
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2020

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

Commission File Number 001-37389

APPLE HOSPITALITY REIT, INC.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction
of incorporation or organization)

814 East Main Street

Richmond, Virginia

(Address of principal executive offices)

26-1379210

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

23219

(Zip Code)

(804) 344-8121

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Shares, no par value	APLE	New York Stock Exchange

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

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

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

Number of registrant's common shares outstanding as of May 15, 2020: 223,216,628

EXPLANATORY NOTE

As previously disclosed in the Current Report on Form 8-K filed by Apple Hospitality REIT, Inc. (the “Company”) with the Securities and Exchange Commission (the “SEC”) on May 6, 2020, the Company relied on the SEC’s Order Under Section 36 of the Securities Exchange Act of 1934 Modifying Exemptions From the Reporting and Proxy Delivery Requirements for Public Companies, dated March 25, 2020 (Release No. 34-88465), to delay the filing of the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (the “Form 10-Q”) due to circumstances related to COVID-19. The need to address the immediate and evolving impacts of COVID-19 on the Company’s business and operations, including impacts on the operations at each of its hotel properties, increased the demands on the Company’s employees at a time when “stay at home” orders, including in Virginia, where the Company’s headquarters is located, impacted normal working patterns. This slowed the Company’s normal quarterly close and financial reporting processes related to its Form 10-Q.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

Apple Hospitality REIT, Inc.
Consolidated Balance Sheets
(in thousands, except share data)

	March 31, 2020 (unaudited)	December 31, 2019
Assets		
Investment in real estate, net of accumulated depreciation and amortization of \$1,096,718 and \$1,054,429, respectively	\$ 4,776,695	\$ 4,825,738
Assets held for sale	-	12,093
Cash and cash equivalents	437,260	-
Restricted cash-furniture, fixtures and other escrows	33,335	34,661
Due from third party managers, net	22,040	26,926
Other assets, net	37,040	42,993
Total Assets	\$ 5,306,370	\$ 4,942,411
Liabilities		
Debt, net	\$ 1,789,281	\$ 1,320,407
Finance lease liabilities	217,180	216,627
Accounts payable and other liabilities	105,105	114,364
Total Liabilities	2,111,566	1,651,398
Shareholders' Equity		
Preferred stock, authorized 30,000,000 shares; none issued and outstanding	-	-
Common stock, no par value, authorized 800,000,000 shares; issued and outstanding 223,017,081 and 223,862,913 shares, respectively	4,487,441	4,493,763
Accumulated other comprehensive loss	(46,864)	(4,698)
Distributions greater than net income	(1,245,773)	(1,198,052)
Total Shareholders' Equity	3,194,804	3,291,013
Total Liabilities and Shareholders' Equity	\$ 5,306,370	\$ 4,942,411

See notes to consolidated financial statements.

Apple Hospitality REIT, Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)
(in thousands, except per share data)

	Three Months Ended March 31,	
	2020	2019
Revenues:		
Room	\$ 217,979	\$ 279,470
Food and beverage	11,312	15,015
Other	8,719	9,302
Total revenue	238,010	303,787
Expenses:		
Hotel operating expense:		
Operating	68,029	75,580
Hotel administrative	23,643	25,630
Sales and marketing	24,359	27,694
Utilities	9,190	9,939
Repair and maintenance	11,793	12,866
Franchise fees	10,257	13,111
Management fees	7,995	10,629
Total hotel operating expense	155,266	175,449
Property taxes, insurance and other	19,595	19,613
General and administrative	9,523	8,137
Depreciation and amortization	49,522	47,950
Total expense	233,906	251,149
Gain on sale of real estate	8,839	1,213
Operating income	12,943	53,851
Interest and other expense, net	(15,566)	(15,494)
Income (loss) before income taxes	(2,623)	38,357
Income tax expense	(146)	(206)
Net income (loss)	<u>\$ (2,769)</u>	<u>\$ 38,151</u>
Other comprehensive loss:		
Interest rate derivatives	(42,166)	(6,044)
Comprehensive income (loss)	<u>\$ (44,935)</u>	<u>\$ 32,107</u>
Basic and diluted net income (loss) per common share	<u>\$ (0.01)</u>	<u>\$ 0.17</u>
Weighted average common shares outstanding - basic and diluted	224,294	223,932

See notes to consolidated financial statements.

Apple Hospitality REIT, Inc.
Consolidated Statements of Shareholders' Equity
Three Months Ended March 31, 2020 and 2019
(Unaudited)
(in thousands, except per share data)

	Common Stock		Accumulated	Distributions	
	Number of	Amount	Other	Greater Than	Total
	Shares		Comprehensive	Net Income	
			Income (Loss)		
Balance at December 31, 2019	223,863	\$ 4,493,763	\$ (4,698)	\$ (1,198,052)	\$ 3,291,013
Share based compensation, net	675	8,014	-	-	8,014
Common shares repurchased	(1,521)	(14,336)	-	-	(14,336)
Interest rate derivatives	-	-	(42,166)	-	(42,166)
Net loss	-	-	-	(2,769)	(2,769)
Distributions declared to shareholders (\$0.20 per share)	-	-	-	(44,952)	(44,952)
Balance at March 31, 2020	<u>223,017</u>	<u>\$ 4,487,441</u>	<u>\$ (46,864)</u>	<u>\$ (1,245,773)</u>	<u>\$ 3,194,804</u>
Balance at December 31, 2018	223,997	\$ 4,495,073	\$ 10,006	\$ (1,096,069)	\$ 3,409,010
Cumulative effect of the adoption of ASU 2016-02 related to leases	-	-	-	(5,201)	(5,201)
Share based compensation, net	145	2,385	-	-	2,385
Common shares repurchased	(274)	(4,096)	-	-	(4,096)
Interest rate derivatives	-	-	(6,044)	-	(6,044)
Net income	-	-	-	38,151	38,151
Distributions declared to shareholders (\$0.30 per share)	-	-	-	(67,178)	(67,178)
Balance at March 31, 2019	<u>223,868</u>	<u>\$ 4,493,362</u>	<u>\$ 3,962</u>	<u>\$ (1,130,297)</u>	<u>\$ 3,367,027</u>

See notes to consolidated financial statements.

Apple Hospitality REIT, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ (2,769)	\$ 38,151
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	49,522	47,950
Gain on sale of real estate	(8,839)	(1,213)
Other non-cash expenses, net	1,773	1,186
Changes in operating assets and liabilities:		
Decrease (increase) in due from third party managers, net	4,886	(22,251)
Decrease (increase) in other assets, net	439	(2,345)
Decrease in accounts payable and other liabilities	(11,670)	(5,235)
Net cash provided by operating activities	33,342	56,243
Cash flows from investing activities:		
Acquisition of hotel properties, net	-	(52,576)
Deposits and other disbursements for potential acquisitions	-	(360)
Capital improvements	(27,022)	(21,223)
Net proceeds from sale of real estate	44,387	95,143
Net cash provided by investing activities	17,365	20,984
Cash flows from financing activities:		
Repurchases of common shares	(14,336)	(4,096)
Repurchases of common shares to satisfy employee withholding requirements	(1,748)	(491)
Distributions paid to common shareholders	(67,324)	(67,188)
Net proceeds from (payments on) revolving credit facility	374,100	(78,400)
Proceeds from term loans and senior notes	50,000	75,000
Proceeds from mortgage debt	63,400	-
Payments of mortgage debt	(18,354)	(3,415)
Financing costs	(511)	-
Net cash provided by (used in) financing activities	385,227	(78,590)
Net change in cash, cash equivalents and restricted cash	435,934	(1,363)
Cash, cash equivalents and restricted cash, beginning of period	34,661	33,632
Cash, cash equivalents and restricted cash, end of period	\$ 470,595	\$ 32,269
Supplemental cash flow information:		
Interest paid	\$ 14,696	\$ 15,409
Supplemental disclosure of noncash investing and financing activities:		
Accrued distribution to common shareholders	\$ -	\$ 22,384
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents, beginning of period	\$ -	\$ -
Restricted cash-furniture, fixtures and other escrows, beginning of period	34,661	33,632
Cash, cash equivalents and restricted cash, beginning of period	\$ 34,661	\$ 33,632
Cash and cash equivalents, end of period	\$ 437,260	\$ -
Restricted cash-furniture, fixtures and other escrows, end of period	33,335	32,269
Cash, cash equivalents and restricted cash, end of period	\$ 470,595	\$ 32,269

See notes to consolidated financial statements.

Apple Hospitality REIT, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Organization and Summary of Significant Accounting Policies

Organization

Apple Hospitality REIT, Inc., together with its wholly-owned subsidiaries (the “Company”), is a Virginia corporation that has elected to be treated as a real estate investment trust (“REIT”) for federal income tax purposes. The Company is a self-advised REIT that invests in income-producing real estate, primarily in the lodging sector, in the United States (“U.S.”). The Company’s fiscal year end is December 31. The Company has no foreign operations or assets and its operating structure includes only one reportable segment. The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated. Although the Company has interests in potential variable interest entities through its purchase commitments, it is not the primary beneficiary as the Company does not have any elements of power in the decision making process of these entities, and therefore does not consolidate the entities. As of March 31, 2020, the Company owned 231 hotels with an aggregate of 29,535 rooms located in 34 states. The Company’s common shares are listed on the New York Stock Exchange (“NYSE”) under the ticker symbol “APLE.”

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not include all of the information required by U.S. generally accepted accounting principles (“GAAP”) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited financial statements should be read in conjunction with the Company’s audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2019 (the “2019 Form 10-K”). Operating results for the three months ended March 31, 2020 are not necessarily indicative of the results that may be expected for the twelve month period ending December 31, 2020.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Novel Coronavirus COVID-19 Pandemic

As a result of the current novel coronavirus COVID-19 pandemic (“COVID-19”) and the impact it has had on travel and the broader economy throughout the U.S., the Company’s hotels have experienced significant declines in occupancy, which has had and is expected to continue to have a significant negative effect on the Company’s revenue and operating results. There remains significant uncertainty as to when operations at the hotels will return to normalized levels. As of May 15, 2020, each of the Company’s hotels were open and receiving reservations. The Company has intentionally consolidated operations for 38 hotels in market clusters to maximize operational efficiencies.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. The fair market value of cash and cash equivalents approximates their carrying value. The Company’s cash and cash equivalents are distributed among several major banks, but the balances may at times exceed federal depository insurance limits.

Investment in Real Estate

The Company monitors its properties on an ongoing basis by analytically reviewing financial performance and considers each property individually for purposes of reviewing for indicators of impairment. Due to the impact of COVID-19 on the Company’s operating results, the Company considered this event as a potential indicator of impairment and, as a result, the Company performed a recoverability analysis for each of its properties consistent with its annual process. The analysis compared each property’s net book value to its estimated operating income, based on assumptions and estimates about the property’s future revenues, expenses, capital expenditures and recovery from disruption resulting from COVID-19. If events or circumstances change, such as the Company’s intended hold period for a property or if the operating performance of a property remains at current levels or declines substantially for an extended period of time, the Company’s carrying value for a particular property may not be recoverable, and an impairment loss will be recorded. Impairment losses are measured as the difference between the asset’s fair value and its carrying value. The Company’s recoverability analyses did not identify any impairment losses for the three months ended March 31, 2020 and 2019.

Net Income Per Common Share

Basic net income per common share is computed based upon the weighted average number of shares outstanding during the period. Diluted net income per common share is calculated after giving effect to all potential common shares that were dilutive and outstanding for the period. Basic and diluted net income per common share were the same for each of the periods presented.

Reclassifications

Certain prior period amounts in the consolidated financial statements have been reclassified to conform to the current period presentation with no effect on previously reported net income or shareholders' equity.

Accounting Standards Recently Adopted

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which removes, modifies and adds fair value disclosure requirements, including a new requirement to disclose the range and weighted average of significant observable inputs used to develop Level 3 fair value measurements. Certain disclosures are required to be applied retrospectively and others applied prospectively. The Company adopted this standard as of January 1, 2020, and the adoption did not have a material impact on the Company's consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*, which provides optional guidance through December 31, 2022 to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting. The amendments in ASU No. 2020-04 apply to contract modifications that replace a reference rate affected by reference rate reform, providing optional expedients regarding the measurement of hedge effectiveness in hedging relationships that have been modified to replace a reference rate. The guidance in ASU No. 2020-04 became effective upon issuance and the provisions of the ASU did not have a material impact on the Company's consolidated financial statements and related disclosures as of March 31, 2020.

2. Investment in Real Estate

The Company's investment in real estate consisted of the following (in thousands):

	March 31, 2020	December 31, 2019
Land	\$ 721,934	\$ 724,054
Building and Improvements	4,450,646	4,458,383
Furniture, Fixtures and Equipment	489,465	486,386
Finance Ground Lease Assets	197,617	197,617
Franchise Fees	13,751	13,727
	5,873,413	5,880,167
Less Accumulated Depreciation and Amortization	(1,096,718)	(1,054,429)
Investment in Real Estate, net	<u>\$ 4,776,695</u>	<u>\$ 4,825,738</u>

As of March 31, 2020, the Company owned 231 hotels with an aggregate of 29,535 rooms located in 34 states.

The Company leases all of its hotels to its wholly-owned taxable REIT subsidiary (or a subsidiary thereof) under master hotel lease agreements.

Hotel Acquisitions

There were no acquisitions during the three months ended March 31, 2020. During the year ended December 31, 2019, the Company acquired three hotels, including two hotels during the three months ended March 31, 2019. The following table sets forth the location, brand, manager, date acquired, number of rooms and gross purchase price, excluding transaction costs, for each hotel. All dollar amounts are in thousands.

City	State	Brand	Manager	Date Acquired	Rooms	Gross Purchase Price
St. Paul	MN	Hampton	Vista Host	3/4/2019	160	\$ 31,680
Orlando	FL	Home2 Suites	LBA	3/19/2019	128	20,736
Richmond	VA	Independent	Crestline	10/9/2019	55	6,875
					343	\$ 59,291

The Company used borrowings under its revolving credit facility to purchase each of these hotels. The acquisitions of these hotel properties were accounted for as an acquisition of a group of assets, with costs incurred to effect the acquisition, which were not significant, capitalized as part of the cost of the assets acquired. For the two hotels acquired during the three months ended March 31, 2019, the amount of revenue and operating income included in the Company's consolidated statement of operations from the date of acquisition through March 31, 2019 was approximately \$0.7 million and \$0.1 million, respectively.

Hotel Purchase Contract Commitments

As of March 31, 2020, the Company had outstanding contracts, all of which were entered into prior to 2020, for the potential purchase of six hotels for a total expected purchase price of approximately \$208.8 million. Two of the hotels, the newly developed Hampton Inn & Suites and Home2 Suites in Cape Canaveral, Florida, were acquired in April 2020. Also, subsequent to March 31, 2020, the Company exercised its right to terminate the contract to purchase the Courtyard hotel in Denver, Colorado and the refundable deposit of approximately \$0.6 million was repaid to the Company. The three remaining hotels are under development and are planned to be completed and opened for business over the next five to 15 months from March 31, 2020, at which time closings on these hotels are expected to occur. Although the Company is working towards acquiring these hotels, in each case there are a number of conditions to closing that have not yet been satisfied and there can be no assurance that closings on these hotels will occur under the outstanding purchase contracts. If the sellers meet all of the conditions to closing, the Company is obligated to specifically perform under these contracts. As the properties are under development, at this time, the sellers have not met all of the conditions to closing. The following table summarizes the location, brand, date of purchase contract, expected number of rooms, refundable (if the seller does not meet its obligations under the contract) contract deposits paid, and gross purchase price for each of the contracts outstanding at March 31, 2020 that have not been terminated. All dollar amounts are in thousands.

Location	Brands	Date of Purchase Contract	Rooms	Refundable Deposits	Gross Purchase Price
Cape Canaveral, FL (1)	Hampton and Home2 Suites	4/11/2018	224	\$ 3	\$ 46,704
Tempe, AZ (2)(3)	Hyatt House and Hyatt Place	6/13/2018	254	720	63,341
Madison, WI (2)	Hilton Garden Inn	7/9/2019	176	283	49,632
			654	\$ 1,006	\$ 159,677

- (1) Newly developed hotels were acquired on April 30, 2020 and opened during April 2020. These hotels are part of a combined 224-room, dual-branded complex.
- (2) These hotels are currently under development. The table shows the expected number of rooms upon hotel completion and the expected franchise brands. Assuming all conditions to closing are met, the purchases of these hotels are expected to occur over the next five to 15 months from March 31, 2020. If the seller meets all of the conditions to closing, the Company is obligated to specifically perform under the contract. As the properties are under development, at this time, the seller has not met all of the conditions to closing.
- (3) These hotels are part of a combined 254-room, dual-branded complex.

The Company utilized \$25.0 million of its available cash and entered into a one-year note payable with the developer secured by the hotels for \$21.7 million to fund the purchase price of the Cape Canaveral, Florida hotels. The note payable bears interest, which is payable monthly, at a floating annual rate equal to the London Inter-Bank Offered Rate for a one-month term ("one-month LIBOR") plus a margin of 2.0% for the first six months of the loan term and 3.0% for the second six months of the loan term. The Company plans to utilize its available cash at closing to purchase the remaining hotels under contract if closings occur.

3. Dispositions

During the three months ended March 31, 2020, the Company sold two hotels in two transactions with unrelated parties for a total combined gross sales price of approximately \$45.0 million, resulting in a combined gain on sale of approximately \$8.8 million, which is included in the Company's consolidated statement of operations for the three months ended March 31, 2020. The two hotels had a total carrying value of approximately \$35.7 million at the time of sale. The following table lists the two hotels sold:

City	State	Brand	Date Sold	Rooms
Sanford	FL	SpringHill Suites	1/16/2020	105
Boise	ID	SpringHill Suites	2/27/2020	230
Total				335

During the year ended December 31, 2019, the Company sold 11 hotels in three transactions with unrelated parties for a total combined gross sales price of approximately \$121.7 million, resulting in a combined gain on sale of approximately \$5.6 million, which is included in the Company's consolidated statement of operations for the year ended December 31, 2019. The 11 hotels had a total carrying value of approximately \$115.1 million at the time of the sale. The following table lists the 11 hotels sold:

City	State	Brand	Date Sold	Rooms
Sarasota	FL	Homewood Suites	3/28/2019	100
Tampa	FL	TownePlace Suites	3/28/2019	94
Baton Rouge	LA	SpringHill Suites	3/28/2019	119
Holly Springs	NC	Hampton	3/28/2019	124
Duncanville	TX	Hilton Garden Inn	3/28/2019	142
Texarkana	TX	Courtyard	3/28/2019	90
Texarkana	TX	TownePlace Suites	3/28/2019	85
Bristol	VA	Courtyard	3/28/2019	175
Harrisonburg	VA	Courtyard	3/28/2019	125
Winston-Salem	NC	Courtyard	12/19/2019	122
Fort Lauderdale	FL	Hampton	12/30/2019	109
Total				1,285

Excluding gains on sale of real estate, the Company's consolidated statements of operations include operating income of approximately \$0.1 million and \$2.6 million for the three months ended March 31, 2020 and 2019, respectively, relating to the results of operations of the 13 hotels noted above (the two hotels sold in the first three months of 2020 and the 11 hotels sold in 2019) for the period of ownership. The sale of these properties does not represent a strategic shift that has, or will have, a major effect on the Company's operations and financial results, and therefore the operating results for the period of ownership of these properties are included in income from continuing operations for the three months ended March 31, 2020 and 2019. The net proceeds from the sales were used to pay down borrowings on the Company's revolving credit facility.

4. Debt

Summary

As of March 31, 2020, and December 31, 2019, the Company's debt consisted of the following (in thousands):

	March 31, 2020	December 31, 2019
Revolving credit facility	\$ 425,000	\$ 50,900
Term loans and senior notes, net	864,084	813,934
Mortgage debt, net	500,197	455,573
Debt, net	<u>\$ 1,789,281</u>	<u>\$ 1,320,407</u>

The aggregate amounts of principal payable under the Company's total debt obligations as of March 31, 2020 (including the revolving credit facility, term loans, senior notes and mortgage debt), for the five years subsequent to March 31, 2020 and thereafter are as follows (in thousands):

2020 (April - December)	\$ 10,431
2021	48,185
2022	534,872
2023	296,256
2024	338,643
Thereafter	566,626
	<u>1,795,013</u>
Unamortized fair value adjustment of assumed debt	2,300
Unamortized debt issuance costs	<u>(8,032)</u>
Total	<u>\$ 1,789,281</u>

The Company uses interest rate swaps to manage its interest rate risks on a portion of its variable-rate debt. Throughout the terms of these interest rate swaps, the Company pays a fixed rate of interest and receives a floating rate of interest equal to one-month LIBOR. The swaps are designed to effectively fix the interest payments on variable-rate debt instruments. See Note 5 for more information on the interest rate swap agreements. The Company's total fixed-rate and variable-rate debt, after giving effect to its interest rate swaps in effect at March 31, 2020 and December 31, 2019, is set forth below. All dollar amounts are in thousands.

	March 31, 2020	Percentage	December 31, 2019	Percentage
Fixed-rate debt (1)	\$ 1,417,513	79%	\$ 1,297,467	98%
Variable-rate debt	377,500	21%	28,400	2%
Total	<u>\$ 1,795,013</u>		<u>\$ 1,325,867</u>	
Weighted-average interest rate of debt (2)	3.35%		3.59%	

- (1) Fixed-rate debt includes the portion of variable-rate debt where the interest payments have been effectively fixed by interest rate swaps as of the respective balance sheet date. Due to interest rate swaps expiring in May 2020, partially offset by other interest rate swaps becoming effective on the same date, \$197.5 million of fixed-rate debt as of March 31, 2020 will become variable-rate debt in May 2020. See Note 5 for more information on the interest rate swap agreements.
- (2) The Company anticipates entering into an amendment to each of its unsecured credit facilities to waive certain covenants under the agreements. The amendments are expected to require that the interest rates on each of its unsecured credit facilities increase to the highest interest rate margin under each facility (75-80 basis points above the current margin) during the covenant relief period.

Credit Facilities

\$850 Million Credit Facility

The Company utilizes an unsecured “\$850 million credit facility” comprised of (i) a \$425 million revolving credit facility with an initial maturity date of July 27, 2022 and (ii) a \$425 million term loan facility consisting of two term loans: a \$200 million term loan with a maturity date of July 27, 2023, and a \$225 million term loan with a maturity date of January 31, 2024 (the “\$425 million term loan facility”). Subject to certain conditions including covenant compliance and additional fees, the \$425 million revolving credit facility maturity date may be extended up to one year. The Company may make voluntary prepayments in whole or in part, at any time. Interest payments on the \$850 million credit facility are due monthly and the interest rate, subject to certain exceptions, is equal to an annual rate of the one-month LIBOR plus a margin ranging from 1.35% to 2.25%, depending upon the Company’s leverage ratio, as calculated under the terms of the credit agreement. The Company is also required to pay quarterly an unused facility fee at an annual rate of 0.20% or 0.25% on the unused portion of the \$425 million revolving credit facility, based on the amount of borrowings outstanding during the quarter. In response to the disruption to the operations of the Company’s hotels and to the financial markets and broader economy caused by COVID-19, the Company borrowed its entire availability under its revolving credit facility in March 2020 and, at March 31, 2020, had an outstanding balance of \$425.0 million and no remaining availability under its credit facilities.

\$225 Million Term Loan Facility

The Company has an unsecured \$225 million term loan facility that is comprised of (i) a \$50 million term loan with a maturity date of August 2, 2023, which was funded on August 2, 2018, and (ii) a \$175 million term loan with a maturity date of August 2, 2025, of which \$100 million was funded on August 2, 2018 and the remaining \$75 million was funded on January 29, 2019. The credit agreement contains requirements and covenants similar to the Company’s \$850 million credit facility. The Company may make voluntary prepayments in whole or in part, at any time, subject to certain conditions. Interest payments on the \$225 million term loan facility are due monthly and the interest rate, subject to certain exceptions, is equal to an annual rate of the one-month LIBOR plus a margin ranging from 1.35% to 2.50%, depending upon the Company’s leverage ratio, as calculated under the terms of the credit agreement.

