

HOSPITALITY PROPERTIES TRUST  
Form DEF 14A  
April 24, 2018

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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 (Amendment No. )**

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 under §.240.14a-12

**Hospitality Properties Trust**

*(Name of Registrant as Specified In Its Charter)*  
*(Name of Person(s) Filing Proxy Statement, if other than the Registrant)*

**Payment of Filing Fee (Check the appropriate box):**

**No fee required.**

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

**Fee paid previously with preliminary materials.**

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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## Hospitality Properties Trust

### **Notice of 2018 Annual Meeting of Shareholders and Proxy Statement**

Thursday, June 14, 2018 at 9:30 a.m., Eastern time  
Two Newton Place, 255 Washington Street, Suite 100, Newton, Massachusetts 02458

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# Hospitality Properties Trust

It is our pleasure to invite you to join our Board of Trustees and executive officers at Hospitality Properties Trust's 2018 Annual Meeting of Shareholders in Newton, Massachusetts. The enclosed Notice of 2018 Annual Meeting of Shareholders and Proxy Statement provides you with information about our Company and the matters to be voted on at the 2018 Annual Meeting of Shareholders.

We are committed to taking actions we believe are in the best long term interests of the Company. This Proxy Statement includes a Question and Answer section with information that we believe may be useful to our shareholders.

Your support is important to us and to our Company. I encourage you to use telephone or internet methods, or sign and return a proxy card/voting instruction form, to authorize your proxy prior to the meeting so that your shares will be represented and voted at the meeting.

Thank you for being a shareholder and for your continued investment in our Company.

**April 24, 2018**

On behalf of the Board of Trustees,

**Donna D. Fraiche**  
*Chair of the Nominating and Governance Committee*

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## NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS

**Thursday, June 14, 2018**

**9:30 a.m., Eastern time**

*Two Newton Place, 255 Washington Street, Suite 100  
Newton, Massachusetts 02458*

### ITEMS OF BUSINESS

1. Elect the Trustee nominee identified in the accompanying Proxy Statement to the Company's Board of Trustees;
2. Advisory vote to approve executive compensation;
3. Ratify the appointment of Ernst & Young LLP as independent auditors to serve for the 2018 fiscal year;
4. Vote on a non-binding shareholder proposal requesting that the Company's Board of Trustees adopt a "proxy access" bylaw, if properly presented at the meeting;
5. Vote on a non-binding shareholder proposal requesting that the Company's Board of Trustees adopt a consequential majority vote standard for uncontested director elections, if properly presented at the meeting; and
6. Transact such other business as may properly come before the meeting and at any postponements or adjournments of the meeting.

### RECORD DATE

The Board of Trustees set February 1, 2018 as the record date for the meeting. This means that owners of record of the common shares of the Company as of the close of business on that date are entitled:

to receive notice of the meeting; and

to vote at the meeting and any postponements or adjournments of the meeting.

### PROXY VOTING

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Shareholders as of the close of business on the record date are invited to attend the 2018 Annual Meeting. All shareholders are encouraged to vote in advance of the 2018 Annual Meeting by using one of the methods described in the accompanying Proxy Statement.

**April 24, 2018**

Newton, Massachusetts

By Order of the Board of Trustees,

**Jennifer B. Clark**

*Secretary*

Please promptly sign and return the proxy card or voting instruction form or use telephone or internet methods to authorize a proxy in advance of the 2018 Annual Meeting. See the "Voting Information" section on page 2 for information about how to authorize a proxy by telephone or internet or how to attend the 2018 Annual Meeting and vote your shares in person.

**HOSPITALITY PROPERTIES TRUST**

*2018 Proxy Statement 1*

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## VOTING INFORMATION

### WE WANT TO HEAR FROM YOU VOTE TODAY

Your vote is important.

### ELIGIBILITY TO VOTE

You can vote if you were a shareholder of record at the close of business on February 1, 2018.

### PROPOSALS THAT REQUIRE YOUR VOTE

| PROPOSAL  | MORE<br>INFORMATION | BOARD<br>RECOMMENDATION | VOTES REQUIRED<br>FOR APPROVAL |
|---|---------------------|-------------------------|--------------------------------|
| 1 Election of Trustee   | Page 14             | FOR                     | Majority of all votes cast     |
| 2 Advisory vote to approve executive compensation*  | Page 58             | FOR                     | Majority of all votes cast     |
| 3 Ratification of independent auditors*   | Page 59             | FOR                     | Majority of all votes cast     |
| 4 Shareholder proposal requesting that the Company take all necessary steps to adopt a "proxy access" bylaw*  | Page 62             | AGAINST                 | Majority of all votes cast     |
| 5 Shareholder proposal requesting that the Company take all necessary steps to adopt a consequential majority vote standard for uncontested director elections* | Page 65             | AGAINST                 | Majority of all votes cast     |

\*

Non-binding advisory vote.

#### You can vote in advance in one of three ways:

via the internet Visit [www.proxyvote.com](http://www.proxyvote.com) and enter your 16 digit control number provided in your Notice Regarding the Availability of Proxy Materials, proxy card or voting instruction form before 11:59 p.m., Eastern time, on June 13, 2018 to authorize a proxy **VIA THE INTERNET.**

by phone Call 1-800-690-6903 if you are a shareholder of record and 1-800-454-8683 if you are a beneficial owner before 11:59 p.m., Eastern time, on June 13, 2018 to authorize a proxy **BY TELEPHONE.** You will need the 16 digit control number provided on your Notice Regarding the Availability of Proxy Materials, proxy card or voting instruction form.

by mail Sign, date and return your proxy card if you are a shareholder of record or voting instruction form if you are a beneficial owner to authorize a proxy **BY MAIL.**

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If the meeting is postponed or adjourned, these times will be extended to 11:59 p.m., Eastern time, on the day before the reconvened meeting.

**PLEASE VISIT:** [www.proxyvote.com](http://www.proxyvote.com)

Review and download easy to read versions of our Proxy Statement and Annual Report.

Sign up for future electronic delivery to reduce the impact on the environment.

**Important Note About Meeting Admission Requirements:** If you plan to attend the meeting in person, see the answer to question 14 on page 11 of "Questions and Answers" for important details on admission requirements.



## PROXY SUMMARY

*This summary highlights matters for consideration by shareholders at our 2018 Annual Meeting. You should read this entire Proxy Statement carefully before voting. Page references are supplied to help you find further information in this Proxy Statement.*

### BOARD NOMINEE (page 17)

The following Trustee is up for election to our Company's Board of Trustees.

| NAME OF TRUSTEE    | AGE | OCCUPATION                     | COMMITTEE MEMBERSHIPS  |
|--------------------|-----|--------------------------------|--|
| William A. Lamkin* | 58  | Partner in Ackrell Capital LLC | Audit (Chair), Compensation and Nominating and Governance Committees |

\*

*Independent Trustee*

### ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION (page 58)

Shareholders are asked to approve the executive compensation of the Company's named executive officers through a non-binding advisory vote. In evaluating the executive compensation paid by the Company in 2017, the Compensation Committee considered that the Company has no employees and the Company's manager, The RMR Group LLC ("RMR LLC"), conducts the day to day operations of the Company and provides the services that otherwise would be provided by employees, including employing and compensating the Company's executive officers. RMR LLC is compensated for its services to the Company pursuant to a business management agreement and the Company does not reimburse RMR LLC for compensation that RMR LLC pays to the Company's executive officers. In this evaluation, the Company also generally considered the results of the advisory vote of the Company's shareholders on the compensation of the executive officers named in the proxy statement for the Company's 2017 annual meeting of shareholders.

### RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT AUDITORS (page 59)

Shareholders are asked to ratify the appointment of Ernst & Young LLP as independent auditors of Hospitality Properties Trust for the Company's fiscal year ending December 31, 2018. The Company's Audit Committee evaluates the performance of the Company's independent auditors and determines whether to reengage the current independent auditors or consider other audit firms. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors' technical expertise and knowledge of the Company's operations and industry, the auditors' independence, legal proceedings involving the auditors, the results of PCAOB inspections and peer quality reviews of the auditors and the auditors' reputation in the marketplace. Based on its consideration of these matters, the Audit Committee has appointed Ernst & Young LLP to serve as the Company's independent auditors for the fiscal year ending December 31, 2018.

