

HERSHA HOSPITALITY TRUST
Form DEF 14A
April 21, 2017
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Hersha Hospitality Trust

(Name of Registrant as Specified In Its Charter)

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

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2017 PROXY STATEMENT

Dear Fellow Shareholders:

I hope you will join me and our entire Board of Trustees at our 2017 Annual Meeting of Shareholders on June 1, 2017 at the Ritz-Carlton, 10 Avery Street, Boston, MA 02111. The following pages contain the Notice of Annual Meeting and the Proxy Statement, which describes the business to be conducted at the meeting.

In 2016, Hersha completed over \$1.0 billion in hotel transactions, adding to its presence in the strategic growth markets of Boston, Washington, DC and the West Coast. The Company has worked to reduce exposure to challenging markets, while simultaneously refining its geographic footprint to higher barrier-to-entry urban gateway and destination markets, with an emphasis on younger, higher growth hotels that dominate the lifestyle and luxury segments.

Hersha's capital recycling efforts produced over \$180 million of gains on property sales, with the Company's Net Income increasing to \$95.6 million, or \$2.18 per diluted common share, in 2016 compared to Net Income of \$27.4 million, or \$0.56 per diluted common share in 2015. The Company's core portfolio achieved Average Daily Rates ("ADR") of \$207 and Revenue Per Available Room ("RevPAR") of \$171, both record highs for the Company, while registering robust EBITDA Margins of 37.0%.

While the lodging sector in 2016 was characterized by decelerating RevPAR growth and significant market volatility due to global and domestic political turmoil, Hersha's conviction has not wavered. During 2016, Hersha capitalized on this dislocation by purchasing approximately \$52 million of the Company's common shares at a significant discount to Net Asset Value.

We believe our company is very well positioned to continue to outperform in both the near and long-term. Thank you for your continued support of our Company. Your vote is important to us and our business and you will find instructions on how to vote on page 9.

Sincerely,

/s/ Jay H. Shah

Jay H. Shah

Chief Executive Officer and Trustee

April 21, 2017

HERSHA HOSPITALITY TRUST

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

THURSDAY, JUNE 1, 2017

9:00 A.M. (EDT)

THE RITZ-CARLTON
10 AVERY STREET
BOSTON, MA 02111

Items of Business

1. To elect four Class II Trustees to the Board of Trustees.
2. To approve on an advisory basis the compensation of the Company's named executive officers.
3. To approve on an advisory basis the frequency of future advisory shareholder votes to approve the compensation of the named executive officers.
4. To ratify the appointment of KPMG LLP as the Company's independent auditors for the year ending December 31, 2017.
5. To transact such other business as may properly come before the annual meeting and any adjournment or postponement thereof.

Record Date

You can vote if you are a holder of record of our Priority Class A common shares ("common shares"), at the close of business on March 31, 2017.

Proxy Materials

We are pleased to take advantage of the Securities and Exchange Commission (the "SEC") rule allowing companies to furnish proxy materials to shareholders over the Internet. We believe that this e-proxy process expedites shareholders' receipt of proxy materials, while setting a great precedent for our Company by keeping the costs down and reducing the environmental impact of our Annual Meeting. On or about April 21, 2017, we will begin mailing a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2016, how to vote over the Internet or how to request and return a proxy card by mail. Shareholders may request to receive a paper copy of the proxy materials and will subsequently be mailed the Proxy Statement, our annual report to shareholders accompanying our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, or the 2016 Annual Report, and a proxy card.

Your Vote is Important

It is important that your common shares are represented and voted at the annual meeting. You may authorize your proxy over the Internet or by telephone as described in the Notice of Internet Availability of Proxy Materials. Alternatively, if you received a printed copy of the proxy materials by mail, you may authorize your proxy by signing and returning the proxy card in the enclosed envelope. You may revoke your proxy and vote in person at the annual meeting by (1) executing and submitting a later dated proxy card that is received at the Company's principal executive office prior to June 1, 2017, (2) subsequently authorizing a proxy over the Internet or by telephone, (3) sending a written revocation of your proxy to the Company's Corporate Secretary at its principal executive office or (4) attending the annual meeting and voting in person.

BY ORDER OF THE BOARD OF TRUSTEES,

/s/ David L. Desfor

David L. Desfor

Corporate Secretary

44 Hersha Drive
Harrisburg, Pennsylvania 17102
April 21, 2017

PROXY STATEMENT

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE 2017 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 1, 2017:

The Notice of Annual Meeting of Shareholders, this proxy statement and the 2016 annual report to shareholders are available on Hersha Hospitality Trust's website, www.hersha.com, and at www.proxyvote.com. Information on or connected to these websites is not deemed to be a part of this proxy statement.

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PROXY SUMMARY

This proxy summary highlights information that may be contained elsewhere in this proxy statement. This proxy summary does not contain all of the information that you should consider before authorizing your proxy, and you should read the entire proxy statement carefully before authorizing your proxy. Page references are supplied to help you find further information in this proxy statement. Unless the context otherwise indicates or requires, all references in this proxy statement to the terms “Hersha,” “we,” “us,” “our,” “our company” and “the Company” mean Hersha Hospitality Trust and its subsidiaries. Please refer to our website, www.hersha.com, for additional information about the Company, and “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ending December 31, 2016 for a reconciliation of certain non-GAAP figures presented throughout this proxy statement to the most directly comparable GAAP line items.

Eligibility to Vote (page 9)

You can vote if you are a holder of record of our common shares as of the close of business on March 31, 2017.

How to Cast Your Vote (page 9)

You can vote by any of the following methods:

- Internet: www.proxyvote.com until 11:59 P.M. EDT on May 31, 2017;
 - Telephone: 1-800-690-6903 until 11:59 P.M. EDT on May 31, 2017; or
- Mail: If you received a printed copy of the proxy materials by mail, completing, signing and returning your proxy or voting instruction card.

Pursuant to rules adopted by the SEC, we are permitted to furnish our proxy materials over the Internet to our shareholders by delivering a Notice of Internet Availability of Proxy Materials in the mail. Unless requested, you will not receive a printed copy of the proxy materials in the mail. Instead, the Notice of Internet Availability of Proxy Materials instructs you on how to access and review the Proxy Statement and our 2016 Annual Report over the Internet at www.proxyvote.com. The Notice of Internet Availability of Proxy Materials also instructs you on how you may submit your proxy over the Internet, or how you can request a full set of proxy materials, including a proxy card to return by mail. If you received a Notice of Internet Availability of Proxy Materials in the mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting these materials provided in the Notice of Internet Availability of Proxy Materials.