2017 \$85 Million Term Loan Facility

On July 25, 2017, the Company entered into an unsecured \$85 million term loan facility with a maturity date of July 25, 2024, consisting of one term loan that was funded at closing (the “2017 \$85 million term loan facility”). The credit agreement, as amended and restated in August 2018, contains requirements and covenants similar to the Company’s \$850 million credit facility. The Company may make voluntary prepayments in whole or in part, at any time, subject to certain conditions. Interest payments on the \$85 million term loan are due monthly. In July 2019, the Company entered into an amendment of the \$85 million term loan to reduce the interest rate margin from 1.80% - 2.60% to 1.30% - 2.10%, depending upon the Company’s leverage ratio, as calculated under the terms of the credit agreement, for the remainder of the term.

2019 \$85 Million Term Loan Facility

On December 31, 2019, the Company entered into an unsecured \$85 million term loan facility with a maturity date of December 31, 2029, consisting of one term loan funded at closing (the “2019 \$85 million term loan facility”). Net proceeds from the 2019 \$85 million term loan facility were used to pay down borrowings on the Company’s revolving credit facility. The credit agreement contains requirements and covenants similar to the Company’s \$850 million credit facility. The Company may make voluntary prepayments in whole or in part, subject to certain conditions. Interest payments on the 2019 \$85 million term loan facility are due monthly and the interest rate, subject to certain exceptions, is equal to an annual rate of the one-month LIBOR plus a margin ranging from 1.70% to 2.55%, depending upon the Company’s leverage ratio, as calculated under the terms of the credit agreement.

\$50 Million Senior Notes Facility

On March 16, 2020, the Company entered into an unsecured \$50 million senior notes facility with a maturity date of March 31, 2030, consisting of senior notes totaling \$50 million funded at closing (the “\$50 million senior notes facility” and, collectively with the \$850 million credit facility, the \$225 million term loan facility, the 2017 \$85 million term loan facility and the 2019 \$85 million term loan facility, the “credit facilities”). Net proceeds from the \$50 million senior notes facility are available to provide funding for general corporate purposes. The note agreement contains requirements and covenants similar to the Company’s \$850 million credit facility. The Company may make voluntary prepayments in whole or in part, at any time, subject to certain conditions, including make-whole provisions. Interest payments on the \$50 million senior notes facility are due quarterly and the interest rate, subject to certain exceptions, ranges from an annual rate of 3.60% to 4.35% depending on the Company’s ratio of Consolidated Total Indebtedness to Consolidated EBITDA as defined in the agreement.

As of March 31, 2020, and December 31, 2019, the details of the Company's credit facilities were as set forth below. All dollar amounts are in thousands.

	Interest Rate	Maturity Date	Outstanding Balance	
			March 31, 2020	December 31, 2019
Revolving credit facility ⁽¹⁾	LIBOR + 1.40% - 2.25%	7/27/2022	\$ 425,000	\$ 50,900
Term loans and senior notes				
\$200 million term loan	LIBOR + 1.35% - 2.20%	7/27/2023	200,000	200,000
\$225 million term loan	LIBOR + 1.35% - 2.20%	1/31/2024	225,000	225,000
\$50 million term loan	LIBOR + 1.35% - 2.20%	8/2/2023	50,000	50,000
\$175 million term loan	LIBOR + 1.65% - 2.50%	8/2/2025	175,000	175,000
2017 \$85 million term loan	LIBOR + 1.30% - 2.10%	7/25/2024	85,000	85,000
2019 \$85 million term loan	LIBOR + 1.70% - 2.55%	12/31/2029	85,000	85,000
\$50 million senior notes	3.60% - 4.35%	3/31/2030	50,000	-
Term loans and senior notes at stated value			870,000	820,000
Unamortized debt issuance costs			(5,916)	(6,066)
Term loans and senior notes, net			864,084	813,934
Credit facilities, net ⁽¹⁾			\$ 1,289,084	\$ 864,834
Weighted-average interest rate ⁽²⁾			2.97%	3.14%

- (1) Excludes unamortized debt issuance costs related to the revolving credit facility totaling approximately \$2.3 million and \$2.6 million as of March 31, 2020 and December 31, 2019, respectively, which are included in other assets, net in the Company's consolidated balance sheets.
- (2) Interest rate represents the weighted-average effective annual interest rate at the balance sheet date which includes the effect of interest rate swaps in effect on \$867.5 million and \$842.5 million of the outstanding variable-rate debt as of March 31, 2020 and December 31, 2019, respectively. See Note 5 for more information on the interest rate swap agreements. The one-month LIBOR at March 31, 2020 and December 31, 2019 was 0.99% and 1.76%, respectively. The Company anticipates entering into an amendment to each of its unsecured credit facilities to waive certain covenants under the agreements. The amendments are expected to require that the interest rates on each of its unsecured credit facilities increase to the highest interest rate margin under each facility (75-80 basis points above the current margin) during the covenant relief period.

The credit agreements governing the credit facilities contain mandatory prepayment requirements, customary affirmative and negative covenants and events of default. The credit agreements require that the Company comply with various covenants, which include, among others, a minimum tangible net worth, maximum debt limits, minimum interest and fixed charge coverage ratios and restrictions on certain investments. The Company was in compliance with the applicable covenants at March 31, 2020. As a result of COVID-19 and the associated disruption to the Company's operating results, the Company anticipates that it may not be in compliance with certain of these covenants in future periods. In April 2020, the Company notified the lenders under its credit facilities of the anticipated non-compliance with certain covenants and anticipates entering into amendments to each of the credit facilities that will provide for waivers of each of the covenants for four quarters beginning with the quarter ending June 30, 2020. The terms of the amendments are expected to include minimum liquidity requirements and restrictions on the amount of the Company's distributions, capital expenditures, share repurchases and acquisitions among other items during the covenant relief period. Additionally, the Company anticipates the amendments to require that the interest rate under its credit facilities increase, during the covenant relief period, to the highest interest rate margin under each of the credit agreements which would range from 75-80 basis points of an increase above current margins depending on the agreement. Although the Company anticipates completing these amendments, there are many conditions to closing, including but not limited to finalizing the terms of the amendments and completing the amendments themselves, and there can be no assurances that the Company will be able to complete the amendments with the noted terms or at all. If the amendments are not entered into, as currently anticipated, and the Company does not meet the covenant requirements in future periods, the Company will be in default under each credit facility, which may result in a potential acceleration of amounts due under each credit facility, which would have a material adverse effect on the Company if it is unable to obtain alternative sources of capital to repay such amounts.

Mortgage Debt

As of March 31, 2020, the Company had approximately \$500.0 million in outstanding mortgage debt secured by 31 properties, with maturity dates ranging from July 2021 to January 2038, stated interest rates ranging from 3.40% to 6.25% and effective interest rates ranging from 3.40% to 4.97%. The loans generally provide for monthly payments of principal and interest on an amortized basis and defeasance or prepayment penalties if prepaid. The following table sets forth the hotel properties securing each loan, the interest rate, loan assumption or origination date, maturity date, the principal amount assumed or originated, and the outstanding balance prior to any fair value adjustments or debt issuance costs as of March 31, 2020 and December 31, 2019 for each of the Company's mortgage debt obligations. All dollar amounts are in thousands.

Location	Brand	Interest Rate (1)	Loan Assumption or Origination Date	Maturity Date	Principal Assumed or Originated	Outstanding balance as of March 31, 2020	Outstanding balance as of December 31, 2019
San Juan Capistrano, CA	Residence Inn	4.15%	9/1/2016	(2)	\$ 16,210	\$ -	\$ 15,073
Colorado Springs, CO	Hampton	6.25%	9/1/2016	7/6/2021	7,923	7,433	7,471
Franklin, TN	Courtyard	6.25%	9/1/2016	8/6/2021	14,679	13,776	13,847
Franklin, TN	Residence Inn	6.25%	9/1/2016	8/6/2021	14,679	13,776	13,847
Grapevine, TX	Hilton Garden Inn	4.89%	8/29/2012	9/1/2022	11,810	9,691	9,775
Collegeville/Philadelphia, PA	Courtyard	4.89%	8/30/2012	9/1/2022	12,650	10,381	10,471
Hattiesburg, MS	Courtyard	5.00%	3/1/2014	9/1/2022	5,732	4,856	4,897
Rancho Bernardo/San Diego, CA	Courtyard	5.00%	3/1/2014	9/1/2022	15,060	12,756	12,866
Kirkland, WA	Courtyard	5.00%	3/1/2014	9/1/2022	12,145	10,287	10,376
Seattle, WA	Residence Inn	4.96%	3/1/2014	9/1/2022	28,269	23,923	24,130
Anchorage, AK	Embassy Suites	4.97%	9/13/2012	10/1/2022	23,230	19,160	19,324
Somerset, NJ	Courtyard	4.73%	3/1/2014	10/6/2022	8,750	7,376	7,441
Tukwila, WA	Homewood Suites	4.73%	3/1/2014	10/6/2022	9,431	7,950	8,020
Prattville, AL	Courtyard	4.12%	3/1/2014	2/6/2023	6,596	5,507	5,558
Huntsville, AL	Homewood Suites	4.12%	3/1/2014	2/6/2023	8,306	6,935	6,999
San Diego, CA	Residence Inn	3.97%	3/1/2014	3/6/2023	18,600	15,496	15,640
Miami, FL	Homewood Suites	4.02%	3/1/2014	4/1/2023	16,677	13,924	14,051
New Orleans, LA	Homewood Suites	4.36%	7/17/2014	8/11/2024	27,000	23,328	23,513
Westford, MA	Residence Inn	4.28%	3/18/2015	4/11/2025	10,000	8,809	8,876
Denver, CO	Hilton Garden Inn	4.46%	9/1/2016	6/11/2025	34,118	31,082	31,311
Oceanside, CA	Courtyard	4.28%	9/1/2016	10/1/2025	13,655	12,743	12,812
Omaha, NE	Hilton Garden Inn	4.28%	9/1/2016	10/1/2025	22,682	21,167	21,280
Boise, ID	Hampton	4.37%	5/26/2016	6/11/2026	24,000	22,478	22,588
Burbank, CA	Courtyard	3.55%	11/3/2016	12/1/2026	25,564	23,375	23,552
San Diego, CA	Courtyard	3.55%	11/3/2016	12/1/2026	25,473	23,292	23,468
San Diego, CA	Hampton	3.55%	11/3/2016	12/1/2026	18,963	17,339	17,471
Burbank, CA	SpringHill Suites	3.94%	3/9/2018	4/1/2028	28,470	27,138	27,317
Santa Ana, CA	Courtyard	3.94%	3/9/2018	4/1/2028	15,530	14,803	14,901
Richmond, VA	Courtyard	3.40%	2/12/2020	3/11/2030	14,950	14,950	-
Richmond, VA	Residence Inn	3.40%	2/12/2020	3/11/2030	14,950	14,950	-
Portland, ME	Residence Inn	3.43%	3/2/2020	4/1/2030	33,500	33,500	-
San Jose, CA	Homewood Suites	4.22%	12/22/2017	1/1/2038	30,000	27,832	28,092
					<u>\$ 569,602</u>	<u>500,013</u>	<u>454,967</u>
Unamortized fair value adjustment of assumed debt						2,300	2,526
Unamortized debt issuance costs						(2,116)	(1,920)
Total						<u>\$ 500,197</u>	<u>\$ 455,573</u>

(1) Interest rates are the rates per the loan agreement. For loans assumed, the Company adjusted the interest rates per the loan agreement to market rates and is amortizing the adjustments to interest expense over the life of the loan.

(2) Loan was repaid in full in March 2020.

5. Fair Value of Financial Instruments

Except as described below, the carrying value of the Company's financial instruments approximates fair value due to the short-term nature of these financial instruments.

Debt

The Company estimates the fair value of its debt by discounting the future cash flows of each instrument at estimated market rates consistent with the maturity of a debt obligation with similar credit terms and credit characteristics, which are Level 3 inputs under the fair value hierarchy. Market rates take into consideration general market conditions and maturity. As of March 31, 2020, the carrying value and estimated fair value of the Company's debt were approximately \$1.8 billion and \$1.6 billion, respectively. As of December 31, 2019, both the carrying value and estimated fair value of the Company's debt were approximately \$1.3 billion. Both the carrying value and estimated fair value of the Company's debt (as discussed above) is net of unamortized debt issuance costs related to term loans, senior notes and mortgage debt for each specific year.

Derivative Instruments

Currently, the Company uses interest rate swaps to manage its interest rate risks on variable-rate debt. Throughout the terms of these interest rate swaps, the Company pays a fixed rate of interest and receives a floating rate of interest equal to the one-month LIBOR. The swaps are designed to effectively fix the interest payments on variable-rate debt instruments. These swap instruments are recorded at fair value and, if in an asset position, are included in other assets, net, and, if in a liability position, are included in accounts payable and other liabilities in the Company's consolidated balance sheets. The fair values of the Company's interest rate swap agreements are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts, which is considered a Level 2 measurement under the fair value hierarchy. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The following table sets forth information for each of the Company's interest rate swap agreements outstanding as of March 31, 2020 and December 31, 2019. All dollar amounts are in thousands.

Notional Amount at March 31, 2020	Origination Date	Effective Date	Maturity Date	Swap Fixed Interest Rate	Fair Value Asset (Liability)	
					March 31, 2020	December 31, 2019
Interest rate swaps designated as cash flow hedges at March 31, 2020:						
\$ 212,500	5/19/2015	5/21/2015	5/18/2020	1.58%	\$ (240)	\$ 78
50,000	4/7/2016	9/30/2016	3/31/2021	1.09%	(370)	317
100,000	4/7/2016	9/30/2016	3/31/2023	1.33%	(3,077)	707
75,000	5/31/2017	7/31/2017	6/30/2024	1.96%	(5,085)	(1,286)
10,000	8/10/2017	8/10/2017	6/30/2024	2.01%	(697)	(185)
50,000	6/1/2018	1/31/2019	6/30/2025	2.89%	(6,506)	(3,407)
50,000	7/2/2019	7/5/2019	7/18/2024	1.65%	(2,777)	(193)
50,000	8/21/2019	8/23/2019	8/18/2024	1.32%	(2,092)	595
50,000	8/21/2019	8/23/2019	8/30/2024	1.32%	(2,094)	603
85,000	12/31/2019	12/31/2019	12/31/2029	1.86%	(10,170)	(842)
25,000	12/6/2018	1/31/2020	6/30/2025	2.75%	(3,072)	(1,501)
50,000	12/7/2018	5/18/2020	1/31/2024	2.72%	(4,481)	(2,139)
75,000	8/21/2019	5/18/2020	5/18/2025	1.27%	(3,242)	1,222
75,000	8/21/2019	5/18/2021	5/18/2026	1.30%	(2,961)	1,309
957,500					(46,864)	(4,722)
Interest rate swaps not designated as hedges at March 31, 2020:						
110,000	7/2/2015	7/2/2015	5/18/2020	1.62%	(130)	24
\$ 1,067,500					\$ (46,994)	\$ (4,698)

The Company assesses, both at inception and on an ongoing basis, the effectiveness of its qualifying cash flow hedges. For the three months ended March 31, 2020, all of the interest rate swap agreements listed above, with the exception of the \$110 million agreement, were designated as cash flow hedges. The Company discontinued hedge accounting on the \$110 million interest rate swap agreement during the three months ended March 31, 2020 due to a change in the forecasted interest payments being hedged. As a result, the unrealized loss incurred during the three months ended March 31, 2020 of \$0.2 million was recorded to interest and other expense, net in the Company's statement of operations. The change in the fair value of the Company's designated cash flow hedges is recorded to accumulated other comprehensive income (loss), a component of shareholders' equity in the Company's consolidated balance sheets. Amounts reported in accumulated other comprehensive income (loss) will be reclassified to interest and other expense, net as interest payments are made or received on the Company's variable-rate derivatives. The Company estimates that approximately \$9.5 million of net unrealized losses included in accumulated other comprehensive loss at March 31, 2020 will be reclassified as an increase to interest and other expense, net within the next 12 months.

The following table presents the effect of derivative instruments in cash flow hedging relationships in the Company's consolidated statements of operations and comprehensive income for the three months ended March 31, 2020 and 2019 (in thousands):

	Net Unrealized Loss Recognized in Other Comprehensive Income (Loss)		Net Unrealized Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) to Interest and Other Expense, net	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2020	2019	2020	2019
Interest rate derivatives in cash flow hedging relationships	\$ (42,267)	\$ (4,770)	\$ (101)	\$ 1,274

6. Related Parties

The Company has, and is expected to continue to engage in, transactions with related parties. These transactions cannot be construed to be at arm's length and the results of the Company's operations may be different if these transactions were conducted with non-related parties. There have been no changes to the contracts and relationships discussed in the 2019 Form 10-K. Below is a summary of the significant related party relationships in effect during the three months ended March 31, 2020 and 2019.

Glade M. Knight, Executive Chairman of the Company, owns Apple Realty Group, Inc. ("ARG"), which receives support services from the Company and reimburses the Company for the cost of these services as discussed below. Mr. Knight is also currently a partner and Chief Executive Officer of Energy 11 GP, LLC and Energy Resources 12 GP, LLC, which are the respective general partners of Energy 11, L.P. and Energy Resources 12, L.P., each of which receive support services from ARG.

The Company provides support services, including the use of the Company's employees and corporate office, to ARG and is reimbursed by ARG for the cost of these services. The amounts reimbursed to the Company are based on the actual costs of the services and a good faith estimate of the proportionate amount of time incurred by the Company's employees on behalf of ARG. Total reimbursed costs allocated by the Company to ARG for the three months ended March 31, 2020 and 2019 totaled approximately \$0.3 million for each respective period, and are recorded as a reduction to general and administrative expenses in the Company's consolidated statements of operations.

As part of the cost sharing arrangement, certain day-to-day transactions may result in amounts due to or from the Company and ARG. To efficiently manage cash disbursements, the Company or ARG may make payments for the other company. Under this cash management process, each company may advance or defer up to \$1 million at any time. Each quarter, any outstanding amounts are settled between the companies. This process allows each company to minimize its cash on hand and reduces the cost for each company. The amounts outstanding at any point in time are not significant to either of the companies. As of March 31, 2020, and December 31, 2019, total amounts due from ARG for reimbursements under the cost sharing structure totaled approximately \$0.3 million and \$0.5 million, respectively, and are included in other assets, net in the Company's consolidated balance sheets.

The Company, through a wholly-owned subsidiary, Apple Air Holding, LLC, owns a Learjet used primarily for acquisition, asset management, renovation and investor and public relations purposes. The aircraft is also leased to affiliates of the Company based on third party rates, which leasing activity was not significant during the reporting periods. The Company also utilizes aircraft, owned through two entities, one of which is owned by the Company's Executive Chairman, and the other, by its Chief Executive Officer, for acquisition, asset management, renovation and investor and public relations purposes, and reimburses these entities at third party rates. Total costs incurred for the use of these aircraft during the three months ended March 31, 2020 and 2019 were less than \$0.1 million for each respective period and are included in general and administrative expenses in the Company's consolidated statements of operations.

7. Shareholders' Equity

Distributions

Subsequent to the distribution paid in March 2020, the Company announced the suspension of its monthly distributions due to the impact of COVID-19 on its operating cash flows. Prior to the suspension of its distributions, the Company's annual distribution rate, payable monthly, was \$1.20 per common share. For the three months ended March 31, 2020 and 2019, the Company paid distributions of \$0.30 per common share for a total of \$67.3 million and \$67.2 million, respectively. The distributions paid during the three months ended March 31, 2020 include the distribution paid in January 2020, totaling \$22.4 million, that was declared in December 2019, which was included in accounts payable and other liabilities in the Company's consolidated balance sheet at December 31, 2019.

Share Repurchases

In May 2020, the Company's Board of Directors approved an extension of its existing share repurchase program (the "Share Repurchase Program"), authorizing share repurchases up to an aggregate of \$345 million. The Share Repurchase Program may be suspended or terminated at any time by the Company and will end in July 2021 if not terminated earlier. During the first three months of 2020 and 2019, the Company purchased, under its Share Repurchase Program, approximately 1.5 million and 0.3 million of its common shares, respectively, at a weighted-average market purchase price of approximately \$9.42 and \$14.93 per common share, respectively, for an aggregate purchase price, including commissions, of approximately \$14.3 million and \$4.1 million, respectively. The shares were repurchased under a written trading plan that provided for share repurchases in open market transactions, and was intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. Repurchases under the Share Repurchase Program have been funded, and the Company intends to fund future repurchases, with cash on hand or availability under its credit facilities. As of March 31, 2020, approximately \$345.4 million remained available for purchase under the Share Repurchase Program. In March 2020 the Company terminated its written trading plan.

8. Compensation Plans

The Company annually establishes an incentive plan for its executive management. Under the incentive plan for 2020 (the "2020 Incentive Plan"), participants are eligible to receive a bonus based on the achievement of certain 2020 performance measures, consisting of operational performance metrics (including targeted Modified Funds from Operations per share, Comparable Hotels revenue per available room growth and Adjusted Hotel EBITDA Margin growth) and shareholder return metrics (including shareholder return relative to a peer group and total shareholder return, over one-year, two-year and three-year periods). The operational performance metrics are equally weighted and account for 50% of the total target incentive compensation. The shareholder return metrics are weighted 75% for relative shareholder return metrics and 25% for total shareholder return metrics, and account for 50% of the total target incentive compensation. At March 31, 2020, the range of potential aggregate payouts under the 2020 Incentive Plan was \$0 - \$13.9 million. The range of payout under the 2020 Incentive Plan reflects a voluntary reduction of \$0 - \$5.2 million of the potential payout to the Company's Chief Executive Officer in response to the expected decline in the Company's operating results due to COVID-19. Based on performance through March 31, 2020, the Company has accrued approximately \$1.5 million as a liability for potential executive bonus payments under the 2020 Incentive Plan, which is included in accounts payable and other liabilities in the Company's consolidated balance sheet as of March 31, 2020 and in general and administrative expenses in the Company's consolidated statement of operations for the three months ended March 31, 2020. Approximately 25% of awards under the 2020 Incentive Plan, if any, will be paid in cash, and 75% will be issued in stock under the Company's 2014 Omnibus Incentive Plan, approximately two-thirds of which will vest in December 2020 and one-third of which will vest in December 2021. Under the incentive plan for 2019 (the "2019 Incentive Plan"), the Company recorded approximately \$2.2 million in general and administrative expenses in its consolidated statement of operations for the three months ended March 31, 2019.

During the three months ended March 31, 2020, the Company accrued expense associated with two separation agreements of approximately \$1.25 million each, totaling approximately \$2.5 million, in connection with the retirements of the Company's former Executive Vice President and Chief Operating Officer and the Company's former Executive Vice President and Chief Financial Officer which, pursuant to the separation and general release agreements executed and amended in March 2020, will be paid at a mutually agreed-upon date in 2020. The accrued expense was included in accounts payable and other liabilities in the Company's consolidated balance sheet as of March 31, 2020 and in general and administrative expenses in the Company's consolidated statement of operations for the three months ended March 31, 2020.

During the three months ended March 31, 2019, the Company incurred a one-time separation payment of \$0.5 million in connection with the retirement of the Company's Executive Vice President and Chief Legal Officer which, pursuant to the separation and general release agreement executed in March 2019, was paid in April 2019 and was included in general and administrative expenses in the Company's consolidated statement of operations for the three months ended March 31, 2019.

Share-Based Compensation Awards

The following table sets forth information pertaining to the share-based compensation issued under the 2019 Incentive Plan and the incentive plan for 2018 (the “2018 Incentive Plan”).

