,458,889

652,704

(927,868)

50,319

2,351,120

Redemption of preferred stock

(4,600,000)

(115,000)

—

—

—

—

—

—

4,052

—

(4,052)

—

(115,000)

Net proceeds from sales of preferred stock

—

—

4,600,000

115,000

3,000,000

75,000

—

—

(6,640)

—

—

—

183,360

Net proceeds from sale of common stock

—

—

—

—

—

—

3,564,047

36

54,156

—

—

—

54,192

Deferred stock compensation, net

—

—

—

Explanation of Responses:

—

—

—

1,482,621

15

7,414

—

—

—

7,429

Distributions to noncontrolling interest

—

—

—

—

—

—

—

—

—

—

—

(7,737)

(7,737)

Issuance of common stock distributions declared in 2015 at \$1.26 per share

—

—

—

—

—

—

7,422,081

74

78,749

—

—

—

78,823

Common stock distributions and distributions payable at \$0.68 per share

Explanation of Responses:

—

—

—

—

—

—

—

—

—

—

(149,120)

—

(149,120)

Series D preferred stock dividends at \$0.527778 per share through redemption date

—

—

—

—

—

—

—

—

—

—

(2,428)

—

(2,428)

Series E preferred stock dividends and dividends payable at \$1.40445 per share

—

—

—

—

—

—

—

—

—

—

(6,460)

—

(6,460)

Series F preferred stock dividends and dividends payable at \$1.00785 per share

—

—

—

—

—

—

—

—

—

—

(3,024)

—

(3,024)

Net income

—

—

—

—

—

—

—

—

—

134,197

—

6,480

140,677

Balance at December 31, 2016

—

\$

—

4,600,000

\$

115,000

3,000,000

\$

75,000

220,073,140

\$

2,201

\$

2,596,620

Explanation of Responses:

\$

786,901

\$

(1,092,952)

\$

49,062

\$

2,531,832

See accompanying notes to consolidated financial statements

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SUNSTONE HOTEL INVESTORS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 140,677	\$ 355,519	\$ 87,939
Adjustments to reconcile net income to net cash provided by operating activities:			
Bad debt expense	618	238	368
Gain on sale of assets, net	(18,422)	(242,234)	(5,292)
Loss on extinguishment of debt	284	2,964	4,638
Gain on redemption of note receivable	—	(939)	—
Gain on derivatives, net	(1,426)	(309)	(529)
Depreciation	159,919	160,405	152,581
Amortization of franchise fees and other intangibles	3,743	6,479	7,543
Amortization of deferred financing fees	2,200	3,148	2,777
Amortization of deferred stock compensation	7,157	9,695	9,063
Changes in operating assets and liabilities:			
Restricted cash	17,625	8,536	11,543
Accounts receivable	(8,401)	1,775	(1,532)
Inventories	40	44	100
Prepaid expenses and other assets	977	1,445	3,121
Accounts payable and other liabilities	476	4,619	7,273
Accrued payroll and employee benefits	(54)	(2,060)	2,776
Net cash provided by operating activities	305,413	309,325	282,369
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of assets	41,587	565,115	110
Disposition deposit	250	—	—
Proceeds from redemption of note receivable	—	1,125	—
Restricted cash — replacement reserve	(9,368)	(2,642)	(4,311)
Acquisitions of hotel properties and other assets	(2,447)	—	(276,558)
Renovations and additions to hotel properties	(182,185)	(164,232)	(125,975)
Payment for interest rate derivative	—	(13)	—
Net cash (used in) provided by investing activities	(152,163)	399,353	(406,734)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from preferred stock offerings	190,000	—	—
Payment of preferred stock offering costs	(6,640)	—	—
Redemption of preferred stock	(115,000)	—	—
Proceeds from common stock offerings	55,133	—	284,390

Explanation of Responses:

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Payment of common stock offering costs	(941)	—	(1,000)
Repurchase of common stock for employee withholding obligations	(2,641)	(9,264)	(3,774)
Proceeds from notes payable and credit facility	100,000	123,000	178,250
Payments on notes payable and credit facility	(265,536)	(450,812)	(153,033)
Payments for costs related to extinguishment of notes payable	(173)	(1,245)	(4,051)
Payments of deferred financing costs	(1,759)	(5,861)	(2,346)
Dividends and distributions paid	(227,486)	(77,544)	(47,850)
Distributions to noncontrolling interests	(7,737)	(9,981)	(8,488)
Net cash (used in) provided by financing activities	(282,780)	(431,707)	242,098
Net (decrease) increase in cash and cash equivalents	(129,530)	276,971	117,733
Cash and cash equivalents, beginning of year	499,067	222,096	104,363
Cash and cash equivalents, end of year	\$ 369,537	\$ 499,067	\$ 222,096
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest	\$ 50,107	\$ 63,552	\$ 69,511
Cash paid for income taxes, net of refunds received	\$ 1,241	\$ 583	\$ 273
NONCASH INVESTING ACTIVITY			
Increase in accounts payable related to renovations and additions to hotel properties and other assets	\$ 6,429	\$ 8,268	\$ 8,670
Amortization of deferred stock compensation — construction activities	\$ 591	\$ 580	\$ 474
NONCASH FINANCING ACTIVITY			
Preferred stock redemption charge	\$ 4,052	\$ —	\$ —
Issuance of common stock distributions	\$ 78,823	\$ 37,349	\$ —
Issuance of common stock in connection with acquisition of hotel property	\$ —	\$ —	\$ 60,000
Dividends and distributions payable	\$ 119,847	\$ 265,124	\$ 76,694

See accompanying notes to consolidated financial statements.

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SUNSTONE HOTEL INVESTORS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Description of Business

Sunstone Hotel Investors, Inc. (the “Company”) was incorporated in Maryland on June 28, 2004 in anticipation of an initial public offering of common stock, which was consummated on October 26, 2004. The Company, through its 100% controlling interest in Sunstone Hotel Partnership, LLC (the “Operating Partnership”), of which the Company is the sole managing member, and the subsidiaries of the Operating Partnership, including Sunstone Hotel TRS Lessee, Inc. (the “TRS Lessee”) and its subsidiaries, is currently engaged in acquiring, owning, asset managing and renovating hotel properties. The Company may also sell certain hotel properties from time to time. The Company operates as a real estate investment trust (“REIT”) for federal income tax purposes.

As a REIT, certain tax laws limit the amount of “non-qualifying” income the Company can earn, including income derived directly from the operation of hotels. The Company leases all of its hotels to its TRS Lessee, which in turn enters into long-term management agreements with third parties to manage the operations of the Company’s hotels, in transactions that are intended to generate qualifying income. As of December 31, 2016, the Company had interests in 28 hotels (the “28 hotels”), one of which was considered held for sale, leaving 27 hotels currently held for investment (the “27 hotels”). The Company’s third-party managers included the following:

	Number of Hotels	
Subsidiaries of Marriott International, Inc. or Marriott Hotel Services, Inc. (collectively, “Marriott”)	11	
Interstate Hotels & Resorts, Inc.	5	
Highgate Hotels L.P. and an affiliate	3	
Crestline Hotels & Resorts	2	
Hilton Worldwide	2	
Hyatt Corporation	2	
Davidson Hotels & Resorts	1	
Fairmont Hotels & Resorts (U.S.)	1	(1)
HEI Hotels & Resorts	1	
Total hotels owned as of December 31, 2016	28	

(1) The Fairmont Newport Beach, California, was considered held for sale as of December 31, 2016, and subsequently sold in February 2017 (see Note 14).

2. Summary of Significant Accounting Policies

Explanation of Responses:

Basis of Presentation

The accompanying consolidated financial statements as of December 31, 2016 and 2015, and for the years ended December 31, 2016, 2015 and 2014, include the accounts of the Company, the Operating Partnership, the TRS Lessee and their subsidiaries. All significant intercompany balances and transactions have been eliminated. If the Company determines that it has an interest in a variable interest entity within the meaning of the Consolidation Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), the Company will consolidate the entity when it is determined to be the primary beneficiary of the entity. Based on its review, the Company determined that all of its subsidiaries were properly consolidated as of December 31, 2016 and 2015, and for the years ended December 31, 2016, 2015 and 2014.

Noncontrolling interest at both December 31, 2016 and 2015 represents the outside 25.0% equity interest in the Hilton San Diego Bayfront, which the Company includes in its financial statements on a consolidated basis.

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

The Company has evaluated subsequent events through the date of issuance of these financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities

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and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and in various bank accounts plus all short-term investments with an original maturity of three months or less.

The Company maintains cash and cash equivalents and certain other financial instruments with various financial institutions. These financial institutions are located throughout the country and the Company's policy is designed to limit exposure to any one institution. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. At December 31, 2016 and 2015, the Company had amounts in banks that were in excess of federally insured amounts.

Restricted Cash

Restricted cash is comprised of reserve accounts for debt service, interest reserves, seasonality reserves, capital replacements, ground leases, and property taxes. These restricted funds are subject to supervision and disbursement approval by certain of the Company's lenders and/or hotel managers.

Accounts Receivable

Accounts receivable primarily represents receivables from hotel guests who occupy hotel rooms and utilize hotel services. Accounts receivable also includes, among other things, receivables from tenants who lease space in the Company's hotels. The Company maintains an allowance for doubtful accounts sufficient to cover potential credit losses. The Company's accounts receivable includes an allowance for doubtful accounts of \$0.2 million and \$0.1 million at December 31, 2016 and 2015, respectively.

Inventories

Inventories, consisting primarily of food and beverages at the hotels, are stated at the lower of cost or market, with cost determined on a method that approximates first-in, first-out basis.

Acquisitions of Hotel Properties and Other Entities

Accounting for the acquisition of a hotel property or other entity as a business combination requires an allocation of the purchase price to the assets acquired and the liabilities assumed in the transaction at their respective estimated fair values. The most difficult estimations of individual fair values are those involving long-lived assets, such as property, equipment, intangible assets and any capital lease obligations that are assumed as part of the acquisition of a leasehold interest. When we acquire a hotel property or other entity as a business combination, we use all available information to make these fair value determinations, and engage independent valuation specialists to assist in the fair value determinations of the long-lived assets acquired and the liabilities assumed. Due to the inherent subjectivity in determining the estimated fair value of long-lived assets, the Company believes that the recording of acquired assets and liabilities is a critical accounting policy.

Investments in Hotel Properties and Other Assets

Hotel properties and other investments are depreciated using the straight-line method over estimated useful lives primarily ranging from five to 35 years for buildings and improvements and three to 12 years for furniture, fixtures and equipment. Intangible assets are amortized using the straight-line method over their estimated useful life or over the length of the related agreement, whichever is shorter.

The Company's investment in hotel properties, net also includes initial franchise fees which are recorded at cost and amortized using the straight-line method over the lives of the franchise agreements ranging from 14 to 27 years. All other franchise fees that are based on the Company's results of operations are expensed as incurred.

The Company follows the requirements of the Property, Plant and Equipment Topic of the FASB ASC, which requires impairment losses to be recorded on long-lived assets to be held and used by the Company when indicators of impairment are present and the future undiscounted net cash flows expected to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the related assets are adjusted to their estimated fair value and an impairment is recognized. The impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. In computing fair value, the Company uses a discounted cash flow analysis to estimate the fair value of its hotel properties and

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other assets, taking into account each property's expected cash flow from operations, holding period and estimated proceeds from the disposition of the property. The factors addressed in determining estimated proceeds from disposition include anticipated operating cash flow in the year of disposition and terminal capitalization rate. Based on the Company's review, management believes that there were no impairments on its long-lived assets in 2016, 2015 and 2014, and that the carrying values of its hotel properties and other assets are recoverable at December 31, 2016.