Corporate Governance of the Company (page 11)

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

Board Independence

6 out of 8 of our trustees and trustee nominees are independent

Our Chairman and CEO are the only management trustees

Board Composition and Committees

The Nominating and Corporate Governance Committee leads the full Board in considering Board competencies and the identification and evaluation of trustee candidates

We have four Board committees and one sub-committee – Acquisition, Audit (including Risk-Sub-Committee), Nominating and Corporate Governance, and Compensation

All committees are composed entirely of independent trustees

The Board and its committees and sub-committees conduct an annual self-assessment to review effectiveness

Leadership Structure

Chairman of the Board separate from CEO

Independent Lead Trustee (selected by the trustees), among other duties, convenes and chairs executive sessions of the independent trustees to discuss certain matters without management present

Risk Oversight

Our full Board is responsible for risk oversight, and has designated committees to have particular oversight of certain key risks

Risk Sub-Committee established to promote active and focused discussion of risk and risk oversight

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Our Board oversees management as management fulfills its responsibilities for the assessment and mitigation of risks and for taking appropriate risks

Open Communication

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We encourage open communication and strong working relationships among the Independent Lead Trustee, Chairman, CEO and other trustees

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Our trustees have access to management and employees

Trustee Stock
Ownership

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Our independent trustees are required to own common stock in an amount equal to five times the annual cash base retainer

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Our management trustees (CEO and Chairman) are required to own common stock in an amount equal to six times and four times their annual salary, respectively

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Comprehensive insider trading policy and prohibitions on hedging transactions

Accountability
to Stockholders

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We use majority voting in uncontested director elections

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Stockholders have the power to amend the Bylaws

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We do not have a stockholder rights plan

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We have an annual advisory vote on executive compensation and are recommending that our shareholders approve, on an advisory basis, continued annual advisory votes on executive compensation in Proposal Three

Board of Trustees (page 15)

Name	Age	Occupation	Committee Memberships	Other Public Company Boards
Class II Trustees Nominees				
Hasu P. Shah	72	Chairman of the Board of the Company	None	None
Jackson Hsieh	56	President and Chief Operating Officer, Spirit Realty Capital, Inc.	Audit Committee* Compensation Committee* Acquisition Committee* * tentative to be confirmed upon election to the Board of Trustees	None
Dianna F. Morgan	65	Former Senior Vice President, Walt Disney World Company	Audit Committee Risk Sub-Committee (Chair) Compensation Committee Nominating & Corporate Governance Committee	Chesapeake Utilities Corp., Marriott Vacations Worldwide Corporation
John M. Sabin	62	Executive Vice President and Chief Financial Officer, Revolution, LLC	Acquisition Committee Audit Committee (Chair) Compensation Committee Nominating & Corporate Governance Committee	Condor Hospitality Trust, Inc.

Name	Age	Occupation	Committee Memberships	Other Public Company Boards
Class I Trustees				
Jay H. Shah	48	Chief Executive Officer of the Company	None	None
Thomas J. Hutchison III	75	Former CEO, CNL Hotel & Resorts and CNL Retirement Properties, Inc.	Acquisition Committee Audit Committee Risk Sub-Committee Compensation Committee (Chair)	Marriott Vacations Worldwide Corporation
Donald J. Landry	68	Lead Independent Trustee of the Company Former CEO and President, Sunburst Hospitality, Inc.	Acquisition Committee (Chair) Audit Committee Risk Sub-Committee Nominating & Corporate Governance Committee	Condor Hospitality Trust, Inc.
Michael A. Leven	79	Former President and Chief Operating Officer, Las Vegas Sands Corp.	Acquisition Committee Compensation Committee Nominating & Corporate Governance Committee (Chair)	None

Executive Officers (page 21)

Name	Age	Title
Hasu P. Shah*	72	Chairman of the Board
Jay H. Shah*	48	Chief Executive Officer
Neil H. Shah*	43	President and Chief Operating Officer
Ashish R. Parikh*	47	Chief Financial Officer and Assistant Secretary
Michael R. Gillespie*	44	Chief Accounting Officer, Controller, and Assistant Secretary
David L. Desfor	56	Treasurer and Corporate Secretary

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

Executive Compensation (page 49)

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

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Compensation Discussion and Analysis (page 31)

WHAT WE DO

The Company ties NEO pay to performance. For 2016, 82% of the NEOs' pay potential was performance-based and at-risk. The Company sets clear goals for company performance and differentiates certain elements of compensation based on individual NEO achievement.

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

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

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

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

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

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

WHAT WE DO NOT DO

The Company has no contractual arrangements for guaranteed payouts (other than base salary which is only 18% of the NEOs' pay potential). There are no guarantees in place for any potential changes to our NEOs' base salaries, cash incentive payments, or equity awards.

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

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

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

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

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

The table below highlights the total returns on our common shares against certain major indices and Fortune 500 companies since our IPO:

(Represents total returns on our common shares from January 26, 1999 through December 31, 2016.

Source: Bloomberg and SNL Financial.)

The Company has significantly transformed itself over the long-term into a lodging REIT focused on an urban transient customer and, amongst its hotel REIT peers, has one of the highest exposures to coastal gateway markets in the United States. As a result, Hersha Hospitality Trust achieves RevPAR that is \$13, or 8.4%, higher than its lodging REIT peers. The table below illustrates the Company's RevPAR compared to the RevPAR of its peers:

(Source: Publicly available information and SEC filings)

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

Since the start of the last lodging cycle, Hersha Hospitality Trust has been a leader in RevPAR growth. The following table highlights the Company's compound annual growth rate in RevPAR compared to peers in the lodging REIT sector for the period beginning January 1, 2009 through December 31, 2016:

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

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Say on Pay (page 58 and page 60)

Our shareholders have supported our NEO compensation program each year it has been presented for approval. The 2016 NEO compensation program was substantially the same as the 2015 NEO compensation program. Enhancements to the 2017 NEO compensation program developed by our Compensation Committee, in consultation with our independent compensation consultant, are not material to the overall program. We are asking our shareholders to approve, on an advisory basis, the compensation of our NEOs for 2016.

In addition, we are asking our shareholders to recommend, on an advisory basis, the frequency of future advisory votes on the compensation of our NEOs.

Ratification of Auditors (page 64)

We are asking our shareholders to ratify the selection of KPMG, LLP as our independent registered public accounting firm for 2017.

Voting Proposals Summary

Proposal Number	Page Number	Proposal	Recommendation
PROPOSAL 1	15	To elect four Class II Trustees to the Board of Trustees.	FOR - All Nominees
PROPOSAL 2	58	To approve on an advisory basis the compensation of the Company's named executive officers.	FOR
PROPOSAL 3	60	To approve on an advisory basis the frequency of future advisory shareholder votes to approve the compensation of the named executive officers.	EVERY YEAR
PROPOSAL 4	64	To ratify the appointment of KPMG LLP as the Company's independent auditors for the year ending December 31, 2017	FOR

PLEASE VOTE

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND THIS PROXY STATEMENT

THE PROXY SOLICITATION

This proxy statement is provided in connection with the solicitation of proxies by the Board of Trustees of Hersha Hospitality Trust for use at the 2017 annual meeting of shareholders to be held at the Ritz-Carlton, 10 Avery Street, Boston, MA 02111 at 9:00 a.m. (EDT) on June 1, 2017 and at any adjournment or postponement thereof. The mailing address of the Company's principal executive office is 44 Hersha Drive, Harrisburg, Pennsylvania 17102. The Notice of Internet Availability of Proxy Materials is first being mailed, and the Company's proxy materials, including the notice of the annual meeting, this proxy statement, the proxy card and the 2016 annual report to shareholders, are first being made available to the Company's shareholders, on or about April 21, 2017.