	<u>2019 Incentive Plan</u>	<u>2018 Incentive Plan</u>
Period common shares issued	First Quarter 2020	First Quarter 2019
Common shares earned under each incentive plan	665,552	156,926
Common shares surrendered on issuance date to satisfy tax withholding obligations	60,616	24,999
Common shares earned and issued under each incentive plan, net of common shares surrendered on issuance date to satisfy tax withholding obligations	604,936	131,927
Closing stock price on issuance date	\$ 13.01	\$ 16.49
Total share-based compensation earned, including the surrendered shares (in millions)	\$ 8.7 (1)	\$ 2.6 (2)
Of the total common shares earned and issued, total common shares unrestricted at time of issuance	426,553	105,345
Of the total common shares earned and issued, total common shares restricted at time of issuance	178,383	26,582
Restricted common shares vesting date	December 11, 2020	December 13, 2019
Common shares surrendered on vesting date to satisfy tax withholding requirements resulting from vesting of restricted common shares	n/a	5,502

- (1) Of the total 2019 share-based compensation, approximately \$7.5 million was recorded as a liability as of December 31, 2019 and is included in accounts payable and other liabilities in the Company's consolidated balance sheet at December 31, 2019. The remaining \$1.2 million, which is subject to vesting on December 11, 2020 and excludes any restricted shares forfeited or vested prior to that date, will be recognized as share-based compensation expense proportionately throughout 2020. For the three months ended March 31, 2020, the Company recognized approximately \$0.3 million of share-based compensation expense related to restricted share awards.
- (2) Of the total 2018 share-based compensation, approximately \$0.2 million, which vested on December 13, 2019, was recognized as share-based compensation expense proportionately throughout 2019. For the three months ended March 31, 2019, the Company recognized approximately \$0.05 million of share-based compensation expense related to restricted share awards.

9. Subsequent Events

On April 30, 2020, the Company closed on the purchase of the newly developed Hampton Inn & Suites and Home2 Suites in Cape Canaveral, Florida, a combined 224-room dual-branded complex, for a gross purchase price of approximately \$46.7 million. The Company utilized \$25.0 million of its available cash and entered into a one-year note payable with the developer secured by the hotels for \$21.7 million to fund the purchase price of the Cape Canaveral, Florida hotels. The note payable bears interest, which is payable monthly, at a floating annual rate equal to one-month LIBOR plus a margin of 2.0% for the first six months of the loan term and 3.0% for the second six months of the loan term.

In May 2020, the contract to purchase the Courtyard hotel in Denver, Colorado was terminated and the refundable deposit of approximately \$0.6 million was repaid to the Company.

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

Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are typically identified by use of statements that include phrases such as “may,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “target,” “goal,” “plan,” “should,” “will,” “predict,” “potential,” “outlook,” “strategy,” and similar expressions that convey the uncertainty of future events or outcomes. Such statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

Currently, one of the most significant factors that could cause actual outcomes to differ materially from the Company's forward-looking statements is the potential increased adverse effect of COVID-19 on the Company's business, financial performance and condition, operating results and cash flows, the real estate market and the hospitality industry specifically, and the global economy and financial markets. The significance, extent and duration of the impacts caused by the COVID-19 outbreak on the Company will depend on future developments, which are highly uncertain and cannot be predicted with confidence at this time, including the scope, severity and duration of the pandemic, the extent and effectiveness of the actions taken to contain the pandemic or mitigate its impact, the Company's ability to complete the anticipated amendments to its credit facilities on the terms and timing anticipated, or at all, and the direct and indirect economic effects of the pandemic and containment measures, among others. Moreover, investors are cautioned to interpret many of the risks identified under the section titled “Risk Factors” in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 as being heightened as a result of the ongoing and numerous adverse impacts of COVID-19. Such additional factors include, but are not limited to, the ability of the Company to effectively acquire and dispose of properties; the ability of the Company to successfully integrate pending transactions and implement its operating strategy; changes in general political, economic and competitive conditions and specific market conditions; reduced business and leisure travel due to travel-related health concerns, including the widespread outbreak of COVID-19 or any other infectious or contagious diseases in the U.S. or abroad; adverse changes in the real estate and real estate capital markets; financing risks; litigation risks; regulatory proceedings or inquiries; and changes in laws or regulations or interpretations of current laws and regulations that impact the Company's business, assets or classification as a REIT. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore there can be no assurance that such statements included in this Quarterly Report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the results or conditions described in such statements or the objectives and plans of the Company will be achieved. In addition, the Company's qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code. Readers should carefully review the risk factors described in the Company's filings with the Securities and Exchange Commission (“SEC”), including but not limited to those discussed in the section titled “Risk Factors” in the 2019 Form 10-K and in Part II, Item 1A of this Form 10-Q. Any forward-looking statement that the Company makes speaks only as of the date of this Quarterly Report. The Company undertakes no obligation to publicly update or revise any forward-looking statements or cautionary factors, as a result of new information, future events, or otherwise, except as required by law.

The following discussion and analysis should be read in conjunction with the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, as well as the information contained in the 2019 Form 10-K.

Overview

The Company is a Virginia corporation that has elected to be treated as a REIT for federal income tax purposes. The Company is self-advised and invests in income-producing real estate, primarily in the lodging sector, in the U.S. As of March 31, 2020, the Company owned 231 hotels with an aggregate of 29,535 rooms located in urban, high-end suburban and developing markets throughout 34 states. Substantially all of the Company's hotels operate under Marriott or Hilton brands. The hotels are operated and managed under separate management agreements with 20 hotel management companies, none of which are affiliated with the Company. The Company's common shares are listed on the NYSE under the ticker symbol “APLE.”

COVID-19 and the Company's Actions to Mitigate its Impact

Since first being reported in December 2019, COVID-19 has spread globally, including to every state in the U.S. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the U.S. declared a national emergency with respect to COVID-19.

The outbreak of COVID-19 has not only specifically reduced travel, but also has had a detrimental impact on regional and global economies and financial markets. The global, national and local impact of the outbreak has been rapidly evolving and many countries, including the U.S., as well as state and local governments, have reacted by instituting a wide variety of measures intended to control its spread, including states of emergency, mandatory quarantines, implementation of “stay at home” orders, business closures, border closings, and restrictions on travel and large gatherings, which has resulted in cancellation of events, including sporting events, conferences and meetings. Many experts predict that the outbreak will trigger a period of material global economic slowdown or a global recession and many experts believe that the U.S. is already in a recession. The Company cannot presently determine the extent or duration of the overall operational and financial effects that COVID-19 will have on the Company.

The effects of the pandemic on the hotel industry are unprecedented. COVID-19 has disrupted the industry and its consequences have dramatically reduced business and leisure travel, which has had a significant adverse impact on, and will continue to significantly adversely impact and disrupt, the Company’s business, financial performance and condition, operating results and cash flows. For example, average occupancy for the Company’s Comparable Hotels (as defined below) declined from approximately 76% in February to below 20% by the end of March and for the entire month of April, which has been accompanied by declines in average daily rate (“ADR”) of approximately 30% for the month of April compared to 2019. The Company expects this significant decline in revenue associated with COVID-19 throughout its portfolio and the overall decline in the U.S. economy to negatively impact the Company’s revenue and operating results for an extended period of time. The Company does not expect a material improvement in results until business travel and general consumer confidence related to risks associated with the COVID-19 pandemic improves and government restrictions on travel and “stay at home” orders are lifted.

The following table highlights the impact beginning in March to the Company’s ADR, Occupancy and revenue per available room (“RevPAR”).

	Two Months Ended		Three Months Ended		Two Months Ended		Three Months Ended		Percent Change		
	February 29, 2020	March 2020	March 31, 2020	February 28, 2019	March 2019	March 31, 2019	February 29, 2019	March 31, 2019	Two Months Ended February	March	Three Months Ended March
ADR	\$ 132.73	\$ 131.93	\$ 132.55	\$ 133.48	\$ 141.16	\$ 136.36			-0.6%	-6.5%	-2.8%
Occupancy	71.0%	41.0%	60.9%	70.5%	80.2%	73.9%			0.7%	-48.9%	-17.6%
RevPAR	\$ 94.28	\$ 54.08	\$ 80.66	\$ 94.12	\$ 113.23	\$ 100.71			0.2%	-52.2%	-19.9%

The Company, its management companies and the brands the Company’s hotels are franchised with have all aggressively worked to mitigate the costs and uses of cash associated with operating the hotels in a low-occupancy environment and are thoughtfully working to position the hotels to adapt to the changes that may occur to guest preferences in the future. The impact of the situation has varied and will vary by market and hotel. With the support of its brands and third-party management companies, the Company will continue to evaluate and implement additional measures as the situation evolves.

The following is a brief summary of certain measures the Company, its management companies and its brands have taken to minimize costs and cash outflow to maintain a sound liquidity position.

- During March 2020, the Company’s brands and third-party management companies implemented cost elimination and efficiency initiatives at each of the Company’s hotels by reducing labor costs, reducing or eliminating certain amenities and reducing or deferring payments under various service contracts. As of March 31, 2020, all but one of the Company’s 231 hotels were open and receiving reservations. The Company has intentionally consolidated operations at 38 hotels in market clusters to maximize operational efficiencies and one hotel was closed (which has since re-opened) due to the impact of a local ordinance prohibiting short-term lodging. The cost structure of the Company’s primarily rooms-focused hotels allows them to operate cost effectively even at very low occupancy levels.
- Together with its third-party management companies, the Company has enhanced its sales efforts by focusing on COVID-19-specific demand opportunities in certain markets and identifying other sectors that may have needs such as construction, manufacturing, government or maintenance industries. The Company and its third-party management companies are also working with existing customers to move business to later in the year.

- The Company has postponed all non-essential capital improvement projects planned for 2020 and anticipates a reduction of approximately \$50 million in originally planned capital improvements for the year.
- The Company suspended its monthly distributions, with the last distribution being paid March 16, 2020. The Company's Board of Directors, in consultation with management, will continue to monitor hotel operations and intends to resume monthly distributions at a time and level determined to be prudent in relation to the Company's other cash requirements.
- The Company terminated its written trading plan under its Share Repurchase Program in March 2020.
- The Company's Executive Chairman voluntarily agreed to forego six months of salary, the Chief Executive Officer volunteered to reduce his target compensation by 60 percent and the non-employee directors on the Board of Directors volunteered as a group to reduce their annual director fees by more than 15 percent.

Despite the cost reduction initiatives discussed above, the Company does not expect to be able to fully, or even materially, offset revenue losses from the COVID-19 pandemic. The significance, extent and duration of COVID-19 effects are not currently known and these uncertainties make it difficult to predict operating results for the Company's hotels for the remainder of 2020. Therefore, there can be no assurances that the Company will not experience further declines in hotel revenues or earnings at its hotels.

2020 Hotel Portfolio Activities

The following discussion regarding the Company's approach to acquisitions and dispositions reflects the Company's historical strategy. While the Company anticipates it will continue to approach the acquisition and disposition of hotels similarly over the long term, the detrimental impact of COVID-19 to the Company and overall lodging industry may limit the Company's ability to effectively acquire or dispose of hotels until the industry recovers.

The Company continually monitors market conditions and attempts to maximize shareholder value by investing in properties that it believes provide superior value over the long term. Consistent with this strategy and the Company's focus on investing in rooms-focused hotels, in 2018 the Company entered into a contract to purchase a combined 224-room dual-branded Hampton Inn & Suites and Home2 Suites complex to be constructed in Cape Canaveral, Florida. Construction of the hotels was completed in April 2020 and the Company acquired the hotels. The purchase price was approximately \$46.7 million, funded by \$25.0 million of cash on hand and a one-year note with the developer for \$21.7 million payable in 2021. Also, as of May 15, 2020, the Company had outstanding contracts, all of which were entered into prior to 2020, for the potential purchase of three hotels under development for a total expected purchase price of approximately \$113.0 million, which are planned to be completed and opened for business over the next five to 15 months from March 31, 2020, at which time closings on these hotels are expected to occur. In each case, there are a number of conditions to closing that have not yet been satisfied and there can be no assurance that closings on these hotels will occur under the outstanding purchase contracts. If the sellers meet all of the conditions to closing, the Company is obligated to specifically perform under these contracts. The Company plans to utilize its available cash at closing for any additional acquisitions.

For its existing portfolio, the Company monitors each property's profitability, market conditions and capital requirements and attempts to maximize shareholder value by disposing of properties when it believes that superior value can be provided from the sale of the property. As a result, during the first quarter of 2020, the Company sold two hotels for a total combined gross sales price of \$45.0 million and recognized a gain on sale of approximately \$8.8 million in the first quarter of 2020. The net proceeds from the sales were used to pay down borrowings on the Company's revolving credit facility.

See Note 2 titled "Investment in Real Estate", Note 3 titled "Dispositions" and Note 9 titled "Subsequent Events" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, for additional information concerning these transactions.

Effective January 20, 2020, the Company converted its New York, New York Renaissance hotel to an independent boutique hotel. As anticipated, the operating results of the hotel declined in the first quarter of 2020 (prior to COVID-19) as compared to the first quarter of 2019 as the management team worked to replace revenue that was historically generated from the Renaissance brand system and have experienced further declines due to COVID-19.

Hotel Operations

Beginning in March 2020, COVID-19 caused widespread cancellations of both business and leisure travel throughout the U.S., resulting in significant decreases in RevPAR throughout the Company's hotel portfolio and the hospitality industry as a whole. With the overall uncertainty of the longevity of COVID-19 in the U.S. and the resulting economic decline, it is difficult to project the duration of revenue declines for the industry and Company; however, the Company currently expects the decline in revenue and operating results as compared to 2019 to continue throughout the remainder of 2020 with the second quarter having the largest decline, moderating in the third and fourth quarters of 2020. Although these are the Company's current expectations, there can be no assurances of the amount or period of declines due to the uncertainty regarding the duration and long-term impact of COVID-19.

As of March 31, 2020, the Company owned 231 hotels with a total of 29,535 rooms as compared to 234 hotels with a total of 30,046 rooms as of March 31, 2019. Results of operations are included only for the period of ownership for hotels acquired or disposed of during the current reporting period and prior year. During the three months ended March 31, 2020, the Company sold one hotel on January 16, 2020 and one hotel on February 28, 2020. During 2019, the Company acquired one newly developed hotel on March 19, 2019 and two existing hotels (one on March 4, 2019 and one on October 9, 2019), and sold 11 hotels (nine on March 28, 2019, one on December 19, 2019 and one on December 30, 2019). As a result, the comparability of results for the three months ended March 31, 2020 and 2019 as discussed below is impacted by these transactions in addition to the impact of COVID-19 beginning in March 2020.

In evaluating financial condition and operating performance, the most important indicators on which the Company focuses are revenue measurements, such as average occupancy, ADR and RevPAR, and expenses, such as hotel operating expenses, general and administrative expenses and other expenses described below.

The following is a summary of the results from operations of the Company's hotels for their respective periods of ownership by the Company:

(in thousands, except statistical data)	Three Months Ended March 31,				
	2020	Percent of Revenue	2019	Percent of Revenue	Percent Change
Total revenue	\$ 238,010	100.0%	\$ 303,787	100.0%	-21.7%
Hotel operating expense	155,266	65.2%	175,449	57.8%	-11.5%
Property taxes, insurance and other expense	19,595	8.2%	19,613	6.5%	-0.1%
General and administrative expense	9,523	4.0%	8,137	2.7%	17.0%
Depreciation and amortization expense	49,522		47,950		3.3%
Gain on sale of real estate	8,839		1,213		n/a
Interest and other expense, net	15,566		15,494		0.5%
Income tax expense	146		206		-29.1%
Number of hotels owned at end of period	231		234		-1.3%
ADR	\$ 132.55		\$ 136.36		-2.8%
Occupancy	60.9%		73.9%		-17.6%
RevPAR	\$ 80.66		\$ 100.71		-19.9%

Comparable Hotels Operating Results

The following table reflects certain operating statistics for the Company's 231 hotels owned as of March 31, 2020 ("Comparable Hotels"). The Company defines metrics from Comparable Hotels as results generated by the 231 hotels owned as of the end of the reporting period. For the hotels acquired during the current reporting period and prior year, the Company has included, as applicable, results of those hotels for periods prior to the Company's ownership using information provided by the properties' prior owners at the time of acquisition and not adjusted by the Company. This information has not been audited, either for the periods owned or prior to ownership by the Company. For dispositions, results have been excluded for the Company's period of ownership.

	Three Months Ended March 31,		
	2020	2019	Percent Change
ADR	\$ 132.66	\$ 137.51	-3.5%
Occupancy	60.8%	74.0%	-17.8%
RevPAR	\$ 80.70	\$ 101.81	-20.7%

Same Store Operating Results

The following table reflects certain operating statistics for the 228 hotels owned by the Company as of January 1, 2019 and during the entirety of the reporting periods being compared ("Same Store Hotels"). This information has not been audited.

	Three Months Ended March 31,		
	2020	2019	Percent Change
ADR	\$ 132.60	\$ 137.44	-3.5%
Occupancy	60.8%	74.1%	-17.9%
RevPAR	\$ 80.57	\$ 101.80	-20.9%

As discussed above, hotel performance is impacted by many factors, including the economic conditions in the U.S. as well as each individual locality. COVID-19 has negatively affected the U.S. hotel industry beginning in March 2020. As a result of COVID-19, the Company's revenue and operating results declined during the first three months of 2020 as compared to the first three months of 2019, which is consistent with the overall lodging industry. Compared to 2019, the Company expects the decline in revenue and operating results to continue throughout the remainder of 2020 with the second quarter having the largest decline, moderating in the third and fourth quarters of 2020, but the Company can give no assurances of the amount or period of decline due to the uncertainty regarding the duration and long term impact of COVID-19.

Revenues

The Company's principal source of revenue is hotel revenue consisting of room, food and beverage, and other related revenue. For the three months ended March 31, 2020 and 2019, the Company had total revenue of \$238.0 million and \$303.8 million, respectively. For the three months ended March 31, 2020 and 2019, respectively, Comparable Hotels achieved combined average occupancy of 60.8% and 74.0%, ADR of \$132.66 and \$137.51 and RevPAR of \$80.70 and \$101.81. ADR is calculated as room revenue divided by the number of rooms sold, and RevPAR is calculated as occupancy multiplied by ADR.

Compared to the same period in 2019, during the first quarter of 2020, the Company experienced decreases in ADR and occupancy, resulting in a decrease of 20.7% in RevPAR for Comparable Hotels. For the first two months of 2020 (before COVID-19 significantly impacted the Company's performance) and 2019, respectively, Comparable Hotels achieved combined average occupancy of 71.1% and 70.7% (an increase of 0.6%), ADR of \$132.88 and \$134.62 (a decrease of 1.3%) and RevPAR of \$94.45 and \$95.18 (a decrease of 0.8%). During March, the hotel industry and the Company began to see a significant decrease in occupancy as both mandated and voluntary restrictions on travel were implemented throughout the U.S. For Comparable Hotels, the Company experienced occupancy of approximately 41.0% in March and below 20% for the month of April, with ADR declines by April of approximately 30% compared to 2019.

Hotel Operating Expense

Hotel operating expense consists of direct room operating expense, hotel administrative expense, sales and marketing expense, utilities expense, repair and maintenance expense, franchise fees and management fees. Hotel operating expense for the three months ended March 31, 2020 and 2019 totaled \$155.3 million and \$175.4 million, respectively, or 65.2% and 57.8% of total revenue for each respective period. Included in hotel operating expense for the three months ended March 31, 2020 were approximately \$1.6 million in separation and furlough costs for hotel employees as a result of the occupancy declines discussed above. The Company has worked and will continue to work with its management companies to make reductions in staffing models, consolidate operations in markets with multiple properties, adjust or reduce food and beverage offerings and other amenities, among other efficiency initiatives to mitigate the impact of revenue declines on its results of operations. For example, in some markets the Company is “clustering” hotels, whereby multiple properties in a market have consolidated their operations to increase efficiency; certain brand standards have been reduced; and the Company has also successfully reduced or deferred payments under various service contracts. Although certain operating costs of a hotel are more fixed in nature, such as base utility and maintenance costs, the Company is working to reduce all non-essential costs including service contracts, utilities in areas not utilized and certain maintenance costs. Additionally, as the Company modifies operations to address concerns related to COVID-19, the Company expects to incur increased operating costs related to the supplying of personal protective equipment for employees as well as increased sanitation, social distancing and other measures.

Property Taxes, Insurance and Other Expense

Property taxes, insurance, and other expense for the three months ended March 31, 2020 and 2019 totaled \$19.6 million in each respective period, or 8.2% and 6.5% of total revenue for each respective period. Although the Company will continue to aggressively appeal assessments and monitor locality guidance as a result of COVID-19, it does not currently anticipate significant decreases in property taxes in 2020 as compared to 2019, as many assessments are made at the beginning of each calendar year.

General and Administrative Expense

General and administrative expense for the three months ended March 31, 2020 and 2019 was \$9.5 million and \$8.1 million, respectively, or 4.0% and 2.7% of total revenue for each respective period. The principal components of general and administrative expense are payroll and related benefit costs, legal fees, accounting fees and reporting expenses. General and administrative expense for the three months ended March 31, 2020 included the accrual of approximately \$2.5 million in separation benefits awarded in connection with the previously announced retirements of the Company’s former Chief Operating Officer and former Chief Financial Officer on March 31, 2020. General and administrative expense for the three months ended March 31, 2019 included the accrual of approximately \$0.5 million for the separation payment in connection with the retirement of the Company’s former Chief Legal Officer.

As discussed above, in order to minimize costs, the Company’s Executive Chairman voluntarily agreed to forego six months of salary, the Chief Executive Officer volunteered to reduce his target compensation by 60 percent and the non-employee directors on the Board of Directors volunteered as a group to reduce their annual director fees by more than 15 percent. Additionally, in light of the decline in revenue and operating results due to COVID-19 and the associated impact on the current operational and shareholder return metrics in the 2020 Incentive Plan (see Note 8 titled “Compensation Plans” in the Company’s Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q for additional details), the Company anticipates a reduced payout for executive management compared to the originally established performance metrics for target compensation.

Depreciation and Amortization Expense

Depreciation and amortization expense for the three months ended March 31, 2020 and 2019 was \$49.5 million and \$48.0 million, respectively. Depreciation and amortization expense primarily represents expense of the Company’s hotel buildings and related improvements, and associated personal property (furniture, fixtures, and equipment) for their respective periods owned. Depreciation and amortization expense for the three months ended March 31, 2020 and 2019 also includes \$1.6 million and \$1.0 million, respectively, of amortization of the Company’s four finance ground lease assets. The remaining increase of approximately \$0.9 million was primarily due to renovations completed throughout 2019 and the first quarter of 2020.

Interest and Other Expense, net

Interest and other expense, net for the three months ended March 31, 2020 and 2019 was \$15.6 million and \$15.5 million, respectively, and is net of approximately \$0.7 million and \$0.5 million, respectively, of interest capitalized associated with renovation projects. Additionally, interest and other expense, net for the three months ended March 31, 2020 and 2019 includes approximately \$2.8 million and \$1.8 million, respectively, of interest recorded on the Company's four finance lease liabilities. Interest expense related to the Company's debt instruments decreased as a result of decreased average borrowings in the first three months of 2020 as compared to the first three months of 2019 as well as a decrease in the Company's effective interest rate during the first three months of 2020 as compared to the same period in 2019, due to lower average interest rates. However, the Company anticipates interest expense to be higher for the remainder of 2020 compared to the same period of 2019 due to increased borrowings under its revolving credit facility as compared to the same periods in 2019 related to declines in operating results. In March 2020, the Company drew the remaining availability under its revolving credit facility as a precautionary measure in order to increase its cash position and preserve financial flexibility in light of uncertainty in the financial markets resulting from COVID-19. Additionally, as discussed further above in Note 4 titled "Debt" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, interest rate margins for the Company's unsecured debt are anticipated to increase for the remainder of the year to the highest margin under each facility as a condition to obtaining waivers on those facilities' covenants.