Fair value represents the amount at which an asset could be bought or sold in a current transaction between willing parties, that is, other than a forced or liquidation sale. The estimation process involved in determining if assets have been impaired and in the determination of fair value is inherently uncertain because it requires estimates of current market yields as well as future events and conditions. Such future events and conditions include economic and market conditions, as well as the availability of suitable financing. The realization of the Company's investment in hotel properties and other assets is dependent upon future uncertain events and conditions and, accordingly, the actual timing and amounts realized by the Company may be materially different from their estimated fair values.

Assets Held for Sale

The Company considers a hotel or other asset held for sale if it is probable that the sale will be completed within twelve months, among other requirements. A sale may be considered to be probable once the buyer completes its due diligence of the asset, there is an executed purchase and sale agreement between the Company and the buyer, the buyer waives any closing contingencies, there are no third party approvals necessary and the Company has received a substantial non-refundable deposit. Depreciation ceases when a property is held for sale. Should an impairment loss be required for assets held for sale, the related assets are adjusted to their estimated fair values, less costs to sell. If the sale of the hotel or other asset represents a strategic shift that will have a major effect on the Company's operations and financial results, the hotel or other asset is included in discontinued operations, and operating results are removed from income from continuing operations and reported as discontinued operations. The operating results for any such assets for any prior periods presented must also be reclassified as discontinued operations. As of December 31, 2016, the Company's Fairmont Newport Beach, California, was considered held for sale, and subsequently sold in February 2017 (see Note 14). Based on the criteria noted above, the hotel was not included in discontinued operations. As of December 31, 2015, the Company had no hotels or other assets held for sale.

Deferred Financing Fees

Deferred financing fees consist of loan fees and other financing costs related to the Company's outstanding indebtedness and credit facility commitments, and are amortized to interest expense over the terms of the related debt or commitment. If a loan is refinanced or paid before its maturity, any unamortized deferred financing costs will generally be expensed unless specific rules are met that would allow for the carryover of such costs to the refinanced debt.

Deferred financing fees related to both the Company's undrawn credit facility and unfunded senior unsecured notes are included on the Company's consolidated balance sheets as an asset. Deferred financing fees related to the Company's undrawn credit facility are amortized ratably over the term of the line of credit arrangement, regardless of whether there are any outstanding borrowings on the line of credit arrangement. Deferred financing fees related to the Company's unfunded senior unsecured notes will be reclassified to the appropriate current and long-term debt liabilities during the first quarter of 2017 once amounts are funded (see Note 14). Deferred financing fees related to the Company's outstanding debt are included on the Company's consolidated balance sheets as a contra-liability (see Note 7) and subsequently amortized ratably over the term of the related debt.

Interest Rate Derivatives

The Company's objective in holding interest rate derivatives is to manage its exposure to the interest rate risks related to its floating rate debt. To accomplish this objective, the Company uses interest rate caps and swaps, none of which qualifies for effective hedge accounting treatment. The Company records interest rate protection agreements on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in the consolidated statements of operations.

Revenue Recognition

Room revenue and food and beverage revenue are recognized as earned, which is generally defined as the date upon which a guest occupies a room and/or utilizes the hotel's services. Additionally, some of the Company's hotel rooms are booked through independent internet travel intermediaries. Revenue for these rooms is booked at the price the Company sold the room to the independent internet travel intermediary less any discount or commission paid.

Other operating revenue consists of revenue derived from incidental hotel services such as telephone/internet, parking, spa, entertainment and other guest services, along with tenant lease revenues related to hotel space leased by third parties, any cancellation

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or attrition revenue and any performance guarantees. During 2016, the Company recognized \$5.0 million in other operating revenue from a performance guarantee received from Marriott related to the Wailea Beach Resort. In addition, prior to its sale in September 2015, other operating revenue also included revenue generated by BuyEfficient, LLC Inc. (“BuyEfficient”), an electronic purchasing platform that allowed members to procure food, operating supplies, furniture, fixtures and equipment. Revenues from incidental hotel services and BuyEfficient are recognized in the period the related services are provided or the revenue is earned.

Advertising and Promotion Costs

Advertising and promotion costs are expensed when incurred. Advertising and promotion costs represent the expense for advertising and reservation systems under the terms of the hotel franchise and brand management agreements and general and administrative expenses that are directly attributable to advertising and promotions.

Stock Based Compensation

Compensation expense related to awards of restricted shares are measured at fair value on the date of grant and amortized over the relevant requisite service period or derived service period.

Income Taxes

The Company has elected to be treated as a REIT pursuant to the Internal Revenue Code, as amended (the “Code”). Management believes that the Company has qualified and intends to continue to qualify as a REIT. Therefore, the Company is permitted to deduct distributions paid to its stockholders, eliminating the federal taxation of income represented by such distributions at the company level. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) on taxable income at regular corporate tax rates.

With respect to taxable subsidiaries, the Company accounts for income taxes in accordance with the Income Taxes Topic of the FASB ASC. Accordingly, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Income Taxes Topic of the FASB ASC addresses how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. The guidance requires the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. The Company's management is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which includes federal and certain states.

Noncontrolling Interests

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

At December 31, 2016, 2015 and 2014, the noncontrolling interests reported in the Company's financial statements included Hilton Worldwide's 25.0% ownership in the Hilton San Diego Bayfront. Additionally, prior to the Company's sale of its interests in the Doubletree Guest Suites Times Square in December 2015, the noncontrolling interests reported in the Company's financial statements also included preferred investors that owned a \$0.1 million preferred equity interest in a subsidiary captive REIT that owned the Doubletree Guest Suites Times Square.

Dividends

Under current federal income tax laws related to REITs, the Company is required to distribute at least 90% of its net taxable income to its stockholders. Currently, the Company pays quarterly cash dividends to its common stockholders, as well as to the preferred stockholders of its 6.95% Series E Cumulative Redeemable Preferred Stock ("Series E preferred stock") and its 6.45% Series F Cumulative Preferred Stock ("Series F preferred stock") as declared by the Company's board of directors. Prior to its

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redemption date in April 2016, the Company also paid quarterly cash dividends to the preferred stockholders of its 8.0% Series D Cumulative Redeemable Preferred Stock (“Series D preferred stock”) as declared by the Company’s board of directors. The Company’s ability to pay dividends is dependent on the receipt of distributions from the Operating Partnership.

Earnings Per Share

The Company applies the two-class method when computing its earnings per share. As required by the Earnings Per Share Topic of the FASB ASC, the net income per share for each class of stock (common stock and convertible preferred stock) is calculated assuming all of the Company’s net income is distributed as dividends to each class of stock based on their contractual rights. To the extent the Company has undistributed earnings in any calendar quarter, the Company will follow the two-class method of computing earnings per share.

The Company follows the requirements of the Earnings Per Share Topic of the FASB ASC. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are considered participating securities and shall be included in the computation of earnings per share pursuant to the two-class method.

In accordance with the Earnings Per Share Topic of the FASB ASC, basic earnings (loss) attributable to common stockholders per common share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted earnings (loss) attributable to common stockholders per common share is computed based on the weighted average number of shares of common stock outstanding during each period, plus potential common shares considered outstanding during the period, as long as the inclusion of such awards is not anti-dilutive. Potential common shares consist of unvested restricted stock awards and the incremental common shares issuable upon the exercise of stock options, using the more dilutive of either the two-class method or the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per common share (in thousands, except per share data):

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Numerator:			
Net income	\$ 140,677 (6,480)	\$ 355,519 (8,164)	\$ 87,939 (6,708)

Explanation of Responses:

Income from consolidated joint ventures attributable to noncontrolling interests			
Preferred stock dividends and redemption charge	(15,964)	(9,200)	(9,200)
Dividends paid on unvested restricted stock compensation	(754)	(1,405)	(969)
Undistributed income allocated to unvested restricted stock compensation	—	(155)	—
Numerator for basic and diluted income attributable to common stockholders	\$ 117,479	\$ 336,595	\$ 71,062
Denominator:			
Weighted average basic and diluted common shares outstanding	214,966	207,350	192,674
Basic and diluted income attributable to common stockholders per common share	\$ 0.55	\$ 1.62	\$ 0.37

The Company's unvested restricted shares associated with its long-term incentive plan and shares associated with common stock options have been excluded from the above calculation of earnings per share for the years ended December 31, 2016, 2015 and 2014, as their inclusion would have been anti-dilutive.

Segment Reporting

The Company considers each of its hotels to be an operating segment, none of which meets the threshold for a separate reportable segment in accordance with the Segment Reporting Topic of the FASB ASC. Currently, the Company operates in one segment, hotel ownership.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU No. 2014-09"). The core principal of ASU No. 2014-09 is that an entity should recognize revenue to depict the transfer

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of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principal, an entity will need to apply a five-step model: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU No. 2014-09 was originally to be effective during the first quarter of 2017; however, the FASB issued a one-year deferral in July 2015 so that it now becomes effective during the first quarter of 2018. ASU No. 2014-09 will require either a full retrospective approach or a modified retrospective approach, with early adoption permitted as of the original effective date.

In March 2016, the FASB clarified the principal versus agent guidance in ASU No. 2014-09 with its issuance of Accounting Standards Update No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" ("ASU No. 2016-08"). In particular, ASU No. 2016-08 clarifies how an entity should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements, such as service transactions by explaining what a principal controls before the specified good or service is transferred to the customer. In addition, ASU No. 2016-08 reframes the indicators to focus on evidence that an entity is acting as a principal rather than as an agent. ASU No. 2016-08 will become effective, along with ASU No. 2014-09, during the first quarter of 2018. Similar to ASU No. 2014-09, ASU No. 2016-08 will require either a full retrospective approach or a modified retrospective approach, with early adoption permitted as of the original effective date.

In May 2016, the FASB amended ASU No. 2014-09's guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes with its issuance of Accounting Standards Update No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU No. 2016-12"). The amendments clarify that, for a contract to be considered completed at transition, all (or substantially all) of the revenue must have been recognized under legacy GAAP. This clarification is important because entities that use the modified retrospective transition approach need to apply the standard only to contracts that are not complete as of the date of initial application, and entities that use the full retrospective approach may apply certain practical expedients to completed contracts. In addition, ASU No. 2016-12 clarifies that an entity should consider the probability of collecting substantially all of the consideration to which it will be entitled in exchange for goods and services expected to be transferred to the customer rather than the total amount promised for all the goods or services in the contract. ASU No. 2016-12 also clarifies that an entity may consider its ability to manage its exposure to credit risk as part of the collectability assessment, as well as that the fair value of noncash consideration should be measured at contract inception when determining the transaction price. Finally, ASU No. 2016-12 allows an entity to make an accounting policy election to exclude from the transaction price certain types of taxes collected from a customer if it discloses that policy. ASU No. 2016-12 will become effective, along with ASU No. 2014-09, during the first quarter of 2018. Similar to ASU No. 2014-09, ASU No. 2016-12 will require either a full retrospective approach or a modified retrospective approach, with early adoption permitted as of the original effective date.