Solicitation of Proxies

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

How To Vote; Revocability of Proxy

You may authorize your proxy over the Internet (at www.proxyvote.com), by telephone (at 1-800-690-6903) or, if you receive a printed copy of the proxy materials by mail, by executing and returning the proxy card accompanying this proxy statement. Once you authorize a proxy, you may revoke that proxy by (1) executing and submitting a later-dated proxy card prior to June 1, 2017, (2) subsequently authorizing a proxy over the Internet or by telephone, (3) sending a written revocation of your proxy to the Company's Corporate Secretary at its principal executive offices, or (4) attending the annual meeting and voting in person.

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

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

Shareholders Entitled To Vote

Only holders of record of the Company's common shares at the close of business on the record date, March 31, 2017, and their legal proxy holders, are entitled to notice of, and to vote at, the annual meeting. On the record date, there were 41,794,680 common shares outstanding. Each shareholder of record is entitled to one vote per common share. Cumulative voting is not permitted in the election of Class II Trustees.

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Attending the Annual Meeting In Person

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

Quorum

The Company’s Bylaws provide that the holders of a majority of the votes entitled to be cast at the annual meeting as of the close of business on the record date present in person or by proxy constitutes a quorum for the transaction of business at the annual meeting. As of March 31, 2017, there were 41,794,680 common shares outstanding.

Vote Required

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

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

The option of one year, two years or three years that receives the most votes will be the frequency for the advisory vote on executive compensation that has been recommended by shareholders.

The affirmative vote of a majority of all of the votes cast at the annual meeting, if a quorum is present, is required to ratify the appointment of KPMG LLP (“KPMG”) as the Company’s independent auditors for the fiscal year ending December 31, 2017.

How Votes Will Be Counted

In the election of Class II Trustees, you may vote “for,” “against” or “abstain” with respect to each Class II Trustee nominee. For the proposal to approve, on an advisory basis, the compensation of the Company’s named executive officers and for the proposal to ratify the appointment of KPMG as the Company’s independent auditors for the fiscal year ending December 31, 2017, you may vote “for,” “against” or “abstain.” The option of one year, two years or three years that receives the most votes will be the frequency for the advisory vote on executive compensation that has been recommended by shareholders on an advisory basis. For purposes of these advisory votes, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum. These votes are advisory and not binding on the Board of Trustees in any way, and the Board of Trustees, based upon the recommendation of the Compensation Committee, may determine that it is in the best interests of the Company to hold an advisory vote on the compensation of the Company’s named executive officers more or less frequently than the option recommended by the shareholders.

Abstentions with respect to any proposal at the annual meeting will be counted as present and entitled to vote for purposes of determining the presence of quorum, but will not be counted as a vote cast on the proposal and therefore

will not be counted in determining the outcome of the proposal.

If you hold your common shares in street name through a brokerage firm and you do not submit voting instructions to your broker, your broker may generally vote your common shares in its discretion on routine matters. However, a broker cannot vote common shares held in street name on non-routine matters unless the broker receives voting instructions from the street name holder. The proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017 is considered routine under applicable rules, while each of the other items to be submitted for a vote of shareholders

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at the annual meeting is considered non-routine. Accordingly, if you hold your common shares in street name through a brokerage account and you do not submit voting instructions to your broker, your broker may exercise its discretion to vote your common shares on the proposal to ratify the appointment of KPMG, but will not be permitted to vote your common shares on any of the other items at the annual meeting. If your broker exercises this discretion, your common shares will be counted as present for the purpose of determining the presence of a quorum at the annual meeting and will be voted on the proposal to ratify the appointment of KPMG in the manner directed by your broker, but your common shares will constitute “broker non-votes” on each of the other items at the annual meeting, including the election of Class II Trustees. Broker non-votes will not be counted as a vote cast with respect to these other items and therefore will not be counted in determining the outcome of the items.

Householding

We are sending only a single Notice of Internet Availability of Proxy Materials to any household at which two or more shareholders reside if they share the same last name or we reasonably believe they are members of the same family, unless we have received instructions to the contrary from any shareholders at that address. This practice is known as “householding” and is permitted by rules adopted by the SEC. This practice reduces the volume of duplicate information received at your household and helps us to reduce costs. We will deliver promptly, upon written request or oral request, a copy of the proxy materials, as applicable, to holders of our common shares as of the record date for the annual meeting, March 31, 2017. If you prefer to receive printed copies of our proxy materials, you may direct requests to the following address: Hersha Hospitality Trust, Attention: Corporate Secretary, 44 Hersha Drive, Harrisburg, Pennsylvania 17102. If you are a shareholders who receives multiple copies of our proxy materials, you may request householding by contacting us in the same manner and requesting a householding consent form.

CORPORATE GOVERNANCE

We are committed to pursuing best corporate governance practices. Among other things, during 2016 and thereafter we undertook the following initiatives to structure our corporate governance in a manner we believe closely aligns our interests with those of our shareholders:

- Effective May 10, 2016, we amended our declaration of trust to decrease the number of our Priority Class A common shares that we are authorized to issue from 300,000,000 to 75,000,000. Solely as a result of the need to authorize the issuance of our common shares that may be issuable in certain circumstances upon the conversion of our 6.50% Series D Cumulative Redeemable Preferred Shares and our 6.50% Series E Cumulative Redeemable Preferred Shares, both of which we issued for the first time in 2016 in order to take advantage of historically attractive market prices for preferred securities, we subsequently amended our declaration of trust to authorize us to issue up to 90,000,000 Priority Class A common shares.
- Effective March 31, 2017, we have amended our Bylaws to permit shareholders to alter, amend or repeal the Bylaws upon obtaining the requisite shareholder approval.

Board Leadership Structure

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

has such other duties as the Board of Trustees may determine from time to time. The Board of Trustees has currently designated Mr. Landry as the Lead Independent Trustee.

In June of 2015, New York Stock Exchange Governance Services, a subsidiary of the New York Stock Exchange (“NYSE”), honored Mr. Landry as the Independent Lead Director of the Year. As part of its Governance, Risk and Compliance Leadership Awards, NYSE Governance Services presents the Independent Lead Director of the Year Award to an exemplary leader in governance, risk and compliance that has clearly demonstrated an unwavering commitment to independence, integrity, and leadership in governance at the board level. The Governance, Risk,

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and Compliance Leadership Awards underscore the role that corporate governance plays in shaping a company's success and a board's contribution to long-term value.

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

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

Board's Role in Risk Oversight

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

The Audit Committee has a Risk Sub-Committee to assist the Audit Committee and the Board of Trustees in developing guidelines and policies related to risk assessment and management which govern the process by which risk assessment and management is handled by the Company's senior management. The Risk Sub-Committee, which is chaired by Ms. Morgan, met four times in 2016. Senior management attended each meeting. Messrs. Hutchison and Landry, both of whom serve on the Audit Committee, also serve on the Risk Sub-Committee. Ms. Morgan reports to the full Audit Committee on the discussions and findings of the Risk Sub-Committee and makes recommendations to the Audit Committee regarding steps the Company's senior management has taken to monitor and control major financial and other risk exposures. In addition, as discussed under “Compensation Discussion and Analysis—Compensation-Related Risk” below, the Compensation Committee meets with senior management to discuss compensation-related risks.