Non-GAAP Financial Measures

The Company considers the following non-GAAP financial measures useful to investors as key supplemental measures of its operating performance: Funds from Operations ("FFO"), Modified FFO ("MFFO"), Earnings before Interest, Income Taxes, Depreciation and Amortization ("EBITDA"), Earnings Before Interest, Income Taxes, Depreciation and Amortization for Real Estate ("EBITDAre"), and Adjusted EBITDAre ("Adjusted EBITDAre"). These non-GAAP financial measures should be considered along with, but not as alternatives to, net income, cash flow from operations or any other operating GAAP measure. FFO, MFFO, EBITDA, EBITDAre and Adjusted EBITDAre are not necessarily indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions. Although FFO, MFFO, EBITDA, EBITDAre and Adjusted EBITDAre, as calculated by the Company, may not be comparable to FFO, MFFO, EBITDA, EBITDAre and Adjusted EBITDAre as reported by other companies that do not define such terms exactly as the Company defines such terms, the Company believes these supplemental measures are useful to investors when comparing the Company's results between periods and with other REITs.

FFO and MFFO

The Company calculates and presents FFO in accordance with standards established by the National Association of Real Estate Investment Trusts ("Nareit"), which defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains and losses from the sale of certain real estate assets (including gains and losses from change in control), extraordinary items as defined by GAAP, and the cumulative effect of changes in accounting principles, plus real estate related depreciation, amortization and impairments, and adjustments for unconsolidated affiliates. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, most real estate industry investors consider FFO to be helpful in evaluating a real estate company's operations. The Company further believes that by excluding the effects of these items, FFO is useful to investors in comparing its operating performance between periods and between REITs that report FFO using the Nareit definition. FFO as presented by the Company is applicable only to its common shareholders, but does not represent an amount that accrues directly to common shareholders.

The Company calculates MFFO by further adjusting FFO for the exclusion of amortization of finance ground lease assets, amortization of favorable and unfavorable operating leases, net and non-cash straight-line operating ground lease expense, as these expenses do not reflect the underlying performance of the related hotels. The Company presents MFFO when evaluating its performance because it believes that it provides further useful supplemental information to investors regarding its ongoing operating performance.

The following table reconciles the Company's GAAP net income (loss) to FFO and MFFO for the three months ended March 31, 2020 and 2019 (in thousands):

	Three Months Ended March 31,	
	2020	2019
Net income (loss)	\$ (2,769)	\$ 38,151
Depreciation of real estate owned	47,668	46,666
Gain on sale of real estate	(8,839)	(1,213)
Funds from operations	36,060	83,604
Amortization of finance ground lease assets	1,602	1,041
Amortization of favorable and unfavorable operating leases, net	101	31
Non-cash straight-line operating ground lease expense	47	48
Modified funds from operations	\$ 37,810	\$ 84,724

EBITDA, EBITDAre and Adjusted EBITDAre

EBITDA is a commonly used measure of performance in many industries and is defined as net income (loss) excluding interest, income taxes, depreciation and amortization. The Company believes EBITDA is useful to investors because it helps the Company and its investors evaluate the ongoing operating performance of the Company by removing the impact of its capital structure (primarily interest expense) and its asset base (primarily depreciation and amortization). In addition, certain covenants included in the agreements governing the Company's indebtedness use EBITDA, as defined in the specific credit agreement, as a measure of financial compliance.

In addition to EBITDA, the Company also calculates and presents EBITDAre in accordance with standards established by Nareit, which defines EBITDAre as EBITDA, excluding gains and losses from the sale of certain real estate assets (including gains and losses from change in control), plus real estate related impairments, and adjustments to reflect the entity's share of EBITDAre of unconsolidated affiliates. The Company presents EBITDAre because it believes that it provides further useful information to investors in comparing its operating performance between periods and between REITs that report EBITDAre using the Nareit definition.

The Company also considers the exclusion of non-cash straight-line operating ground lease expense from EBITDAre useful, as this expense does not reflect the underlying performance of the related hotels.

The following table reconciles the Company's GAAP net income (loss) to EBITDA, EBITDAre and Adjusted EBITDAre for the three months ended March 31, 2020 and 2019 (in thousands):

	Three Months Ended March 31,	
	2020	2019
Net income (loss)	\$ (2,769)	\$ 38,151
Depreciation and amortization	49,522	47,950
Amortization of favorable and unfavorable operating leases, net	101	31
Interest and other expense, net	15,566	15,494
Income tax expense	146	206
EBITDA	62,566	101,832
Gain on sale of real estate	(8,839)	(1,213)
EBITDAre	53,727	100,619
Non-cash straight-line operating ground lease expense	47	48
Adjusted EBITDAre	\$ 53,774	\$ 100,667

Hotels Owned

As of March 31, 2020, the Company owned 231 hotels with an aggregate of 29,535 rooms located in 34 states. The following tables summarize the number of hotels and rooms by brand and by state:

Number of Hotels and Guest Rooms by Brand		
Brand	Number of Hotels	Number of Rooms
Hilton Garden Inn	41	5,665
Hampton	39	4,956
Courtyard	36	4,948
Residence Inn	33	3,939
Homewood Suites	33	3,731
SpringHill Suites	13	1,705
Fairfield	11	1,300
Home2 Suites	9	1,038
TownePlace Suites	9	931
Marriott	2	616
Embassy Suites	2	316
Independent	2	263
Hyatt Place	1	127
Total	231	29,535

Number of Hotels and Guest Rooms by State		
State	Number of Hotels	Number of Rooms
Alabama	15	1,434
Alaska	2	304
Arizona	12	1,644
Arkansas	3	336
California	27	3,807
Colorado	4	567
Florida	21	2,698
Georgia	6	672
Idaho	1	186
Illinois	8	1,420
Indiana	4	479
Iowa	3	301
Kansas	4	422
Louisiana	3	422
Maine	1	179
Maryland	2	233
Massachusetts	4	466
Michigan	1	148
Minnesota	3	404
Mississippi	2	168
Missouri	4	544
Nebraska	4	621
New Jersey	5	629
New York	4	553
North Carolina	10	1,091
Ohio	2	252
Oklahoma	4	545
Pennsylvania	3	391
South Carolina	5	538
Tennessee	13	1,502
Texas	31	3,755
Utah	3	393
Virginia	13	1,822
Washington	4	609
Total	231	29,535

The following table summarizes the location, brand, manager, date acquired or completed and number of rooms for each of the 231 hotels the Company owned as of March 31, 2020.

City	State	Brand	Manager	Date Acquired or Completed	Rooms
Anchorage	AK	Embassy Suites	Stonebridge	4/30/2010	169
Anchorage	AK	Home2 Suites	Stonebridge	12/1/2017	135
Auburn	AL	Hilton Garden Inn	LBA	3/1/2014	101
Birmingham	AL	Courtyard	LBA	3/1/2014	84
Birmingham	AL	Hilton Garden Inn	LBA	9/12/2017	104
Birmingham	AL	Home2 Suites	LBA	9/12/2017	106
Birmingham	AL	Homewood Suites	McKibbon	3/1/2014	95
Dothan	AL	Hilton Garden Inn	LBA	6/1/2009	104
Dothan	AL	Residence Inn	LBA	3/1/2014	84
Huntsville	AL	Hampton	LBA	9/1/2016	98
Huntsville	AL	Hilton Garden Inn	LBA	3/1/2014	101
Huntsville	AL	Home2 Suites	LBA	9/1/2016	77
Huntsville	AL	Homewood Suites	LBA	3/1/2014	107
Mobile	AL	Hampton	McKibbon	9/1/2016	101
Montgomery	AL	Hilton Garden Inn	LBA	3/1/2014	97
Montgomery	AL	Homewood Suites	LBA	3/1/2014	91
Prattville	AL	Courtyard	LBA	3/1/2014	84
Rogers	AR	Hampton	Raymond	8/31/2010	122
Rogers	AR	Homewood Suites	Raymond	4/30/2010	126
Rogers	AR	Residence Inn	Raymond	3/1/2014	88
Chandler	AZ	Courtyard	North Central	11/2/2010	150
Chandler	AZ	Fairfield	North Central	11/2/2010	110
Phoenix	AZ	Courtyard	North Central	11/2/2010	164
Phoenix	AZ	Courtyard	North Central	9/1/2016	127
Phoenix	AZ	Hampton	North Central	9/1/2016	125
Phoenix	AZ	Hampton	North Central	5/2/2018	210
Phoenix	AZ	Homewood Suites	North Central	9/1/2016	134
Phoenix	AZ	Residence Inn	North Central	11/2/2010	129
Scottsdale	AZ	Hilton Garden Inn	North Central	9/1/2016	122
Tucson	AZ	Hilton Garden Inn	Western	7/31/2008	125
Tucson	AZ	Residence Inn	Western	3/1/2014	124
Tucson	AZ	TownePlace Suites	Western	10/6/2011	124
Agoura Hills	CA	Homewood Suites	Dimension	3/1/2014	125
Burbank	CA	Courtyard	Huntington	8/11/2015	190
Burbank	CA	Residence Inn	Marriott	3/1/2014	166
Burbank	CA	SpringHill Suites	Marriott	7/13/2015	170
Clovis	CA	Hampton	Dimension	7/31/2009	86
Clovis	CA	Homewood Suites	Dimension	2/2/2010	83
Cypress	CA	Courtyard	Dimension	3/1/2014	180
Cypress	CA	Hampton	Dimension	6/29/2015	110
Oceanside	CA	Courtyard	Marriott	9/1/2016	142
Oceanside	CA	Residence Inn	Marriott	3/1/2014	125
Rancho Bernardo/San Diego	CA	Courtyard	InnVentures	3/1/2014	210
Sacramento	CA	Hilton Garden Inn	Dimension	3/1/2014	153
San Bernardino	CA	Residence Inn	InnVentures	2/16/2011	95
San Diego	CA	Courtyard	Huntington	9/1/2015	245
San Diego	CA	Hampton	Dimension	3/1/2014	177
San Diego	CA	Hilton Garden Inn	InnVentures	3/1/2014	200
San Diego	CA	Residence Inn	Dimension	3/1/2014	121

City	State	Brand	Manager	Date Acquired or Completed	Rooms
San Jose	CA	Homewood Suites	Dimension	3/1/2014	140
San Juan Capistrano	CA	Residence Inn	Marriott	9/1/2016	130
Santa Ana	CA	Courtyard	Dimension	5/23/2011	155
Santa Clarita	CA	Courtyard	Dimension	9/24/2008	140
Santa Clarita	CA	Fairfield	Dimension	10/29/2008	66
Santa Clarita	CA	Hampton	Dimension	10/29/2008	128
Santa Clarita	CA	Residence Inn	Dimension	10/29/2008	90
Tulare	CA	Hampton	InnVentures	3/1/2014	86
Tustin	CA	Fairfield	Marriott	9/1/2016	145
Tustin	CA	Residence Inn	Marriott	9/1/2016	149
Colorado Springs	CO	Hampton	Chartwell	9/1/2016	101
Denver	CO	Hilton Garden Inn	Stonebridge	9/1/2016	221
Highlands Ranch	CO	Hilton Garden Inn	Dimension	3/1/2014	128
Highlands Ranch	CO	Residence Inn	Dimension	3/1/2014	117
Boca Raton	FL	Hilton Garden Inn	White Lodging	9/1/2016	149
Cape Canaveral	FL	Homewood Suites	LBA	9/1/2016	153
Fort Lauderdale	FL	Hampton	LBA	6/23/2015	156
Fort Lauderdale	FL	Residence Inn	LBA	9/1/2016	156
Gainesville	FL	Hilton Garden Inn	McKibbon	9/1/2016	104
Gainesville	FL	Homewood Suites	McKibbon	9/1/2016	103
Jacksonville	FL	Homewood Suites	McKibbon	3/1/2014	119
Jacksonville	FL	Hyatt Place	Crestline	12/7/2018	127 (1)
Lakeland	FL	Courtyard	LBA	3/1/2014	78
Miami	FL	Courtyard	Dimension	3/1/2014	118
Miami	FL	Hampton	White Lodging	4/9/2010	121
Miami	FL	Homewood Suites	Dimension	3/1/2014	162
Orlando	FL	Fairfield	Marriott	7/1/2009	200
Orlando	FL	Home2 Suites	LBA	3/19/2019	128
Orlando	FL	SpringHill Suites	Marriott	7/1/2009	200
Panama City	FL	Hampton	LBA	3/12/2009	95
Panama City	FL	TownePlace Suites	LBA	1/19/2010	103
Pensacola	FL	TownePlace Suites	McKibbon	9/1/2016	97
Tallahassee	FL	Fairfield	LBA	9/1/2016	97
Tallahassee	FL	Hilton Garden Inn	LBA	3/1/2014	85
Tampa	FL	Embassy Suites	White Lodging	11/2/2010	147
Albany	GA	Fairfield	LBA	1/14/2010	87
Atlanta/Downtown	GA	Hampton	McKibbon	2/5/2018	119
Atlanta/Perimeter Dunwoody	GA	Hampton	LBA	6/28/2018	132
Atlanta	GA	Home2 Suites	McKibbon	7/1/2016	128
Macon	GA	Hilton Garden Inn	LBA	3/1/2014	101
Savannah	GA	Hilton Garden Inn	Newport	3/1/2014	105
Cedar Rapids	IA	Hampton	Aimbridge	9/1/2016	103
Cedar Rapids	IA	Homewood Suites	Aimbridge	9/1/2016	95
Davenport	IA	Hampton	Aimbridge	9/1/2016	103
Boise	ID	Hampton	Raymond	4/30/2010	186
Des Plaines	IL	Hilton Garden Inn	Raymond	9/1/2016	252
Hoffman Estates	IL	Hilton Garden Inn	White Lodging	9/1/2016	184
Mettawa	IL	Hilton Garden Inn	White Lodging	11/2/2010	170
Mettawa	IL	Residence Inn	White Lodging	11/2/2010	130
Rosemont	IL	Hampton	Raymond	9/1/2016	158
Schaumburg	IL	Hilton Garden Inn	White Lodging	11/2/2010	166
Skokie	IL	Hampton	Raymond	9/1/2016	225
Warrenville	IL	Hilton Garden Inn	White Lodging	11/2/2010	135

City	State	Brand	Manager	Date Acquired or Completed	Rooms
Indianapolis	IN	SpringHill Suites	White Lodging	11/2/2010	130
Merrillville	IN	Hilton Garden Inn	White Lodging	9/1/2016	124
Mishawaka	IN	Residence Inn	White Lodging	11/2/2010	106
South Bend	IN	Fairfield	White Lodging	9/1/2016	119
Overland Park	KS	Fairfield	True North	3/1/2014	110
Overland Park	KS	Residence Inn	True North	3/1/2014	120
Overland Park	KS	SpringHill Suites	True North	3/1/2014	102
Wichita	KS	Courtyard	Aimbridge	3/1/2014	90
Lafayette	LA	Hilton Garden Inn	LBA	7/30/2010	153
Lafayette	LA	SpringHill Suites	LBA	6/23/2011	103
New Orleans	LA	Homewood Suites	Dimension	3/1/2014	166
Andover	MA	SpringHill Suites	Marriott	11/5/2010	136
Marlborough	MA	Residence Inn	True North	3/1/2014	112
Westford	MA	Hampton	True North	3/1/2014	110
Westford	MA	Residence Inn	True North	3/1/2014	108
Annapolis	MD	Hilton Garden Inn	Crestline	3/1/2014	126
Silver Spring	MD	Hilton Garden Inn	White Lodging	7/30/2010	107
Portland	ME	Residence Inn	Crestline	10/13/2017	179 (1)
Novi	MI	Hilton Garden Inn	White Lodging	11/2/2010	148
Maple Grove	MN	Hilton Garden Inn	North Central	9/1/2016	120
Rochester	MN	Hampton	Raymond	8/3/2009	124
St. Paul	MN	Hampton	Vista Host	3/4/2019	160
Kansas City	MO	Hampton	Raymond	8/31/2010	122
Kansas City	MO	Residence Inn	True North	3/1/2014	106
St. Louis	MO	Hampton	Raymond	8/31/2010	190
St. Louis	MO	Hampton	Raymond	4/30/2010	126
Hattiesburg	MS	Courtyard	LBA	3/1/2014	84
Hattiesburg	MS	Residence Inn	LBA	12/11/2008	84
Carolina Beach	NC	Courtyard	Crestline	3/1/2014	144
Charlotte	NC	Fairfield	Newport	9/1/2016	94
Charlotte	NC	Homewood Suites	McKibbon	9/24/2008	118
Durham	NC	Homewood Suites	McKibbon	12/4/2008	122
Fayetteville	NC	Home2 Suites	LBA	2/3/2011	118
Fayetteville	NC	Residence Inn	LBA	3/1/2014	92
Greensboro	NC	SpringHill Suites	Newport	3/1/2014	82
Jacksonville	NC	Home2 Suites	LBA	9/1/2016	105
Wilmington	NC	Fairfield	Crestline	3/1/2014	122
Winston-Salem	NC	Hampton	McKibbon	9/1/2016	94
Omaha	NE	Courtyard	Marriott	3/1/2014	181
Omaha	NE	Hampton	White Lodging	9/1/2016	139
Omaha	NE	Hilton Garden Inn	White Lodging	9/1/2016	178
Omaha	NE	Homewood Suites	White Lodging	9/1/2016	123
Cranford	NJ	Homewood Suites	Dimension	3/1/2014	108
Mahwah	NJ	Homewood Suites	Dimension	3/1/2014	110
Mount Laurel	NJ	Homewood Suites	Newport	1/11/2011	118
Somerset	NJ	Courtyard	Newport	3/1/2014	162
West Orange	NJ	Courtyard	Newport	1/11/2011	131
Islip/Ronkonkoma	NY	Hilton Garden Inn	Crestline	3/1/2014	165
New York	NY	Independent	Highgate	3/1/2014	208
Syracuse	NY	Courtyard	Crestline	10/16/2015	102
Syracuse	NY	Residence Inn	Crestline	10/16/2015	78
Mason	OH	Hilton Garden Inn	Raymond	9/1/2016	110
Twinsburg	OH	Hilton Garden Inn	Interstate	10/7/2008	142

City	State	Brand	Manager	Date Acquired or Completed	Rooms
Oklahoma City	OK	Hampton	Raymond	5/28/2010	200
Oklahoma City	OK	Hilton Garden Inn	Raymond	9/1/2016	155
Oklahoma City	OK	Homewood Suites	Raymond	9/1/2016	100
Oklahoma City (West)	OK	Homewood Suites	Chartwell	9/1/2016	90
Collegeville/Philadelphia	PA	Courtyard	White Lodging	11/15/2010	132
Malvern/Philadelphia	PA	Courtyard	White Lodging	11/30/2010	127
Pittsburgh	PA	Hampton	Newport	12/31/2008	132
Charleston	SC	Home2 Suites	LBA	9/1/2016	122
Columbia	SC	Hilton Garden Inn	Newport	3/1/2014	143
Columbia	SC	TownePlace Suites	Newport	9/1/2016	91
Greenville	SC	Residence Inn	McKibbon	3/1/2014	78
Hilton Head	SC	Hilton Garden Inn	McKibbon	3/1/2014	104
Chattanooga	TN	Homewood Suites	LBA	3/1/2014	76
Franklin	TN	Courtyard	Chartwell	9/1/2016	126
Franklin	TN	Residence Inn	Chartwell	9/1/2016	124
Jackson	TN	Hampton	Vista Host	12/30/2008	85
Johnson City	TN	Courtyard	LBA	9/25/2009	90
Knoxville	TN	Homewood Suites	McKibbon	9/1/2016	103
Knoxville	TN	SpringHill Suites	McKibbon	9/1/2016	103
Knoxville	TN	TownePlace Suites	McKibbon	9/1/2016	97
Memphis	TN	Hampton	Crestline	2/5/2018	144
Memphis	TN	Homewood Suites	Hilton	3/1/2014	140
Nashville	TN	Hilton Garden Inn	Vista Host	9/30/2010	194
Nashville	TN	Home2 Suites	Vista Host	5/31/2012	119
Nashville	TN	TownePlace Suites	LBA	9/1/2016	101
Addison	TX	SpringHill Suites	Marriott	3/1/2014	159
Allen	TX	Hampton	Interstate	9/26/2008	103
Allen	TX	Hilton Garden Inn	Interstate	10/31/2008	150
Arlington	TX	Hampton	Western	12/1/2010	98
Austin	TX	Courtyard	White Lodging	11/2/2010	145
Austin	TX	Fairfield	White Lodging	11/2/2010	150
Austin	TX	Hampton	Vista Host	4/14/2009	124
Austin	TX	Hilton Garden Inn	White Lodging	11/2/2010	117
Austin	TX	Homewood Suites	Vista Host	4/14/2009	97
Austin/Round Rock	TX	Homewood Suites	Vista Host	9/1/2016	115
Beaumont	TX	Residence Inn	Western	10/29/2008	133
Burleson/Fort Worth	TX	Hampton	LBA	10/7/2014	88
Dallas	TX	Homewood Suites	Western	9/1/2016	130
Denton	TX	Homewood Suites	Chartwell	9/1/2016	107
El Paso	TX	Hilton Garden Inn	Western	12/19/2011	145
El Paso	TX	Homewood Suites	Western	3/1/2014	114
Fort Worth	TX	Courtyard	LBA	2/2/2017	124
Fort Worth	TX	TownePlace Suites	Western	7/19/2010	140
Frisco	TX	Hilton Garden Inn	Western	12/31/2008	102
Grapevine	TX	Hilton Garden Inn	Western	9/24/2010	110
Houston	TX	Courtyard	LBA	9/1/2016	124
Houston	TX	Marriott	Western	1/8/2010	206
Houston	TX	Residence Inn	Western	3/1/2014	129
Houston	TX	Residence Inn	Western	9/1/2016	120
Irving	TX	Homewood Suites	Western	12/29/2010	77
Lewisville	TX	Hilton Garden Inn	Interstate	10/16/2008	165
Round Rock	TX	Hampton	Vista Host	3/6/2009	94
San Antonio	TX	TownePlace Suites	Western	3/1/2014	106

City	State	Brand	Manager	Date Acquired or Completed	Rooms
Shenandoah	TX	Courtyard	LBA	9/1/2016	124
Stafford	TX	Homewood Suites	Western	3/1/2014	78
Texarkana	TX	Hampton	Aimbridge	1/31/2011	81
Provo	UT	Residence Inn	Dimension	3/1/2014	114
Salt Lake City	UT	Residence Inn	Huntington	10/20/2017	136
Salt Lake City	UT	SpringHill Suites	White Lodging	11/2/2010	143
Alexandria	VA	Courtyard	Marriott	3/1/2014	178
Alexandria	VA	SpringHill Suites	Marriott	3/28/2011	155
Charlottesville	VA	Courtyard	Crestline	3/1/2014	139
Manassas	VA	Residence Inn	Crestline	2/16/2011	107
Richmond	VA	Independent	Crestline	10/9/2019	55
Richmond	VA	Courtyard	White Lodging	12/8/2014	135
Richmond	VA	Marriott	White Lodging	3/1/2014	410
Richmond	VA	Residence Inn	White Lodging	12/8/2014	75
Richmond	VA	SpringHill Suites	McKibbin	9/1/2016	103
Suffolk	VA	Courtyard	Crestline	3/1/2014	92
Suffolk	VA	TownePlace Suites	Crestline	3/1/2014	72
Virginia Beach	VA	Courtyard	Crestline	3/1/2014	141
Virginia Beach	VA	Courtyard	Crestline	3/1/2014	160
Kirkland	WA	Courtyard	InnVentures	3/1/2014	150
Seattle	WA	Residence Inn	InnVentures	3/1/2014	234
Tukwila	WA	Homewood Suites	Dimension	3/1/2014	106
Vancouver	WA	SpringHill Suites	InnVentures	3/1/2014	119
Total					29,535

(1) Manager noted was effective as of April 1, 2020.

Related Parties

The Company has, and is expected to continue to engage in, transactions with related parties. These transactions cannot be construed to be at arm's length and the results of the Company's operations may be different if these transactions were conducted with non-related parties. See Note 6 titled "Related Parties" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, for additional information concerning the Company's related party transactions.