The Company is in the process of evaluating the impact that ASU No. 2014-09, along with the related clarifications and amendments in ASU No. 2016-08 and ASU No. 2016-12, will have on its recognition of revenue included in its consolidated financial statements. While the Company is still evaluating the impact that the ASUs will have on accounting for the gain recognized upon the sale of a hotel, there is a possibility that the adoption of ASU No. 2014-09 will affect the timing of any gain recognition in the consolidated financial statements. For example, under

current guidance, a gain on the sale of hotel properties with contingencies and some future involvement is deferred until all contingencies have been removed. Under the new guidance, however, the entire gain on sale may be recognized upon the close of escrow. The Company expects to adopt the new ASUs under the modified retrospective approach.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period” (“ASU No. 2014-12”), which requires a reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. ASU No. 2014-12 became effective during the first quarter of 2016, requiring either a prospective or a modified retrospective approach. The Company’s adoption of ASU No. 2014-12 did not have an effect on its consolidated financial statements, and will not have an effect in the future unless the Company issues grants that fall within its scope.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, “Presentation of Financial Statements – Going Concern (Subtopic 205-40)” (“ASU No. 2014-15”), which requires management to evaluate an entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or available to be issued, when applicable). The evaluation requires management to perform two steps. Management must first evaluate whether there are conditions and events that raise substantial doubt about the entity’s ability to continue as a going concern (step 1). If management concludes that substantial doubt is raised, management also is required to consider whether its plans alleviate that doubt (step 2). Disclosures in the notes to the financial statements are required if management concludes that substantial doubt exists or that its plans alleviate substantial doubt that was raised. ASU No. 2014-15 requires that management perform a going concern evaluation for annual periods beginning in 2016, and for interim periods within annual periods beginning with the first quarter of 2017. The Company’s adoption of ASU No. 2014-15 in 2016 did not have an effect on its financial statements; however, if in the future the Company determines that there is substantial

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doubt about the Company's ability to continue as a going concern, the Company will be required to provide the additional disclosures outlined in ASU No. 2014-15 steps 1 and 2 in its consolidated financial statements.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis" ("ASU No. 2015-02"), which eliminates the option allowing entities with interests in certain investment funds to follow previous consolidation guidance and makes other changes to both the variable interest model and the voting model. While ASU No. 2015-02 is aimed at asset managers, it will affect all reporting entities involved with limited partnerships or similar entities. In some cases consolidation conclusions will change. In other cases, reporting entities will need to provide additional disclosures about entities that currently aren't considered VIEs but will be considered VIEs under the new guidance when they have a variable interest in those VIEs. Regardless of whether conclusions change or additional disclosure requirements are triggered, reporting entities will need to re-evaluate limited partnerships or similar entities for consolidation and revise their documentation. ASU No. 2015-02 changes (1) the identification of variable interests (fees paid to a decision maker or service provider), (2) the VIE characteristics for a limited partnership or similar entity and (3) the primary beneficiary determination. ASU No. 2015-02 became effective during the first quarter of 2016, requiring a modified retrospective approach. The Company's adoption of ASU No. 2015-02 did not have a material effect on its consolidated financial statements.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments" ("ASU No. 2015-16"), which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. In a business combination, if the initial accounting is incomplete as of the end of the reporting period in which the acquisition occurs, the acquirer records provisional amounts based on information available at the acquisition date. The acquirer then adjusts these amounts as it obtains more information about facts and circumstances that existed as of the acquisition date. This period is called the measurement period. It ends when the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or when it determines that it cannot obtain more information. The measurement period cannot exceed one year from the date of the acquisition. Under the previous guidance, an acquirer must recognize adjustments to provisional amounts during the measurement period retrospectively (i.e., as if the accounting for the business combination had been completed at the acquisition date). That is, the acquirer was required to revise comparative information on the income statement and balance sheet for any prior periods affected. Under ASU No. 2015-16, an acquirer will now recognize measurement-period adjustments during the period in which it determines the amount of the adjustment. The acquirer still must disclose the amounts and reasons for adjustments to the provisional amounts. The acquirer also must disclose, by line item, the amount of the adjustment reflected in the current-period income statement that would have been recognized in previous periods if the adjustment to provisional amounts had been recognized as of the acquisition date. Alternatively, an acquirer may present those amounts separately on the face of the income statement. ASU No. 2015-16 became effective during the first quarter of 2016, requiring a prospective approach. The Company's adoption of ASU No. 2015-16 will have an effect on its consolidated financial statements and related disclosures when and if the Company has a business combination that requires a significant measurement-period adjustment.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU No. 2016-01"), which makes targeted amendments to guidance on classifying and measuring financial instruments. ASU No. 2016-01

provides disclosure relief for public companies by eliminating the requirement to disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost. ASU No. 2016-01 will become effective during the first quarter of 2018, with early adoption permitted. The Company chose to early adopt ASU No. 2016-01 effective January 1, 2016, and eliminated the disclosure in its consolidated financial statements of the methods and significant assumptions the Company use to calculate the fair value of its debt.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, “Leases (Topic 842)” (“ASU No. 2016-02”), which will require lessees to put most leases on their balance sheets but recognize expenses in the income statement in a manner similar to today’s accounting. The guidance also eliminates today’s real estate-specific provisions and changes the guidance on sale-leaseback transactions, initial direct costs and lease executory costs for all entities. For lessors, the standard modifies the classification criteria and the accounting for sales-type and direct financing leases. All entities will classify leases to determine how to recognize lease-related revenue and expense. Classification will continue to affect amounts that lessors record on the balance sheet. ASU No. 2016-02 will become effective during the first quarter of 2019, and will require a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is currently evaluating the impact that ASU No. 2016-02 will have on its consolidated financial statements, and, other than the inclusion of operating leases on the Company’s balance sheet, such effects have not yet been determined.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, “Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU No. 2016-09”), which changes certain aspects of accounting for share-based payments to employees. The new guidance will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also will allow an employer to repurchase more of an employee’s

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shares for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. ASU No. 2016-09 will become effective during the first quarter of 2017, with early adoption permitted, and will require a modified retrospective approach. As noted below, the Company chose to early adopt ASU No. 2016-09 effective January 1, 2016.

Upon adoption of ASU No. 2016-09, the Company elected to account for forfeitures as they occur. In addition, pursuant to employee statutory withholding obligations, the Company may repurchase more of an employee's shares for tax withholding purposes up to the maximum statutory tax rate in the employee's applicable jurisdictions.

In accordance with the transition provisions of the new guidance, the Company adjusted items on its consolidated balance sheet, consolidated statement of equity and consolidated statement of cash flows. The following financial statement line items have been adjusted on the Company's consolidated balance sheet and consolidated statement of equity for the year ended December 31, 2015 in order to reverse the effects of forfeitures recognized in prior years, and on the consolidated statement of cash flows for the years ended December 31, 2015 and 2014 to reclassify the repurchase of employee common stock for employee withholding obligations from an operating activity to a financing activity (in thousands):

	As Originally Reported	Effect of Change in Accounting Principle	As Adjusted
2015:			
Consolidated Balance Sheet and Consolidated Statement of Equity as of December 31, 2015:			
Additional paid in capital	\$ 2,458,735	\$ 154	\$ 2,458,889
Retained earnings	\$ 652,858	\$ (154)	\$ 652,704
Consolidated Statement of Cash Flows for the year ended December 31, 2015:			
Amortization of deferred stock compensation	\$ 6,536	\$ 3,159	\$ 9,695
Accrued payroll and employee benefits	\$ (8,165)	\$ 6,105	\$ (2,060)
Net cash provided by operating activities	\$ 300,061	\$ 9,264	\$ 309,325
Repurchase of common stock for employee withholding obligations	\$ —	\$ (9,264)	\$ (9,264)
Net cash used in financing activities	\$ (422,443)	\$ (9,264)	\$ (431,707)
2014:			
Consolidated Statement of Cash Flows for the year ended December 31, 2014:			
Amortization of deferred stock compensation	\$ 6,221	\$ 2,842	\$ 9,063
Accrued payroll and employee benefits	\$ 1,844	\$ 932	\$ 2,776
Net cash provided by operating activities	\$ 278,595	\$ 3,774	\$ 282,369

Explanation of Responses:

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Repurchase of common stock for employee withholding obligations	\$ —	\$ (3,774)	\$ (3,774)
Net cash provided by financing activities	\$ 245,872	\$ (3,774)	\$ 242,098

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU No. 2016-13”), which will replace today’s “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward looking “expected loss” model that generally will result in the earlier recognition of allowances for losses. In addition, entities will have to disclose significantly more information, including information they use to track credit quality by year of origination for most financing receivables. ASU No. 2016-13 is effective during the first quarter of 2020. ASU No. 2016-13 will require a modified retrospective approach, with early adoption permitted during the first quarter of 2019. The Company is currently evaluating the impact that ASU No. 2016-13 will have on its consolidated financial statements.

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In September 2016, the FASB issued Accounting Standards Update No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)” (“ASU No. 2016-15”), which clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. ASU No. 2016-15 addresses certain issues where diversity in practice was identified. It amends existing guidance, which is principles based and often requires judgment to determine the appropriate classification of cash flows as operating, investing or financing activities. In addition, ASU No. 2016-15 clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. ASU No. 2016-15 is effective during the first quarter of 2018, and will generally require a retrospective approach. Early adoption is permitted. The Company does not believe that the adoption of ASU No. 2016-15 will have a material effect on its consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)” (“ASU No. 2016-18”), which will require entities to show the changes in total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related caption in the balance sheet. This reconciliation can be presented either on the face of the statement of cash flows or in the notes to the financial statements. ASU No. 2016-18 is effective in the first quarter of 2018, and will require a retrospective approach. Early adoption in an interim period is permitted, but any adjustments must be reflected as of the beginning of the fiscal year that includes the interim period. The Company is currently evaluating the impact that ASU No. 2016-18 will have on its consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business” (“ASU No. 2017-01”), which changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. Under the new guidance, an entity first determines whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set of transferred assets and activities is not a business. If it is not met, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. ASU No. 2017-01 is effective in the first quarter of 2018, and the guidance is to be applied prospectively. Early adoption is permitted. Once adopted, the Company will be required to analyze future hotel acquisitions to determine if the transaction qualifies as the purchase of a business or an asset. Depending on the Company’s conclusion, ASU No. 2017-01 may have an effect on its consolidated financial statements.

3. Investment in Hotel Properties

Investment in hotel properties, net consisted of the following (in thousands):

	December 31,	
	2016	2015
Land	\$ 531,660	\$ 542,660
Buildings and improvements	3,135,806	3,109,562
Furniture, fixtures and equipment	512,372	480,832
Intangibles	49,015	47,578
Franchise fees	1,021	1,082
Construction in process	65,449	97,974
Investment in hotel properties, gross	4,295,323	4,279,688
Accumulated depreciation and amortization	(1,137,104)	(1,048,836)
Investment in hotel properties, net	\$ 3,158,219	\$ 3,230,852

Acquisitions - 2016

In June 2016, the Company purchased the air rights intangible asset associated with its Renaissance Harborplace for \$2.4 million, including closing costs. The air rights intangible asset, which has an indefinite useful life, and therefore, is not amortized, is included with intangibles in the Company's investment in hotel properties on its consolidated balance sheet. This non-amortizable asset will be reviewed annually for impairment and more frequently if events or circumstances indicate that the asset may be impaired. If the non-amortizable intangible asset is subsequently determined to have a finite useful life, the intangible asset will be written down to the lower of its fair value or carrying amount, and then amortized prospectively, based on the remaining useful life of the intangible asset.