Trustee Independence

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

Code of Ethics and Policies on Corporate Governance

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

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officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and other executive officers by posting such information on the Company's website.

Majority Voting For Trustees Elections

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

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

Trustee Nominating Process

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

The charter of the NCG Committee provides that the NCG Committee will consider shareholder recommendations for trustee candidates. Shareholders should submit any such recommendations for consideration by the NCG Committee through the method described under "—Communications with the Board of Trustees" below. In addition, in accordance with the Company's Bylaws, any shareholder of record entitled to vote for the election of trustees at the applicable meeting of shareholders may nominate persons for election to the Board of Trustees if such shareholder complies with the notice procedures set forth in the Bylaws and summarized in "—Shareholder Proposals and Nominations for the 2017 Annual Meeting" below. Trustee candidates submitted by our shareholders will be evaluated by the NCG Committee on the same basis as any other trustee.

The NCG Committee does not have a formal policy with respect to diversity; however, the Board of Trustees and the NCG Committee believe that it is important that the trustee candidates represent key and diverse skill sets. The NCG Committee considers diversity of race, ethnicity, gender, age, cultural background, professional experiences and expertise and education in evaluating trustee candidates for Board membership. We believe that considerations of diversity are, and will continue to be, an important component relating to the Board's composition as multiple and varied points of view contribute to a more effective decision-making process. The NCG Committee evaluates each candidate's qualifications to serve as a member of the Board of Trustees based on his or her skills and characteristics, as well as the composition of the board as a whole. In addition, the NCG Committee will evaluate a candidate's independence and diversity, age, skills and experience in the context of the board's needs. In addition to considering incumbent trustees, the NCG Committee identifies trustee candidates based on recommendations from the trustees,

shareholders, management and others. The NCG Committee may in the future engage the services of third-party search firms to assist in identifying or evaluating trustee candidates. No such firm was engaged in 2016.

Communications with the Board of Trustees

Shareholders and other interested parties who wish to communicate with the Board of Trustees or any of its committees may do so by writing to the Lead Independent Trustee, Board of Trustees of Hersha Hospitality Trust,

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's trustees, executive officers and persons who own more than 10% of any registered class of the Company's equity securities ("10% Holders") to report their ownership of common shares and any changes in ownership to the SEC. These persons are also required by SEC regulations to furnish the Company with copies of these reports. Based solely on a review of the copies of such reports received by the Company and on written representations from certain reporting persons that no reports were required, or if required, such reports were filed on a timely basis for those persons, the Company believes that all such forms have been filed on a timely basis.

PROPOSAL ONE: ELECTION OF CLASS II TRUSTEES

The Board of Trustees, upon the recommendation of the Nominating and Corporate Governance Committee, nominated Hasu P. Shah, Jackson Hsieh, Dianna F. Morgan, and John M. Sabin for election at the annual meeting as Class II Trustees. Each of these nominees, except Mr. Hsieh, currently is serving as a Class II Trustee. If elected, these individuals will serve as Class II Trustees until the 2019 annual meeting of shareholders and until their successors are duly elected and qualified.

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

The Board of Trustees unanimously recommends a vote “FOR” each of the nominees for election as a Class II Trustee.

BOARD OF TRUSTEES and executive officers

The Board of Trustees consists of nine trusteeships with seven currently serving trustees and two vacancies. At this time, the Board of Trustees has elected not to fill one of these openings and will continue to evaluate the composition of the Board. Shareholders are not being asked for proxies to fill these vacancies and proxies may only be voted for the nominees below. The Company’s Declaration of Trust divides the Board of Trustees into two classes, as nearly equal in number as possible. At the annual meeting, shareholders are voting to elect four persons as Class II Trustees. Each Class II Trustee nominee, except Mr. Hsieh, currently is serving a two-year term expiring at the annual meeting. Each Class I trustee was elected at the 2016 annual meeting and is serving a two-year term expiring at the 2018 annual meeting of shareholders. Generally, one full class of trustees is elected by the shareholders of the Company at each annual meeting.

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

Class II Trustee Nominees

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

Age: 72

Trustee since May 1998

Committees Served: None

Other Public Company Boards: None

The Board of Trustees has determined that Mr. Hasu Shah's qualifications to serve on the Board of Trustees include his extensive experience in the lodging industry, including his role as our former Chief Executive Officer and his decades of experience building the Company, which he took public in 1999. Over the past 30 years he has developed, owned or managed over 50 hotels across the Eastern United States. With over three decades of lodging industry experience, Mr. Hasu Shah has developed a broad network of hotel industry contacts and relationships, including relationships with hotel owners, operators, project managers, contractors, franchisors, lenders, and other key industry participants.

Jackson Hsieh Mr. Hsieh has served as President and Chief Operating Officer of Spirit Realty Capital, Inc. since September 2016, and is responsible for Spirit’s credit underwriting, new investments, and portfolio and asset management. Prior to joining Spirit, Mr. Hsieh worked for Morgan Stanley, where he served as Managing Director and a Vice Chairman of Investment Banking, primarily focusing on the firm’s real estate clients. Prior to rejoining Morgan Stanley, Jackson was Vice Chairman and Sole/Co-Global Head of UBS’s Real Estate Investment Banking Group, managing a team of over 70 professionals in six offices worldwide. During his career, including a prior period at Morgan Stanley and tenures at Bankers Trust Company and Salomon Brothers, Inc., he served as senior lead banker on over \$285 billion of real estate and lodging transactions. Mr. Hsieh is a graduate of the University of California at Berkeley, and earned a Master’s degree from Harvard University.

Class II Trustee Nominee

Age: 56

Has not previously served as Trustee

Committees Served: None

The Board of Trustees has determined that Ms. Hsieh’s qualifications to serve on the Board of Trustees include his substantial experience in investment banking and the real estate and lodging industries.

Other Public Company Boards: None

Dianna F. Morgan Ms. Morgan retired in 2001 from a long career with the Walt Disney World Company, where she served as Senior Vice President of Public Affairs and Human Resources. She also oversaw the Disney Institute — a recognized leader in experiential training, leadership development, benchmarking and cultural change for business professionals around the world. Ms. Morgan currently serves on the Board of Directors of Chesapeake Utilities Corp., where she chairs the Compensation Committee, the Board of Directors of Marriott Vacations Worldwide Corporation, where she serves on the Compensation and Nominating and Governance Committees, and the Board of Directors of CNL Healthcare Properties II. She previously served on the Board of Directors and the Compensation and Audit Committees of CNL Hotels & Resorts, Inc. and the Board of Directors of CNL Bancshares, Inc. In addition, Ms. Morgan is the past Chair and is a former member of the Board of Trustees for the University of Florida. Ms. Morgan is a former member of the Board of Directors and past Chairman of Orlando Health and previously served as Chairman of the national board for the Children’s Miracle Network. Ms. Morgan received her Bachelor of Arts degree in organizational communications from Rollins College.