Liquidity and Capital Resources

Capital Resources

Prior to the impact of COVID-19, the Company's principal short term sources of liquidity were the operating cash flows generated from the Company's properties and availability under its revolving credit facility. Periodically, the Company may have received proceeds from strategic additional secured and unsecured debt financing, dispositions of its hotel properties (such as the sale of two hotels in the first quarter of 2020 for proceeds of approximately \$45 million discussed above in "2020 Portfolio Activities") and offerings of the Company's common shares. As a result of the deterioration of the Company's operating cash flows from declines in occupancy caused by COVID-19, the Company anticipates significantly reduced cash from operations until travel increases in the U.S. To increase readily available liquidity, in March 2020, the Company drew down the remaining availability under its \$425 million revolving credit facility and had available cash of approximately \$437 million as of March 31, 2020. The Company has also taken several steps to preserve capital and increase liquidity, including postponing approximately \$50 million of non-essential capital improvements and suspending its monthly distributions. The Company anticipates funding its near-term cash needs with cash on hand.

As of March 31, 2020, the Company had \$1.8 billion of total outstanding debt consisting of \$500.0 million of mortgage debt and \$1.3 billion outstanding under its credit facilities, excluding unamortized debt issuance costs and fair value adjustments. The Company, as discussed above, has drawn all of its borrowing capacity under its \$425 million revolving credit facility as of March 31, 2020. In the near term, the impact of COVID-19 on the global economy, including any sustained decline in the Company's performance, may make it more difficult or costly for the Company to raise debt or equity capital to fund long-term liquidity requirements.

The credit agreements governing the credit facilities contain mandatory prepayment requirements, customary affirmative and negative covenants and events of default. The credit agreements require that the Company comply with various covenants, which include, among others, a minimum tangible net worth, maximum debt limits, minimum interest and fixed charge coverage ratios and restrictions on certain investments. The Company was in compliance with the applicable covenants at March 31, 2020. As a result of COVID-19 and the associated disruption to the Company's operating results, the Company anticipates that it may not be in compliance with certain of these covenants in future periods. In April 2020, the Company notified the lenders under its credit facilities of the anticipated non-compliance with certain covenants and anticipates entering into amendments to each of the credit facilities that will provide for waivers of each of the covenants for four quarters beginning with the quarter ending June 30, 2020. The terms of the amendments are expected to include minimum liquidity requirements and restrictions on the amount of the Company's distributions, capital expenditures, share repurchases and acquisitions among other items during the covenant relief period. Additionally, the Company anticipates the amendments to require the interest rate under its credit facilities to increase, during the covenant relief period, to the highest interest rate margin under each of the credit agreements which would range from 75-80 basis points of an increase above current margins depending on the agreement. Although the Company anticipates completing these amendments, there are many conditions to closing, including but not limited to finalizing the terms of the amendments and completing the amendments themselves, and there can be no assurances that the Company will be able to complete the amendments with the noted terms or at all. If the amendments are not entered into, as currently anticipated, and the Company does not meet the covenant requirements in future periods, the Company will be in default under each credit facility, which may result in a potential acceleration of amounts due under each credit facility, which would have a material adverse effect on the Company if it is unable to obtain alternative sources of capital to repay such amounts.

See Note 4 titled "Debt" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, for a description of the Company's debt instruments as of March 31, 2020.

The Company has a universal shelf registration statement on Form S-3 (No. 333-231021) that was automatically effective upon filing on April 25, 2019. The Company may offer an indeterminate number or amount, as the case may be, of (1) common shares, no par value per share; (2) preferred shares, no par value per share; (3) depository shares representing the Company's preferred shares; (4) warrants exercisable for the Company's common shares, preferred shares or depository shares representing preferred shares; (5) rights to purchase common shares; and (6) unsecured senior or subordinate debt securities, all of which may be issued from time to time on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended. Future offerings will depend on a variety of factors to be determined by the Company, including market conditions, the trading price of the Company's common shares and opportunities for uses of any proceeds.

During April and May 2020, the Company applied for and received approximately \$18 million in loans under the CARES Act Paycheck Protection Program. Due to subsequent guidance issued by the Small Business Administration and the Department of Treasury, related to the intended participants in this program, the Company repaid all amounts received. The Company will continue to evaluate relief initiatives and stimulus packages, including any accompanying restrictions on its business that would be imposed by such packages, that may be or become available to the Company under government stimulus programs.

Capital Uses

Although there can be no assurances, the Company anticipates that available cash of \$437.3 million as of March 31, 2020, will be adequate to meet near-term anticipated operating cash flow deficits resulting from the effect of COVID-19, debt service, hotel acquisitions and capital expenditures. However, if the Company is unable to meet these near term anticipated capital uses, it is unable to obtain the covenant waivers noted above and the lenders accelerate the amounts due under the credit facilities or if the Company is unable to refinance maturing debt in the future, it may need to raise capital through disposition of assets, issuance of equity or issuance of debt, which may be more costly to the Company in the current environment.

Distributions

To maintain its REIT status, the Company is required to distribute at least 90% of its ordinary income. Distributions paid during the three months ended March 31, 2020 totaled approximately \$67.3 million or \$0.30 per common share and were paid at a monthly rate of \$0.10 per common share. For the same period, the Company's net cash generated from operations was approximately \$33.3 million. This shortfall includes a return of capital and was funded primarily by borrowings on the Company's revolving credit facility. In March 2020, the Company announced the suspension of its monthly distributions as a result of COVID-19 and the impact on its business. Subject to the distribution restrictions discussed above anticipated to be a condition to the proposed amendments to the Company's unsecured credit facilities during the covenant relief period, the Company's Board of Directors, in consultation with management, will continue to monitor hotel operations and intends to resume monthly distributions at a time and level determined to be prudent in relation to the Company's other cash requirements.

Share Repurchases

In May 2020, the Company's Board of Directors approved an extension of its existing Share Repurchase Program, authorizing share repurchases up to an aggregate of \$345 million. The Share Repurchase Program may be suspended or terminated at any time by the Company and will end in July 2021 if not terminated earlier. During the first three months of 2020 and 2019, the Company purchased, under its Share Repurchase Program, approximately 1.5 million and 0.3 million of its common shares, respectively, at a weighted-average market purchase price of approximately \$9.42 and \$14.93 per common share, respectively, for an aggregate purchase price, including commissions, of approximately \$14.3 million and \$4.1 million, respectively. Repurchases under the Share Repurchase Program have been funded, and the Company intends to fund future repurchases, with cash on hand or availability under its credit facilities. The shares were repurchased under a written trading plan that provided for share repurchases in open market transactions, and was intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. In March 2020 the Company terminated its written trading plan under the Share Repurchase Program. The timing of share repurchases and the number of common shares to be repurchased under the Share Repurchase Program will depend upon prevailing market conditions, regulatory requirements and other factors. As of March 31, 2020, approximately \$345.4 million remained available for purchase under the Share Repurchase Program. As discussed above, the Company anticipates a restriction on share repurchases during the covenant relief period to be a condition to the proposed amendments to the Company's unsecured credit facilities.

Capital Improvements

The Company has ongoing capital commitments to fund its capital improvements. To maintain and enhance each property's competitive position in its market, the Company has invested in and, subject to improved operating results, plans to continue to reinvest in its hotels. Under certain loan and management agreements, the Company is required to place in escrow funds for the repair, replacement and refurbishing of furniture, fixtures, and equipment, based on a percentage of gross revenues, provided that such amount may be used for the Company's capital expenditures with respect to the hotels. As of March 31, 2020, the Company held \$30.3 million in reserve related to these properties. During the three months ended March 31, 2020, the Company invested approximately \$23.9 million in capital expenditures, and anticipates spending an additional \$10 million to \$15 million during the remainder of 2020. This estimate is approximately \$50 million less than originally planned for the entire year of 2020 as the Company has postponed all planned non-essential capital improvements in order to maintain a sound liquidity position as a result of COVID-19. The Company does not currently have any existing or planned projects for new property development.

Hotel Contract Commitments

As of March 31, 2020, the Company had outstanding contracts, all of which were entered into prior to 2020, for the potential purchase of six newly developed hotels for a total expected purchase price of approximately \$208.8 million. Two of the hotels, the newly developed Hampton Inn & Suites and Home2 Suites in Cape Canaveral, Florida, a combined 224-room dual-branded complex, were acquired in April 2020 for a gross purchase price of approximately \$46.7 million. Additionally, in May 2020, the contract to purchase the Courtyard hotel in Denver, Colorado for \$49.1 million was terminated. The three remaining hotels (with a total expected purchase price of approximately \$113.0 million) are under development and are planned to be completed and opened for business over the next five to 15 months from March 31, 2020, at which time closings on these hotels are expected to occur. Although the Company is working towards acquiring these hotels, there are many conditions to closing that have not yet been satisfied and there can be no assurance that closings on these hotels will occur under the outstanding purchase contracts. If the sellers meet all of the conditions to closing, the Company is obligated to specifically perform under these contracts. As the properties are under development, at this time, the sellers have not met all of the conditions to closing. As discussed above, the Company utilized \$25.0 million of available cash and entered into a \$21.7 million one-year note payable with the developer to fund the purchase of the Cape Canaveral, Florida hotels and plans to utilize its available cash at closing to purchase the remaining hotels under contract if closings occur.

Cash Management Activities

As part of the cost sharing arrangements discussed in Note 6 titled "Related Parties" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, certain day-to-day transactions may result in amounts due to or from the Company and ARG. To efficiently manage cash disbursements, the Company or ARG may make payments for the other company. Under the cash management process, each company may advance or defer up to \$1 million at any time. Each quarter, any outstanding amounts are settled between the companies. This process allows each company to minimize its cash on hand and reduces the cost for each company. The amounts outstanding at any point in time are not significant to either of the companies.

Business Interruption

Being in the real estate industry, the Company is exposed to natural disasters on both a local and national scale. Although management believes there is adequate insurance to cover this exposure, there can be no assurance that such events will not have a material adverse effect on the Company's financial position or results of operations.

Seasonality

The hotel industry historically has been seasonal in nature. Seasonal variations in occupancy at the Company's hotels may cause quarterly fluctuations in its revenues. Generally, occupancy rates and hotel revenues are greater in the second and third quarters than in the first and fourth quarters, however, due to the effects of COVID-19, these typical seasonal patterns may not occur in 2020. To the extent that cash flow from operations is insufficient during any quarter, due to temporary or seasonal fluctuations in revenue, the Company expects to utilize cash on hand or available financing sources to meet cash requirements.

New Accounting Standards

See Note 1 titled "Organization and Summary of Significant Accounting Policies" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, for information on the adoption of the new fair value measurement accounting standard on January 1, 2020 and the guidance in the reference rate reform accounting standard effective in March 2020.

Subsequent Events

On April 30, 2020, the Company closed on the purchase of the newly developed Hampton Inn & Suites and Home2 Suites in Cape Canaveral, Florida, a combined 224-room dual-branded complex, for a gross purchase price of approximately \$46.7 million. The Company utilized \$25.0 million of its available cash and entered into a one-year note payable with the developer secured by the hotels for \$21.7 million to fund the purchase price of the Cape Canaveral, Florida hotels. The note payable bears interest, which is payable monthly, at a floating annual rate equal to one-month LIBOR plus a margin of 2.0% for the first six months of the loan term and 3.0% for the second six months of the loan term.

In May 2020, the contract to purchase the Courtyard hotel in Denver, Colorado was terminated and the refundable deposit of approximately \$0.6 million was repaid to the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of March 31, 2020, the Company's financial instruments were not exposed to significant market risk due to foreign currency exchange risk, commodity price risk or equity price risk. However, the Company is exposed to interest rate risk due to possible changes in short term interest rates as it invests its cash or borrows on its revolving credit facility and due to the portion of its variable-rate term debt that is not fixed by interest rate swaps. As of March 31, 2020, after giving effect to interest rate swaps, as described below, approximately \$377.5 million, or approximately 21% of the Company's total debt outstanding, was subject to variable interest rates. Based on the Company's variable-rate debt outstanding as of March 31, 2020, every 100 basis points change in interest rates will impact the Company's annual net income by approximately \$3.8 million, all other factors remaining the same. With the exception of interest rate swap transactions, the Company has not engaged in transactions in derivative financial instruments or derivative commodity instruments. As of March 31, 2020, the Company had two interest rate swaps due to mature on May 18, 2020 and two interest rate swaps that will become effective on the same date, resulting in a net decrease in the notional amount of \$197.5 million, which will result in a corresponding increase in the amount of the Company's variable-rate debt that is not fixed by interest rate swaps.

As of March 31, 2020, the Company's variable-rate debt consisted of its credit facilities, including borrowings outstanding under its \$425 million revolving credit facility and \$820 million of term loans. Currently, the Company uses interest rate swaps to manage its interest rate risk on a portion of its variable-rate debt. As of March 31, 2020, the Company had 12 interest rate swap agreements that effectively fix the interest payments on approximately \$867.5 million of the Company's variable-rate debt outstanding with swap maturity dates ranging from May 2020 (representing two swaps with a total notional amount of \$322.5 million) to December 2029. In addition, the Company has entered into a total of three interest rate swap agreements which, beginning May 18, 2020 and May 18, 2021, will effectively fix the interest rate on \$125 million and \$75 million, respectively, of its variable-rate debt. Under the terms of all of the Company's interest rate swaps, the Company pays a fixed rate of interest and receives a floating rate of interest equal to the one-month LIBOR. See Note 5 titled "Fair Value of Financial Instruments" in the Company's Unaudited Consolidated Financial Statements and Notes thereto, appearing elsewhere in this Quarterly Report on Form 10-Q, for a description of the Company's interest rate swaps as of March 31, 2020.

In addition to its variable-rate debt and interest rate swaps discussed above, the Company has assumed or originated fixed interest rate mortgages payable to lenders under permanent financing arrangements as well as one \$50 million fixed-rate senior notes facility. The following table summarizes the annual maturities and average interest rates of the Company's mortgage debt and borrowings outstanding under its credit facilities at March 31, 2020. All dollar amounts are in thousands.

	April 1 - December 31, 2020	2021	2022	2023	2024	Thereafter	Total	Fair Market Value
Total debt:								
Maturities	\$ 10,431	\$ 48,185	\$ 534,872	\$ 296,256	\$ 338,643	\$ 566,626	\$ 1,795,013	\$ 1,601,781
Average interest rates (1)(2)	3.3%	3.3%	3.3%	3.5%	3.7%	3.8%		
Variable-rate debt:								
Maturities	\$ -	\$ -	\$ 425,000	\$ 250,000	\$ 310,000	\$ 260,000	\$ 1,245,000	\$ 1,103,142
Average interest rates (1)(2)	2.9%	2.9%	3.0%	3.2%	3.5%	3.7%		
Fixed-rate debt:								
Maturities	\$ 10,431	\$ 48,185	\$ 109,872	\$ 46,256	\$ 28,643	\$ 306,626	\$ 550,013	\$ 498,639
Average interest rates (2)	4.3%	4.2%	4.0%	3.9%	3.9%	3.8%		

(1) The average interest rate gives effect to interest rate swaps, as applicable.

(2) The Company anticipates entering into an amendment to each of its unsecured credit facilities to waive certain covenants under the agreements. The amendments are expected to require that the interest rates on each of its unsecured credit facilities increase to the highest interest rate margin under each facility (75-80 basis points above the current margin) during the covenant relief period.

Item 4. Controls and Procedures

Senior management, including the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation process, the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer have concluded that the Company's disclosure controls and procedures were effective as of March 31, 2020. There have been no changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is or may be a party to various legal proceedings that arise in the ordinary course of business. The Company is not currently involved in any litigation nor, to management's knowledge, is any litigation threatened against the Company where the outcome would, in management's judgment based on information currently available to the Company, have a material adverse effect on the Company's consolidated financial position or results of operations.

Item 1A. Risk Factors

"Item 1A. Risk Factors" of the Company's 2019 Form 10-K includes a discussion of the Company's potential risks and uncertainties. The information below updates, and should be read in conjunction with, the risk factors and information disclosed in the Company's 2019 Form 10-K. Except as presented below, there have been no material changes from the risk factors described in the Company's 2019 Form 10-K.

The current widespread outbreak of COVID-19 has significantly adversely impacted and disrupted, and is expected to continue to significantly adversely impact and disrupt, the Company's business, financial performance and condition, operating results and cash flows, as could any future outbreak of another highly infectious or contagious disease.

Since first being reported in December 2019, COVID-19 has spread globally, including to every state in the U.S. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the U.S. declared a national emergency with respect to COVID-19.

The outbreak of COVID-19 has had a detrimental impact, and another pandemic in the future could similarly impact, regional and global economies and financial markets. The global, national and local impact of the outbreak has been rapidly evolving and many countries, including the U.S., and state and local governments have reacted by instituting a wide variety of measures intended to control its spread, including states of emergency, mandatory quarantines, implementing "stay at home" orders, business closures, border closings, and restricting travel and large gatherings, which has resulted in cancellation of events, including sporting events, conferences and meetings. Many experts predict that the outbreak will trigger a period of material global economic slowdown or a global recession and many experts believe that the U.S. is already in a recession.

The effects of the pandemic on the hotel industry are unprecedented. COVID-19 has disrupted the industry and its consequences have dramatically reduced business and leisure travel, which has had a significant adverse impact, and will continue to significantly adversely impact and disrupt the Company's business, financial performance and condition, operating results and cash flows. Since March 2020, the Company has experienced a significant decline in revenue throughout its portfolio which the Company expects to continue for an extended period of time. Substantially all of the Company's properties are currently operating at significantly reduced levels and the Company has reduced certain services and amenities. Although currently all of the Company's hotels are open, the Company may need or elect to temporarily suspend operations at properties in the future depending on the length and severity of COVID-19 and related effects. If operations at the Company's hotel properties are suspended, the Company cannot give any assurance as to when they will resume operations at a full or reduced level.

Additional factors that would negatively impact the Company's ability to successfully operate during or following COVID-19 or another pandemic, or that could otherwise significantly adversely impact and disrupt its business, financial performance and condition, operating results and cash flows, include:

- sustained negative consumer, or business sentiment or continued corporate travel policy restrictions, including beyond the end of COVID-19, which could further adversely impact demand for lodging;
- an expansion of the number of postponed and cancelled events, including sporting events, conferences and meetings;
- the Company's ability to reopen hotels that are temporarily closed in a timely manner, and its ability to attract customers to its hotels when they are able to reopen;
- a severe disruption or instability in the global financial markets or deterioration in credit and financing conditions;
- increased costs and potential difficulty accessing supplies to maintain hotels, including hotels that are no longer in operation and increased sanitation, social distancing and other mitigation measures, such as personal protective equipment at hotels; and
- increased labor costs to attract employees due to perceived risk of exposure to COVID-19, as well as potential for increased workers' compensation claims if hotel employees are exposed to COVID-19 through the workplace.

The results of these factors could include:

- decreased demand resulting in hotel properties not generating revenue sufficient to meet its operating expenses, which may adversely affect the value of the Company's hotel properties, potentially requiring the Company to recognize significant non-cash impairment charges or other significant unanticipated cash or non-cash costs;
- the scaling back or delay of a significant amount of planned capital expenditures, including planned renovation projects, which could adversely affect the value of the Company's properties;
- a material adverse effect on the Company's ability to consummate acquisitions and dispositions of hotel properties;
- continued suspension of the Company's monthly distributions or a change in the amount or frequency of distributions when the Company resumes paying distributions;
- increased indebtedness and decreased operating results, which could increase the Company's risk of default under its loan agreements or other long-term contracts;
- increased volatility of the Company's stock price;
- disruptions in the Company's supply chains, which may increase costs for essential capital improvements or may impact hotels that are under development and that the Company expects to acquire following completion;
- declines in regional and local economies, reducing travel to and from the localities;
- increased risk that the Company could be required to close on the purchase under its existing contracts for newly developed hotels, where the hotel is not legally allowed to open due to temporary regulations resulting from COVID-19 mitigation;
- increased risk in the Company's ability to retain and the continued service and availability of personnel, including the Company's senior leadership team and key field personnel, such as general managers, and the Company's ability to recruit, attract and retain skilled personnel to the extent its management or personnel are impacted by the outbreak of pandemic or epidemic disease and are not available or allowed to conduct work;
- disruptions as a result of corporate employees working remotely, including risk of cybersecurity incidents and disruptions to internal control procedures; and
- difficulty accessing debt and equity capital on attractive terms, or at all, including covenant deferral, under its secured and unsecured indebtedness, or capital necessary to fund business operations or address maturing liabilities.

Moreover, many risk factors set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 should be interpreted as heightened risks as a result of the ongoing and numerous adverse impacts of COVID-19.

The significance, extent and duration of the impacts caused by COVID-19 on the Company's business, financial condition, operating results and cash flows, remains largely uncertain and dependent on future developments that are highly uncertain and cannot be accurately predicted at this time, such as the continued severity, duration, transmission rate and geographic spread of COVID-19 in the U.S., the extent and effectiveness of actions taken to contain the pandemic or mitigate its impact, the timing of and manner in which containment efforts are reduced or lifted, and the response of the overall economy, the financial markets and the population, particularly in areas in which the Company operates, once the current containment measures are reduced or lifted. As a result, the Company cannot provide an estimate of the overall impact of COVID-19 on its business or when, or if, the Company will be able to resume pre-COVID-19 levels of operations. COVID-19 presents material uncertainty and risk with respect to the Company's business, financial performance and condition, operating results and cash flows.

The spread of the COVID-19 outbreak has caused severe disruptions in the U.S. and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration.

COVID-19 has caused, and is likely to continue to cause, severe economic, market and other disruptions worldwide. The Company cannot predict whether conditions in the bank lending, capital and other financial markets will continue to deteriorate as a result of the pandemic, or whether the Company's access to capital and other sources of funding will become constrained, which could adversely affect the availability and terms of future borrowings, renewals or refinancings.

Additionally, a prolonged economic recession, including lower GDP growth, corporate earnings, consumer confidence, employment rates, income levels and personal wealth, could result in significantly below-average lodging demand by both group and transient travelers that continues beyond the lifting of travel and other government restrictions and after COVID-19 has largely subsided. There can also be no guarantee that the demand for lodging, and consumer confidence in travel generally, will recover as quickly as other industries. All of the above factors could materially negatively impact the Company's business, financial performance and condition, operating results and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following is a summary of all share repurchases during the first quarter of 2020.

Issuer Purchases of Equity Securities				
	(a)	(b)	(c)	(d)
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) (1)
January 1 - January 31, 2020	-	-	-	\$ 359,800
February 1 - February 29, 2020	20,000	\$ 13.88	20,000	\$ 359,500
March 1 - March 31, 2020 (2)	1,635,159	\$ 9.66	1,500,783	\$ 345,400
Total	1,655,159		1,520,783	

- (1) Represents amount outstanding under the Company's share repurchase program. This program may be suspended or terminated at any time by the Company. This program was suspended in March 2020. In May 2020, the Company's Board of Directors approved an extension of the program authorizing share repurchases up to an aggregate of \$345 million through July 2021.
- (2) Includes 134,376 common shares surrendered to the Company to satisfy tax withholding obligations associated with the issuance of common shares awarded to employees.