### NON-BINDING SHAREHOLDER PROPOSAL REQUESTING THAT THE COMPANY'S BOARD OF TRUSTEES ADOPT A "PROXY ACCESS" BYLAW, IF PROPERLY PRESENTED (page 62)

A shareholder proposal was submitted by the Comptroller of the City of New York, as the custodian and a trustee of the New York City Employees' Retirement System, the New York City Fire Pension Fund, The



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New York City Teacher's Retirement System and the New York City Policy Pension Fund, and custodian of the New York City Board of Education Retirement System. If the shareholder proponent, or its representative who is qualified under state law, is present at the 2018 Annual Meeting and properly submits the proposal for a vote, then the proposal will be voted on at the 2018 Annual Meeting. As an advisory vote, if approved, the proposal would be a non-binding recommendation to the Board.

### **NON-BINDING SHAREHOLDER PROPOSAL REQUESTING THAT THE COMPANY'S BOARD OF TRUSTEES ADOPT A CONSEQUENTIAL MAJORITY VOTE STANDARD FOR UNCONTESTED DIRECTOR ELECTIONS, IF PROPERLY PRESENTED (page 65)**

A shareholder proposal was submitted by UNITE HERE, which is a labor union representing hotel workers in the United States, including hotel workers who are employees of the managers of some of our hotels. If the shareholder proponent, or its representative who is qualified under state law, is present at the 2018 Annual Meeting and properly submits the proposal for a vote, then the proposal will be voted on at the 2018 Annual Meeting. As an advisory vote, if approved, the proposal would be a non-binding recommendation to the Board.

TWO NEWTON PLACE  
255 WASHINGTON STREET, SUITE 300  
NEWTON, MASSACHUSETTS 02458

April 24, 2018

## PROXY STATEMENT

The Board of Trustees (the "Board") is furnishing this Proxy Statement to solicit proxies to be voted at the 2018 Annual Meeting of Shareholders (the "2018 Annual Meeting") of Hospitality Properties Trust, a Maryland real estate investment trust (together with its direct or indirect subsidiaries, the "Company," "we," "us" or "our"). The meeting will be held at Two Newton Place, 255 Washington Street, Suite 100, Newton, Massachusetts 02458 on Thursday, June 14, 2018, at 9:30 a.m., Eastern time.

The mailing address of the Company's principal executive offices is Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458. The Company commenced mailing to its shareholders a Notice Regarding the Availability of Proxy Materials containing instructions on how to access the Company's Proxy Statement and its 2017 Annual Report on Form 10-K on or about April 24, 2018.

All properly executed written proxies, and all properly completed proxies submitted by telephone or internet, that are delivered pursuant to this solicitation will be voted at the 2018 Annual Meeting in accordance with the directions given in the proxy, unless the proxy is revoked prior to it being exercised at the meeting. These proxies also may be voted at any postponements or adjournments of the meeting.

Only owners of record of common shares of beneficial interest, par value \$0.01 per share, of the Company ("Common Shares") as of the close of business on February 1, 2018, the record date for the meeting (the "Record Date"), are entitled to notice of, and to vote at, the meeting and at any postponements or adjournments of the meeting. Holders of Common Shares are entitled to one vote for each Common Share held on the Record Date. On February 1, 2018, there were 164,345,747 Common Shares issued and outstanding.

### **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2018 ANNUAL MEETING TO BE HELD ON THURSDAY, JUNE 14, 2018.**

The Notice of 2018 Annual Meeting, Proxy Statement and Annual Report to Shareholders for the year ended December 31, 2017 are available at [www.proxyvote.com](http://www.proxyvote.com).

## QUESTIONS AND ANSWERS

### Proxy Materials and Voting Information

#### **1. What is included in the proxy materials? What is a proxy statement and what is a proxy?**

The proxy materials for the 2018 Annual Meeting include the Notice Regarding the Availability of Proxy Materials, Notice of 2018 Annual Meeting, this Proxy Statement and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "Annual Report" and, together with the other materials, the "proxy materials"). If you request a paper copy of these materials, the proxy materials will also include a proxy card or voting instruction form.

A proxy statement is a document that the Securities and Exchange Commission ("SEC") regulations require the Company to give you when it asks you to return a proxy designating individuals to vote on your behalf. A proxy is your legal designation of another person to vote the shares you own. That other person is called your proxy. We are asking you to designate the following three persons as your proxies for the 2018 Annual Meeting: Jennifer B. Clark, Secretary; John G. Murray, Managing Trustee, President, Chief Operating Officer and Assistant Secretary; and Adam D. Portnoy, Managing Trustee.

#### **2. What is the difference between holding shares as a shareholder of record and as a beneficial owner?**

If your shares are registered directly in your name with the Company's registrar and transfer agent, Equiniti Trust Company (formerly known as Wells Fargo Shareowner Services), you are considered a shareholder of record of those shares. If you are a shareholder of record, you should receive only one notice or proxy card for all the Common Shares you hold in certificate form and in book entry form.

If your shares are held in an account you own at a bank or brokerage or you hold shares through another nominee, you are considered the "beneficial owner" of those shares. If you are a beneficial owner, you will receive voting instruction information from the bank, broker or other nominee through which you own your Common Shares.

If you hold some shares of record and some shares beneficially, you should receive a notice or proxy card for all the Common Shares you hold of record and a separate voting instruction form for the shares from the bank, broker or other nominee through which you own Common Shares.

#### **3. What different methods can I use to vote?**

**By Written Proxy.** All shareholders of record can submit voting instructions by written proxy card. If you are a shareholder of record and receive a Notice Regarding the Availability of Proxy Materials, you may request a written proxy card by following the instructions included in the notice. If you are a beneficial owner, you may request a written proxy card or a voting instruction form from your bank, broker or other nominee. Proxies submitted by mail must be received by 11:59 p.m., Eastern time, on June 13, 2018 or, if the meeting is postponed or adjourned to a later date, by 11:59 p.m., Eastern time, on the day immediately preceding the date of the reconvened meeting.

**By Telephone or Internet.** All shareholders of record also can authorize a proxy to vote their shares by touchtone telephone by calling 1-800-690-6903, or through the internet at [www.proxyvote.com](http://www.proxyvote.com), using the procedures and instructions described in your Notice Regarding the Availability of Proxy Materials or

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proxy card. Beneficial owners may authorize a proxy by telephone or internet if their bank, broker or other nominee makes those methods available, in which case the bank, broker or nominee will include the instructions with the proxy voting materials. To authorize a proxy by telephone or internet, you will need the 16 digit control number provided on your Notice Regarding the Availability of Proxy Materials, proxy card or voting instruction form. The telephone and internet proxy authorization procedures are designed to authenticate shareholder identities, to allow shareholders to vote their shares and to confirm that their instructions have been recorded properly. Proxies submitted by telephone or through the internet must be received by 11:59 p.m., Eastern time, on June 13, 2018 or, if the meeting is postponed or adjourned to a later date, by 11:59 p.m., Eastern time, on the day immediately preceding the date of the reconvened meeting.

**In Person.** All shareholders of record may vote in person at the meeting. Beneficial owners may vote in person at the meeting if they have a legal proxy, as described in the response to [question 15](#).

If you have any questions or need assistance in voting your shares or authorizing your proxy, please call the firm assisting the Company in the solicitation of proxies:

Morrow Sodali LLC  
470 West Avenue  
Stamford, Connecticut 06902  
Shareholders Call Toll Free: (800) 662-5200  
Banks and Brokers Call Collect: (203) 658-9400

### **4. Who may vote at the 2018 Annual Meeting?**

Holders of record of Common Shares as of the close of business on February 1, 2018, the Record Date, may vote at the meeting. Holders of Common Shares are entitled to one vote for each Common Share held on the Record Date.