Class II Trustee

Age: 65

Trustee since April 2010

Committees Served: Audit Committee Risk

Sub-Committee (Chair) Compensation Committee NCG Committee

The Board of Trustees has determined that Ms. Morgan’s experience serving as a board member of both private and public companies, her previous experience overseeing the Disney Institute and her prior service as a senior manager at Walt Disney World Company provide her with extensive knowledge of innovation and customer service, a solid foundation in media relations, risk management, and government relations and “best practice” expertise in human capital and the customer experience.

Other Public Company Boards:

Chesapeake
Utilities Corp.
Marriott
Vacations
Worldwide
Corporation

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

Age: 62

Trustee since June 2003

Committees Served:

- Acquisition Committee
- Audit Committee (Chair)
- Compensation Committee
- NCG Committee

Other Public Company Boards:

- Condor Hospitality Trust, Inc.

Class I Trustee

<p>Jay H. Shah</p> <p>Chief Executive Officer and Class I Trustee</p> <p>Age: 48</p> <p>Trustee since January 2006</p> <p>Committees Served: None</p> <p>Other Public Company Boards: None</p>	<p>Mr. Jay Shah has been Chief Executive Officer and a trustee since 2006. Prior thereto, he had served as the Company's President and Chief Operating Officer. Mr. Jay Shah was a principal in the law firm of Shah & Byler, LLP, which he founded in 1997. Previously he was a consultant with Coopers & Lybrand LLP, served the late Senator John Heinz on Capitol Hill, and was employed by the Philadelphia District Attorney's office and two Philadelphia-based law firms. Mr. Jay Shah received a bachelor of science degree from the Cornell University School of Hotel Administration, a masters degree from the Temple University School of Business Management and a law degree from Temple University School of Law. Mr. Jay Shah serves on the Board of Temple University and on the Urban Land Institute's Hospitality Development Council. Mr. Jay Shah is the son of Hasu P. Shah, the Company's Chairman of the Board and Class II Trustee Nominee, and the brother of Neil H. Shah, the Company's President and Chief Operating Officer.</p>
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The Board of Trustees has determined that Mr. Jay Shah's qualifications to serve on the Board of Trustees include his extensive experience in the lodging and real estate industry and his experience negotiating and structuring real estate transactions and real estate-related joint ventures, including in his role as a former practicing real estate attorney. Mr. Jay Shah has more than 20 years of lodging and real estate experience and has developed a broad network of hotel industry contacts at leadership levels, including institutional investors, lenders,

<p>Thomas J. Hutchison III</p> <p>Class I Trustee</p> <p>Age: 75</p> <p>Trustee since September 2008</p> <p>Committees Served:</p> <ul style="list-style-type: none"> Acquisition Committee Audit Committee Risk Sub-Committee Compensation Committee (Chair) <p>Other Public Company Boards:</p> <ul style="list-style-type: none"> Marriott Vacations Worldwide Corporation 	<p>developers, brokers, franchisors and operators. His experience includes serving as the Company’s President and Chief Operating Officer.</p> <p>Mr. Hutchison was the Chief Executive Officer of CNL Hotels & Resorts, Inc. (“CNL Hotels”), a real estate investment trust that owned hotels and resort properties through April 2007. During that same time period, Mr. Hutchison held various other executive officer positions with companies affiliated with CNL Hotels, including but not limited to President and Chief Executive Officer of CNL Hotel Investors, Inc. and Chief Executive Officer of CNL Income Properties, Inc. Since April 2007, Mr. Hutchison has served as a consultant with Hutchison Advisors, Inc., a real estate services company, and he has served as Chairman of Legacy Healthcare Advisors, LLC, a specialized real estate services group. Mr. Hutchison serves on the Board of Directors of Marriott Vacations Worldwide Corporation, where he is a member of that board’s Audit and Nominating and Corporate Governance committees and serves as Chair of that board’s Compensation Committee. Mr. Hutchison also serves on the Board of Directors of Target Healthcare REIT Ltd., a company traded on the London Stock Exchange. Mr. Hutchison is currently a director for KSL Capital Partners LLC, U.S. Chamber of Commerce, and The Trinity Forum Europe. Mr. Hutchison was formerly a director for ING DIRECT USA and ClubCorp, Inc. He is a member of The Real Estate Roundtable, Leadership Council for Communities in Schools, Advisory Council of the Erickson School of Aging Studies and serves on the Advisory Editorial Board of GlobalHotelNetwork.com. Additionally, he serves as a senior advisor to various service industry public companies. Mr. Hutchison attended Purdue University and the University of Maryland Business School.</p>
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Mr. Hutchison's qualifications to serve on the Board of Trustees include his substantial experience in the real estate and lodging industries combined with his extensive leadership experience as a Chief Executive Officer of several SEC reporting REITs, including CNL Hotels.

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

Lead Independent Trustee and Class I Trustee

Age: 68

Trustee since April 2001

Committees Served:

- Acquisition Committee (Chair)
- Audit Committee
- Risk Sub-Committee
- NCG Committee

Other Public Company Boards:

- Condor Hospitality Trust, Inc.

Michael A. Leven

Class I Trustee

Age: 79

Trustee since May 2012

Committees Served:

- Acquisition Committee

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

Compensation the Company's shareholders.

Committee

NCG
Committee
(Chair)

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

Other Public
Company
Boards:
None

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Executive Officers

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

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

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

Michael R. Gillespie
Chief Accounting Officer, Controller, and Assistant Secretary
Age: 44

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

David L. Desfor
Treasurer and Corporate Secretary
Age: 56

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

Meetings of the Board of Trustees

The Company's business is managed under the general direction of the Board of Trustees as provided by the Company's Bylaws and Maryland law. The Board of Trustees holds regular quarterly meetings during the Company's fiscal year and holds additional meetings as needed in the ordinary course of business. The Board of Trustees held a total of nine meetings during 2016. Each of the trustees attended at least 75% of the aggregate of (i) the total number of the meetings of the Board of Trustees and (ii) the total number of meetings of all committees of the Board on which the trustee then served.

Executive Sessions

The Company believes that it is important to promote open discussion among the independent trustees, and it schedules regular executive sessions in which those trustees meet without management and non-independent trustee participation. In 2016, the independent trustees met in executive session four times. Mr. Landry, who has been designated by the Board of Trustees as Lead Independent Trustee, chairs these executive sessions of the independent trustees.

Trustee Attendance at the Annual Meeting

The Board of Trustees has adopted a policy regarding trustee attendance at the annual meeting which specifies that all trustees should attend the annual meeting. All of the trustees that served on the Board of Trustees at the time of the 2016 annual meeting of shareholders were in attendance.