Item 6. Exhibits

Exhibit Number	Description of Documents
3.1	<u>Amended and Restated Articles of Incorporation of the Company, as amended (Incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q (SEC File No. 001-37389) filed August 6, 2018)</u>
3.2	<u>Third Amended and Restated Bylaws of the Company (FILED HEREWITH)</u>
10.1*	<u>Separation Agreement and General Release, dated as of March 4, 2020, by and between the Company and Kristian Gathright (Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K (SEC File No. 001-37389) filed March 5, 2020)</u>
10.2*	<u>Separation Agreement and General Release, dated as of March 4, 2020, by and between the Company and Bryan Peery (Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K (SEC File No. 001-37389) filed March 5, 2020)</u>
10.3*	<u>Second Amendment to the Apple REIT, Inc. Executive Severance Pay Plan (Incorporated by reference to Exhibit 10.3 to the Company's current report on Form 8-K (SEC File No. 001-37389) filed March 5, 2020)</u>
10.4*	<u>Amendment, dated March 30, 2020, to Separation Agreement and General Release, dated as of March 4, 2020, by and between the Company and Kristian Gathright (FILED HEREWITH)</u>
10.5*	<u>Amendment, dated March 30, 2020, to Separation Agreement and General Release, dated as of March 4, 2020, by and between the Company and Bryan Peery (FILED HEREWITH)</u>
10.6	<u>First Amendment, dated February 14, 2020, to Second Amended and Restated Credit Agreement dated as of July 27, 2018, among the Company, as borrower, certain subsidiaries of the Company, as guarantors, Bank of America, N.A., as Administrative Agent, KeyBank National Association and Wells Fargo Bank, National Association, as Co-Syndication Agents, U.S. Bank National Association, as Documentation Agent, Regions Bank as Managing Agent, the Lenders and Letter of Credit Issuers party thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, KeyBanc Capital Markets, Wells Fargo Securities, LLC and U.S. Bank National Association, as Joint Lead Arrangers, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, KeyBanc Capital Markets and Wells Fargo Securities, LLC, as Joint Bookrunners (FILED HEREWITH)</u>
31.1	<u>Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (FILED HEREWITH)</u>
31.2	<u>Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (FILED HEREWITH)</u>
31.3	<u>Certification of the Company's Chief Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (FILED HEREWITH)</u>
32.1	<u>Certification of the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (FURNISHED HEREWITH)</u>
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) the Consolidated Statements of Shareholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) related notes to these financial statements, tagged as blocks of text and in detail (FILED HEREWITH)
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, formatted as Inline XBRL and contained in Exhibit 101.

* Denotes Management Contract or Compensation Plan

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Apple Hospitality REIT, Inc.

By: /s/ Justin G. Knight Date: May 18, 2020
Justin G. Knight,
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Elizabeth S. Perkins Date: May 18, 2020
Elizabeth S. Perkins,
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Rachel S. Labrecque Date: May 18, 2020
Rachel S. Labrecque,
Chief Accounting Officer
(Principal Accounting Officer)

**THIRD AMENDED AND RESTATED
BYLAWS
OF
APPLE HOSPITALITY REIT, INC.**

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ARTICLE I
THE COMPANY; DEFINITIONS

1.1 Name. The name of the corporation is Apple Hospitality REIT, Inc. and is referred to in these Bylaws as the “**Company**.” As far as practicable and except as otherwise provided in the Organizational Documents, the Directors shall direct the management of the business and the conduct of the affairs of the Company, execute all documents and sue or be sued in the name of the Company. If the Directors determine that the use of that name is not practicable, legal or convenient, they may use such other designation or may adopt another name under which the Company may hold property or conduct all or part of its activities.

1.2 Nature of Company. The Company is a corporation organized under the laws of the Commonwealth of Virginia. It is intended that the Company shall carry on business as a “real estate investment trust” (“**REIT**”).

1.3 Definitions. Whenever used in these Bylaws, the terms defined in this Section 1.3 shall, unless the context otherwise requires, have the respective meanings specified in this Section 1.3. In these Bylaws, words in the singular number include the plural and in the plural number include the singular.

(a) Affiliate. Means (i) any Person directly or indirectly controlling, controlled by or under common control with another Person, (ii) any Person owning or controlling 10% or more of the outstanding voting securities or beneficial interests of such other Person, (iii) any officer, director, trustee or general partner of such Person, and (iv) if such other Person is an officer, director, trustee or partner of another entity, then the entity for which that Person acts in any such capacity. Affiliated means being an Affiliate of a specified Person.

(b) Articles of Incorporation. The Articles of Incorporation of the Company, including all amendments, restatements or modifications thereof.

(c) Bylaws. These Bylaws, including all amendments, restatements or modifications hereof.

(d) Directors. As of any particular time, the directors of the Company holding office at such time.

(e) Organizational Documents. The Articles of Incorporation and these Bylaws.

(f) Person. An individual, corporation, partnership, joint venture, association, company, trust, bank or other entity, or government and any agency and political subdivision of a government.

(g) REIT. A real estate investment trust, as defined in Section 856 of the Internal Revenue Code of 1986, as amended.

(h) REIT Provisions of the Internal Revenue Code. Part II, Subchapter M of Chapter 1, of the Internal Revenue Code of 1986, as amended, or successor statutes, and regulations and rulings promulgated thereunder.

(i) Securities. Any stock, shares, voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as “securities.”

(j) Shares or Common Shares. All of the common shares of the Company, no par value.

(k) Shareholders. As of any particular date, all holders of record of outstanding Common Shares at such time.

ARTICLE II
OFFICES; FISCAL YEAR

- 2.1 Principal Office. The principal executive office of the Company shall be located at 814 East Main Street, Richmond, Virginia 23219, until otherwise established by a vote of a majority of the Board of Directors.
- 2.2 Other Offices. The Board of Directors may at any time establish other offices at any place or places they deem appropriate.
- 2.3 Taxable Year. The annual accounting period of the Company shall be the calendar year.

ARTICLE III
MEETINGS OF SHAREHOLDERS

3.1 Place of Meetings. All annual and all other meetings of Shareholders shall be held at such place, either within or outside of the Commonwealth of Virginia as from time to time may be fixed by the Chief Executive Officer or by the Board of Directors.

3.2 Annual Meetings. The annual meetings of Shareholders shall be held on such date as is fixed by the Chief Executive Officer or the Board of Directors; provided however, that if no such date and time is fixed by the Chief Executive Officer or the Board of Directors, the meeting for any calendar year shall be held on the first Tuesday in May in such year, if not a legal holiday under the laws of Virginia. If the date fixed by the Chief Executive Officer or the Board of Directors falls upon a legal holiday, then any annual meeting of Shareholders shall be held at the same time and place on the next day that is not a legal holiday. At each annual meeting of Shareholders, only such business shall be conducted as is proper to consider and has been brought before the meeting (i) pursuant to the Company's notice of the meeting, (ii) by or at the direction of the Board of Directors, or (iii) by a Shareholder who is a Shareholder of record of a class of Shares entitled to vote on the business such Shareholder is proposing, both at the time of the giving of the Shareholder's notice hereinafter described in this Section 3.2 and on the record date for such annual meeting, and who complies with the notice procedures set forth in this Section 3.2.

In order to bring before an annual meeting of Shareholders any business which may properly be considered and which a Shareholder has not had included in the Company's proxy statement for the meeting, a Shareholder who meets the requirements set forth in the preceding paragraph must give the Company timely written notice. To be timely, a Shareholder's notice must be given, either by personal delivery to the Secretary of the Company at the principal office of the Company, or by first class United States mail, with postage thereon prepaid, addressed to the Secretary of the Company at the principal office of the Company. Any such notice must be received (i) on or after February 1st and before March 1st of the year in which the meeting will be held, if clause (ii) is not applicable, or (ii) not less than 60 days before the date of the meeting if the date of such meeting is earlier than May 1 or later than May 31 in such year.

Each such Shareholder's notice shall set forth as to each matter the Shareholder proposes to bring before the annual meeting (i) the name and address, as they appear on the Company's stock transfer books, of the Shareholder proposing business, (ii) the class and number of Shares of stock of the Company beneficially owned by such Shareholder, (iii) a representation that such Shareholder is a Shareholder of record at the time of the giving of the notice and intends to appear in person or by proxy at the meeting to present the business specified in the notice, (iv) a brief description of the business desired to be brought before the meeting, including the complete text of any resolutions to be presented and the reasons for wanting to conduct such business, and (v) any interest which the Shareholder may have in such business.

The Secretary of the Company shall deliver each Shareholder's notice that has been timely received to the Chairman for review.

3.3 Special Meetings. Special meetings of the Shareholders may be called at any time for any purpose or purposes whatsoever by the Chief Executive Officer, by a majority of the Board of Directors, by the Chairman of the Board or by one or more Shareholders holding not less than 10% of the eligible votes. If a meeting is called by

any Person or Persons other than the Board of Directors, the Chairman of the Board, or the Chief Executive Officer, a request shall be made in writing, specifying the time of the meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board, the Chief Executive Officer, or the Secretary of the Company. The officer receiving the request shall cause notice to be promptly given to the Shareholders entitled to vote, in accordance with the provisions of Section 3.3.

3.4 Notice; Affidavit of Notice. Notice of meetings of the Shareholders of the Company shall be given in writing to each Shareholder entitled to vote thereat, either personally or by first class mail, or, if the Company has 500 or more Shareholders or beneficial owners of Common Shares, by third-class mail, by electronic transmission or other means of written communication, charges prepaid, addressed to the Shareholder at his or its address appearing on the books of the Company or given by the Shareholder to the Company for the purpose of notice. Notice of any such meeting of Shareholders shall be sent to each Shareholder entitled thereto not less than 10 nor more than 60 days before the meeting, except that notice of meetings in which Shareholders are to act on an amendment to the Articles of Incorporation, a plan of merger, share exchange, domestication or entity conversion a proposed sale of assets as specified in Section 13.1-724 of the Virginia Stock Corporation Act or a dissolution of the Company shall be given not less than 25 nor more than 60 days before the meeting; provided, however, that within 10 business days after receipt by the Company, in person, or by registered mail, of a written request for a meeting by Shareholders holding not less than 10% of the outstanding Shares entitled to vote at such meeting, the Company shall provide written notice of such meeting to all Shareholders, and such meeting shall be held not less than 20 nor more than 60 days after the Company's receipt of such written Shareholder request; and, provided further, that if such notice is not given within 10 business days after receipt of the request, the Person or Persons requesting the meeting may give the notice. Nothing contained in this Section 3.4 shall be construed as limiting, fixing or affecting the time when a meeting of Shareholders called by action of the Board of Directors may be held. All notices given pursuant to this Section 3.4 shall state the place, date and hour of the meeting and, (i) in the case of special meetings, the general nature of the business to be transacted, and no other business may be transacted, or (ii) in the case of annual meetings, those matters which the Board of Directors, at the time of the mailing of the notice, intends to present for action by the Shareholders, and (iii) in the case of any meeting at which Directors are to be elected, the names of the nominees intended at the time of the mailing of the notice to be presented by management for election. An affidavit of the mailing or other means of giving any notice of any Shareholders' meeting shall be executed by the Secretary, Assistant Secretary or any transfer agent of the Company giving the notice, and shall be filed and maintained in the minute book of the Company.

3.5 Record Date for Shareholder Notice, Voting and Giving Consents. For purposes of determining the Shareholders entitled to notice of any meeting or to vote or entitled to give consent to corporate action without a meeting, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 days nor less than 10 days before the date of any meeting nor more than 60 days before any action without a meeting, and in this event only Shareholders of record on the date so fixed are entitled to notice and to vote or to give consents, as the case may be, notwithstanding any transfer of any Shares on the books of the Company after the record date.

If the Board of Directors does not so fix a record date:

(a) The record date for determining Shareholders entitled to notice of or to vote at a meeting of Shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the date on which the meeting is held.

(b) The record date for determining Shareholders entitled to give consent to corporate action in writing without a meeting, (i) when no prior action by the Board has been taken, shall be the day on which the first written consent is given, or (ii) when prior action of the Board has been taken, shall be at the close of business on the day on which the Board adopts the resolution relating to that action, or the 60th day before the date of the other action, whichever is later.

3.6 Adjourned Meetings; Notice. Any Shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the holders of a majority of the Shares which

are either present in person or represented by proxy at such meeting, but in the absence of a quorum no other business may be transacted at the meeting.

When any Shareholders' meeting, either annual or special, is adjourned for more than 45 days or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given as in the case of a special meeting. In all other cases, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at any adjourned meeting other than by announcement at the meeting at which the adjournment is taken.

3.7 Voting at Meetings of Shareholders. Subject to the provisions of the Virginia Stock Corporation Act, and subject to the right of the Board of Directors to provide otherwise, only Persons in whose name Shares entitled to vote registered on the stock records of the Company on the record date shall be entitled to the notice of and to vote at the meeting, notwithstanding any transfer of any Shares on the books of the Company after the record date.

The vote may be via voice or by ballot; provided, however, that all elections for Directors must be by ballot upon demand made by any Shareholder at any election and before the voting begins. Except as provided in this Section 3.7, each outstanding Share shall be entitled to one vote on each matter submitted to a vote of Shareholders.

3.8 Quorum and Voting. The presence in person or by proxy of a majority of the Shares entitled to vote at the meeting shall constitute a quorum for the transaction of business. Except as otherwise expressly provided in these Bylaws, if a quorum exists, action on a matter, other than the election of Directors, is approved if the votes cast favoring the action exceed the votes cast opposing the action unless a vote of a greater number is required by the Articles of Incorporation or by the Virginia Stock Corporation Act. Directors shall be elected by a plurality of the votes cast by the Shares entitled to vote in the election at a meeting at which a quorum is present. The Shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Shares required to constitute a quorum.

3.9 Waiver of Notice or Consent of Absent Shareholders. The transactions of any meeting of Shareholders, either annual or special, however called and noticed, shall be as valid as though made at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy and if, either before or after the meeting, each of the Shareholders entitled to vote, not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes. All waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

3.10 Action Without Meeting. Any action that may be taken at any annual or special meeting of Shareholders may be taken without a meeting and without action by the Board of Directors, if the action is taken by all the Shareholders entitled to vote on the action. The action shall be evidenced by one or more written consents describing the action taken, signed by all the Shareholders entitled to vote on the action, and delivered to the Secretary of the Company for inclusion in the minutes or filing with the corporate records; provided that all such written consents are delivered to the Company within 60 days of the date the first written consent was signed. Action taken under this Section 3.10 shall be effective when all consents are in the possession of the Company, unless the consent specifies a different effective date and states the date of execution by each Shareholder, in which event it shall be effective according to the terms of the consent. A Shareholder may withdraw consent only by delivering a written notice of withdrawal to the Company prior to the time that all consents are in the possession of the Company.

3.11 Proxies. Every Person entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by a written proxy executed by such Person or his duly authorized agent and filed with the Secretary of the Company, provided that no such proxy shall be valid after the expiration of 11 months from the date of its execution, unless the Person executing it specifies in the proxy the length of time for which the proxy is to continue in force.

A proxy shall be deemed signed if the Shareholder's name is placed on the proxy (whether by

manual signature, typewriting, electronic transmission or otherwise) by the Shareholder or the Shareholder's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless revoked by the Person executing it before the vote pursuant to that proxy by (i) a writing delivered to the Company stating that the proxy is revoked, (ii) execution of a subsequent proxy, (iii) attendance at the meeting and voting in person (but only as to any items on which the Shareholder chooses to vote in person), or (iv) transfer of the Shares represented by the proxy to a transferee who becomes a Shareholder of record prior to the record date established for the vote. A validly executed proxy otherwise may be revoked by written notice of the death or incapacity of the maker of that proxy received by the Company before the vote pursuant to that proxy is counted.

3.12 Inspectors of Election. Before any meeting of Shareholders, the Board of Directors may appoint any Persons, other than nominees for office, to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are so appointed, the chairman of the meeting may, and on the request of any Shareholder or a Shareholder's proxy shall, appoint inspectors of election at the meeting. The number of inspectors shall be either one or three. If inspectors are appointed at a meeting on the request of one or more Shareholders or proxies, the holders of a majority of Shares or their proxies present at the meeting shall determine whether one or three inspectors are to be appointed. If any Person appointed as inspector fails to appear or fails or refuses to act, the chairman of the meeting may, and upon the request of any Shareholder or a Shareholder's proxy shall, appoint a Person to fill that vacancy.

These inspectors shall:

- (a) Determine the number of Shares outstanding and the voting power of each, the Shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies;
- (b) Receive votes, ballots or consents;
- (c) Hear and determine all challenges and questions in connection with any determination made by the inspector and retain for a reasonable time a record of the disposition of such challenges;
- (d) Count and tabulate all votes or consents;
- (e) Determine when the polls shall close;
- (f) Determine the result; and
- (g) Do any other acts that may be proper to conduct the election or vote with fairness to all Shareholders.

ARTICLE IV DIRECTORS

4.1 Powers. Subject to limitations contained in the Articles of Incorporation, these Bylaws and the Virginia Stock Corporation Act relating to action required to be authorized or approved by the Shareholders, or by the holders of a majority of the outstanding Shares, and subject to the duties of Directors as prescribed by these Bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Board of Directors. The Board of Directors shall establish policies on investments and borrowings and shall monitor the administrative procedures, investment operations and performance of the Company, to assure that such policies are carried out.

Each individual Director may engage in other business activities of the type conducted by the Company and is not required to present to the Company any investment opportunities presented to them even though the investment opportunities may be within the Company's investment policies.

4.2 Number, Tenure and Qualifications. The authorized number of Directors of the Board of Directors shall be not less than three nor more than 15 as shall be determined from time to time by resolution of the Board of Directors.

Except as provided in Section 4.3, the Directors elected by the holders of the Shares at a meeting of Shareholders at which a quorum is present shall be those persons who receive the greatest number of votes even though they do not receive a majority of the votes cast. No individual shall be named or elected as a Director without his prior consent.

4.3 Nomination of Directors. No person shall be eligible for election as a Director at a meeting of Shareholders unless nominated (i) by the Board of Directors or any committee thereof or (ii) by a Shareholder who is a Shareholder of record of a class of Shares entitled to vote for the election of Directors, both at the time of the giving of the Shareholder's notice hereinafter described in this Section 4.3 and on the record date for the meeting at which the nominee(s) will be voted upon, and who complies with the notice procedures set forth in this Section 4.3.

In order to nominate for election as Directors at a meeting of Shareholders any persons who are not listed as nominees in the Company's proxy statement for the meeting, a Shareholder who meets the requirements set forth in the preceding paragraph must give the Company timely written notice. To be timely, a Shareholder's notice must be given, either by personal delivery to the Secretary of the Company at the principal office of the Company, or by first class United States mail, with postage thereon prepaid, addressed to the Secretary of the Company at the principal office of the Company. Any such notice must be received (i) on or after February 1st and before March 1st of the year in which the meeting will be held if the meeting is to be an annual meeting and clause (ii) is not applicable, or (ii) not less than 60 days before an annual meeting, if the date of the applicable annual meeting is earlier than May 1 or later than May 31 in such year, or (iii) not later than the close of business on the tenth day following the day on which notice of a special meeting of Shareholders called for the purpose of electing Directors is first given to Shareholders.

Each such Shareholder's notice shall set forth the following: (i) as to the Shareholder giving the notice, (a) the name and address of such Shareholder as they appear on the Company's stock transfer books, (b) the class and number of Shares of the Company beneficially owned by such Shareholder, (c) a representation that such Shareholder is a Shareholder of record at the time of giving the notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, and (d) a description of all arrangements or understandings, if any, between such Shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made; and (ii) as to each person whom the Shareholder wishes to nominate for election as a Director, (a) the name, age, business address and residence address of such person, (b) the principal occupation or employment of such person, (c) the class and number of Shares of the Company which are beneficially owned by such person, and (d) all other information that is required to be disclosed about nominees for election as Directors in solicitations of proxies for the election of Directors under the rules and regulations of the Securities and Exchange Commission. In addition, each such notice shall be accompanied by the written consent of each proposed nominee to serve as a Director if elected and such consent shall contain a statement from the proposed nominee to the effect that the information about him or her contained in the notice is correct.

4.4 Vacancies. Vacancies in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining Director, except that a vacancy created by the removal of a Director by the vote or written consent of the Shareholders or by court order may be filled only by the vote of a majority of the Shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent in accordance with Section 3.10 of these Bylaws. Each Director so elected shall hold office until his successor is elected at an annual or a special meeting of the Shareholders.

A vacancy or vacancies in the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any Director or if the authorized number of Directors is increased or if the Shareholders fail, at any annual or special meeting of Shareholders at which any Director or Directors are elected, to elect the full authorized number of Directors to be voted for at that meeting.

Any Director may resign effective on giving written notice to the Chairman of the Board, the Secretary, or the Board of Directors. The Shareholders may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors. Any election by written consent to fill a vacancy shall require the consent of a majority of the outstanding Shares entitled to vote.

If the Board of Directors accepts the resignation of a Director tendered to take effect at a future time, the Board or the Shareholders shall have the power to elect a successor to take office when the resignation is to become effective.

No reduction of the authorized number of Directors shall have the effect of removing any Director prior to the expiration of his term of office.

4.5 Place of Meeting. Regular meetings of the Board of Directors shall be held at any place within or without the Commonwealth of Virginia that has been designated from time to time by the Chairman of the Board or by written consent of all members of the Board. In the absence of a designation, regular meetings shall be held at the principal office of the Company. Special meetings of the Board may be held either at a place so designated or at the principal office. Members of the Board may participate in a meeting through use of conference telephone or similar communication equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting by telephone or similar communication equipment shall constitute presence in person at the meeting.

4.6 Organization Meeting. Immediately following each annual meeting of Shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Notice of that meeting is hereby dispensed with.

4.7 Special Meetings. The Chairman of the Board, the Chief Executive Officer or the Secretary or any two Directors shall call special meetings of the Board of Directors for any purpose or purposes at any time.

Written notice of the time and place of special meetings shall be delivered personally to the Directors or sent to each Director by mail, electronic transmission or by other form of written communication, charges prepaid, addressed to him at his address as it appears upon the records of the Company or, if it is not so shown or is not readily ascertainable, at the place in which the meetings of Directors are regularly held. In case the notice is mailed, it shall be deposited in the United States mail in the place in which the principal office of the Company is located at least four days prior to the time of the meeting. In case the notice is delivered personally, telegraphed or communicated by electronic means, it shall be delivered, deposited with the telegraph company or communicated at least 48 hours prior to the time of the meeting. Mailing, telegraphing or delivery, as above provided, shall be due legal and personal notice to the Director.

4.8 Adjournment. A majority of the Directors present, whether or not a quorum is present, may adjourn any Directors' meeting to another time and place.

4.9 Notice of Adjournment. If a meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of adjournment.

4.10 Entry of Notice. Whenever any Director has been absent from any special meeting of the Board of Directors, an entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of the special meeting was given to that Director as required by law and the Bylaws of the Company.

4.11 Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed, or wherever held, shall be as valid as though authorized at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice of or consent to holding the meeting or an approval of the minutes. All waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

4.12 Quorum and Voting. A majority of the directors then in office shall be necessary to constitute a quorum for the transaction of business, except to adjourn or to fill a vacancy, as provided above. Every act or decision done or made by a majority of the Directors at a meeting duly held at which a quorum is present shall be regarded as an act of the Board of Directors unless a greater number be required by law or by the Articles of Incorporation or these Bylaws. However, a meeting at which a quorum is initially present may continue to transact

business notwithstanding the withdrawal of Directors, if any action taken after such withdrawal is approved by at least a majority of the Directors required to constitute a quorum for the meeting.

4.13 Fees and Compensation. The non-employee Directors shall be entitled to receive such reasonable compensation for their services as Directors as the Directors may fix or determine from time to time by resolution of the Board of Directors. The Directors shall also be entitled to receive remuneration for services rendered to the Company, either directly or indirectly, in any other capacity. Those services may include, without limitation, services as an officer of the Company, legal, accounting or other professional services, or services as a broker, transfer agent or underwriter, whether performed by a Director or any Person Affiliated with a Director.

4.14 Action Without Meeting. Any action required or permitted to be taken by the Board of Directors under the Virginia Stock Corporation Act and these Bylaws may be taken without a meeting if all members of the Board individually or collectively consent in writing to such action. The Directors may execute and deliver such consents by means of one or more electronic transmissions. The consent or consents shall be filed with the minutes of the meetings of the Board. Any certificate or other document filed under the provision of the Virginia Stock Corporation Act which relates to action so taken shall state that the action was taken by unanimous written consent of the Board of Directors without a meeting.

4.15 Removal of Director for Cause. The Board of Directors may declare vacant the office of a Director who has been declared of unsound mind by an order of court, or who has pled guilty or nolo contendere to or been convicted of a felony involving moral turpitude. In addition, throughout the term of the existence of the Company, any Director may be removed for cause by: (i) a vote or written consent of all Directors other than the Director who is to be removed, or (ii) the vote of the holders of a majority of the outstanding Shares of the Company at a meeting of the Shareholders called for such purpose. The notice for such special meeting of Shareholders shall state that the purpose, or one of the purposes, of the meeting is to vote on the removal of a Director. "For cause" shall mean, for purposes of this Section 4.15, a willful violation of the Articles of Incorporation or these Bylaws, or gross negligence in the performance of a Director's duties.