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Acquisitions - 2015

The Company did not acquire any hotel properties or other assets during 2015.

Acquisitions - 2014

In June 2014, the Company acquired approximately seven acres of land underlying the Fairmont Newport Beach for \$11.0 million, using net proceeds from the March 2014 issuance of its common stock in connection with its ATM Agreements (see Note 10), combined with cash on hand. Prior to the Company's acquisition, the land was leased to the Company by a third party.

In July 2014, the Company purchased the 544-room Wailea Beach Resort for a net purchase price of \$325.6 million, which was comprised of \$265.6 million in cash, including \$4.4 million of proration credits and unrestricted and restricted cash received from the seller, and \$60.0 million of the Company's common stock issued directly to the seller (the "Wailea stock consideration"). The acquisition was funded with proceeds received from the Company's June 2014 common stock offering, as well as with the Wailea stock consideration, consisting of 4,034,970 shares of the Company's common stock valued at \$60.0 million. The Wailea stock consideration was determined by dividing \$60.0 million by \$14.87, which was the NYSE closing price of the Company's common stock on June 19, 2014, the date the Wailea Beach Resort purchase and sale agreement was executed. In connection with this acquisition, the Company entered into a registration rights agreement requiring the Company to register the Wailea stock consideration. On July 17, 2014, the Company filed a prospectus supplement with the SEC, which registered the shares comprising the Wailea stock consideration for resale in accordance with the registration rights agreement. Based on the \$14.87 closing price of the Company's common stock on the NYSE on July 17, 2014, the date the acquisition closed, the total purchase price of the Wailea Beach Resort for accounting purposes was also \$325.6 million. The Company recorded the acquisition at fair value using an independent third-party analysis, with the purchase price allocated to investment in hotel properties and hotel working capital assets and liabilities. The Company recognized acquisition-related costs of \$0.5 million during 2014, which are included in corporate overhead on the Company's consolidated statements of operations. The results of operations for the Wailea Beach Resort have been included in the Company's consolidated statements of operations from the acquisition date of July 17, 2014 through the year ended December 31, 2016.

Unaudited Pro Forma Results

Acquired properties are included in the Company's results of operations from the date of acquisition. The following unaudited pro forma results of operations reflect the Company's results as if the acquisitions of the land underlying the Fairmont Newport Beach in June 2014, and the Wailea Beach Resort in July 2014 had occurred on January 1, 2014. In

the Company's opinion, all significant adjustments necessary to reflect the effects of the acquisitions have been made (in thousands, except per share data):

	2014
Revenues	\$ 1,175,367
Income attributable to common stockholders from continuing operations	\$ 74,811
Income per diluted share attributable to common stockholders from continuing operations	\$ 0.39

For the year ended December 31, 2014, the Company included \$27.0 million of revenues, and net income of \$3.5 million in its consolidated statements of operations related to the Company's 2014 hotel acquisition.

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Intangible Assets

Intangible assets included in the Company's investment in hotel properties, net consisted of the following (in thousands):

	December 31,	
	2016	2015
Advanced bookings (1)	\$ 10,621	\$ 10,621
Easement agreement (2)	9,727	9,727
Ground lease/air rights (3)	24,107	21,660
In-place lease agreements (4)	1,616	2,264
Above market lease agreements (5)	94	456
Below market management agreement (6)	2,850	2,850
	49,015	47,578
Accumulated amortization	(13,192)	(10,140)
	\$ 35,823	\$ 37,438

Amortization expense on these intangible assets for the years ended December 31, 2016, 2015 and 2014 consisted of the following (in thousands):

	2016	2015	2014
Advanced bookings (1)	\$ 2,340	\$ 2,340	\$ 1,769
Ground lease/air rights (3)	255	3,794	4,115
In-place lease agreements (4)	697	1,455	830
Above market lease agreements (5)	301	90	83
Below market management agreement (6)	469	469	469
	\$ 4,062	\$ 8,148	\$ 7,266

(1) Advanced bookings as of December 31, 2016 consist of advance deposits related to the purchases of the Boston Park Plaza, the Hyatt Regency San Francisco, and the Wailea Beach Resort. The contractual advanced hotel bookings were recorded at a discounted present value based on estimated collectability, and are amortized using the straight-line method based over the periods the amounts are expected to be collected. The amortization expense for contractual advanced hotel bookings is included in depreciation and amortization expense in the Company's consolidated statements of operations. The amounts will be fully amortized for the Boston Park Plaza, the Hyatt Regency San Francisco and the Wailea Beach Resort by June 2018, December 2017 and July 2018, respectively.

(2) The Easement agreement at the Hilton Times Square was valued at fair value at the date of acquisition. The Hilton Times Square easement agreement has an indefinite useful life, and, therefore, is not amortized. This

non-amortizable intangible asset is reviewed annually for impairment and more frequently if events or circumstances indicate that the asset may be impaired. If a non-amortizable intangible asset is subsequently determined to have a finite useful life, the intangible asset will be written down to the lower of its fair value or carrying amount and then amortized prospectively, based on the remaining useful life of the intangible asset.

- (3) Ground lease/air rights as of December 31, 2016 include a ground lease at the Hilton Times Square and an air rights asset at the Renaissance Harborplace. The ground lease agreement at the Hilton Times Square was valued at fair value at the date of acquisition. The agreement is amortized using the straight-line method over the remaining non-cancelable 74-year lease term as of December 31, 2016. The amortization expense for the agreement is included in property tax, ground lease and insurance expense in the Company's consolidated statements of operations. As noted above in the discussion regarding 2016 acquisitions, during 2016, the Company purchased the air rights intangible asset associated with the Renaissance Harborplace for \$2.4 million, including closing costs. The air rights asset has an indefinite useful life, and therefore, is not amortized. During 2015, the Company wrote off \$81.5 million related to the air lease intangible asset net of accumulated amortization at the Doubletree Guest Suites Times Square due to the Company's December 2015 sale of its interests in the hotel, which reduced the gain recognized on the sale.
- (4) In-place lease agreements as of December 31, 2016 include in-place lease agreements at the Hilton New Orleans St. Charles, the Hilton San Diego Bayfront, the Hyatt Regency San Francisco and the Wailea Beach Resort. The agreements were valued at fair value at the dates of acquisition, and are amortized using the straight-line method over the remaining non-cancelable terms of the related agreements, which range from between approximately two and 30 months as of December 31, 2016. The amortization expense for the agreements is included in depreciation and amortization expense in the Company's consolidated statements of operations. During 2015, the Company wrote off \$2.4 million related to in-place lease intangible assets net of accumulated

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amortization at the Doubletree Guest Suites Times Square due to the Company’s December 2015 sale of its interests in the hotel, which reduced the gain recognized on the sale.

- (5) The above market lease agreements as of December 31, 2016 consist of favorable tenant lease assets at the Hilton New Orleans St. Charles and the Hyatt Regency San Francisco. These agreements were valued at fair value at the dates of acquisition, and are amortized using the straight-line method over the remaining non-cancelable terms of the related agreements, which range from between approximately two and 19 months as of December 31, 2016. The amortization expense for the agreements is included in other operating revenue in the Company’s consolidated statements of operations.

- (6) The below market management agreement at the Hilton Garden Inn Chicago Downtown/Magnificent Mile was valued at fair value at the acquisition date. The agreement is comprised of two components, one for the management of the Hilton Garden Inn Chicago Downtown/Magnificent Mile, and the other for the potential management of a future hotel. The agreement is amortized using the straight-line method over the remaining non-cancelable terms of the two components, approximately seven months and six years each as of December 31, 2016. The amortization expense for the agreement is included in other property-level expenses in the Company’s consolidated statements of operations.

For the next five years, amortization expense for the intangible assets noted above is expected to be as follows (in thousands):

2017	\$ 3,109
2018	\$ 1,739
2019	\$ 382
2020	\$ 347
2021	\$ 347

4. Disposals and Discontinued Operations

Disposals

The Company classified the Fairmont Newport Beach as held for sale as of December 31, 2016, and subsequently sold the hotel in February 2017 (see Note 14). The sale does not represent a strategic shift that will have a major impact on the Company’s business plan or its primary markets, and therefore, the sale of the hotel did not qualify as a

discontinued operation. The Company has classified the assets and liabilities related to the Fairmont Newport Beach as held for sale as follows (in thousands):

	December 31, 2016
Accounts receivable, net	\$ 452
Inventories	126
Prepaid expenses	386
Investment in hotel property, net	77,971
Other assets, net	178
Assets held for sale, net	\$ 79,113
Accounts payable and accrued expenses	\$ 781
Accrued payroll and employee benefits	751
Other current liabilities	1,473
Other liabilities	148
Liabilities of assets held for sale	\$ 3,153

In May 2016, the Company sold the leasehold interest in the 203-room Sheraton Cerritos located in Cerritos, California for net proceeds of \$41.2 million. The Company recognized a net gain on the sale of \$18.2 million. The sale did not represent a strategic shift that had a major impact on the Company's business plan or its primary markets, and therefore, the sale of the hotel did not qualify as a discontinued operation.

In September 2015, the Company sold BuyEfficient for net proceeds of \$26.4 million. The Company recognized a net gain on the sale of \$11.7 million. The sale did not represent a strategic shift that had a major impact on the Company's business plan or its primary markets, and therefore, the sale of BuyEfficient did not qualify as a discontinued operation. Coterminous with the sale of BuyEfficient, the Company wrote off \$8.4 million of goodwill, along with net intangible assets of \$6.2 million related to certain trademarks, customer and supplier relationships and intellectual property related to internally developed software, both of which reduced the Company's gain on the sale of BuyEfficient.

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In December 2015, the Company sold its interests in the 468-room Doubletree Guest Suites Times Square located in New York City, New York for net proceeds of \$522.7 million. The Company recognized a net gain on the sale of \$214.5 million. The sale did not represent a strategic shift that had a major impact on the Company's business plan or its primary markets, and therefore, the sale of the hotel did not qualify as a discontinued operation. Concurrent with the sale, the Company wrote off \$83.9 million of net intangible assets (see Note 3), which reduced the Company's gain on the sale. In addition, the Company repaid the remaining \$175.0 million balance of the mortgage secured by the hotel, and wrote off \$1.7 million in related deferred financing fees (see Note 7).

The following table provides summary results of operations for the Sheraton Cerritos, BuyEfficient and the Doubletree Guest Suites Times Square, which are included in continuing operations (in thousands):

	2016	2015	2014
Total revenues	\$ 4,846	\$ 84,114	\$ 89,476
Income before income taxes and discontinued operations (1)	\$ 876	\$ 4,973	\$ 9,625
Gain on sale of assets	\$ 18,223	\$ 226,217	\$ —

(1) Income before income taxes and discontinued operations for the year ended December 31, 2015 includes \$1.6 million in severance costs related to the Company's sale of BuyEfficient. These costs are included in other property-level expenses on the Company's statement of operations. Income before income taxes and discontinued operations does not include the gain recognized on the sales of the Sheraton Cerritos, BuyEfficient and the Doubletree Guest Suites Times Square.