**HOSPITALITY PROPERTIES TRUST**

*2018 Proxy Statement 7*

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## 5. What are my voting choices for each of the proposals to be voted on at the 2018 Annual Meeting and what are the voting standards?

| Proposal   | Voting Choices and Board Recommendation  | Voting Standard            |
|--|--|----------------------------|
| <b>Item 1: Election of Trustee</b>   | <p>vote in favor of the Trustee nominee;</p> <p>vote against the Trustee nominee; or</p> <p>abstain from voting on the election of the Trustee nominee.</p> <p><b>The Board recommends a vote FOR the Trustee nominee.</b></p>           | Majority of all votes cast |
| <b>Item 2: Advisory vote to approve executive compensation*</b>  | <p>vote in favor of the advisory vote;</p> <p>vote against the advisory vote; or</p> <p>abstain from voting on the advisory vote.</p> <p><b>The Board recommends a vote FOR the advisory vote to approve executive compensation.</b></p> | Majority of all votes cast |
| <b>Item 3: Ratification of the appointment of Ernst &amp; Young LLP as independent auditors</b>            | <p>vote in favor of the ratification;</p> <p>vote against the ratification; or</p> <p>abstain from voting on the ratification.</p> <p><b>The Board recommends a vote FOR the ratification.</b></p>                                       | Majority of all votes cast |
| <b>Item 4: Non-binding shareholder proposal requesting that the Board adopt a "proxy access" bylaw, if</b> |  | Majority of all votes cast |

**properly presented at the meeting**

vote in favor of the shareholder proposal;

vote against the shareholder proposal; or

abstain from voting on the shareholder proposal.

**The Board recommends a vote AGAINST the shareholder proposal.**

**Item 5: Non-binding shareholder proposal requesting that the Company adopt a consequential vote standard for uncontested director elections, if properly presented at the meeting**

Majority of all votes cast

vote in favor of the shareholder proposal;

vote against the shareholder proposal; or

abstain from voting on the shareholder proposal.

**The Board recommends a vote AGAINST the shareholder proposal.**

\*

As an advisory vote, the proposal to approve executive compensation is not binding upon the Company. Our Compensation Committee, which is 100% comprised of Independent Trustees, is responsible for determining and approving any compensation payable directly by the Company to our executive officers and administering the Company's equity compensation program. Our Compensation Committee values the opinions expressed by shareholders and will consider the outcome of this vote, among other factors, when making future compensation decisions.

Our Audit Committee, which is 100% comprised of Independent Trustees, appoints the Company's independent auditors. Your vote will ratify prior action by the Audit Committee and will not be binding upon the Audit Committee. However, the Audit Committee values the opinions of the Company's shareholders and may reconsider its prior appointment of the independent auditors or consider the results of this shareholder vote, among other factors, when it determines to appoint the Company's independent auditors in the future.

As advisory votes, the shareholder proposals are not binding upon the Company and, if approved, would serve only as recommendations to the Board. However, the Board values the opinion of the Company's shareholders and will consider the outcome of these votes and other factors and circumstances.



**8 HOSPITALITY PROPERTIES TRUST**

*2018 Proxy Statement*

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## **6. What if I am a shareholder of record and do not specify a choice for a matter when returning a proxy card or authorizing a proxy by internet or telephone?**

If you return a signed proxy card or authorize a proxy by internet or telephone and do not specify a choice for a matter, you will be instructing your proxy to vote in the manner recommended by the Board on that matter:

FOR the election of the Trustee nominee identified in this Proxy Statement;

FOR the advisory vote to approve executive compensation;

FOR the ratification of the appointment of Ernst & Young LLP as independent auditors;

AGAINST the non-binding shareholder proposal requesting that the Board adopt a "proxy access" bylaw, if properly presented; and

AGAINST the non-binding shareholder proposal requesting that the Board adopt a consequential majority vote standard for uncontested director elections, if properly presented.

## **7. What if I am a beneficial owner and do not give voting instructions to my broker?**

If you are a beneficial owner and do not provide voting instructions to your bank, broker or other nominee, the following applies:

**Non-Discretionary Items.** The election of the Trustee nominee, the advisory vote to approve executive compensation, the non-binding shareholder proposal requesting that the Board adopt a "proxy access" bylaw (if properly presented) and the non-binding shareholder proposal requesting that the Board adopt a consequential majority vote standard for uncontested director elections (if properly presented) are non-discretionary items and may not be voted on by brokers, banks or other nominees who have not received specific voting instructions from beneficial owners. The result of the inability of a broker, bank or other nominee to vote on a non-discretionary item for which it has not received specific voting instructions from beneficial owners is referred to as a broker non-vote.

**Discretionary Items.** The ratification of the appointment of Ernst & Young LLP as independent auditors is a discretionary item. Generally, banks, brokers and other nominees that do not receive voting instructions from beneficial owners may vote on this proposal in their discretion.

## **8. What is a quorum? How are abstentions and broker non-votes counted?**

A quorum of shareholders is required for shareholders to take action at the 2018 Annual Meeting. The presence, in person or by proxy, of shareholders entitled to cast a majority of all the votes entitled to be cast at the 2018 Annual Meeting constitutes a quorum.

Abstentions and broker non-votes are included in determining whether a quorum is present. Abstentions are not votes cast and, therefore, will not be included in vote totals and will have no effect on the outcome of any Item to be voted on at the 2018 Annual Meeting. Broker non-votes are not votes cast and, therefore, will not be included in vote totals and will have no effect on the outcome of Item 1, 2, 4 or 5. There can be no broker non-votes on Item 3 as it is a matter on which, if you hold your shares in

street name and do not provide voting instructions to the broker, bank or other nominee that holds your shares, the nominee has discretionary authority to vote on your behalf.

## **9. What may I do if I change my mind after I authorize a proxy to vote my shares?**

Shareholders have the right to revoke a proxy at any time before it is voted at the 2018 Annual Meeting, subject to the proxy voting deadlines described above. Shareholders may revoke a proxy by authorizing a proxy again on a later date by internet or by telephone (only the last internet or telephone proxy submitted prior to the meeting will be counted) or by signing and returning a later dated proxy card or by attending the meeting and voting in person. If you are a beneficial owner, see the response to [question 15](#).

A shareholder's attendance at the 2018 Annual Meeting will not revoke that shareholder's proxy unless that shareholder votes again at the meeting or sends an original written statement to the Secretary of the Company revoking the prior proxy. An original written notice of revocation or subsequent proxy should be delivered to Hospitality Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458, Attention: Secretary, or hand delivered to the Secretary before the taking of the vote at the 2018 Annual Meeting.

Beneficial owners who wish to change their votes should contact the organization that holds their shares.

## **10. Can I access the proxy materials on the internet? How can I sign up for the electronic proxy delivery service?**

The Notice of 2018 Annual Meeting, this Proxy Statement and the Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com). You may access these proxy materials on the internet through the conclusion of the 2018 Annual Meeting.

Instead of receiving future copies of the Company's proxy materials by mail, shareholders of record and most beneficial owners may elect to receive these materials electronically. Opting to receive your future proxy materials electronically will save us the cost of printing and mailing documents, and also will give you an electronic link to our proxy voting site. Your Notice Regarding the Availability of Proxy Materials instructs you as to how you may request electronic delivery of future proxy materials.

## **11. When will the Company announce the voting results?**

The Company will report the final results in a Current Report on Form 8-K filed with the SEC following the completion of the 2018 Annual Meeting.

## **12. How are proxies solicited and what is the cost?**

The Company bears all expenses incurred in connection with the solicitation of proxies. The Company has engaged Morrow Sodali LLC ("Morrow") to assist with the solicitation of proxies for an estimated fee of \$25,000 plus reimbursement of expenses. The Company has agreed to indemnify Morrow against certain liabilities arising out of the Company's agreement with Morrow. We will request banks, brokers and other nominees to forward proxy materials to the beneficial owners of Common Shares and to obtain their voting instructions. We will reimburse those firms for their expenses of forwarding proxy materials.

Proxies may also be solicited, without additional compensation, by the Company's Trustees and officers, and by The RMR Group LLC ("RMR LLC"), its officers and employees and its parent's and subsidiaries' directors, officers and employees, by mail, telephone or other electronic means or in person.

### 13. What is householding?

As permitted by the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we may deliver only one copy of the Notice Regarding the Availability of Proxy Materials, Notice of 2018 Annual Meeting, this Proxy Statement and the Annual Report to Shareholders residing at the same address, unless the shareholders have notified us of their desire to receive multiple copies of those documents. This practice is known as "householding."

We will deliver a separate copy of any of those documents to you if you write to the Company at Investor Relations, Hospitality Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458, or call the Company at (617) 796-8232. If you want to receive separate copies of our notices regarding the availability of proxy materials, notices of annual meetings, proxy statements and annual reports in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker or other nominee, or you may contact us at the above address or telephone number.