4.16 Removal of Director Without Cause. Any or all Directors may be removed without cause upon the affirmative vote of a majority of the outstanding Shares entitled to vote. A Director may be removed by the Shareholders only at a meeting called for the purpose of removing him and the meeting notice must state that the purpose, or one of the purposes of the meeting, is removal of the Director. Any reduction of the authorized number of Directors shall not operate to remove any Director prior to the expiration such Director's term of office.

4.17 Committees. The Board of Directors may, by resolution adopted by a majority of the authorized number of Directors, designate one or more committees, each consisting of two or more Directors, to serve at the pleasure of the Board of Directors. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the directors then in office. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have all the authority of the Board of Directors in the management of the business and affairs of the Company, except that no committee shall have authority to take any action with respect to (i) the approval or recommendation of any action requiring Shareholders' approval or approval of the outstanding Shares, (ii) the filling of vacancies of the Board or any committee, (iii) the fixing of compensation of Directors for serving on the Board or a committee, (iv) the adoption, amendment or repeal of these Bylaws, (v) the amendment or repeal of any resolution of the Board that by its express terms is not so amendable or repealable, (vi) a distribution to Shareholders, except at a rate or in a periodic amount or within a price range determined by the Board, and (vii) the appointment of other committees of the Board or the members thereof.

4.18 Fiduciary Relationship. The Directors of the Company have a fiduciary relationship to the Shareholders as provided by applicable Virginia law.

4.19 Preferred Shares and Other Securities. Notwithstanding anything to the contrary in this Article IV or elsewhere in these Bylaws, holders of any preferred shares or other Securities of the Company who, pursuant to the documents duly creating such preferred shares or other Securities, are granted voting rights, including rights to nominate and elect Directors, shall have such rights as set forth in the documents creating such preferred shares or

other Securities. Furthermore, notwithstanding anything to the contrary in these Bylaws, the Directors may interpret these Bylaws and may propose and adopt amendments to these Bylaws as they deem necessary or convenient to give effect to the foregoing provision of this Section 4.19.

ARTICLE V OFFICERS

5.1 Officers. The officers of the Company shall be as determined by the Board of Directors and shall include a Chief Executive Officer and Secretary, and may include a Chairman of the Board, Chief Financial Officer (Treasurer) and such other officers with such titles and duties as may be appointed in accordance with the provisions of Section 5.3. The same person may hold any number of offices.

5.2 Election. The officers of the Company, except such officers as may be appointed in accordance with the provisions of Section 5.3 or Section 5.5, shall be chosen annually by the Board of Directors to serve at the pleasure of the Board of Directors, and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve or his successor shall be elected and qualified. All officers serve at the will of the Board of Directors and nothing in these Bylaws shall give any officer any expectation or vesting of employment.

5.3 Subordinate Officers. The Board of Directors may appoint other officers as the business of the Company may require, each of whom shall hold office for the period and have the authority and perform the duties, in each case, as provided in these Bylaws or as the Board of Directors may from time to time determine.

The Chief Executive Officer may appoint one or more Vice Presidents, Assistant Secretaries, Assistant Chief Financial Officers, Assistant Treasurers or other officers of the Company, each of whom shall hold office for the period and have the authority and perform the duties, in each case, as provided in these Bylaws or as the Chief Executive Officer may from time to time determine.

5.4 Removal and Resignation. Any officer may be removed, either with or without cause, by a majority of the Directors at the time in office, at any regular or special meeting of the Board or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Board of Directors or to the Chairman, the Chief Executive Officer or to the Secretary of the Company. A resignation shall take effect at the date of the receipt of the notice or any later time specified in the notice; and, unless otherwise specified, the acceptance of the resignation shall not be necessary to make it effective.

5.5 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

5.6 Chairman of the Board. The Chairman of the Board shall, if present, preside at all meetings of the Board of Directors and Shareholders and exercise and perform all other powers and duties as may from time to time be assigned to him by the Board of Directors or prescribed by these Bylaws.

5.7 Chief Executive Officer. The Chief Executive Officer shall, subject to the control of the Board of Directors and the supervisory powers of the Chairman of the Board, have general supervision, direction and control of the business of the Company and shall have responsibility for implementation of the policies of the Company, as determined by the Board of Directors, for the general management and administration of the business affairs of the Company, and for the supervision of other officers, together with any other powers and duties as may be prescribed by the Board of Directors. He shall preside at meetings of the Shareholders or at meetings of the Board of Directors if the Chairman is absent.

5.8 Presidents; Vice Presidents. In the absence or disability of the Chief Executive Officer, the Presidents or the Vice Presidents in order of their rank as fixed by the Board of Directors or the Chief Executive Officer or, if not ranked, the President or the Vice President designated by the Board of Directors or the Chief Executive Officer, shall perform all the duties of the Chief Executive Officer and, when so acting, shall have all the

powers of and be subject to all the restrictions upon, the Chief Executive Officer. The Vice Presidents shall have any other powers and shall perform other duties as from time to time may be prescribed for them respectively by the Board of Directors, the Chief Executive Officer or these Bylaws.

5.9 Secretary. The Secretary shall keep, or cause to be kept, a book of minutes at the principal office, or any other place as the Board of Directors may order, of all meetings of Directors or Shareholders, with the time and place of holding, whether regular or special and, if special, how authorized, the notice thereof given, the names of those present at Directors' meetings, the number of Shares present or represented at Shareholders' meetings and the proceedings of meetings.

The Secretary shall keep, or cause to be kept, at the principal office or at the office of the Company's transfer agent, a Share register or a duplicate Share register showing the names of the Shareholders and their addresses, the number and classes of Shares held by each (whether in certificate or "unissued certificate" form), the number and the date of certificates issues, if any, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all the meetings of the Shareholders and of the Board of Directors required by these Bylaws or by law to be given, shall keep the seal of the Company (if any) in safe custody and shall have such other powers and shall perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

5.10 Assistant Secretaries. In the absence or disability of the Secretary, the Assistant Secretaries in order of their rank as fixed by the Board of Directors or the Chief Executive Officer or, if not ranked, the Assistant Secretary designated by the Board of Directors or the Chief Executive Officer, shall perform all the duties of the Secretary and, when so acting, shall have all the powers of and be subject to all the restrictions upon, the Secretary. The Assistant Secretaries shall have any other powers and shall perform other duties as from time to time may be prescribed for them by the Board of Directors, the Chief Executive Officer or these Bylaws.

5.11 Chief Financial Officer. The Chief Financial Officer may also be designated by the alternate title of "Treasurer." The Chief Financial Officer shall have custody of all moneys and securities of the Company and shall keep regular books of account. Such officer shall disburse the funds of the Company in payment of the just demands against the Company, or as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors from time to time as may be required of such officer, an account of all transactions as Chief Financial Officer and of the financial condition of the Company. Such officer shall perform all duties incident to such officer or which are properly required by the Chief Executive Officer or by the Board of Directors.

5.12 Assistant Chief Financial Officers. The Assistant Chief Financial Officers or the Assistant Treasurers, in the order of their seniority, shall, in the absence or disability of the Chief Financial Officer, or in the event of such officer's refusal to act, perform the duties and exercise the powers of the Chief Financial Officer, and shall have such powers and discharge such duties as may be assigned from time to time by the Chief Executive Officer or by the Board of Directors.

ARTICLE VI SHARES OF STOCK

6.1 Registered Ownership, Share Certificates and Shares in "Unissued Certificate" Form.

(a) Certificates may be issued and transferred in accordance with these Bylaws, but need not be issued if the Company elects to have Shares maintained in "unissued certificate" form. The Persons in whose names certificates of Shares in "unissued certificate" form are registered on the records of the Company shall be deemed the absolute owners of the Shares represented thereby for all purposes of the Company; but nothing in these Bylaws shall be deemed to preclude the Directors or officers, or their agents or representatives, from inquiring as to the actual ownership of Shares. The Shares are non-assessable. Until a transfer is duly effected on the records of the Company, the Directors shall not be affected by any

notice of transfer, either actual or constructive. The receipt by the Person in whose name any Shares are registered on the records of the Company or of the duly authorized agent of that Person, or if the Shares are so registered in the names of more than one Person, the receipt by any one of these Persons, or by the duly authorized agent of that Person, shall be a sufficient discharge for all dividends or distributions payable or deliverable in respect of the Shares and from all liability to see the application of those funds. The certificates of Shares of the capital stock of the Company, if any, shall be in a form consistent with the Articles of Incorporation and the laws of the Commonwealth of Virginia as shall be approved by the Board of Directors. All certificates shall be signed by (i) the Chairman of the Board, the Chief Executive Officer, a President or a Vice President and (ii) the Treasurer or the Secretary or any Assistant Secretary, certifying the number of Shares and the class or series of Shares owned by the Shareholder. Any or all of the signatures on the certificate may be facsimile signatures.

(b) Notwithstanding anything to the contrary in this Section 6.1 or elsewhere in these Bylaws, if the documents duly creating any preferred shares or other Securities of the Company provide that such preferred shares or other Securities of the Company are to be “uncertificated,” certificates need not be issued in respect of such preferred shares or other Securities. The provisions of these Bylaws addressing Shares held in uncertificated form shall apply to any such preferred shares or other Securities. Notwithstanding anything to the contrary in these Bylaws, the Directors may interpret these Bylaws and may propose and adopt such amendments to these Bylaws as shall be necessary or convenient to give effect to the foregoing provisions of this Section 6.1(b).

6.2 Transfer of Shares. Subject to the provisions of law and of Sections 6.3, 6.4 and 6.5, Shares shall be transferable on the records of the Company only by the record holder or by his agent thereunto duly authorized in writing upon delivery to the Directors or a transfer agent of the certificate or certificates (unless held in “unissued certificate” form, in which case an executed stock power duly guaranteed must be delivered), properly endorsed or accompanied by duly executed instruments of transfer and accompanied by all necessary documentary stamps together with evidence of the genuineness of each endorsement, execution or authorization and of other matters as may reasonably be required by the Directors or transfer agent. Upon delivery, the transfer shall be recorded in the records of the Company and a new certificate, if requested, for the Shares so transferred shall be issued to the transferee and in case of a transfer of only a part of the Shares represented by any certificate or account, a new certificate or statement of account for the balance shall be issued to the transferor. Any Person becoming entitled to any Shares in consequence of the death of a Shareholder or otherwise by operation of law shall be recorded as the holder of such Shares and shall receive a new certificate, if requested, but only upon delivery to the Directors or a transfer agent of instruments and other evidence required by the Directors or the transfer agent to demonstrate that entitlement, the existing certificate (or appropriate instrument of transfer if held in “unissued certificate” form) for the Shares and any necessary releases from applicable governmental authorities. Nothing in these Bylaws shall impose upon the Directors or a transfer agent any duty or limit their rights to inquire into adverse claims.

6.3 Disclosures by Holders of Shares; Redemption of Shares. The Holders of the Shares shall upon demand disclose to the Directors in writing such information with respect to direct and indirect ownership of their Shares as the Directors deem necessary to comply with the provisions of the Internal Revenue Code of 1986, as amended, and applicable regulations, as amended, or to comply with the requirements of any taxing authority. If the Directors shall at any time and in good faith be of the opinion that direct or indirect ownership of the Shares of the Company has or may become concentrated to an extent which would prevent the Company from qualifying as a REIT under the REIT Provisions of the Internal Revenue Code, the Directors shall have the power by lot or other means deemed equitable by them to prevent the transfer and/or call for redemption of a number of the Shares sufficient in the opinion of the Directors to maintain or bring the direct or indirect ownership of the Shares into conformity with the requirements for a REIT. The redemption price shall be (i) the last reported sale price of the Shares on the last business day prior to the redemption date on the principal national securities exchange on which the Shares are listed or admitted to trading, or (ii) if the Shares are not so listed or admitted to trading, the average of the highest bid and lowest asked prices on such last business day as reported by the NASDAQ, National Quotation Bureau or a similar organization selected by the Company for that purpose, or (iii) otherwise, as determined in good faith by the Directors. The holders of any Shares and so called for redemption shall be entitled to payment of such redemption price within 21 days of the redemption date. From and after the date fixed for redemption, the holders of such Shares shall cease to be entitled to dividends, distributions, voting rights and other benefits with respect to the Shares, excepting only the right to payment of the redemption price fixed as described above. The redemption

date with respect to any Shareholders shall be the date specified by the Directors which is not less than one week after the date postmarked on the disclosure demand made by the Directors under this Section 6.3, or, if such date is not a business day, on the next business day thereafter. For the purpose of this Section 6.3, the term “individual” shall be construed as provided in Section 542(a)(2) of the Internal Revenue Code of 1986, as amended, or any successor provisions and “ownership” of Shares shall be determined as provided in Section 544 of the Internal Revenue Code of 1986, as amended, or any successor provision.

6.4 Right to Refuse to Transfer the Shares. Whenever it is deemed by them to be reasonably necessary to protect the tax status of the Company, the Directors may require statements or affidavits from any holder of the Shares or proposed transferee of the Shares or warrants to purchase such Shares, setting forth the number of Shares (and warrants to purchase such Shares) already owned by him or it and any related Person specified in the form prescribed by the Directors for that purpose. If, in the opinion of the Directors, which shall be conclusive upon any proposed transferor or proposed transferee of Shares, or warrants to purchase such Shares, any proposed transfer or exercise would jeopardize the status of the Company as a REIT under the Internal Revenue Code of 1986, as amended, the Directors may refuse to permit the transfer or exercise. Any attempted transfer or exercise as to which the Directors have refused their permission shall be void and of no effect to transfer any legal or beneficial interest in the Shares. All contracts for the sale or other transfer or exercise of the Shares or warrants to purchase such Shares, shall be subject to this provision.

6.5 Limitation on Acquisition of Shares.

(a) Subject to the provisions of Section 6.5(b), no Person may own in excess of 9.8% of the total number of the issued and outstanding Shares of any separate class or series, and no Shares shall be transferred (or issued) to any person if, following the transfer or issuance, the Person’s direct or indirect ownership of Shares would exceed this limit. For the purpose of this Section 6.5, ownership of Shares shall be computed in accordance with Internal Revenue Code Sections 856(h), 542(a)(2) and 544.

(b) If Shares are purportedly acquired by any Person in violation of this Section 6.5, the acquisition shall be valid only to the extent it does not result in a violation of this Section 6.5, and the acquisition shall be null and void ab initio with respect to the excess (“**Excess Shares**”) unless the Person acquiring the Excess Shares provides the Directors with evidence and an opinion of counsel so that the Directors are satisfied that the Company’s qualification as a REIT will not be jeopardized and the Board of Directors, acting in its sole discretion, determines to waive such limitation. Excess Shares shall be deemed to have been acquired and to be held on behalf of the Company, and, as the equivalent of treasury shares for that purpose, shall not be considered to be outstanding for quorum or voting purposes, and shall not be entitled to receive dividends, interest or any other distribution. If prior to the discovery by the Company of the acquisition or transfer of any Excess Shares dividends, interest or any other distributions are paid with respect to any Excess Shares, then such dividends, interest or any other distributions shall be repaid to the Company.

(c) So long as any Person holds more than 9.8% of the outstanding Shares, a lower percentage limit may be established by the Directors to the extent necessary to assure, to the extent possible, that no five persons own in the aggregate more than 50% of the outstanding Shares.

(d) The Company shall, if deemed necessary or desirable to implement the provisions of any portion of this Article VI, include on the face or back of each certificate issued by the Company an appropriate legend referring the holder of the certificate to the restrictions contained in any portion of this Article VI and stating that the complete text of Article VI, or these Bylaws, is on file with the Secretary of the Company at the Company’s offices, and/or will be furnished without charge by the Company to any Shareholder.

(e) Nothing in these Bylaws shall limit the ability of the Directors to impose, or to seek judicial or other imposition of additional restrictions if deemed necessary or advisable to protect the Company and the interests of its Shareholders by preservation of the Company’s status as a qualified REIT.

(f) If any provision of this Section 6.5 is determined to be invalid, in whole or in part, by any federal or state court having jurisdiction, the validity of the remaining provisions shall not be affected and the provision shall be affected only to the extent necessary to comply with the determination of the court.

(g) For purposes of Sections 6.3, 6.4 and 6.5, "Shares" means the Common Shares of the Company and any other stock of the Company (as "stock" is defined in applicable Internal Revenue Code Sections addressing stock ownership requirements for REITs).

(h) The Company shall have the right to issue fractional Shares.

6.6 Lost or Destroyed Certificates. The holder of any Shares shall immediately notify the Company of any loss or destruction of the Share certificates, and the Company may issue a new certificate in the place of any certificate alleged to have been lost or destroyed upon approval of the Board of Directors. The Board may, in its discretion, as a condition to authorizing the issue of such new certificate, require the owner of the lost or destroyed certificate, or his legal representative, to make proof satisfactory to the Board of Directors of the loss or destruction and to give the Company a bond or other security, in such amount and with such surety or sureties, as the Board of Directors may determine as indemnity against any claim that may be made against the Company on account of the certificate alleged to have been lost or destroyed.

6.7 Dividend Record Date and Closing Stock Books. The Board of Directors may fix a date in the future as a record date for the determination of the Shareholders entitled to receive any dividend or distribution or any allotment of rights or to exercise rights with respect to any change, conversion or exchange of Shares. The record date so fixed shall not be more than 60 days or less than 10 days prior to the date of the event for the purposes of which it is fixed. When a record date is so fixed, only Shareholders of record on that day shall be entitled to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any Shares on the books of the Company after the record date.

6.8 Applicability of Certain Sections of Article VI. Sections 6.2, 6.3, 6.4 and 6.5 of the Company's Bylaws shall apply only to Shares (as defined in Section 6.5(g) of these Bylaws) as to which the provisions of Article X of the Articles of Incorporation do not apply because the provisions of Article X of the Articles of Incorporation do not meet the requirements of Section 13.1-649 of the Virginia Stock Corporation Act as to such Shares.

ARTICLE VII TRANSACTIONS WITH AFFILIATES; CERTAIN DUTIES AND LIABILITIES OF DIRECTORS, SHAREHOLDERS AND AFFILIATES

7.1 Transactions with Affiliates.

(a) All transactions, whether such transaction involves the transfer of property, the lending of money or the rendition of any services, in which any Affiliate of the Company has any direct or indirect interest shall be permitted only if:

(i) the Affiliate reported to the Board of Directors any such related party transaction where the amount involved exceeds \$120,000; and

(ii) such transaction has been approved by the affirmative vote of the majority of the Directors; and

(iii) if the transaction involves the purchase or acquisition of property, the purchase or acquisition from any such Person is on terms not less favorable to the Company than those then prevailing for arms-length transactions concerning comparable property (based upon a determination of a majority of the Directors); and

(iv) each such transaction is in all respects on such terms at the time of the transaction and under the circumstances then prevailing, fair and reasonable to the Shareholders of the Company and, in the case of a purchase or acquisition of property, at a price to the Company

no greater than the cost of the asset to such Persons (based upon a determination of a majority of the Directors) or, if the price to the Company is in excess of such cost, then substantial justification for such excess must exist and such excess is not unreasonable (based upon a determination of a majority of the Directors).

(b) Notwithstanding anything to the contrary in these Bylaws, the Company (which term includes, for purposes of this Section 7.1(b) any of its direct or indirect subsidiaries) shall be permitted to and may, without the need to comply with any other provisions of this Article VII, both make and accept assignments of purchase agreements or other contracts, or any rights, powers, duties or obligations arising thereunder, to or from any of the Company's Affiliates (including, without limitation, Glade M. Knight, or any company owned or controlled by Glade M. Knight), provided that there is no consideration for any such assignment other than the reimbursement to the assignor of the assignor's direct costs related to such agreement or contract; it being the general intention of this provision that the Company be permitted to make and accept assignments of purchase agreements or other contracts or any such rights, powers, duties or obligations from any such Affiliates in circumstances where such an Affiliate initially enters into any such contract and it is thereafter determined that such contract or such rights, powers, duties or obligations thereunder shall be assigned to the Company, with the Company thereafter proceeding to close on the acquisition or otherwise exercise any of such rights or powers. Further, notwithstanding anything to the contrary in these Bylaws, the Company (including any of its direct or indirect subsidiaries) shall be permitted to and may, without the need to comply with any other provisions of this Article VII, allow the use of any Company airplane by any of the Company's Affiliates (including without limitation the parties listed above), on the condition that any such other party provide to the Company appropriate reimbursement of expenses associated with such party's use of the airplane. Further, the Company may assign any agreement, contracts, license or other documents pertaining to any such airplane (or any rights, powers, duties or obligations related thereto) to any of the Company's Affiliates subject to the terms of this Section 7.1(b) of these Bylaws.

7.2 Restriction of Duties and Liabilities. The duties and liabilities of Shareholders, Directors and officers shall in no event be greater than the duties and liabilities of shareholders, directors and officers of a Virginia corporation. The Shareholders, Directors and officers shall in no event have any greater duties or liabilities than those imposed by applicable law as shall be in effect from time to time. However, in no event shall the duties and liabilities of Shareholders, Directors and officers be inconsistent with the standards contained in the Articles of Incorporation.

7.3 Persons Dealing with Directors or Officers. Any act of the Directors or officers purporting to be done in their capacity as such shall, as to any Persons dealing in good faith with the Directors or officers, be conclusively deemed to be within the purposes of the Company and within the powers of the Directors and officers.

The Directors may authorize any officer or officers or agent or agents to enter into any contract or execute any instrument in the name and on behalf of the Company and/or Directors.

No Person dealing in good faith with the Directors or any of them or with the authorized officers, employees, agents or representatives of the Company, shall be bound to see to the application of any funds or property passing into their hands or control. The receipt of the Directors, or any of them, or of authorized officers, employees, agents, or representatives of the Company, for moneys or other considerations, shall be binding upon the Company.

7.4 Reliance. The Directors and officers may consult with counsel and the advice or opinion of the counsel shall be full and complete personal protection to all of the Directors and officers in respect of any action taken or suffered by them in good faith and in reliance on and in accordance with such advice or opinion. In discharging their duties, Directors and officers, when acting in good faith, may rely upon financial statements of the Company represented to them to be correct by the Chairman or the officer of the Company having charge of its books of account, or stated in a written report by an independent certified public accountant fairly to present the financial position of the Company. The Directors may rely, and shall be personally protected in acting upon any instrument or other document believed by them to be genuine.

7.5 Income Tax Status. Without limitation of any rights of indemnification or non-liability of the Directors, the Directors by these Bylaws make no commitment or representation that the Company will qualify for the dividends paid deduction permitted by the Internal Revenue Code of 1986, as amended, and the Rules and Regulations pertaining to REITs under the Internal Revenue Code of 1986, as amended, and any such failure to qualify shall not render the Directors liable to the Shareholders or to any other Person or in any manner operate to annul the Company.

ARTICLE VIII MISCELLANEOUS

8.1 Competing Programs. Nothing in these Bylaws shall be deemed to prohibit any Affiliate of the Company from dealing, or otherwise engaging in business with, Persons transacting business with the Company or from providing services relating to the purchase, sale, management, development or operation of real property and receiving compensation therefor, not involving any rebate, reciprocal arrangement or other transaction which would have the effect of circumventing any restrictions set forth herein relating to the dealings between the Company and its Affiliates. The Company shall not have any right, by virtue of these Bylaws, in or to such other ventures or activities or to the income or proceeds derived therefrom, and the pursuit of such ventures, even if competitive with the business of the Company, shall not be deemed wrongful or improper. No Affiliate of the Company shall be obligated to present any particular investment opportunity to the Company, even if such opportunity is of a character which, if presented to the Company, could be taken by the Company.

8.2 Control Share Acquisitions. Article 14.1 of the Virginia Stock Corporation Act (“**Control Share Acquisitions**”) shall not apply to acquisitions of shares of stock of the Corporation.

8.3 Corporate Seal. The Company may, but shall not be required to, have a corporate seal in the form of a circle containing the name of the Company and such other details as may be specified by the Board of Directors.