Discontinued Operations

The following table sets forth the discontinued operations for the years ended December 31, 2016, 2015 and 2014 for the four-hotel, 1,222-room portfolio (the "Rochester Hotels") and a commercial laundry facility (together with the Rochester Hotels, the "Rochester Portfolio") in Rochester, Minnesota, which the Company sold in 2013, as well as the expense recognized in 2014 for the hotels sold in 2004, 2005, 2010 and 2013 (in thousands):

	2016	2015	2014
Operating expenses	\$ —	\$ —	\$ (350)
Income tax provision	—	(105)	—
Gain on sale of hotels and other assets, net	—	16,000	5,199
Income from discontinued operations, net of tax	\$ —	\$ 15,895	\$ 4,849

In January 2013, the Company sold the Rochester Portfolio to an unaffiliated third party. The Company reclassified the Rochester Portfolio's results of operations for January 2013 to discontinued operations, net of tax on its

consolidated statements of operations.

Upon sale of the Rochester Hotels in January 2013, the Company retained a \$25.0 million preferred equity investment (the "Preferred Equity Investment") in the Rochester Hotels, and provided the buyer of the Rochester Portfolio with a \$3.7 million working capital loan, resulting in a \$28.7 million deferred gain on the sale. The gain was to be deferred until the Preferred Equity Investment was either redeemed or sold and the working capital loan was repaid. Both the Preferred Equity Investment and the working capital loan were carried net of deferred gains, resulting in zero balances on the Company's balance sheet.

In July 2015, the Company sold the Preferred Equity Investment and settled the working capital loan for an aggregate payment of \$16.0 million, plus accrued interest. In accordance with the Real Estate Subtopic of the FASB ASC, the Company recognized a \$16.0 million gain on the sale of the Rochester Portfolio, along with related income tax expense of \$0.1 million, in discontinued operations, net of tax during the year ended December 31, 2015, as these additional sales proceeds could not be recognized until realized.

At the time the Company sold the Rochester Portfolio, the Company retained a liability not to exceed \$14.0 million related to the Rochester Portfolio's pension plan, which could be triggered in certain circumstances, including termination of the pension plan. The recognition of the \$14.0 million pension plan liability reduced the Company's gain on the sale of the Rochester Portfolio. In May 2014, the Company was released from \$7.0 million of its pension plan liability, causing the Company to recognize additional gain on the sale of the Rochester Portfolio of \$7.0 million, which is included in discontinued operations, net of tax for the year ended December 31, 2014. The pension plan liability totals \$7.0 million as of both December 31, 2016 and 2015, and is included in other liabilities on the Company's consolidated balance sheets. The remaining \$7.0 million gain will be recognized, if at all, when and to the extent the Company is released from any potential liability related to the Rochester Portfolio's pension plan.

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In accordance with the Contingencies Topic of the FASB ASC, which requires a liability be recorded based on the Company's estimate of the probable cost of the resolution of a contingency, the Company accrued \$0.3 million when it sold the Rochester Portfolio in January 2013 related to potential future costs for certain capital expenditures at one of the hotels in the Rochester Portfolio. During 2014, the Company accrued an additional \$1.8 million in accordance with the Contingencies Topic of the FASB ASC, which is included in discontinued operations, net of tax for the year ended December 31, 2014. The contingency was paid in full by the end of the first quarter of 2015.

In December 2014, the Company recorded additional expense of \$0.4 million related to workers' compensation claims which originated during the Company's periods of ownership at several hotels. The Company sold these hotels during 2004, 2005, 2010 and 2013.

5. Fair Value Measurements and Interest Rate Derivatives

Fair Value Measurements

As of December 31, 2016 and 2015, the carrying amount of certain financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued expenses were representative of their fair values due to the short-term maturity of these instruments.

The Company follows the requirements of the Fair Value Measurements and Disclosures Topic of the FASB ASC, which establishes a framework for measuring fair value and disclosing fair value measurements by establishing a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the asset or the liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

As of December 31, 2016 and 2015, the only financial instruments that the Company measures at fair value are its interest rate derivatives, along with a life insurance policy and a related retirement benefit agreement. In accordance with the Fair Value Measurement and Disclosure Topic of the FASB ASC, the Company estimates the fair value of its interest rate derivatives using Level 2 measurements based on quotes obtained from the counterparties, which are based upon the consideration that would be required to terminate the agreements. Both the life insurance policy and the related retirement benefit agreement, which are for a former Company associate, are valued using Level 2 measurements.

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The following table presents the Company's assets measured at fair value on a recurring and non-recurring basis at December 31, 2016 and 2015 (in thousands):

	Total	Fair Value Measurements at Reporting Date		
		Level 1	Level 2	Level 3
December 31, 2016:				
Interest rate cap derivative	\$ —	\$ —	\$ —	\$ —
Interest rate swap derivatives	1,749	—	1,749	—
Life insurance policy (1)	861	—	861	—
Total assets measured at fair value at December 31, 2016	\$ 2,610	\$ —	\$ 2,610	\$ —
December 31, 2015:				
Interest rate cap derivative	\$ 1	\$ —	\$ 1	\$ —
Interest rate swap derivative	759	—	759	—
Life insurance policy (1)	964	—	964	—
Total assets measured at fair value at December 31, 2015	\$ 1,724	\$ —	\$ 1,724	\$ —

(1) Includes the split life insurance policy for a former Company associate. These amounts are included in other assets, net on the accompanying consolidated balance sheets, and will be used to reimburse the Company for payments made to the former associate from the related retirement benefit agreement, which is included in accrued payroll and employee benefits on the accompanying consolidated balance sheets.

The following table presents the Company's liabilities measured at fair value on a recurring and non-recurring basis at December 31, 2016 and 2015 (in thousands):

	Total	Fair Value Measurements at Reporting Date		
		Level 1	Level 2	Level 3
December 31, 2016:				
Retirement benefit agreement (1)	\$ 861	\$ —	\$ 861	\$ —
Total liabilities measured at fair value at December 31, 2016	\$ 861	\$ —	\$ 861	\$ —
December 31, 2015:				
Interest rate swap derivative	\$ 437	\$ —	\$ 437	\$ —
Retirement benefit agreement (1)	964	—	964	—
Total liabilities measured at fair value at December 31, 2015	\$ 1,401	\$ —	\$ 1,401	\$ —

(1) Includes the retirement benefit agreement for a former Company associate. The agreement calls for the balance of the retirement benefit agreement to be paid out to the former associate in ten annual installments, beginning in 2011. As such, the Company has paid the former associate a total of \$1.2 million through December 31, 2016,

which was reimbursed to the Company using funds from the related split life insurance policy noted above. These amounts are included in accrued payroll and employee benefits in the accompanying consolidated balance sheets.

Interest Rate Derivatives

The Company's interest rate derivatives consisted of the following at December 31, 2016 and 2015 (dollars in thousands):

Hedged Debt	Type	Strike / Capped		Effective Date	Maturity Date	Notional Amount	Estimated Fair Value (Liability)		Asset
		Rate	Index				December 31, 2016	2015	
Hilton San Diego Bayfront (1)	Cap	4.250%	1-Month LIBOR	April 15, 2015	May 1, 2017	\$ 111,301	\$ —	\$ 1	
\$85.0 million term loan (2)	Swap	3.391%	1-Month LIBOR	October 29, 2015	September 2, 2022	\$ 85,000	\$ 1,336	\$ 759	
\$100.0 million term loan (3)	Swap	3.653%	1-Month LIBOR	January 29, 2016	January 31, 2023	\$ 100,000	\$ 413	\$ (437)	
							\$ 1,749	\$ 323	

- (1) The fair value of the Hilton San Diego Bayfront cap agreement is included in other assets, net on the accompanying consolidated balance sheets as of both December 31, 2016 and 2015.
- (2) The fair value of the \$85.0 million term loan swap agreement is included in other assets, net on the accompanying consolidated balance sheets as of both December 31, 2016 and 2015. The 1-month LIBOR rate was swapped to a fixed rate of 1.591%.

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- (3) The fair value of the \$100.0 million term loan swap agreement is included in other assets, net and other liabilities on the accompanying consolidated balance sheets as of December 31, 2016 and 2015, respectively. The 1-month LIBOR rate was swapped to a fixed rate of 1.853%.

Changes in the fair values of the Company's interest rate derivatives resulted in decreases to interest expense for the years ended December 31, 2016, 2015 and 2014 as follows (in thousands):

	2016	2015	2014
Gain on derivatives, net	\$ (1,426)	\$ (309)	\$ (529)

Fair Value of Debt

As of December 31, 2016 and 2015, 76.2% and 79.5%, respectively, of the Company's outstanding debt had fixed interest rates, including the effects of interest rate swap agreements. The Company's principal value of its consolidated debt totaled \$0.9 billion and \$1.1 billion as of December 31, 2016 and 2015, respectively. Using Level 3 measurements, the Company estimates that the fair market value of its debt totaled \$0.9 billion and \$1.1 billion as of December 31, 2016 and 2015, respectively.

6. Other Assets

Other assets, net consisted of the following (in thousands):

	December 31,	
	2016	2015
Property and equipment, net	\$ 779	\$ 1,341
Land held for development	—	188
Goodwill	990	990
Deferred expense on straight-lined third-party tenant leases	2,876	3,336
Interest rate derivatives	1,749	760
Other receivables	1,673	2,201
Other	1,322	1,570
Total other assets, net	\$ 9,389	\$ 10,386

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As of December 31, 2016 and 2015, the property and equipment, net noted above consisted of the following (in thousands):

	2016	2015
Cost basis	\$ 10,807	\$ 10,785
Accumulated depreciation	(10,028)	(9,444)
Property and equipment, net	\$ 779	\$ 1,341

In December 2016, the Company sold its land held for development for gross proceeds of \$0.4 million, and recognized a net gain on the sale of \$0.2 million.

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7. Notes Payable

Notes payable consisted of the following at December 31 (in thousands):

	2016	2015
Notes payable requiring payments of interest and principal, with fixed rates ranging from 4.12% to 5.95%; maturing at dates ranging from April 2017 through January 2025. The notes are collateralized by first deeds of trust on five hotel properties at December 31, 2016, and eight hotel properties at December 31, 2015.	\$ 528,604	\$ 791,073
Note payable requiring payments of interest and principal, bearing a blended rate of one-month LIBOR plus 225 basis points; maturing in August 2019. The note is collateralized by a first deed of trust on one hotel property.	222,340	225,407
Unsecured term loan requiring payments of interest only, with a blended interest rate based on a pricing grid with a range of 180 to 255 basis points over LIBOR, depending on the Company's leverage ratios. LIBOR has been swapped to a fixed rate of 1.591%, resulting in an effective interest rate of 3.391% based on the Company's current leverage. Matures in September 2022.	85,000	85,000
Unsecured term loan requiring payments of interest only, with a blended interest rate based on a pricing grid with a range of 180 to 255 basis points over LIBOR, depending on the Company's leverage ratios. LIBOR has been swapped to a fixed rate of 1.853%, resulting in an effective interest rate of 3.653% based on the Company's current leverage. Matures in January 2023.	100,000	—
Total notes payable	\$ 935,944	\$ 1,101,480
Current portion of notes payable	\$ 186,034	\$ 86,840
Less: current portion of deferred financing fees	(1,105)	(1,064)
Carrying value of current portion of notes payable	\$ 184,929	\$ 85,776
Notes payable, less current portion	\$ 749,910	\$ 1,014,640
Less: long-term portion of deferred financing fees	(3,536)	(3,821)
Carrying value of notes payable, less current portion	\$ 746,374	\$ 1,010,819

Aggregate future principal maturities and amortization of notes payable at December 31, 2016, are as follows (in thousands):

2017	\$ 186,034
2018	11,006
2019	223,880
2020	84,137
2021	111,247

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Thereafter	319,640
Total	\$ 935,944

Notes Payable Transactions - 2016

In January 2016, the Company drew the available funds of \$100.0 million under an unsecured term loan agreement, and used the proceeds in February 2016, combined with cash on hand, to repay the \$114.2 million loan secured by the Boston Park Plaza. The Boston Park Plaza loan was scheduled to mature in February 2018, and was available to be repaid without penalty in February 2016. The \$100.0 million unsecured term loan matures in January 2023, and bears interest based on a pricing grid with a range of 180 to 255 basis points over LIBOR, depending on the Company's leverage ratios. The Company entered into a forward swap agreement in December 2015 that fixed the LIBOR rate at 1.853% for the duration of the \$100.0 million term loan (see Note 5). Based on the Company's current leverage and the swap in place, the loan bears interest at an effective rate of 3.653%.