## 2018 Annual Meeting Information

### 14. How do I attend the 2018 Annual Meeting in person?

**IMPORTANT NOTE:** If you plan to attend the 2018 Annual Meeting, you must follow these instructions to ensure admission.

**All attendees need to bring photo identification for admission.** Please note that cameras and audio or video recorders are not permitted at the meeting. Any cell phones, pagers or similar electronic devices must be shut off for the duration of the meeting.

Attendance at the meeting is limited to the Company's Trustees and officers, shareholders as of the Record Date (February 1, 2018) or their duly authorized representatives or proxies, and other persons permitted by the Chairman of the meeting.

**Record owners:** If you are a shareholder as of the Record Date who holds shares directly, you need not present any documentation to attend the 2018 Annual Meeting, other than photo identification.

**Beneficial owners:** If you are a shareholder as of the Record Date who holds shares indirectly through a brokerage firm, bank or other nominee, you may be required to present evidence of your beneficial ownership of shares. For this purpose, a letter or account statement from the applicable brokerage firm, bank or other nominee confirming such ownership will be acceptable. Please note that you will not be able to vote your shares at the meeting without a legal proxy, as described in the response to [question 15](#).

**Authorized named representatives:** If you are a shareholder as of the Record Date and intend to appoint an authorized named representative to attend the meeting on your behalf, including if you are a corporation, partnership, limited liability company or other entity, you must notify us of your intent by regular mail to our Secretary or by email to [secretary@hptreit.com](mailto:secretary@hptreit.com). **Requests for authorized named representatives to attend the meeting must be received no later than Thursday, June 7, 2018**, or if the meeting is postponed or adjourned to a later date, on or before the 5<sup>th</sup> business day before the reconvened meeting.

Please include the following information when submitting your request:

- (1) Your name and complete mailing address;



(2)

Proof that you owned shares of the Company as of February 1, 2018 (such as a copy of the portion of your voting instruction form showing your name and address, a bank or brokerage firm account statement or a letter from the bank, broker or other nominee holding your shares); and

(3)

A signed authorization appointing such individual to be your authorized named representative at the meeting, which includes the name, address, telephone number and email address of the authorized named representative.

Upon receipt of proper documentation, you and your named representative will receive confirmation that your named representative has been authorized to attend the meeting. For admission to the meeting, the photo ID presented must match the documentation provided in response to item (3) above. The Company reserves the right to limit the number of representatives who may attend the meeting.

If you have questions regarding these admission procedures, please call Investor Relations at (617) 796-8232.

## **15. How can I vote in person at the meeting if I am a beneficial owner?**

If you are a beneficial owner and want to vote your shares at the 2018 Annual Meeting, you need a legal proxy from your bank, broker or other nominee. You also need to follow the procedures described in the response to [question 14](#) and to bring the legal proxy with you to the meeting and hand it in with a signed ballot that will be provided to you at the meeting. You will not be able to vote your shares at the meeting without a legal proxy. If you do not have a legal proxy, you can still attend the meeting by following the procedures described in the response to [question 14](#). However, you will not be able to vote your shares at the meeting without a legal proxy. The Company encourages you to vote your shares in advance, even if you intend to attend the meeting.

## **Company Documents, Communications and Shareholder Proposals**

### **16. How can I view or request copies of the Company's SEC filings and other documents?**

You can visit our website to view our Governance Guidelines, Board committee charters and Code of Business Conduct and Ethics (the "Code"). To view these documents, go to [www.hptreit.com](http://www.hptreit.com), click on "Investors" and then click on "Governance." To view the Company's SEC filings and Forms 3, 4 and 5 filed by the Company's Trustees and executive officers, go to [www.hptreit.com](http://www.hptreit.com), click on "Investors," click on "Financial Information" and then click on "SEC Filings."

We will deliver free of charge, upon request, a copy of the Company's Governance Guidelines, Board committee charters, Code or Annual Report to any shareholder requesting a copy. Requests should be directed to Investor Relations at Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458.

### **17. How can I communicate with the Company's Trustees?**

Any shareholder or other interested person who wants to communicate with the Company's Trustees, individually or as a group, should write to the party for whom the communication is intended, c/o Secretary, Hospitality Properties Trust, Two Newton Place, 255 Washington Street, Suite 300,

Newton, Massachusetts 02458 or email [secretary@hptreit.com](mailto:secretary@hptreit.com). The communication will then be delivered to the appropriate party or parties.

## **18. How do I submit a proposal for action at the 2019 annual meeting of shareholders?**

A proposal for action to be presented by any shareholder at the Company's 2019 annual meeting of shareholders must be submitted as follows:

For a proposal to be eligible to be included in the proxy statement pursuant to Rule 14a-8 under the Exchange Act, the proposal must be received at the Company's principal executive offices by December 25, 2018.

If the proposal is not to be included in the proxy statement pursuant to Rule 14a-8, the proposal must be made in accordance with the procedures and requirements set forth in our Amended and Restated Bylaws, as amended (our "Bylaws"), and must be received by the Company not later than 5:00 p.m., Eastern time, on November 15, 2018 and not earlier than October 16, 2018.

Proposals should be sent to the Company's Secretary at Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458.

For additional information regarding how to submit a shareholder proposal, see page 36 of this Proxy Statement.

## ELECTION OF TRUSTEES (ITEM 1)

The Board serves as the decision making body of the Company, except for those matters reserved to the shareholders. The Board selects and oversees the Company's officers, who are charged by the Board with conducting the day to day business of the Company.

### Election Process

In accordance with our Amended and Restated Declaration of Trust (our "Declaration of Trust") and Bylaws, the Board currently consists of five members, three of whom are Independent Trustees and two of whom are Managing Trustees. Our Declaration of Trust, as supplemented by Articles Supplementary filed with the State Department of Assessments and Taxation of Maryland on April 20, 2017, provides that the Board is divided into three classes, with each Trustee of each class elected at an annual meeting of shareholders serving for a term that continues until the third annual meeting of shareholders following his or her election and until his or her successor is elected and qualifies. In accordance with our Declaration of Trust and Bylaws, on April 12, 2018, pursuant to a recommendation of the Nominating and Governance Committee, the Board elected John G. Murray as a Managing Trustee in Class I to fill the vacancy created by the death of Barry M. Portnoy on February 25, 2018 and to serve the remainder of the full term of the Class I Trustees, the Class of Trustees which stands for election at the 2020 annual meeting of shareholders.

Assuming a quorum is present at the meeting, a majority of all the votes cast is required to elect a Trustee at the 2018 Annual Meeting.

### Trustee Nominations

The Nominating and Governance Committee is responsible for identifying and evaluating nominees for Trustee and for recommending to the Board nominees for election at each annual meeting of shareholders. The Nominating and Governance Committee may consider candidates suggested by the Company's Trustees, officers or shareholders or by others.

**Shareholder Recommendations for Nominees.** Shareholders who would like to recommend a nominee for the position of Trustee should submit their recommendations in writing by mail to the Chair of the Nominating and Governance Committee, c/o Hospitality Properties Trust, Secretary, at Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458 or by email to [secretary@hptreit.com](mailto:secretary@hptreit.com). A shareholder's recommendation should include any information that the recommending shareholder believes relevant to the Nominating and Governance Committee's consideration. The Nominating and Governance Committee may request additional information about the shareholder recommended nominee or about the shareholder recommending the nominee. Recommendations by shareholders will be considered by the Nominating and Governance Committee in its discretion using the same criteria as other candidates it considers.

**Shareholder Nominations for Trustee.** Our Bylaws also provide that a shareholder of the Company may nominate a person for election to the Board provided the shareholder complies with the advance notice provisions set forth in our Bylaws, which include, among other things, requirements as to the proposing shareholder's timely delivery of advance notice, continuous requisite ownership of Common Shares and submission of specified documentation and information. For more information on how shareholders can nominate Trustees for election to the Board, see "Shareholder Nominations and Other Proposals" beginning on page 36.