Committees of the Board of Trustees

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

Audit Committee

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

John M. Sabin (Chair)

Thomas J. Hutchison III

Donald J. Landry

Dianna F. Morgan

The Board of Trustees established the Audit Committee in accordance with Section 3(a)(58)(A) of the Exchange Act and has adopted a written charter for the Audit Committee, a current copy of which is available on the Company’s website, www.hersha.com. The current members of the Audit Committee all meet the NYSE’s and the SEC’s standards of independence as currently in effect. The Board of Trustees has determined that Mr. Sabin is an “audit committee financial expert” as that term is defined in the rules promulgated by the SEC pursuant to the Sarbanes-Oxley Act of 2002. The Board of Trustees has also determined that each of the members of the Audit Committee is financially literate, as such term is interpreted by the Board of Trustees. For more information, please see “The Audit Committee Report” 2016: 8 below.

Compensation Committee

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

Thomas J. Hutchison III (Chair)

Michael A. Leven

Dianna F. Morgan

John M. Sabin

The Board of Trustees has adopted a written charter for the Compensation Committee, a current copy of which is available on the Company’s website, www.hersha.com. The current members of the Compensation Committee all meet the NYSE’s standards of independence as currently in effect. All of the members of the Compensation Committee are “non-employee” trustees within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable rules of the SEC and are “non-employee” trustees for the purposes of Rule 16b-3 under the Exchange Act. For more information about the Compensation Committee, please see the “Compensation Discussion and Analysis” 2016: 4

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Nominating and Corporate Governance (“NCG”) Committee

Members: The NCG Committee is responsible for, among other things, assisting the Board in identifying individuals qualified to become Board members, recommending to the Board the trustee nominees to stand for election by our shareholders, recommending to the Board the trustees to serve on each of the Board’s committees, and, in some cases, makes recommendations regarding the election of officers. The NCG Committee also develops and recommends to the Board of Trustees a set of corporate governance guidelines and annually reviews these guidelines, considers questions of possible conflicts of interest of trustees and executive officers and remains informed about existing and new corporate governance standards mandated by the SEC and the NYSE. The NCG Committee also evaluates the performance of the Board of Trustees and all of the Committees on an annual basis.

Michael A. Leven (Chair)
Donald J. Landry
Dianna F. Morgan
John M. Sabin

The Board of Trustees has adopted a written charter for the NCG Committee, a current copy of which is available on the Company’s website, www.hersha.com. The current members of the NCG Committee all meet the NYSE’s standards of independence as currently in effect .

Meetings in 2016: 4

Acquisition Committee

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

Donald J. Landry (Chair)
Thomas J. Hutchison III
Michael A. Leven
John M. Sabin

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

Meetings in 2016: 6

TRUSTEE COMPENSATION

Compensation of Non-Employee Trustees

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

As discussed in “Compensation Discussion and Analysis— Independent Compensation Consultant” below, the Compensation Committee engaged FPL Associates L.P. (“FPL”) as its compensation consultant to assist it in reviewing and determining, among other things, the compensation paid to non-employee trustees in 2016. The Compensation Committee, based on the recommendations of FPL, approved the Company’s 2016 compensation program for non-employee trustees, effective as of January 1, 2016.

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For 2016, the compensation program included:

- Annual Retainer – Non-employee trustees received an annual retainer of \$60,000.
- Lead Trustee and Committee Chair Fees – For service in the capacity of Lead Trustee or committee chairperson, non-employee trustees received an annual fee in the following amounts:

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

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

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

- Annual Share Based Compensation – Each of the Company’s non-employee trustees received a semi-annual grant of common shares, each equal to a value of approximately \$42,500. The number of shares issued for each fully vested grant was determined based on the per share volume weighted average trading price (“VWAP”) of the Company’s common shares on the NYSE for the 20 trading days prior to the grant date.
- 2016 Multi-Year Share Based Compensation – On March 30, 2016, each non-employee trustee received 500 restricted common shares, 33% of which vested on December 31, 2016, 33% of which will vest on December 31, 2017, and the remainder of which will vest on December 31, 2018 (subject to continued service on the vesting date). Non-employee trustees may make a voluntary election to receive any portion of the annual retainer in the form of common equity valued at a 25% premium to the cash that would have been received. The number of common shares issued in lieu of cash payments for the annual retainer was determined based on the per share VWAP of the Company’s common shares on the NYSE for the 20 trading days prior to March 30, 2016, or \$21.27 per share. An aggregate of 5,289 restricted common shares were issued on March 31, 2016 and vested during the year ended December 31, 2016.

Non-employee trustees may also make a voluntary election to receive any portion of the fees received for committee membership, and service as Lead Independent Trustee or a committee or sub-committee chair in the form of common equity valued at a 25% premium to the cash that would have been received. The number of common shares issued in lieu of cash payments was determined based on the per share VWAP of the Company's common shares on the NYSE for the 20 trading days prior to June 1, 2016, or \$18.37 per share. An aggregate of 6,295 common shares were issued on June 6, 2016 pursuant to the trustees' elections.

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On June 6, 2016 and December 30, 2016, the Company's non-employee trustees received semi-annual grants of fully vested common shares that were issued under the Company's 2012 Equity Incentive Plan. Each grant had a value equal to approximately \$42,500. To determine the number of common shares subject to each grant, the dollar amount of the grant was divided by the VWAP for the Company's common shares for a 20-trading day period prior to June 1, 2016 and December 31, 2016 and then rounded to the nearest 100 common shares. The 20-day VWAP used for the grant on June 6, 2016 was \$18.37, resulting in a grant of 2,300 fully vested common shares with a grant date fair value of \$41,308 to Messrs. Hutchison, Landry, Leven and Sabin and Ms. Morgan. The 20-day VWAP used for the grant on December 30, 2016 was \$21.33, resulting in a grant of 2,000 fully vested common shares with a grant date fair value of \$43,000 to Messrs. Hutchison, Landry, Leven and Sabin and Ms. Morgan.

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

The following table presents information relating to compensation of the non-employee trustees for the fiscal year ended December 31, 2016:

Name	Fees		Total
	Earned or Paid in Cash (\$)	Stock Awards(1) (\$)	
Thomas J. Hutchison III	3,941	250,519	254,460
Donald J. Landry	67,460	185,806	253,266
Michael A. Leven	103,479	105,808	209,287
Dianna F. Morgan	110,979	105,808	216,787
John M. Sabin	118,479	105,808	224,287

(1) See table below for additional disclosure of stock awards issued to non-employee trustees. The following table presents information relating to stock awards included in the compensation of the non-management trustees for the fiscal year ended December 31, 2016:

Name	Shares Elected in Lieu of Cash Board Fees				
	Semi-Annual Share Grants (1) (\$)	Multi-Year Share Award Grant (2) (\$)	Annual Retainer(3) (\$)	Lead Trustee, Committee Chair, and Committee Membership(4) (\$)	Total (\$)
Thomas J. Hutchison III	84,308	21,500	74,434	70,277	250,519

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Donald J. Landry	84,308	21,500	37,217	42,781	185,806
Michael A. Leven	84,308	21,500	-	-	105,808
Dianna F. Morgan	84,308	21,500	-	-	105,808
John M. Sabin	84,308	21,500	-	-	105,808

- (1) Represents the aggregate grant date fair value of semi-annual share grants computed in accordance with FASB ASC 718. Common shares granted pursuant to these awards are fully vested on the grant date. The grant date fair value of the common shares granted on June 6, 2016 equals the number of common shares granted (2,300 common shares) multiplied by the closing common share price of \$17.96 on the NYSE on the date of the grant. The grant date fair value of the common shares granted on December 30, 2016 equals the number of common shares granted (2,000 common shares) multiplied by the closing common share price of \$21.50 on the NYSE on the date of the grant.
- (2) Represents the aggregate grant date fair value of multi-year share awards computed in accordance with FASB ASC 718. The grant date fair value of the restricted common shares granted on December 30, 2016 equals the number of common

shares granted (1,000 restricted common shares) multiplied by the closing common share price of \$21.50 on the NYSE on the date of the grant.