In May 2016, the Company repaid \$72.6 million of debt secured by the Renaissance Orlando at SeaWorld®, using proceeds received from its issuance of Series F Cumulative Redeemable Preferred Stock ("Series F preferred stock") in May 2016 (see Note 10). The Renaissance Orlando at SeaWorld® loan was scheduled to mature in July 2016, and was available to be repaid without penalty in May 2016.

In December 2016, the Company repaid \$66.1 million of debt secured by the Embassy Suites Chicago, using cash on hand. The Embassy Suites Chicago loan was scheduled to mature in March 2017, and was available to be repaid without penalty at the end of December 2016.

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Notes Payable Transactions – 2015

In April 2015, the Company entered into a \$400.0 million senior unsecured credit facility, which replaced its prior \$150.0 million senior unsecured credit facility. The credit facility's interest rate is based on a pricing grid with a range of 155 to 230 basis points over LIBOR, depending on the Company's leverage ratios, and represents a decline in pricing from the prior credit facility of approximately 30 to 60 basis points. The initial term of the credit facility is four years, expiring in April 2019, with an option to extend for an additional one year subject to the satisfaction of certain customary conditions. The credit facility also includes an accordion option, which allows the Company to request additional lender commitments for up to a total capacity of \$800.0 million. As of December 31, 2016, the Company has no outstanding amounts due under its credit facility.

In May 2015, the Company repaid \$99.1 million of debt secured by four of its hotels, the Marriott Houston, the Marriott Park City, the Marriott Philadelphia and the Marriott Tysons Corner.

In October 2015, the Company drew down \$85.0 million in funds available from a term loan supplement agreement under its credit facility and used the proceeds, combined with cash on hand, to repay the \$85.9 million loan secured by the Renaissance Harborplace, which loan was scheduled to mature in January 2016. The \$85.0 million unsecured term loan matures in September 2022, and bears interest based on a pricing grid with a range of 180 to 255 basis points over LIBOR, depending on the Company's leverage ratios. Additionally, the Company entered into a swap agreement effective October 29, 2015, fixing the LIBOR rate at 1.591% for the duration of the \$85.0 million term loan (see Note 5). Based on the Company's current leverage, the loan reflects a fixed rate of 3.391%.

In December 2015, the Company repaid the \$30.7 million loan secured by the Hilton North Hilton, which loan was scheduled to mature in March 2016. The Company funded the repayment of the loan using cash on hand.

Additionally, in December 2015, the Company repaid the remaining \$175.0 million balance of the loan secured by the Doubletree Guest Suites Times Square concurrent with the sale of the hotel (see Note 4).

Deferred Financing Fees and Losses on Extinguishment of Debt

Deferred financing fees and losses on extinguishment of debt for the years ended December 31, 2016, 2015 and 2014 were as follows (in thousands):

Explanation of Responses:

	2016	2015	2014
	(1)	(2)	(3)
Payments of deferred financing costs	\$ 1,759	\$ 5,861	\$ 2,346
Accelerated amortization of deferred financing fees	\$ —	\$ 455	\$ —
Loss on extinguishment of debt	\$ 284	\$ 2,964	\$ 4,638

- (1) During the year ended December 31, 2016, the Company paid a total of \$1.8 million in deferred financing fees related to its new \$100.0 million unsecured term loan, its credit facility and its senior unsecured notes (see Note 14). In addition, during 2016, the Company incurred a loss on extinguishment of debt totaling \$0.3 million related to its 2016 debt repayments.
- (2) During the year ended December 31, 2015, the Company paid a total of \$5.9 million in deferred financing fees related to its new credit facility and two new term loan agreements, as well as its new loans entered into in December 2014 secured by the Embassy Suites La Jolla and the JW Marriott New Orleans. In addition, during 2015, the Company wrote off \$0.5 million in deferred financing fees related to its prior credit facility, and incurred a total of \$3.0 million in losses on extinguishment of debt related to its 2015 debt repayments.
- (3) During the year ended December 31, 2014, the Company paid additional deferred financing fees of \$2.3 million related to its amendment of the mortgage secured by the Hilton San Diego Bayfront, as well as the refinancing of the mortgages secured by the JW Marriott New Orleans and the Embassy Suites La Jolla. In addition, the Company incurred a total of \$4.6 million in losses on the extinguishment of debt related to its amendment of the Hilton San Diego Bayfront loan, along its 2014 debt repayments.

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Interest Expense

Total interest incurred and expensed on the notes payable for the years ended December 31, 2016, 2015 and 2014 was as follows (in thousands):

	2016	2015	2014
Interest expense on debt and capital lease obligations	\$ 49,509	\$ 63,677	\$ 70,067
Gain on derivatives, net	(1,426)	(309)	(529)
Amortization of deferred financing fees	2,200	3,148	2,777
Total interest expense	\$ 50,283	\$ 66,516	\$ 72,315

8. Other Current Liabilities and Other Liabilities

Other Current Liabilities

Other current liabilities consisted of the following (in thousands):

	December 31,	
	2016	2015
Property, sales and use taxes payable	\$ 16,965	\$ 17,988
Income tax payable	211	470
Accrued interest	1,996	3,012
Advance deposits	14,505	12,727
Management fees payable	1,645	3,001
Other	4,547	4,976
Total other current liabilities	\$ 39,869	\$ 42,174

Other Liabilities

Other liabilities consisted of the following (in thousands):

Explanation of Responses:

	December 31,	
	2016	2015
Deferred gain on sale of asset	\$ 7,000	\$ 7,000
Interest rate swap derivatives	—	437
Accrued income tax	—	1,596
Deferred revenue	6,045	5,881
Deferred rent	19,807	17,191
Other	3,798	4,184
Total other liabilities	\$ 36,650	\$ 36,289

As part of the Company's ongoing evaluations of its uncertain tax positions, in 2016, the Company reversed a \$1.5 million income tax accrual that it previously recorded during 2013, plus \$0.1 million in accrued interest, related to the 2012 tax year. The reversal was due to the expiration of the statute of limitations for the 2012 tax year.

9. Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. As a REIT, the Company generally will not be subject to corporate level federal income taxes on net income it distributes to its stockholders. The Company may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed taxable income. The Company may also be subject to federal and/or state income taxes when using net operating loss carryforwards to offset current taxable income.

The Company leases its hotels to the TRS Lessee and its subsidiaries, which are subject to federal and state income taxes. The Company accounts for income taxes in accordance with the provisions of the Income Taxes Topic of the FASB ASC, which requires the Company to account for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between GAAP carrying amounts and their respective tax bases.

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During 2016, the Company reversed a \$1.5 million income tax accrual that it had previously recorded during 2013, plus \$0.1 million in accrued interest, through the 2016 tax year. The reversal was due to the expiration of the statute of limitations for the 2012 tax year. This income tax benefit was partially offset as the Company recognized combined federal and state income tax expense of \$1.0 million based on 2016 projected taxable income net of operating loss carryforwards for its taxable entities.

During 2015, the Company recognized combined federal and state income tax expense of \$0.7 million related to its sale of BuyEfficient, and \$0.7 million based on 2015 projected taxable income net of operating loss carryforwards for its taxable entities. In addition, upon the sale of the Preferred Equity Investment and settlement of the working capital loan associated with the Rochester Portfolio (see Note 4), the Company recorded \$0.1 million in income tax expense, which is included in discontinued operations, net of tax in the Company's consolidated statements of operations.

During 2014, the Company recognized a combined federal and state income tax provision of \$0.2 million based on a 2013 actual tax benefit of \$0.6 million, partially offset by a 2014 projected tax provision net of operating loss carryforwards of \$0.8 million for its taxable entities.

The Company recognizes penalties and interest related to unrecognized tax benefits in income tax expense. During 2016, 2015 and 2014, the Company recognized \$42,000, \$55,000 and \$50,000 in interest expense related to its tax provisions, respectively.

The income tax (benefit) provision for the Company is included in the consolidated financial statements as follows (in thousands):

	2016	2015	2014
Current:			
Federal	\$ (1,379)	\$ 760	\$ 255
State	763	779	(76)
Total current income tax (benefit) provision	\$ (616)	\$ 1,539	\$ 179
Deferred:			
Federal	\$ (3,797)	\$ (4,856)	\$ (2,341)
State	(1,638)	(1,254)	(598)
Change in valuation allowance	5,435	6,110	2,939
Total deferred income tax provision	\$ —	\$ —	\$ —

The tax effects of temporary differences giving rise to the deferred tax assets are as follows (in thousands):

	December 31,	
	2016	2015
NOL carryover	\$ 10,270	\$ 14,977
Other reserves	1,945	2,005
State taxes and other	2,351	3,157
Depreciation	702	564
Deferred tax asset before valuation allowance	15,268	20,703
Valuation allowance	(15,268)	(20,703)
Deferred tax asset net of valuation allowance	\$ —	\$ —

The Company has provided a valuation allowance against its net deferred tax asset at December 31, 2016 and 2015. The valuation allowance is due to the uncertainty of realizing the Company's historical operating losses. Accordingly, no provision or benefit for deferred income taxes related to the Company is reflected in the accompanying consolidated statements of operations.

At December 31, 2016 and 2015, the net operating loss carryforwards for federal income tax purposes totaled approximately \$27.1 million and \$38.1 million, respectively. These losses, which begin to expire in 2031, are available to offset future income through 2032.

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Characterization of Distributions

For income tax purposes, distributions paid consist of ordinary income, capital gains, return of capital or a combination thereof. For the years ended December 31, 2016, 2015 and 2014, distributions paid per share were characterized as follows (unaudited):

	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
Common Stock:						
Ordinary income	\$ 0.609	89.62%	\$ 0.661	46.86%	\$ 0.510	100%
Capital gain	0.071	10.38	0.749	53.14	—	—
Return of capital	—	—	—	—	—	—
Total	\$ 0.680	100%	\$ 1.410	100%	\$ 0.510	100%
Preferred Stock — Series D						
Ordinary income	\$ 0.473	89.62%	\$ 0.937	46.86%	\$ 2.000	100%
Capital gain	0.055	10.38	1.063	53.14	—	—
Return of capital	—	—	—	—	—	—
Total	\$ 0.528	100%	\$ 2.000	100%	\$ 2.000	100%
Preferred Stock — Series E						
Ordinary income	\$ 1.259	89.62%	\$ —	—%	\$ —	—%
Capital gain	0.146	10.38	—	—	—	—
Return of capital	—	—	—	—	—	—
Total	\$ 1.405	100%	\$ —	—%	\$ —	—%
Preferred Stock — Series F						
Ordinary income	\$ 0.903	89.62%	\$ —	—%	\$ —	—%
Capital gain	0.105	10.38	—	—	—	—
Return of capital	—	—	—	—	—	—
Total	\$ 1.008	100%	\$ —	—%	\$ —	—%

10. Stockholders' Equity

Series D Cumulative Redeemable Preferred Stock

In April 2016, the Company redeemed all 4,600,000 shares of its Series D preferred stock at a redemption price of \$25.00 per share, plus accrued and unpaid dividends up to, but not including, the redemption date. In accordance with the FASB's Emerging Issues Task Force Topic D-42, an additional redemption charge of \$4.1 million was recognized related to the original issuance costs of the Series D preferred stock, which were previously included in additional paid in capital. After the redemption date, the Company has no outstanding shares of Series D preferred stock, and all rights of the holders of such shares were terminated. Because the redemption of the Series D preferred stock was a redemption in full, trading of the Series D preferred stock on the New York Stock Exchange ceased on the April 6, 2016 redemption date.