8.4 Inspection of Bylaws. The Company shall keep at its principal office in this Commonwealth for the transaction of business, a list of the names and addresses of the Company’s Shareholders and the original or a copy of the Bylaws, as amended, certified by the Secretary, which shall be open to inspection by Shareholders at any reasonable time during office hours.

8.5 Inspection of Corporate Records. Shareholders of the Company, or any holders of a voting trust certificate, shall have the right to inspect the accounting books and records of the Company, and the minutes of proceedings of the Shareholders and the Board and committees of the Board as provided by the Virginia Stock Corporation Act.

8.6 Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Company, shall be signed or endorsed by the Person or Persons and in the manner as from time to time shall be determined by resolution of the Board of Directors.

8.7 Contracts, Etc., How Executed. The Board of Directors, except as provided elsewhere in these Bylaws, may authorize any officer or officers or agent or agents to enter into any contract or execute any instrument in the name of and on behalf of the Company. That authority may be general or confined to specific instances. Unless so authorized by the Board of Directors or as otherwise provided in these Bylaws, no officer, agent or employee shall have any power or authority to bind the Company by any contract or engagement or to pledge its credit to render it liable for any purpose or to any amount.

8.8 Representation of Shares of Other Corporations. The Chairman or the Chief Executive Officer, or, in the event of their absence or inability to serve, any President, Vice President and the Secretary or Assistant Secretary of the Company, are authorized to vote, represent and exercise, on behalf of the Company, all rights incidental to any and all shares of any other company registered in the name of the Company. The authority granted to such officers to vote or represent on behalf of the Company any and all shares held by the Company in any other

company may be exercised by any authorized Person in person or by proxy or power of attorney duly executed by the officers.

8.9 Severability. If any provisions of these Bylaws shall be held invalid or unenforceable, the invalidity or unenforceability shall attach only to that provision and shall not in any manner affect or render invalid or unenforceable any other provision, and these Bylaws shall be carried out as if the invalid or unenforceable provision were not present.

8.10 Voluntary Dissolution. The Company may elect to wind up and dissolve by the vote of Shareholders entitled to exercise a majority of the voting power of the Company.

8.11 Distributions. The payment of distributions on Shares shall be at the discretion of the Directors and shall depend upon the earnings, cash flow and general financial condition of the Company, and such other facts as the Directors deem appropriate.

8.12 Shareholder Liability. The holders of the Company's Shares shall not be personally liable on account of any obligation of the Company.

8.13 Return of Offering Proceeds. The Directors shall have the right and power, at any time, to return to Shareholders offering proceeds to the extent required by applicable law, including to the extent necessary to avoid characterization of the Company as an "investment company."

ARTICLE IX AMENDMENTS TO BYLAWS

9.1 Amendments. The Bylaws may be amended or repealed, or new bylaws adopted, at any time, and from time to time, (i) by the Board of Directors or (ii) upon the vote of the holders of a majority of the issued and outstanding Common Shares, and the Shareholders in amending, repealing or adopting a bylaw may, except as prohibited by applicable law, expressly provide that the Board of Directors may not amend, repeal or reinstate that bylaw.

ARTICLE X CONDUCT OF BUSINESS THROUGH SUBSIDIARIES

10.1 Subsidiaries. To the extent permitted by the Articles of Incorporation, these Bylaws and applicable law (including any required consent of the Directors and Shareholders under applicable law), the Company may conduct its business through subsidiary companies owned or controlled by the Company (or its subsidiaries). Any such subsidiary company is referred to as a "**Subsidiary Company**" and collectively such subsidiary companies are referred to as the "**Subsidiary Companies**." It is specifically acknowledged that the conduct of the Company's business through a Subsidiary Company or Subsidiary Companies may be effected and undertaken by the transfer by the Company of properties to, the acquisition of properties by, and the ownership and operation of properties in, a partnership all of whose interests are initially owned by the Company and/or a Subsidiary Company or Subsidiary Companies.

10.2 Interpretation and Application of Bylaws. If and to the extent (i) the Company conducts its business through Subsidiary Companies, or (ii) there are properties which, in the absence of Subsidiary Companies, would be owned and operated by the Company but such properties are instead owned and operated by Subsidiary Companies, restrictions on the power of the Company to engage in certain transactions and restrictions on the authority of Directors and officers of the Company in these Bylaws, and in particular the restrictions contained in Article VII of these Bylaws, shall be interpreted and applied to Subsidiary Companies in the same manner as they apply by their terms to the Company to the extent necessary to ensure that the Bylaw provision is given the effect intended notwithstanding that the Company's business is conducted through Subsidiary Companies instead of by the Company directly. The Company shall exercise any rights and powers it has as an owner or partner (directly or indirectly) of a Subsidiary Company consistently with this provision.

Amendment to Letter Agreement (“Agreement”) dated March 4, 2020 between Apple Hospitality REIT, Inc. (the “Company”) and Kristian Gathright.

The purpose of this Amendment is to acknowledge that, as a result of the recent effects of COVID-19 on the operating results for the Company, each party to the Agreement has agreed that payment of the Additional Benefit will be deferred until a mutually agreed upon date later in calendar year 2020. The remaining terms of the Agreement shall remain unchanged.

Accepted and Agreed

/s/ Justin Knight
Justin Knight
Apple Hospitality REIT, Inc.

/s/ Kristian Gathright
Kristian Gathright

March 30, 2020
Date

Amendment to Letter Agreement (“Agreement”) dated March 4, 2020 between Apple Hospitality REIT, Inc. (the “Company”) and Bryan Peery.

The purpose of this Amendment is to acknowledge that, as a result of the recent effects of COVID-19 on the operating results for the Company, each party to the Agreement has agreed that payment of the Additional Benefit will be deferred until a mutually agreed upon date later in calendar year 2020. The remaining terms of the Agreement shall remain unchanged.

Accepted and Agreed

/s/ Justin Knight
Justin Knight
Apple Hospitality REIT, Inc.

/s/ Bryan Peery
Bryan Peery

March 30, 2020
Date

FIRST AMENDMENT TO CREDIT AGREEMENT

FIRST AMENDMENT, dated as of February 14, 2020 (this "Agreement"), to the Second Amended and Restated Credit Agreement (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement") dated as of July 27, 2018, among Apple Hospitality REIT, Inc., a Virginia corporation (the "Borrower"), certain subsidiaries of the Borrower from time to time party thereto, as Guarantors, the Lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

WHEREAS, the Borrower has requested that the Credit Agreement be modified as herein set forth; and

WHEREAS, the Administrative Agent, the Lenders party hereto and the Administrative Agent have agreed to modify the Credit Agreement as herein set forth solely upon the terms and conditions provided for in this Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Amendment to Credit Agreement.

1.1 Section 7.09 of the Credit Agreement. Section 7.09 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

7.09 Burdensome Agreements. Enter into any Contractual Obligation (other than this Agreement or any other Loan Document) that limits the ability (i) of any Subsidiary to make Restricted Payments to the Borrower or any other Loan Party or to otherwise transfer property to the Borrower or any other Loan Party, other than Permitted Pari Passu Encumbrances, (ii) of any Loan Party to Guarantee the Obligations or (iii) of the Borrower or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person, other than Permitted Pari Passu Encumbrances; provided, that clauses (i) and (iii) shall not prohibit any (A) customary limitation on Restricted Payments or negative pledges or transfers of property incurred or provided in favor of any holder of Indebtedness permitted under Section 7.03(b) or Section 7.03(c) (solely to the extent any such limitation relates to property financed by or the subject of such Indebtedness), (B) negative pledges or limitation on transfers of property contained in any agreement in connection with a Disposition permitted by Section 7.05 (provided that such limitation shall only be effective against the assets or property that are the subject of Disposition), (C) limitation on Restricted Payments by reason of customary provisions in joint venture agreements or other similar agreements applicable to Subsidiaries that are not Wholly-Owned Subsidiaries, (D) any limitation on Restricted Payments, negative pledges or limitations on transfers of property by reason of customary provisions limiting the disposition or distribution of assets or property in asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business, which limitation is applicable only to the assets that are the subject of such agreements, and (E) limitation on Restricted Payments by reason of restrictions on cash or other deposits or net worth imposed by customers, suppliers or landlords or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business; provided, further, that notwithstanding the foregoing, in no event shall any negative pledge be permitted with respect to any Unencumbered Eligible Property or any Equity Interests of any Direct Owner or Indirect Owner of any Unencumbered Eligible Property.

SECTION 2. Conditions of Effectiveness. This Agreement shall not become effective until the date on which the Administrative Agent shall have received counterparts of this Agreement duly executed and delivered by each of the Loan Parties, the Administrative Agent and the Required Lenders.

SECTION 3. Representations and Warranties. Each of the Loan Parties reaffirms and restates the representations and warranties set forth in the Credit Agreement and in the other Loan Documents and all such representations and warranties shall be true and correct in all material respects on the date hereof with the same force and effect as if made on such date (except to the extent (i) such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date, (ii) any representation or warranty that is already by its terms qualified as to “materiality”, “Material Adverse Effect” or similar language shall be true and correct in all respects after giving effect to such qualification). Each of the Loan Parties represents and warrants (which representations and warranties shall survive the execution and delivery hereof) to the Administrative Agent and the Lenders that:

(a) it has all requisite power and authority to execute, deliver and perform its obligations under this Agreement and the transactions contemplated hereby and has taken or caused to be taken all necessary action to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby;

(b) no approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement, except for filings for reporting purposes required under applicable securities laws;

(c) this Agreement has been duly executed and delivered on its behalf by a duly authorized officer, and constitutes its legal, valid and binding obligation enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy insolvency, reorganization, receivership, moratorium or other laws affecting creditors’ rights generally and by general principles of equity;

(d) no Default shall exist or would result from the consummation of the transactions contemplated by this Agreement; and

(e) the execution, delivery and performance by it of this Agreement will not (i) contravene the terms of any of its Organization Documents; (ii) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (x) any Contractual Obligation to which such Loan Party is a party or affecting such Loan Party or the properties of such Loan Party or any of its Subsidiaries or (y) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (iii) violate any Law.

SECTION 4. Affirmation of Guarantors. Each Guarantor hereby approves and consents to this Agreement and the transactions contemplated by this Agreement and agrees and affirms that its guarantee of the Obligations continues to be in full force and effect and is hereby ratified and confirmed in all respects and shall apply to the Credit Agreement, as amended hereby, and all of the other Loan Documents, as such are amended, restated, supplemented or otherwise modified from time to time in accordance with their terms.

SECTION 5. Costs and Expenses. The Loan Parties acknowledge and agree that their payment obligations set forth in Section 11.04 of the Credit Agreement include the costs and expenses incurred by the Administrative Agent in connection with the preparation, execution and delivery of this Agreement and any other documentation contemplated hereby (whether or not this Agreement becomes effective or the transactions contemplated hereby are consummated and whether or not any Default or Event of Default has occurred or is continuing), including, but not limited to, the reasonable fees and disbursements of Kaye Scholer LLP, counsel to the Administrative Agent.

SECTION 6. Ratification.

(a) The Credit Agreement, as amended by this Agreement, and the other Loan Documents remain in full force and effect and are hereby ratified and affirmed by the Loan Parties. Each of the Loan Parties hereby (i) confirms and agrees that the Borrower is truly and justly indebted to the Administrative Agent and the Lenders in the aggregate amount of the Obligations without defense, counterclaim or offset of any kind whatsoever, other than payment in full, and (ii) reaffirms and admits the validity and enforceability of the Credit Agreement, as amended by this Agreement, and the other Loan Documents.

(b) This Agreement shall be limited precisely as written and, except as expressly provided herein, shall not be deemed (i) to be a consent granted pursuant to, or a waiver, modification or forbearance of, any term or condition of the Credit Agreement, any other Loan Document or any of the instruments or agreements referred to therein or a waiver of any Default or Event of Default under the Credit Agreement, whether or not known to the Administrative Agent, any L/C Issuer or any of the Lenders, or (ii) to prejudice any right or remedy which the Administrative Agent, any L/C Issuer or any Lender may now have or have in the future against any Person under or in connection with the Credit Agreement, any other Loan Document or any of the instruments or agreements referred to therein or any of the transactions contemplated thereby.

SECTION 7. Modifications. Neither this Agreement, nor any provision hereof, may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the parties hereto.

SECTION 8. References. The Loan Parties acknowledge and agree that this Agreement constitutes a Loan Document. Each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof,” “herein,” or words of like import, and each reference in each other Loan Document (and the other documents and instruments delivered pursuant to or in connection therewith) to the “Credit Agreement,” “thereunder,” “thereof” or words of like import, shall mean and be a reference to the Credit Agreement as modified hereby and as the Credit Agreement may in the future be amended, restated, supplemented or modified from time to time.

SECTION 9. Counterparts. This Agreement may be executed by the parties hereto individually or in combination, in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page by telecopier or electronic mail (in a .pdf format) shall be effective as delivery of a manually executed counterpart.

SECTION 10. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 11. Severability. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or enforceability without in any manner affecting the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Agreement in any jurisdiction.

SECTION 12. Governing Law. THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 13. Headings. Section headings in this Agreement are included for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

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IN WITNESS WHEREOF, the Loan Parties, the Administrative Agent and the undersigned Lenders have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BORROWER:

APPLE HOSPITALITY REIT, INC.,
a Virginia corporation

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: Executive Vice President

GUARANTORS:

APPLE REIT SEVEN, INC.
APPLE SEVEN HOSPITALITY, INC.
APPLE SEVEN HOSPITALITY MANAGEMENT, INC.
APPLE SEVEN HOSPITALITY OWNERSHIP, INC.
APPLE SEVEN SERVICES LAKELAND, INC.
APPLE SEVEN SERVICES PROVO-SAN DIEGO, INC.
APPLE SEVEN MANAGEMENT SERVICES GP, INC.
APPLE SEVEN MANAGEMENT SERVICES LP, INC.
APPLE SEVEN SERVICES HIGHLANDS RANCH, INC.
APPLE SEVEN SPE RICHMOND, INC.
APPLE SEVEN SERVICES RICHMOND, INC.,
each a Virginia corporation

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: President of, and on behalf of, each of the 11 entities listed above

Signature Page to First Amendment to Apple Second A&R Credit Agreement

APPLE REIT EIGHT, INC.
APPLE EIGHT HOSPITALITY, INC.
APPLE EIGHT HOSPITALITY MANAGEMENT, INC.
APPLE EIGHT HOSPITALITY MASSACHUSETTS, INC.
APPLE EIGHT HOSPITALITY MASSACHUSETTS
SERVICES, INC
APPLE EIGHT HOSPITALITY OWNERSHIP, INC.
APPLE EIGHT NC GP, INC.
APPLE EIGHT NC LP, INC.
APPLE EIGHT CALIFORNIA, INC.
APPLE EIGHT SERVICES FAYETTEVILLE, INC.
APPLE EIGHT SERVICES JACKSONVILLE, INC.
APPLE EIGHT SPE SAVANNAH, INC.,
each a Virginia corporation

By: /s/ Bryan F. Peery

Name: Bryan F. Peery

Title: President of, and on behalf of, each of the 12 entities listed above

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APPLE NINE HOSPITALITY, INC.
APPLE NINE HOSPITALITY MANAGEMENT, INC.
APPLE NINE HOSPITALITY OWNERSHIP, INC.
APPLE NINE HOSPITALITY TEXAS SERVICES, INC.
APPLE NINE HOSPITALITY TEXAS SERVICES II, INC.
APPLE NINE HOSPITALITY TEXAS SERVICES III, INC.
APPLE NINE LOUISIANA GP, INC.
APPLE NINE NC GP, INC.
APPLE NINE NC LP, INC.
APPLE NINE PENNSYLVANIA, INC.
APPLE NINE HOSPITALITY TEXAS SERVICES IV, INC.
APPLE NINE FLORIDA SERVICES, INC.
APPLE NINE SPE MALVERN, INC.,
each a Virginia corporation

By: /s/ Bryan F. Peery

Name: Bryan F. Peery

Title: President of, and on behalf of, each of the 13 entities listed above

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APPLE REIT TEN, INC.
APPLE TEN FLORIDA SERVICES, INC.
APPLE TEN HOSPITALITY MANAGEMENT, INC.
APPLE TEN HOSPITALITY OWNERSHIP, INC.
APPLE TEN HOSPITALITY TEXAS SERVICES II, INC.
APPLE TEN HOSPITALITY TEXAS SERVICES III, INC.
APPLE TEN HOSPITALITY TEXAS SERVICES IV, INC.
APPLE TEN HOSPITALITY TEXAS SERVICES, INC.
APPLE TEN HOSPITALITY, INC.
APPLE TEN NC GP, INC.
APPLE TEN NC LP, INC.
APPLE TEN OKLAHOMA SERVICES, INC.
APPLE TEN SERVICES GAINESVILLE, INC.
APPLE TEN SERVICES KNOXVILLE II, INC.
APPLE TEN SERVICES SCOTTSDALE, INC.
APPLE TEN SERVICES OHARE, INC.
APPLE TEN ILLINOIS MM, INC.
APPLE TEN ILLINOIS SERVICES, INC.,
each a Virginia corporation

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: Vice President of, and on behalf of, each of the 18 entities listed above

APPLE TEN ALABAMA SERVICES, LLC
a Virginia limited liability company

By: **APPLE TEN HOSPITALITY MANAGEMENT, INC.**, a Virginia corporation
Manager

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: Vice President

APPLE TEN NEBRASKA, LLC
a Virginia limited liability company

By: **APPLE TEN HOSPITALITY OWNERSHIP, INC.**, a Virginia corporation
Manager

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: Vice President

APPLE TEN BUSINESS TRUST
a Virginia business trust

By: **APPLE TEN HOSPITALITY OWNERSHIP, INC.**, a Virginia corporation
Sole Trustee

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: Vice President

APPLE TEN NORTH CAROLINA, L.P.,
a Virginia limited partnership

By: **APPLE TEN NC GP, INC.**, a Virginia corporation
General Partner

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: Vice President

APPLE TEN OKLAHOMA, LLC,
a Virginia limited liability company

By: **APPLE REIT TEN, INC.**, a Virginia corporation
Manager

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: Vice President

Signature Page to First Amendment to Apple Second A&R Credit Agreement

APPLE TEN ILLINOIS, LLC ,
a Virginia limited liability company

By: **APPLE TEN ILLINOIS MM, INC.**, a Virginia corporation
Managing Member

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: Vice President

APPLE NINE MISSOURI, LLC,
a Virginia limited liability company

By: **APPLE NINE HOSPITALITY OWNERSHIP, INC.**, a Virginia corporation
Manager

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: President

APPLE NINE NORTH CAROLINA, L.P.,
a Virginia limited partnership

By: **APPLE NINE NC GP, INC.**, a Virginia corporation
General Partner

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: President

APPLE NINE MALVERN PENNSYLVANIA BUSINESS TRUST,
a Pennsylvania business trust

By: **APPLE NINE SPE MALVERN, INC.**, a Virginia corporation
Trustee

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: President

APPLE NINE OKLAHOMA, LLC,
a Virginia limited liability company

By: **APPLE HOSPITALITY REIT, INC.,** a Virginia corporation
Manager

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: Executive Vice President

APPLE NINE LOUISIANA, L.P.,
a Virginia limited partnership

By: **APPLE NINE LOUISIANA GP, INC.,** a Virginia corporation
General Partner

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: President

APPLE NINE PENNSYLVANIA BUSINESS TRUST,
a Pennsylvania Business Trust

By: **APPLE NINE PENNSYLVANIA, INC.**
a Virginia corporation
Sole Trustee

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: President

APPLE EIGHT HOSPITALITY MIDWEST, LLC,
a Virginia limited liability company

By: **APPLE EIGHT HOSPITALITY OWNERSHIP, INC.,** a Virginia corporation
Manager of, and on behalf of, the above entity

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: President

APPLE EIGHT NORTH CAROLINA, L.P.,
a Virginia limited partnership

By: **APPLE EIGHT NC GP, INC.,** a Virginia
corporation
General Partner

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: President

**APPLE EIGHT HOSPITALITY TEXAS
SERVICES, LLC,**
a Virginia limited liability company

By: **APPLE EIGHT HOSPITALITY MANAGEMENT, INC.,** a Virginia corporation
Manager

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: President

**APPLE SEVEN SERVICES, LLC,
APPLE SEVEN SERVICES II, LLC,**
each a Virginia limited liability company

By: **APPLE SEVEN MANAGEMENT SERVICES GP, INC.,** a Virginia corporation
Managing Member of, and on behalf of, each of the two above entities

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: President

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APPLE SEVEN SERVICES SOUTHEAST, L.P.,
a Virginia limited partnership

By: **APPLE SEVEN MANAGEMENT SERVICES GP, INC.,** a Virginia corporation
Managing Member

By: /s/ Bryan F. Peery
Name: Bryan F. Peery
Title: President

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BANK OF AMERICA, N.A., AS ADMINISTRATIVE AGENT

By: /s/ Paley Chen
Name: Paley Chen
Title:

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BANK OF AMERICA, N.A., AS A LENDER, AN L/C ISSUER AND SWING LINE LENDER

By: /s/ Matthew R. Lohr
Name: Matthew R. Lohr
Title: Vice President

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KEYBANK NATIONAL ASSOCIATION, as a Lender and an L/C Issuer

By: /s/ Tayven Hike
Name: Tayven Hike
Title: Senior Vice President

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WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender and an L/C Issuer

By: /s/ Anand J. Jobanputra

Name: Anand J. Jobanputra

Title: Senior Vice President

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U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Lori Y. Jensen

Name: Lori Y. Jensen

Title: Senior Vice President

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CITIBANK, N.A., as a Lender

By: /s/ Chris Albano

Name: Chris Albano

Title: Authorized Signatory

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REGIONS BANK, AS A LENDER

By: /s/ Susan Wolfe

Name: Susan Wolfe

Title: Assistant Vice President

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THE BANK OF NOVA SCOTIA, AS A LENDER

By: /s/ Melissa Chow

Name: Melissa Chow

Title: Associate Director

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SUMITOMO MITSUI BANKING CORPORATION, AS A LENDER

By: /s/ Hideo Notsu

Name: Hideo Notsu

Title: Managing Director

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TRUIST BANK, f/k/a BRANCH BANKING AND TRUST COMPANY, as a Lender

By: /s/ Davis Baker

Name: Davis Baker

Title: Assistant Vice President

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THE HUNTINGTON NATIONAL BANK, AS A LENDER

By: /s/ Rebecca Stirnkorb

Name: Rebecca Stirnkorb

Title: Assistant Vice President

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PNC BANK, NATIONAL ASSOCIATION, AS A LENDER

By: /s/ Katie Chowdhry
Name: Katie Chowdhry
Title: Senior Vice President

Signature Page to First Amendment to Apple Second A&R Credit Agreement

CERTIFICATION

I, Justin G. Knight, certify that:

1. I have reviewed this report on Form 10-Q of Apple Hospitality REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 18, 2020

/s/ Justin G. Knight
Justin G. Knight
Chief Executive Officer
Apple Hospitality REIT, Inc.

CERTIFICATION

I, Elizabeth S. Perkins, certify that:

1. I have reviewed this report on Form 10-Q of Apple Hospitality REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 18, 2020

/s/ Elizabeth S. Perkins
Elizabeth S. Perkins
Chief Financial Officer
Apple Hospitality REIT, Inc.

CERTIFICATION

I, Rachel S. Labrecque, certify that:

1. I have reviewed this report on Form 10-Q of Apple Hospitality REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 18, 2020

/s/ Rachel S. Labrecque

Rachel S. Labrecque
Chief Accounting Officer
Apple Hospitality REIT, Inc.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Apple Hospitality REIT, Inc., (the “Company”) on Form 10-Q for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of March 31, 2020 and for the period then ended.

Apple Hospitality REIT, Inc.

/s/ Justin G. Knight

Justin G. Knight
Chief Executive Officer

/s/ Elizabeth S. Perkins

Elizabeth S. Perkins
Chief Financial Officer

/s/ Rachel S. Labrecque

Rachel S. Labrecque
Chief Accounting Officer

May 18, 2020