- (3) Represents the aggregate grant date fair value of shares elected to be received in lieu of all or a portion of a trustee's annual cash retainer, otherwise payable in cash, computed in accordance with FASB ASC 718. The grant date fair value of the restricted common shares granted on March 30, 2016 equals the number of common shares granted multiplied by the closing common share price of \$21.11 on the NYSE on the date of the grant. The following trustees received shares by making this election: Mr. Hutchison (3,526 shares) and Mr. Landry (1,763 shares).
- (4) Represents the aggregate grant date fair value of shares elected to be received in lieu of all or a portion of a trustee's Lead Trustee, Committee Chair and Committee Membership fees, otherwise payable in cash, computed in accordance with FASB ASC 718. The grant date fair value of the common shares granted on June 6, 2016 equals the number of common shares granted multiplied by the closing common share price of \$17.96 on the NYSE on the date of the grant. The following trustees received shares by making this election: Mr. Hutchison (3,913 shares) and Mr. Landry (2,382 shares).

Trustee Ownership Guidelines

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

2017 Compensation of Non-Employee Trustees

The Compensation Committee, based on the recommendations of FPL, approved the Company's 2017 compensation program for non-employee trustees, effective as of January 1, 2017. For 2017, there is no change to the annual retainer, lead trustee and committee chair fees, and committee membership fees from amounts payable under the 2016 compensation program. For annual share based compensation, each of the Company's non-employee trustees will receive a semi-annual grant of common shares, each equal to a value of approximately \$45,000. For the 2017 multi-year share based compensation, each non-employee trustee will receive 1,000 restricted common shares, 33% of which will vest on December 31, 2017, 33% of which will vest on December 31, 2018, and the remainder of which will vest on December 31, 2019 (subject to continued service on the vesting date).

Security Ownership of Management

The following table sets forth certain information, known by the Company as of March 31, 2017, regarding the beneficial ownership of the Company's common shares by (i) each of the Company's trustees and trustee nominees, (ii) each of the Company's named executive officers and (iii) the Company's trustees and executive officers as a group.

At March 31, 2017, there were 41,794,680 common shares outstanding. Except as set forth in the footnotes to the table below, each of the individuals identified in the table has sole voting and investment power over the common shares. The address for each of the Company's trustees, trustee nominees and named executive officers is c/o Hersha Hospitality Trust, 44 Hersha Drive, Harrisburg, Pennsylvania 17102.

Name of Beneficial Owner	Class A Common Shares	
	Number of Shares/Units Beneficially Owned(1)	Percentage of Class Beneficially Owned(2)
Hasu P. Shah	434,775	(3) 1.0%
Jay H. Shah	1,212,827	(4) 2.8%
Neil H. Shah	1,131,271	(5) 2.7%
Ashish R. Parikh	232,123	*
Michael R. Gillespie	85,830	*
David L. Desfor	54,676	(6) *
Thomas J. Hutchison	79,697	(7) *
Jackson Hsieh	-	*
Donald J. Landry	59,515	*
Michael A. Leven	42,496	*
Dianna F. Morgan	22,945	*
John M. Sabin	30,962	(8) *
All executives officers, trustees, and trustee nominees as a group (12 persons)	3,387,117	8.1%

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

- (1) Includes the total number of common shares issuable upon redemption of partnership units and LTIP Units in Hersha Hospitality Limited Partnership, the Company's operating partnership subsidiary (the "Operating Partnership" or "HHLP"). Subject to certain restrictions, LTIP Units are convertible into an equivalent number of partnership units. Partnership units are redeemable by the holder for cash, or at the Company's option, an equivalent number of common shares.
- (2) The total number of common shares outstanding used in calculating the percentage ownership of each person assumes that the partnership units and LTIP Units held by such person, directly or indirectly, are redeemed for common shares and none of the partnership units and LTIP Units held by other persons are redeemed for common shares, notwithstanding that not all of the LTIP Units have vested to date.

- (3) Includes: (i) 113,874 common shares issuable upon redemption of partnership units that are currently redeemable; and (ii) 17,283 common shares, all of which are held by Shree Associates, a family limited partnership that is controlled by Mr. Hasu Shah. Excludes: (i) 132,917 common shares issuable upon the redemption of partnership units that are currently redeemable and held by the Jay and Susie Shah 2008 Family Trust, in which Mr. Hasu Shah is the trustee; and (ii) 114,334 common shares issuable upon the redemption of partnership units that are currently redeemable and held by the Neil and Juhi Shah 2008 Family Trust, in which Mr. Hasu Shah is the trustee. Mr. Hasu Shah disclaims beneficial ownership of the common shares issuable upon the redemption of partnership units and the partnership units held by the two family trusts for which he is the trustee, and this report shall not be deemed an admission that Mr. Hasu Shah is the beneficial owner of these common shares or partnership units for purposes of Section 16 or for any other purpose.
- (4) Includes: (i) 89,889 common shares issuable upon redemption of partnership units that are currently redeemable; (ii) 132,917 common shares issuable upon redemption of partnership units that are currently redeemable and held by the Jay

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

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

OWNERSHIP OF EQUITY SECURITIES OF THE COMPANY

The following table sets forth certain information as of March 31, 2017, with respect to each person (including any “group” as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) who is known to the Company to be the beneficial owner of five percent or more of the Company’s common shares.

Name and Address of Beneficial Owner	Common shares Number of Common Shares Beneficially Owned	Percent of Class(1)
BlackRock Inc.(2) 55 East 52nd Street New York, NY 10055	5,955,224	14.2%
Brookfield Investment Management Inc.(3) Brookfield Place, 250 Vesey St., 15th Floor New York, NY 10281-1023	2,308,469	5.5%
Jennison Associates LLC(4) 466 Lexington Avenue New York, NY 10017	3,986,514	9.5%
Prudential Financial, Inc.(5) 751 Broad Street Newark, New Jersey, 07102-3777	4,300,371	10.3%
The Vanguard Group, Inc.(6) 100 Vanguard Blvd. Malvern, Pennsylvania 19355	6,470,638	15.5%
	3,222,180	7.7%

Vanguard Specialized Funds - Vanguard REIT Index Fund(7)

100 Vanguard Blvd.

Malvern, Pennsylvania 19355

Vaughan Nelson Investment Management, L.P.(8)

2,101,333

5.0%

600 Travis Street, Suite 6300

Houston, Texas 77002

(1) Percentages are based on 41,794,680 common shares outstanding as of March 31, 2017.