## Trustee Qualifications

Trustees are responsible for overseeing the Company's business. This significant responsibility requires highly skilled individuals with various qualities, attributes and professional experience. The Board believes that there are general requirements that are applicable to all Trustees, qualifications applicable to Independent Trustees and other skills and experience that should be represented on the Board as a whole, but not necessarily by each Trustee. In accordance with our Declaration of Trust and Bylaws, the Board currently consists of five Trustees: two Managing Trustees and three Independent Trustees. As set forth in our Bylaws, Independent Trustees are Trustees who are not employees of RMR LLC, who are not involved in the Company's day to day activities and who meet the qualifications of independent directors under the applicable rules of The Nasdaq Stock Market LLC (the "Nasdaq") and the SEC. As set forth in our Bylaws, Managing Trustees are Trustees who have been employees, officers or directors of RMR LLC or who have been involved in the Company's day to day activities for at least one year prior to their election as Trustees. The Board and the Nominating and Governance Committee consider the qualifications of Trustees and Trustee candidates individually and in the broader context of the Board's overall composition and the Company's current and future needs.

In addition, our Bylaws require that candidates submit detailed personal and financial information required in connection with our regulation by state gaming authorities.

## Qualifications for All Trustees

In its assessment of each potential candidate, including those recommended by shareholders, the Nominating and Governance Committee considers the potential nominee's integrity, experience, achievements, judgment, intelligence, competence, personal character, likelihood that a candidate will be able to serve on the Board for an extended period and other matters that the Nominating and Governance Committee deems appropriate. The Nominating and Governance Committee also takes into account the ability of a potential nominee to devote the time and effort necessary to fulfill his or her responsibilities to the Company.

The Board and Nominating and Governance Committee require that each Trustee candidate be a person of high integrity with a proven record of success in his or her field. Each Trustee candidate must demonstrate the ability to make independent analytical inquiries, familiarity with and respect for corporate governance requirements and practices and a commitment to serving the Company's long term best interests. In addition, the Nominating and Governance Committee may conduct interviews of potential Trustee candidates to assess intangible qualities, including the individual's ability to ask appropriate questions and to work collegially. The Board does not have a specific diversity policy in connection with the selection of nominees for Trustee, but due consideration is given to the Board's overall balance of diversity, including perspectives, backgrounds and experiences.

## Specific Qualifications, Attributes, Skills and Experience to be Represented on the Board

The Board has identified particular qualifications, attributes, skills and experience that are important to be represented on the Board as a whole, in light of the Company's long term interests. The following table summarizes certain key characteristics of the Company's business and the associated qualifications, attributes, skills and experience that the Board believes should be represented on the Board.

### Business Characteristics

The Board's responsibilities include understanding and overseeing the various risks facing the Company and ensuring that appropriate policies and procedures are in place to effectively manage those risks.

The Company's business involves complex financial and real estate transactions.

### Qualifications, Attributes, Skills and Experience

Risk oversight/management expertise.

Service on other public company boards and committees.

Operating business experience.

High level of financial literacy.

Knowledge of the commercial real estate ("CRE") industry and real estate investment trusts ("REITs").

Familiarity with hospitality and entertainment businesses and management contract and franchise agreement trends.

Familiarity with travel center, quick service restaurant, truck repair and convenience store businesses, and related leasing trends.

Management/leadership experience.

Knowledge of the Company's historical business activities.

Familiarity with the public capital markets.

Work experience.

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The Board must constantly evaluate the Company's strategic direction in light of current real estate trends and trends in the hotel and travel center industries.

Experience at a strategic or policymaking level in a business, government, non-profit or academic organization of high standing.

Commitment to serve on the Board over a period of years in order to develop knowledge about the Company's operations.

Understanding of the impact of financial market trends on the real estate industry.

The Board meets frequently and, at times, on short notice to consider time sensitive issues.

Sufficient time and availability to devote to Board and committee matters.

Practical wisdom and mature judgment.

The Board will be better informed if the members of the Board have diverse perspectives, backgrounds and experiences.

Gender and ethnic diversity.

Nationality.

Experience.

The Board is comprised of two Managing Trustees and three Independent Trustees.

Qualifying as a Managing Trustee in accordance with the requirements of our Bylaws.

Qualifying as an Independent Trustee in accordance with the requirements of the Nasdaq, the SEC and our Bylaws.

## 2018 Nominee for Trustee

The following table sets forth the names of the Trustee nominee and those Trustees who will continue to serve after the 2018 Annual Meeting:

| Name               | Position            | Class | Current<br>Term Expires |
|--------------------|---------------------|-------|-------------------------|
| William A. Lamkin* | Independent Trustee | II    | 2018                    |
| Donna D. Fraiche   | Independent Trustee | III   | 2019                    |
| Adam D. Portnoy    | Managing Trustee    | III   | 2019                    |
| John L. Harrington | Independent Trustee | I     | 2020                    |
| John G. Murray     | Managing Trustee    | I     | 2020                    |

\*

*2018 Trustee nominee*

Upon the recommendation of the Nominating and Governance Committee, the Board has nominated William A. Lamkin for election as an Independent Trustee in Class II. Mr. Lamkin currently serves on the Board. If elected, Mr. Lamkin would serve until the Company's 2021 annual meeting of shareholders and until his successor is duly elected and qualifies, subject to the individual's earlier death, resignation, retirement, disqualification or removal.

We expect Mr. Lamkin will be able to serve if elected. However, if Mr. Lamkin should become unable or unwilling to serve, proxies may be voted for the election of a substitute nominee designated by the Board.

The Board believes that the combination of the various qualifications, attributes, skills and experiences of the Trustee nominee would contribute to an effective Board serving the Company's long term best interests. The Board and the Nominating and Governance Committee believe that the Trustee nominee possess the necessary qualifications to provide effective oversight of the business and quality advice and counsel to the Company's management. Below is a summary of the key experiences, qualifications, attributes and skills that led the Nominating and Governance Committee and the Board to conclude such person is currently qualified to serve as a Trustee.

**The Board of Trustees recommends a vote "FOR" the election of the Trustee nominee.**

## Trustees and Executive Officers

The following is some important biographical information, including the ages and recent principal occupations, as of April 24, 2018, of the Company's Trustees, Trustee nominee and executive officers. The business address of the Trustees, Trustee nominee and executive officers is c/o Hospitality Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458. Included in each Trustee's biography below are the attributes of that Trustee consistent with the qualifications, attributes, skills and experience the Board has determined are important to be represented on the Board. For a general discussion of the particular Trustee qualifications, attributes, skills and experience, and the process for selecting and nominating individuals for election to serve as a Trustee, please see "Election of Trustees" beginning on page 14.

**Trustee Nominee**

**William A. Lamkin**

**Independent Trustee since 2007**

**Class/Term:** Class II with a term expiring at the 2018 Annual Meeting

**Age:** 58

**Board Committees:** Audit (Chair); Compensation; Nominating and Governance

**Other Public Company Boards:** Select Income REIT (since 2012)

Mr. Lamkin has been a partner in Ackrell Capital LLC, a San Francisco based investment bank, since 2003. Mr. Lamkin was an independent trustee of Equity Commonwealth from 2006 until 2014. Prior to being a partner in Ackrell Capital LLC, he was employed as a financial consultant and as an investment banker, including as a senior vice president in the investment banking division of ABN AMRO. Prior to working as a financial consultant and as an investment banker, Mr. Lamkin was a practicing attorney.

**Specific Qualifications, Attributes, Skills and Experience:**

experience in, and knowledge of, the commercial real estate and investment banking industries;

demonstrated management ability;

experience in capital raising and strategic business transactions;

professional training, skills and expertise in, among other things, legal and finance matters;

work on public company boards and board committees;

institutional knowledge earned through prior service on the Board; and

qualifying as an Independent Trustee in accordance with the requirements of the Nasdaq, the SEC and our Bylaws.



## Trustees

### Donna D. Fraiche

#### **Independent Trustee since 2015**

**Class/Term:** Class III with a term expiring at the 2019 annual meeting of shareholders

**Age:** 66

**Board Committees:** Audit; Compensation; Nominating and Governance (Chair)

**Other Public Company Boards:** Five Star Senior Living Inc. (since 2010); Select Income REIT (since 2012)

Ms. Fraiche is senior counsel in the law firm of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC and has practiced law in that firm since 2004. Previously, Ms. Fraiche practiced law with the firm now known as Locke Lord LLP in New Orleans. Ms. Fraiche is currently president of the Louisiana State Supreme Court Historical Society. She was recently appointed to the American Hospital Association Council on Governance and is a past president and a fellow of the American Health Lawyer's Association. She is a former chair of the Louisiana Health Care Commission and has previously served as chair of the Long Term Community Planning Task Force and Health Care Committee of the Louisiana Recovery Authority, delegate of the Louisiana Recovery Authority to the Louisiana Health Care Redesign Collaborative, and past chair of the board of trustees of Loyola University, among numerous other business and civic responsibilities. She serves on the executive board and on the investments committee of the Baton Rouge Area Foundation and the executive committee and real estate committee of Women's Hospital. Ms. Fraiche also serves as honorary consul general for Japan in New Orleans.