Series E Cumulative Redeemable Preferred Stock

In March 2016, the Company issued 4,600,000 shares of its Series E preferred stock with a liquidation preference of \$25.00 per share for gross proceeds of \$115.0 million. In conjunction with the offering, the Company incurred \$4.0 million in preferred offering costs. On or after March 11, 2021, the Series E preferred stock will be redeemable at the Company's option, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus accrued and unpaid dividends up to, but not including, the redemption date.

Series F Cumulative Redeemable Preferred Stock

In May 2016, the Company issued 3,000,000 shares of its Series F preferred stock with a liquidation preference of \$25.00 per share for gross proceeds of \$75.0 million. In conjunction with the offering, the Company incurred \$2.6 million in preferred offering costs. On or after May 17, 2021, the Series F preferred stock will be redeemable at the Company's option, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus accrued and unpaid dividends up to, but not including, the redemption date.

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Common Stock

In February 2014, the Company entered into separate “At the Market” Agreements (the “ATM Agreements”) with Wells Fargo Securities, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Managers”). Under the terms of the ATM Agreements, the Company may issue and sell from time to time through or to the Managers, as sales agents and/or principals, shares of the Company’s common stock having an aggregate offering amount of up to \$150.0 million. During 2016, the Company received \$54.2 million in net proceeds from the issuance of 3,564,047 shares of its common stock in connection with the ATM Agreements. The Company did not issue any shares of its common stock in connection with the ATM Agreements during 2015. During 2014, the Company received \$21.0 million in net proceeds from the issuance of 1,352,703 shares of its common stock in connection with the ATM Agreements. As of December 31, 2016, the Company has \$73.3 million available for sale under the ATM Agreements.

In June 2014, the Company issued 18,000,000 shares of its common stock in an underwritten public offering for net proceeds of approximately \$262.5 million, which were used to acquire the Wailea Beach Resort in July 2014.

In July 2014, the Company issued 4,034,970 shares of its common stock valued at \$60.0 million directly to the seller of the Wailea Beach Resort in connection with the Company’s acquisition of the hotel (see Note 3).

Dividends

The Company declared dividends per share on its Series D preferred stock, Series E preferred stock, Series F preferred stock and common stock during 2016, 2015 and 2014 as follows:

	2016	2015	2014
Series D preferred stock	\$ 0.527778	\$ 2.00	\$ 2.00
Series E preferred stock	1.404450	—	—
Series F preferred stock	1.007850	—	—
Common stock (1)	0.680000	1.41	0.51
	\$ 3.620078	\$ 3.41	\$ 2.51

(1) Common stock dividends include a \$1.26 dividend and a \$0.36 dividend declared during the fourth quarters of 2015 and 2014, respectively, both of which are comprised of a combination of cash and shares of the Company’s common stock, pursuant to elections by individual stockholders.

11. Long-Term Incentive Plan

Explanation of Responses:

Stock Grants

The Company's Long-Term Incentive Plan ("LTIP") provides for the granting to directors, officers and eligible employees incentive or nonqualified share options, restricted shares, deferred shares, share purchase rights and share appreciation rights in tandem with options, or any combination thereof. The Company has reserved 12,050,000 common shares for issuance under the LTIP, and 5,445,554 shares remain available for future issuance as of December 31, 2016.

Restricted shares granted pursuant to the Company's LTIP generally vest over periods from three to five years from the date of grant.

Compensation expense related to awards of restricted shares are measured at fair value on the date of grant and amortized over the relevant requisite service period or derived service period.

As discussed in Note 2, the Company chose to early adopt ASU No. 2016-09 effective January 1, 2016. Upon adoption of ASU No. 2016-09, the Company elected to account for forfeitures as they occur. The Company's compensation expense and forfeitures related to restricted shares for the years ended December 31, 2016, 2015 and 2014 were as follows (in thousands):

	2016	2015	2014
Amortization expense, including forfeitures	\$ 7,157	\$ 9,695	\$ 9,063

In January 2015, the Company recognized a total of \$2.5 million in stock compensation and amortization expense related to the departure of its former Chief Executive Officer.

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In addition, the Company capitalizes compensation costs related to all restricted shares granted to certain of those employees who work on the design and construction of its hotels. During both 2016 and 2015, these capitalized costs totaled \$0.6 million. During 2014, these capitalized costs totaled \$0.5 million.

The following is a summary of non-vested stock grant activity:

	2016	Weighted Average Price	2015	Weighted Average Price	2014	Weighted Average Price
	Shares		Shares		Shares	
Outstanding at beginning of year	986,345	\$ 14.33	1,883,296	\$ 11.24	2,009,412	\$ 10.23
Granted	816,880	\$ 12.33	499,787	\$ 17.33	691,182	\$ 13.48
Vested	(605,641)	\$ 13.39	(1,225,443)	\$ 10.75	(799,845)	\$ 10.61
Forfeited	(101,676)	\$ 14.32	(171,295)	\$ 14.76	(17,453)	\$ 11.90
Outstanding at end of year	1,095,908	\$ 13.36	986,345	\$ 14.33	1,883,296	\$ 11.24

At December 31, 2016, there were no deferred shares, share purchase rights, or share appreciation rights issued or outstanding under the LTIP.

Stock Options

In April 2008, the Compensation Committee of the Company's board of directors approved a grant of 200,000 non-qualified stock options (the "Options") to a former Company associate. The Options fully vested in April 2009, and will expire in April 2018. The exercise price of the Options is \$17.71 per share.

12. Commitments and Contingencies

Management Agreements

Management agreements with the Company's third-party hotel managers require the Company to pay between 2.0% and 3.5% of total revenue of the managed hotels to the third-party managers each month as a basic management fee. In addition to basic management fees, provided that certain operating thresholds are met, the Company may also be

Explanation of Responses:

required to pay incentive management fees to certain of its third-party managers. Total basic management fees, net of key money incentives received from third-party hotel managers, along with incentive management fees incurred by the Company during the years ended December 31, 2016, 2015 and 2014 were included in the Company's consolidated statements of operations as follows (in thousands):

	2016	2015	2014
Basic management fees	\$ 33,109	\$ 34,426	\$ 31,485
Incentive management fees	6,071	5,020	4,034
Total basic and incentive management fees	\$ 39,180	\$ 39,446	\$ 35,519

License and Franchise Agreements

The Company has entered into license and franchise agreements related to certain of its hotel properties. The license and franchise agreements require the Company to, among other things, pay monthly fees that are calculated based on specified percentages of certain revenues. The license and franchise agreements generally contain specific standards for, and restrictions and limitations on, the operation and maintenance of the hotels which are established by the franchisors to maintain uniformity in the system created by each such franchisor. Such standards generally regulate the appearance of the hotel, quality and type of goods and services offered, signage and protection of trademarks. Compliance with such standards may from time to time require the Company to make significant expenditures for capital improvements.

Total license and franchise fees incurred by the Company during the years ended December 31, 2016, 2015 and 2014 were included in the Company's consolidated statements of operations as follows (in thousands):

	2016	2015	2014
Franchise assessments (1)	\$ 26,399	\$ 28,193	\$ 26,689
Franchise royalties	10,248	11,903	11,582
Total franchise costs	\$ 36,647	\$ 40,096	\$ 38,271

-
- (1) Includes advertising, reservation and frequent guest club assessments.

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Renovation and Construction Commitments

At December 31, 2016, the Company had various contracts outstanding with third parties in connection with the renovation and repositioning of certain of its hotel properties. The remaining commitments under these contracts at December 31, 2016 totaled \$38.0 million.

Capital Leases

The Hyatt Centric Chicago Magnificent Mile is subject to a building lease which expires in December 2097. Upon acquisition of the hotel in June 2012, the Company evaluated the terms of the lease agreement and determined the lease to be a capital lease pursuant to the Leases Topic of the FASB ASC.

The capital lease asset was included in investment in hotel properties, net on the Company's consolidated balance sheets as follows (in thousands):

	December 31,	
	2016	2015
Gross capital lease asset - buildings and improvements	\$ 58,799	\$ 58,799
Accumulated depreciation	(6,738)	(5,268)
Net capital lease asset - buildings and improvements	\$ 52,061	\$ 53,531

Future minimum lease payments under for the Company's capital lease together with the present value of the net minimum lease payments as of December 31, 2016 are as follows (in thousands):

2017	\$ 1,403
2018	1,403
2019	1,403
2020	1,403
2021	1,403
Thereafter	106,607
Total minimum lease payments (1)	113,622
Less: Amount representing interest (2)	(98,047)

Present value of net minimum lease payments (3) \$ 15,575

- (1) Minimum lease payments do not include percentage rent, which may be paid under the Hyatt Centric Chicago Magnificent Mile building lease on the basis of 4.0% of the hotel's gross room revenues over a certain threshold. The Company recorded \$0.1 million in percentage rent during both 2016 and 2015, and zero in percentage rent during 2014.

- (2) Interest includes the amount necessary to reduce net minimum lease payments to present value calculated at the Company's incremental borrowing rate at lease inception.

- (3) The present value of net minimum lease payments are reflected in the Company's consolidated balance sheet as of December 31, 2016 as a current obligation of \$1,000, which is included in accounts payable and accrued expenses, and as a long-term obligation of \$15.6 million, which is included in capital lease obligations, less current portion.

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Ground, Building and Air Leases

During 2016, 2015 and 2014, certain of the Company's hotels were obligated to unaffiliated third parties under the terms of ground, building and air leases as follows:

	2016	2015	2014
Number of hotels with ground, building and/or air leases (1)	6	8	9
Number of ground leases (1)	6	7	8
Number of building leases (2)	1	1	1
Number of air leases (1)	1	2	3
Total number of ground, building and air leases	8	10	12

(1) Both 2015 and 2014 include a ground lease related to the Sheraton Cerritos, which the Company sold in May 2016, as well as an air rights lease at the Renaissance Harborplace, which air rights the Company purchased in June 2016. 2014 includes ground and air leases related to the Doubletree Guest Suites Times Square, which the Company sold in December 2015.

(2) The building lease is considered by the Company to be a capital lease, as noted above.

At December 31, 2016, the ground, building and air lease agreements mature in dates ranging from 2044 through 2097, excluding renewal options. Total rent expense incurred pursuant to ground, building and air lease agreements for the years ended December 31, 2016, 2015 and 2014 was included in property tax, ground lease and insurance in the Company's consolidated statements of operations as follows (in thousands):

	2016	2015	2014
Minimum rent, including straight-line adjustments	\$ 9,140	\$ 14,484	\$ 14,999
Percentage rent (1)	9,394	3,256	2,718
Total	\$ 18,534	\$ 17,740	\$ 17,717

(1) Several of the Company's hotels pay percentage rent, which is calculated on operating revenues above certain thresholds.