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- (2) Information based solely on Amendment No.8 to a Schedule 13G filed with the SEC on April 10, 2017 by Blackrock, Inc. which has reported sole voting power over 5,810,650 common shares and sole dispositive power over 5,955,224 common shares.
- (3) Information based solely on Amendment No. 1 to a Schedule 13G filed with the SEC on February 14, 2017 by Brookfield Investment Management Inc., which has reported shared voting power over 1,876,540 common shares and shared dispositive power over 2,308,469 common shares.
- (4) Information based solely on Amendment No.1 to a Schedule 13G filed with the SEC on February 3, 2017 by Jennison Associates LLC, which has reported sole voting power and shared dispositive power over 3,986,514.
- (5) Information based solely on Amendment No. 3 to a Schedule 13G filed with the SEC on January 24, 2017 by Prudential Financial, Inc., which has reported sole voting and dispositive power over 75,376 common shares and shared voting and dispositive power over 4,224,995 common shares.
- (6) Information based solely on Amendment No. 9 to a Schedule 13G filed with the SEC on February 13, 2017 by The Vanguard Group, Inc. The Vanguard Group Inc. has disclosed that is has sole voting power over 94,835 common shares, sole dispositive power over 6,377,863 common shares, shared voting power over 43,568 and shared dispositive power over 92,775 common shares. The Vanguard Group, Inc. has reported that Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 49,207 common shares and that Vanguard Investment Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 89,196 common shares.
- (7) Information based solely on Amendment No. 5 to a Schedule 13G filed with the SEC on February 13, 2017 by Vanguard Specialized Funds – Vanguard REIT Index Fund which has reported sole voting power over 3,222,180 common shares.
- (8) Information based solely on Amendment No. 1 to a Schedule 13G filed with the SEC on February 14, 2017 by Vaughan Nelson Investment Management, L.P. and its general partner, Vaughan Nelson Investment Management, Inc., which has reported sole voting power over 1,507,399 common shares, sole dispositive power over 2,012,090 common shares, and shared dispositive power over 89,243 common shares.

COMPENSATION COMMITTEE REPORT

Review of Compensation Discussion and Analysis

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

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee were an officer or employee of the Company or any of its subsidiaries during 2016 or any prior period. No executive officer of the Company served as a member of the compensation committee or as a director of any company where an executive officer of such company is a member of the Compensation Committee or is a trustee of the Company.

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

COMPENSATION COMMITTEE,

Thomas J. Hutchison III (Chair)

Michael A. Leven

Dianna F. Morgan

April 21, 2017 John M. Sabin

COMPENSATION DISCUSSION AND ANALYSIS

This section of the proxy statement explains the type and amount of compensation provided to the Company's NEOs in 2016, as well as the principles and processes that the Compensation Committee of the Board of Trustees follows in determining such compensation. The NEOs consist of the Company's Chief Executive Officer, the Company's Chief Financial Officer and the Company's three other most highly paid executive officers as of December 31, 2016.

The NEOs for 2016 are as follows:

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

The NEOs named above were also NEOs in 2014 and 2015.

Investor Outreach

At our 2016 annual shareholder meeting, shareholders overwhelmingly supported the Company's executive compensation program, with more than 98% of the shareholders entitled to vote at the 2016 annual shareholders meeting approving, on an advisory basis, the compensation earned by the NEOs in 2015. The Compensation Committee viewed the advisory vote in favor of the Company's executive compensation as a validation of its compensation philosophy, including its emphasis on pay-for-performance and equity based compensation. In light of this overwhelming investor endorsement of the compensation program, the Compensation Committee retained all of the key elements of the 2015 program when formulating the 2016 compensation program for the NEOs.

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During meetings with shareholders throughout 2016, management was provided with input on executive compensation issues, the results of the advisory vote on executive compensation at the 2016 annual shareholders meeting, governance matters and Company performance. The feedback that the Company received through this communicative process was beneficial and insightful. These meetings, along with a near unanimous shareholder vote on the 2015 program, highlighted for the Compensation Committee that the majority of the investors we met with strongly support the executive compensation program structure and believe it is well designed.

Executive Summary

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

The following table summarizes our compensation philosophy:

Philosophy Component	Rationale/Commentary	Pay Element
Compensation should reinforce business objectives and Company values	The Company strives to provide a rewarding and professionally challenging work environment for its executive officers. The Company believes that executive officers who are motivated and challenged by their duties are more likely to achieve the individual and corporate performance goals designed by the Compensation Committee. The Company's executive compensation package should reflect this work environment and performance expectations.	All elements (salary, annual cash incentive, equity incentive compensation)
Key executive officers should be retained	The primary purpose of the Company's executive compensation program has been, and is, to achieve the Company's business objectives by attracting, retaining and motivating talented executive officers by providing incentives and economic security.	Equity incentive compensation, salary
Compensation should align interests of executive officers with shareholders	The Company's executive compensation is designed to reward favorable total shareholder returns, both in an absolute amount and relative to the Company's peers, taking into consideration the Company's competitive position within the lodging REIT industry and each executive's long-term career contributions to the Company.	Equity incentive compensation

Philosophy Component	Rationale/Commentary	Pay Element
A significant amount of compensation for top executive officers should be based on performance	Performance-based pay aligns the interest of management with the Company's shareholders. Performance-based compensation motivates and rewards individual efforts and Company success. Approximately 79% of the NEO's targeted aggregate compensation is linked to Company specific or individual performance metrics. The performance-based percentage of actual compensation increases as performance improves and decreases as performance declines. If the compensation Company has poor absolute or relative performance, the executive officers will receive reduced incentive compensation and reduced total compensation.	Annual cash incentive bonuses and equity incentive
Compensation should be competitive	To attract and retain valuable executive talent but avoid the expense of excessive pay, compensation should be competitive. The Compensation Committee, with the help of its independent compensation consultant, assesses the competitiveness of the Company's compensation program for each of its executive officers by comparison to the compensation of executive officers at other public real estate companies. The Compensation Committee has regularly retained the services of FPL, an independent human resources and compensation consulting firm which specializes in the REIT industry, to report on current market data regarding executive officer pay levels and incentive programs. In addition to its own proprietary databases, FPL obtains data for its reports from publicly-available proxy statements and other public filings with the SEC.	All elements

The following table summarizes certain aspects of our pay practices:

WHAT WE DO

The Company ties NEO pay to performance. For 2016, 82% of the NEOs' pay potential was performance-based and at-risk. The Company sets clear goals for company performance and differentiates certain elements of compensation based on individual NEO achievement.

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

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

WHAT WE DO NOT DO

The Company has no contractual arrangements for minimum or guaranteed payouts (other than base salary which is only 18% of the NEOs' pay potential). There are no guarantees in place for any potential changes to our NEOs' base salaries, cash incentive payments or equity awards.

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

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

change in control (a double-trigger).

control.

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WHAT WE DO

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

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

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

The Compensation Committee establishes rigorous metrics for the NEO's, and attempts to tie pay for performance on various company specific metrics and total shareholder returns.

WHAT WE DO NOT DO

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

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

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