#### **Specific Qualifications, Attributes, Skills and Experience:**

professional legal skills;

many leadership roles and experiences, including her service in numerous public policy and civic leadership roles;

work on public company boards and board committees;

institutional knowledge earned through prior service on the Board;

female; and

qualifying as an Independent Trustee in accordance with the requirements of the Nasdaq, the SEC and our Bylaws.

**HOSPITALITY PROPERTIES TRUST**

*2018 Proxy Statement* 19

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**Adam D. Portnoy**

**Managing Trustee since 2007**

**Class/Term:** Class III with a term expiring at the 2019 annual meeting of shareholders

**Age:** 47

**Other Public Company Boards:** Senior Housing Properties Trust (since 2007); Government Properties Income Trust (since 2009); RMR Real Estate Income Fund, including its predecessor funds (since 2009); Select Income REIT (since 2011); The RMR Group Inc. (since 2015); Industrial Logistics Properties Trust (since 2017); Tremont Mortgage Trust (since 2017); TravelCenters of America LLC (since 2018); Five Star Senior Living Inc. (since 2018)

Mr. Portnoy has been a managing director of The RMR Group Inc. ("RMR Inc.") and its president and chief executive officer since shortly after its formation in 2015. Mr. Portnoy has been president and chief executive officer of RMR LLC since 2005 and was a director of RMR LLC from 2006 until June 5, 2015 when RMR LLC became a majority owned subsidiary of RMR Inc. and RMR Inc. became RMR LLC's managing member. Mr. Portnoy has been a director of RMR Advisors LLC since 2007 and served as its president from 2007 to September 2017 and its chief executive officer from 2015 to September 2017. Mr. Portnoy has been a director of Tremont Realty Advisors LLC since March 2016, and he was its president and chief executive officer from March 2016 through December 2017. Mr. Portnoy is an owner and has been a director of Sonesta International Hotels Corporation since 2012. Mr. Portnoy served as president and chief executive officer of RMR Real Estate Income Fund from 2007 to 2015 and as president of Government Properties Income Trust from 2009 to 2011. Mr. Portnoy was a managing trustee of Equity Commonwealth from 2006 until 2014 and served as its president from 2011 to 2014. Prior to joining RMR LLC in 2003, Mr. Portnoy held various positions in the finance industry and public sector, including working as an investment banker at Donaldson, Lufkin & Jenrette and ABN AMRO as well as working in private equity at DLJ Merchant Banking Partners and at the International Finance Corporation (a member of The World Bank Group). In addition, Mr. Portnoy previously founded and served as chief executive officer of a privately financed telecommunications company. Mr. Portnoy currently serves as the Honorary Consul General of the Republic of Bulgaria in Massachusetts, and previously served on the board of governors for the National Association of Real Estate Investment Trusts and the board of trustees of Occidental College.

**Specific Qualifications, Attributes, Skills and Experience:**

extensive experience in, and knowledge of, the CRE and hospitality and travel industries and REITs;

leadership position with RMR LLC and demonstrated management ability;

public company director service;

experience in investment banking and private equity;

government organization service;

experience in starting a telecommunications company and serving as its senior executive;

institutional knowledge earned through prior service on the Board since the Company's formation and in leadership positions with RMR LLC; and

qualifying as a Managing Trustee in accordance with the requirements of our Bylaws.

**John L. Harrington**

**Independent Trustee since 1995; Lead Independent Trustee since 2015**

**Class/Term:** Class I with a term expiring at the 2020 annual meeting of shareholders

**Age:** 81

**Board Committees:** Audit; Compensation (Chair); Nominating and Governance

**Other Public Company Boards:** Senior Housing Properties Trust (since 1999); RMR Real Estate Income Fund, including its predecessor funds (since 2002); Government Properties Income Trust (since 2009); Tremont Mortgage Trust (since 2017)

Mr. Harrington has been chairman of the board of trustees of the Yawkey Foundation (a charitable foundation) since 2007 and prior to that from 2002 to 2003. He served as a trustee of the Yawkey Foundation since 1982 and as executive director from 1982 to 2006. He was also a trustee of the JRY Trust from 1982 through 2009. Mr. Harrington was chief executive officer and general partner of the Boston Red Sox Baseball Club from 1986 to 2002 and served as that organization's vice president and chief financial officer prior to that time. He was president of Boston Trust Management Corp. from 1981 to 2006 and a principal of Bingham McCutchen Sports Consulting LLC from 2007 to 2008. Mr. Harrington represented the Boston Red Sox majority interest in co-founding The New England Sports Network, managing it from 1981 to 2002. Mr. Harrington served as a director of Fleet Bank from 1995 to 1999 and of Shawmut Bank of Boston from 1986 to 1995, a member of the Major League Baseball Executive Council from 1998 to 2001, assistant secretary of administration and finance for the Commonwealth of Massachusetts in 1980, treasurer of the American League of Professional Baseball Clubs from 1970 to 1972, assistant professor and director of admissions, Carroll Graduate School of Management at Boston College from 1967 through 1970 and as supervisory auditor for the U.S. General Accounting Office from 1961 through 1966. He was an independent trustee of RMR Funds Series Trust from shortly after its formation in 2007 until its dissolution in 2009. Mr. Harrington has held many civic leadership positions and received numerous leadership awards and honorary doctorate degrees. Mr. Harrington holds a Massachusetts license as a certified public accountant.

**Specific Qualifications, Attributes, Skills and Experience:**

demonstrated leadership capability;

work on public company boards and board committees and in key management roles in various enterprises;

service on the boards of several private and charitable organizations;

professional skills and expertise in accounting, finance and risk management and experience as a chief financial officer;

expertise in compensation and benefits matters;

institutional knowledge earned through prior service on the Board; and

qualifying as an Independent Trustee in accordance with the requirements of the Nasdaq, the SEC and our Bylaws.

**John G. Murray**

**Managing Trustee since 2018**

**President and Chief Operating Officer since 1996**

**Class/Term:** Class I with a term expiring at the 2020 annual meeting of shareholders

**Age:** 57

**Other Public Company Boards:** None

Mr. Murray has served in various capacities with RMR LLC and its subsidiaries since 1993, including as an executive vice president of RMR LLC since 2001 and as a senior vice president of RMR LLC from 1993 to 2001. From 2014 to 2017, Mr. Murray served as a member of the board of directors of the American Hotel & Lodging Association representing the owners' segment of the association. Prior to joining RMR LLC, Mr. Murray was employed at Fidelity Brokerage Services Inc. and at Ernst & Young LLP.

**Specific Qualifications, Attributes, Skills and Experience:**

leadership position with the Company and RMR LLC and demonstrated management ability;

extensive experience in, and knowledge of, the CRE industry and REITs;

institutional knowledge earned through prior service as an officer of the Company and in leadership positions with RMR LLC;

professional skills and expertise in accounting and financing and experience as a chief operating officer; and

qualifying as an Managing Trustee in accordance with the requirements of our Bylaws.

## **Executive Officers**

### **John G. Murray**

**President and Chief Operating Officer since 1996; Assistant Secretary since 2008**

**Age:** 57

Mr. Murray's background and qualifications are described above.

### **Mark L. Kleifges**

**Chief Financial Officer and Treasurer since 2002**

**Age:** 57

Mr. Kleifges has been an executive vice president of RMR LLC since 2008 and prior to that served in various capacities with RMR LLC and its subsidiaries since 2002. Mr. Kleifges has served as a managing trustee of Government Properties Income Trust since 2018 and as its chief financial officer and treasurer since 2011. Mr. Kleifges has been the president and chief executive officer of RMR Advisors LLC since October 2017; he was a vice president of RMR Advisors LLC from 2003 to 2004 and its chief financial officer and treasurer from 2004 to September 2017. Mr. Kleifges has also served as chief financial officer and treasurer of RMR Real Estate Income Fund and its predecessor funds since 2003 and as a managing trustee since March 2018. Mr. Kleifges is a certified public accountant and, prior to joining RMR LLC, was a partner at Arthur Andersen LLP.