At December 31, 2016, the Company was obligated to an unaffiliated party under the terms of a sublease on the corporate facility, which matures in 2018. Rent expense incurred pursuant to leases on the corporate facility, which is included in corporate overhead expense, totaled \$0.2 million, \$0.3 million and \$0.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Future minimum payments under the terms of the ground and air leases, as well as the sublease on the corporate facility, in effect at December 31, 2016 are as follows (in thousands):

2017	\$ 10,184
2018	10,143
2019	10,012
2020	10,029
2021	10,030
Thereafter	309,647
Total	\$ 360,045

Employment Agreements

As of December 31, 2016, the Company had employment agreements with certain executive employees, which expire in either March 2017 or March 2018. The terms of the agreements stipulate payments of base salaries and bonuses. The Company's approximate minimum future obligations under employment agreements through their expiration dates totaled \$1.3 million as of December 31, 2016.

401(k) Savings and Retirement Plan

The Company's employees may participate, subject to eligibility, in the Company's 401(k) Savings and Retirement Plan (the "401(k) Plan"). Qualified employees are eligible to participate in the 401(k) Plan after attaining 21 years of age and after the first of the month following the completion of six calendar months of employment. Three percent of eligible employee annual base earnings

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are contributed by the Company as a Safe Harbor elective contribution. Safe Harbor contributions made by the Company totaled \$0.2 million for both of the years ended December 31, 2016 and 2015, and \$0.3 million for the year ended December 31, 2014, and were included in corporate overhead expense for the Company’s corporate employees and other property-level expenses for the Company’s former BuyEfficient employees.

The Company is also responsible for funding various retirement plans at certain hotels operated by its management companies. Other property-level expenses on the Company’s consolidated statements of operations includes matching contributions into these various retirement plans of \$1.6 million for the year ended December 31, 2016, and \$1.5 million for both of the years ended December 31, 2015 and 2014.

Collective Bargaining Agreements

The Company is subject to exposure to collective bargaining agreements at certain hotels operated by its management companies. At December 31, 2016, approximately 23.4% of workers employed by the Company’s third-party managers were covered by such collective bargaining agreements.

Concentration of Risk

The concentration of the Company’s hotels in California, Illinois, Massachusetts and the greater Washington DC area exposes the Company’s business to economic conditions, competition and real and personal property tax rates unique to these locales. As of December 31, 2016, 16 of the Company’s 27 hotels were concentrated in California, Illinois, Massachusetts and the greater Washington DC area as follows:

	California	Illinois	Massachusetts	Greater Washington DC Area
Number of hotels	7	3	3	3
Percentage of total rooms	29	% 9	% 15	% 14
Percentage of total revenue for the year ended December 31, 2016	34	% 7	% 15	% 13

Other

The Company has provided customary unsecured environmental indemnities to certain lenders. The Company has performed due diligence on the potential environmental risks, including obtaining an independent environmental review from outside environmental consultants. These indemnities obligate the Company to reimburse the indemnified parties for damages related to certain environmental matters. There is no term or damage limitation on these indemnities; however, if an environmental matter arises, the Company could have recourse against other previous owners or a claim against its environmental insurance policies.

At December 31, 2016, the Company had \$0.5 million of outstanding irrevocable letters of credit to guaranty the Company's financial obligations related to workers' compensation insurance programs from prior policy years. The beneficiaries of these letters of credit may draw upon these letters of credit in the event of a contractual default by the Company relating to each respective obligation. No draws have been made through December 31, 2016.

The Company is subject to various claims, lawsuits and legal proceedings, including routine litigation arising in the ordinary course of business, regarding the operation of its hotels and Company matters. While it is not possible to ascertain the ultimate outcome of such matters, the Company believes that the aggregate amount of such liabilities, if any, in excess of amounts covered by insurance will not have a material adverse impact on its financial condition or results of operations. The outcome of claims, lawsuits and legal proceedings brought against the Company, however, is subject to significant uncertainties.

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13. Quarterly Operating Results (Unaudited)

The Company's consolidated quarterly results for the years ended December 31, 2016 and 2015 are as follows (in thousands):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues				
2016	\$ 274,292	\$ 322,160	\$ 303,304	\$ 289,584
2015	\$ 284,385	\$ 339,267	\$ 324,595	\$ 300,933
Operating income				
2016	\$ 21,079	\$ 63,422	\$ 48,846	\$ 37,068
2015	\$ 17,668	\$ 69,353	\$ 52,274	\$ 41,141
Net income				
2016	\$ 1,216	\$ 65,736	\$ 39,427	\$ 34,298
2015	\$ 1,203	\$ 53,657	\$ 63,084	\$ 237,575
Income (loss) attributable to common stockholders per share — basic and diluted				
2016	\$ (0.02)	\$ 0.26	\$ 0.16	\$ 0.14
2015	\$ (0.02)	\$ 0.23	\$ 0.28	\$ 1.12

Income (loss) attributable to common stockholders per share is computed independently for each of the quarters presented and therefore may not sum to the annual amount for the year.

14. Subsequent Events

On January 10, 2017, the Company received proceeds of \$240.0 million in private placement senior unsecured notes. The private placement consisted of \$120.0 million of notes bearing interest at a fixed rate of 4.69%, maturing in January 2026 (the "Series A Senior Notes"), and \$120.0 million of notes bearing interest at a fixed rate of 4.79%, maturing in January 2028 (the "Series B Senior Notes").

On January 11, 2017, the Company used proceeds received from its private placement of senior unsecured notes to repay the loan secured by the Marriott Boston Long Wharf, which had a balance of \$176.0 million and a fixed rate of 5.58%. The Marriott Boston Long Wharf loan was scheduled to mature in April 2017, and was available to be repaid

without penalty in January 2017.

On February 10, 2017, the Company sold the 444-room Fairmont Newport Beach, California for a gross sales price of \$125.0 million. The hotel was classified as held for sale as of December 31, 2016, but did not qualify as a discontinued operation as the sale did not represent a strategic shift that had a major impact on the Company's business plan or its primary markets.

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SUNSTONE HOTEL INVESTORS, INC.

SCHEDULE III—REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2016

(In thousands)

	Enclbr.	Initial costs		Cost Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2016 (1)			Accum. Depr.	Date Acq.	IGT
		Land	Bldg. and Impr.	Land	Bldg. and Impr.	Land	Bldg. and Impr.	Totals			
Boston Park Plaza	\$ — (2)	\$ 58,527	\$ 170,589	\$ —	\$ 96,236	\$ 58,527	\$ 66,825	\$ 225,352	\$ 29,482	2013	-3
Courtyard by Marriott											
Los Angeles	— (2)	—	8,446	—	13,537	—	21,983	21,983	10,770	1995	-3
Embassy Suites Chicago	—	79	46,886	6,348	21,671	6,427	68,574	74,984	29,076	2002	-3
Embassy Suites La Jolla	62,886	27,900	70,450	—	12,885	27,900	83,335	111,235	28,767	2006	-3
Elton Garden Inn											
Chicago											
Downtown/Magnificent Mile	— (2)	14,040	66,350	—	8,632	14,040	74,982	89,022	7,143	2012	-5
Elton New Orleans St. Charles	— (2)	3,698	53,578	—	7,261	3,698	60,834	64,537	4,857	2013	-3
Elton North Houston	—	6,184	35,628	—	24,402	6,184	60,036	66,214	24,456	2002	-3
Elton San Diego											
Dayfront	222,340	—	424,992	—	9,874	—	434,864	464,866	46,037	2011	-5
Elton Times Square	83,311	—	221,488	—	30,469	—	251,925	271,957	89,118	2006	-3
Wyatt Centric Chicago											
Magnificent Mile	— (2)	—	91,964	—	17,122	—	109,086	109,086	17,518	2012	-4
Wyatt Regency Newport Beach	— (2)	—	30,549	—	27,630	—	58,179	58,179	22,125	2002	-3
Wyatt Regency San Francisco	— (2)	116,140	131,430	—	36,387	116,140	167,818	183,957	23,122	2013	-3
V Marriott New Orleans	86,963	—	73,420	—	12,144	—	85,568	85,564	13,795	2011	-3
Marriott Boston Long Harbor	176,000	51,598	170,238	—	38,302	51,598	208,526	260,138	68,146	2007	-3
Marriott Houston	—	4,167	19,155	—	15,518	4,167	34,678	38,840	13,885	2002	-3
Marriott Park City	—	2,260	17,778	—	18,217	2,260	35,998	38,255	14,614	1995	-3
Marriott Philadelphia	—	3,297	29,710	—	14,946	3,297	44,654	47,953	17,676	2002	-3
Marriott Portland	— (2)	5,341	20,705	—	7,249	5,341	27,953	33,295	13,488	2000	-3
Marriott Quincy	— (2)	14,375	97,875	—	7,507	14,375	105,382	109,757	34,290	2007	-3

Explanation of Responses:

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Marriott Tysons Corner	—	3,897	43,528	(250)	16,659	3,647	60,186	63,834	26,516	20025-3
Mailea Beach Resort	—	(2)	119,707	194,137	—	59,394	119,707	253,537	13,238	14,308
renaissance										
Harborplace	—		25,085	102,707	—	25,365	25,085	128,075	23,157	47,124
renaissance Los										
Angeles Airport	—	(2)	7,800	52,506	—	7,823	7,800	60,328	68,129	19,823
renaissance Long										
Beach	—	(2)	10,437	37,300	—	20,058	10,437	57,356	67,795	19,794
renaissance Orlando at										
SeaWorld ®	—		—	119,733	30,716	40,077	30,716	159,810	190,526	57,792
renaissance										
Washington DC	119,444		14,563	132,800	—	44,884	14,563	177,689	192,247	63,937
renaissance										
Westchester (3)	—	(2)	5,751	17,069	—	20,546	5,751	37,614	43,366	8,748
	\$ 750,944		\$ 494,846	\$ 2,481,011	\$ 36,814	\$ 654,795	\$ 531,660	\$ 1,153,807	\$ 1,166,407	

- (1) The aggregate cost of properties for federal income tax purposes is approximately \$4.1 billion (unaudited) at December 31, 2016.
- (2) Hotel is pledged as collateral by the Company's credit facility. As of December 31, 2016, the Company has no outstanding indebtedness under its credit facility.
- (3) Hotel originally acquired in 2005. Possession and control of the hotel transferred to a receiver in December 2009, and the Company reacquired the hotel in June 2010.

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	Hotel Properties		
	2016	2015	2014
(1) Reconciliation of land and buildings and improvements:			
Balance at the beginning of the year	\$ 3,652,222	\$ 3,807,607	\$ 3,416,762
Additions during year:			
Acquisitions	—	—	324,844
Improvements	159,786	86,615	66,001
Changes in reporting presentation	(112,023)	—	—
Dispositions	(32,519)	(242,000)	—
Balance at the end of the year	\$ 3,667,466	\$ 3,652,222	\$ 3,807,607
(2) Reconciliation of accumulated depreciation:			
Balance at the beginning of the year	\$ 707,737	\$ 625,020	\$ 524,014
Depreciation	107,409	108,153	101,006
Changes in reporting presentation	(37,506)	—	—
Retirement	(11,233)	(25,436)	—
Balance at the end of the year	\$ 766,407	\$ 707,737	\$ 625,020

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