### **Ethan S. Bornstein**

**Senior Vice President since 2008; Vice President since 1999 to 2008**

**Age:** 44

Mr. Bornstein has served in various capacities with RMR LLC and its subsidiaries for more than seventeen years, including as a senior vice president of RMR LLC since 2008.

Ethan Bornstein is the brother-in-law of Adam D. Portnoy. There are no other family relationships among any of the Company's Trustees or executive officers. The Company's executive officers serve at the discretion of the Board.

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RMR LLC or its subsidiaries provide management services to public and private companies, including the Company, Government Properties Income Trust, Industrial Logistics Properties Trust, Select Income REIT,

**HOSPITALITY PROPERTIES TRUST**

*2018 Proxy Statement* 23

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Senior Housing Properties Trust, Tremont Mortgage Trust, Five Star Senior Living Inc., TravelCenters of America LLC, Sonesta International Hotels Corporation and Affiliates Insurance Company. Government Properties Income Trust is a public REIT that primarily invests in properties that are majority leased to government tenants and office properties in the metropolitan Washington, D.C. market area that are leased to government and private sector tenants ("GOV"). Industrial Logistics Properties Trust is a public REIT that owns industrial and logistics properties ("ILPT"). Select Income REIT is a public REIT that primarily owns net leased, single tenant properties ("SIR"). Senior Housing Properties Trust is a public REIT that primarily owns healthcare, senior living and medical office buildings ("SNH"). Tremont Mortgage Trust is a public REIT that focuses primarily on originating and investing in first mortgage loans secured by middle market and transitional CRE ("TRMT" and, together with GOV, ILPT, SIR and SNH, the "Other RMR Managed REITs"). Five Star Senior Living Inc. is a public real estate based operating company in the healthcare and senior living services business ("FVE"). TravelCenters of America LLC is a public real estate based operating company in the travel center, convenience store and restaurant businesses ("TA"). Sonesta International Hotels Corporation is a private company that operates and franchises hotels, resorts and cruise ships ("Sonesta"). Affiliates Insurance Company is a private Indiana insurance company ("AIC"). RMR LLC is a majority owned subsidiary of RMR Inc., a public company whose controlling shareholder is ABP Trust, which is controlled by its sole trustee, Adam D. Portnoy, one of our Managing Trustees, and to which RMR LLC provides management services. RMR Advisors LLC, a subsidiary of RMR LLC, is an SEC registered investment adviser to the RMR Real Estate Income Fund, which is an investment company registered under the Investment Company Act of 1940, as amended ("RIF"). Tremont Realty Advisors LLC, a subsidiary of RMR LLC, is an SEC registered investment adviser that provides investment advisory services to its investment advisory clients, which include TRMT, a private fund and separately managed accounts that invest in CRE debt, including secured mortgage debt and mezzanine financing opportunities. Tremont Realty Advisors LLC also provides management services to certain of its investment advisory clients, including originating, underwriting, closing and managing certain real estate loans or other real estate investments. Tremont Realty Advisors LLC, as an intermediary, also provides mortgage brokerage services, originating and arranging CRE loans for third parties who are not investment advisory clients. The foregoing entities may be considered to be affiliates of the Company.



## TRUSTEE COMPENSATION

The Compensation Committee is responsible for reviewing and determining the Common Share awards granted to Trustees and making recommendations to the Board regarding cash compensation paid to Trustees, in each case, for Board, committee and committee chair services. Managing Trustees do not receive cash compensation for their services as Trustees but do receive Common Share awards for their Board service. The number of Common Shares awarded to each Managing Trustee for Board service is the same as the number awarded to each Independent Trustee.

All Trustees receive compensation in Common Shares to align the interests of Trustees with those of the Company's shareholders. To this end, the Company's Governance Guidelines codify our expectation that, subject to certain exemptions, each Trustee retain at least 20,000 Common Shares by the later of: (i) the date of the 2019 annual meeting of shareholders of the Company and (ii) five years from the annual meeting of shareholders of the Company at which the Trustee was initially elected or, if earlier, the first annual meeting of shareholders of the Company following the initial appointment of the Trustee to the Board.

In determining the amount and composition of our Trustees' compensation, the Compensation Committee and the Board take various factors into consideration, including, but not limited to, the responsibilities of Trustees generally, as well as for service on committees and as committee chairs, and the forms of compensation paid to trustees or directors by comparable companies, including the compensation of trustees and directors of other companies managed by RMR LLC or its subsidiaries. The Board reviews the Compensation Committee's recommendations regarding Trustee cash compensation and determines the amount of such compensation.

### 2017 Annual Trustee Compensation

In 2017, each Independent Trustee received an annual fee of \$40,000 for services as a Trustee, plus a fee of \$1,250 for each meeting attended. Up to two \$1,250 fees were paid if a Board meeting and one or more Board committee meetings, or two or more Board committee meetings, were held on the same date. Each Independent Trustee and Managing Trustee received an award of 3,000 Common Shares in 2017.

Each Independent Trustee who served as a committee chair of the Board's Audit, Compensation or Nominating and Governance Committees received an additional annual fee of \$15,000, \$10,000 and \$10,000, respectively. The Lead Independent Trustee received an additional annual cash retainer fee of \$12,500 for serving in this role. Trustees were reimbursed for travel expenses they incurred in connection with their duties as Trustees and for out of pocket costs they incurred in connection with their attending certain continuing education programs.

The following table details the total compensation of the Trustees for the year ended December 31, 2017 for services as a Trustee.

| Name                               | Fees Earned or<br>Paid in Cash<br>(\$) <sup>(1)</sup> | Stock Awards<br>(\$) <sup>(2)</sup> | All Other<br>Compensation<br>(\$) | Total (\$) |
|------------------------------------|---|-------------------------------------|-----------------------------------|------------|
| Donna D. Fraiche                   | \$ 72,500   | \$ 90,360                           | \$                                | \$ 162,860 |
| John L. Harrington                 | 90,000  | 90,360                              |                                   | 180,360    |
| William A. Lamkin                  | 77,500  | 90,360                              |                                   | 167,860    |
| Adam D. Portnoy <sup>(3)</sup>     |   | 90,360                              |                                   | 90,360     |
| Barry M. Portnoy <sup>(3)(4)</sup> |   | 90,360                              |                                   | 90,360     |

(1) The amounts reported in the Fees Earned or Paid in Cash column reflect the cash fees earned by each Independent Trustee in 2017, consisting of a \$40,000 annual cash fee and each of Ms. Fraiche and Messrs. Harrington and Lamkin earned an additional \$10,000, \$10,000 and \$15,000, respectively, for service as

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a committee chair in 2017. Ms. Fraiche and Messrs. Harrington and Lamkin earned an additional \$22,500, \$27,500 and \$22,500 in fees for meetings attended in 2017, respectively. Mr. Harrington also earned \$12,500 for his role as Lead Independent Trustee.

- (2) Equals 3,000 Common Shares multiplied by the closing price of such shares on June 15, 2017, the award date. Amounts shown are also the compensation cost for the award recognized by the Company for financial reporting purposes pursuant to Financial Accounting Standards Board Accounting Standards Codification<sup>TM</sup> Topic 718, "Compensation Stock Compensation" ("ASC 718")(which equals the closing price of the shares on the award date, multiplied by the number of shares subject to the grant). No assumptions were used in this calculation. All Common Share awards to Trustees vested at the time the award was granted.
- (3) Managing Trustees do not receive cash compensation for their services as Trustees.
- (4) Mr. Barry M. Portnoy served as a Managing Trustee of the Company until his death on February 25, 2018. On April 12, 2018, the Board elected John G. Murray to fill the resulting vacancy.

## CORPORATE GOVERNANCE

The Board is committed to corporate governance that promotes the long term interests of our shareholders. The Board has established Governance Guidelines that provide a framework for effective governance. The guidelines address matters such as general qualification standards for the Board, Trustee responsibilities, Board meetings and communications, Board committees, Trustee access to management and independent advisers, Trustee compensation and share ownership guidelines, Trustee orientation and continuing education, executive development and succession planning, related person transactions, annual performance evaluation of the Board and other matters. The Board regularly reviews developments in corporate governance and updates our Governance Guidelines and other governance materials as it deems necessary and appropriate.

The governance section of our website makes available our corporate governance materials, including the Governance Guidelines, the charter for each Board committee, the Code and information about how to report matters directly to management, the Board or the Audit Committee. To access these documents on the Company's website, [www.hptreit.com](http://www.hptreit.com), click on "Investors" and then click on "Governance." In addition, instructions on how to obtain copies of the Company's corporate governance materials are included in the response to question 16 in the "Questions and Answers" section on page 12.

### Board Leadership Structure

In accordance with our Declaration of Trust and Bylaws, the Board is currently comprised of five Trustees, including three Independent Trustees and two Managing Trustees. All Trustees play an active role in overseeing the Company's business both at the Board and committee levels. As set forth in the Company's Governance Guidelines, the core responsibility of our Trustees is to exercise sound, informed and independent business judgment in overseeing the Company and its strategic direction. Our Trustees are skilled and experienced leaders and currently serve or have served as members of senior management in public and private for profit organizations and law firms, and have also served in academia. Our Trustees may be called upon to provide solutions to various complex issues and are expected to, and do, ask hard questions of the Company's officers and advisers. The Board is small, which facilitates informal discussions and communication from management to the Board and among Trustees.

We do not have a Chairman of the Board. However, we do have a Lead Independent Trustee. Our Lead Independent Trustee is selected annually by a majority of the Independent Trustees, and Mr. Harrington currently serves as our Lead Independent Trustee. Among other things, the Lead Independent Trustee's responsibilities include: serving as a liaison between the Company's management and the Independent Trustees; presiding at all meetings of the Board at which the Managing Trustees are not present, including each executive session of the Independent Trustees; assisting the Compensation Committee in its annual evaluation of the performance of the Company's management; being reasonably available for consultation and direct communication with shareholders upon request; and such other responsibilities as the Board may determine. The Lead Independent Trustee may call meetings of the Independent Trustees or executive sessions of Independent Trustees and presides at any such meeting.

Our President and Treasurer regularly attend Board and Board committee meetings, as does our Director of Internal Audit. Other officers of RMR LLC also sometimes attend Board meetings at the invitation of the Board. Special meetings of the Board may be called at any time by any Managing Trustee, the president or pursuant to the request of any two Trustees then in office. Our Managing Trustees, in consultation with the Company's management and the Director of Internal Audit, set the agenda for Board meetings. The Lead Independent Trustee may place an item on an agenda, and any other Independent Trustee may suggest agenda items by submitting such a request to the Lead Independent Trustee. Discussions at Board meetings are led by the Managing Trustee or Independent Trustee who is most knowledgeable on a subject.

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Pursuant to the Company's Governance Guidelines, the Company's Independent Trustees are expected to meet in regularly scheduled meetings at which only Independent Trustees are present. It is expected that these executive sessions may occur at least twice per year. Our Independent Trustees also meet separately with the Company's officers, with the Company's Director of Internal Audit and with the Company's independent auditors. The presiding Trustee for purposes of leading Independent Trustee sessions will be the Lead Independent Trustee, unless the Independent Trustees determine otherwise.

In 2017, the Board held nine meetings. In 2017, each then Trustee attended 75% or more of the aggregate of all meetings of the Board and the committees on which he or she served. All of the then Trustees attended last year's annual meeting of shareholders. The Company's policy with respect to Board members' attendance at meetings of the Board and annual meetings of shareholders can be found in the Company's Governance Guidelines, the full text of which appears at the Company's website, [www.hptreit.com](http://www.hptreit.com).

### Independence of Trustees

Under the corporate governance listing standards of the Nasdaq, the Board must consist of a majority of Independent Trustees. To be considered independent:

a trustee must not have a disqualifying relationship, as defined in the corporate governance section of the Nasdaq rules; and

the Board must affirmatively determine that the trustee otherwise has no relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a trustee. To facilitate the trustee independence assessment process, the Board has adopted written Governance Guidelines as described below.

Our Bylaws also require that a majority of the Board be Independent Trustees. Under our Bylaws, Independent Trustees are Trustees who are not employees of RMR LLC, are not involved in the Company's day to day activities and who meet the qualifications of independent directors under the applicable rules of the Nasdaq and the SEC.

The Board affirmatively determines whether Trustees have a direct or indirect material relationship with the Company, including the Company's subsidiaries, other than serving as the Company's Trustees or trustees or directors of the Company's subsidiaries. In making independence determinations, the Board observes the Nasdaq and SEC criteria, as well as the criteria set forth in our Bylaws. When assessing a Trustee's relationship with the Company, the Board considers all relevant facts and circumstances, not merely from the Trustee's standpoint, but also from that of the persons or organizations with which the Trustee has an affiliation. Based on this review, the Board has determined that Donna D. Fraiche, John L. Harrington and William A. Lamkin currently qualify as independent trustees under applicable Nasdaq and SEC criteria and as Independent Trustees under our Bylaws. In making these independence determinations, the Board reviewed and discussed additional information provided by the Trustees and the Company with regard to each of the Trustees' relationships with the Company, RMR Inc. or RMR LLC and the other companies to which RMR LLC or its subsidiaries provide management services. The Board has concluded that none of these three Trustees possessed or currently possesses any relationship that could impair his or her judgment in connection with his or her duties and responsibilities as a Trustee or that could otherwise be a direct or indirect material relationship under applicable Nasdaq and SEC standards.

### Board Committees

The Board has an Audit Committee, Compensation Committee and Nominating and Governance Committee. The Audit Committee, Compensation Committee and Nominating and Governance Committee have each adopted a written charter, which is available on the Company's website, [www.hptreit.com](http://www.hptreit.com), by

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clicking on "Investors," then clicking on "Governance" and then clicking on "Governance Documents." Shareholders may also request copies free of charge by writing to Investor Relations, Hospitality Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458.

Our Audit Committee, Compensation Committee and Nominating and Governance Committee are comprised entirely of Independent Trustees, and an Independent Trustee serves as Chair of each committee. The Director of Internal Audit, with the assistance of Company management, proposes the agenda for committee meetings under the oversight and direction of the Committee Chairs. Additionally, the charter of each of our Audit Committee, Compensation Committee and Nominating and Governance Committee provides that the committee may form and delegate authority to subcommittees of one or more members when appropriate. Subcommittees are subject to the provisions of the applicable committee's charter. Additional information about the committees is provided below.

**HOSPITALITY PROPERTIES TRUST**

*2018 Proxy Statement* 29

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**Audit Committee**

**William A. Lamkin**

*Committee Chair*

*"The Audit Committee is dedicated to maintaining the integrity of the Company's financial reporting; monitoring and mitigating the Company's financial risk exposure; selecting, assessing the independence and performance of, and working productively with, the Company's independent auditors; overseeing and collaborating with the Company's internal audit function; and monitoring the Company's legal and regulatory compliance."*

**Additional Committee Members: Donna D. Fraiche and John L. Harrington**  
**Meetings Held in 2017: 7**

**Purpose and Primary Responsibilities:**

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. The purpose of the Audit Committee is to assist the Board in fulfilling its responsibilities for oversight of: (1) the Company's accounting and financial reporting processes; (2) the audits of the Company's financial statements and internal control over financial reporting; (3) the Company's compliance with legal and regulatory requirements; and (4) the Company's internal audit function generally. The Audit Committee takes a leading role in helping the Board fulfill its responsibilities for oversight of the Company's financial reporting, internal audit function, risk management and the Company's compliance with legal and regulatory requirements. Under its charter, the Audit Committee is directly responsible for the appointment, compensation, retention and oversight, and the evaluation of the qualifications, performance and independence, of the Company's independent auditor and the resolution of disagreements between management and the independent auditor regarding financial reporting. The Audit Committee reviews the overall audit scope and plans of the audit with the independent auditor. The independent auditor reports directly to the Audit Committee. The Audit Committee also has final authority and responsibility for the appointment and assignment of duties to the Director of Internal Audit. The Audit Committee also reviews with management and the independent auditors the Company's quarterly reports on Form 10-Q, annual reports on Form 10-K and earnings releases. The Audit Committee reviews and assesses the adequacy of its charter at least annually and, when appropriate, recommends changes to the Board.

**Independence:**

Each member of the Audit Committee meets the independence requirements of the Nasdaq, the Exchange Act and the Company's Governance Guidelines.

**Financial Literacy and Expert:**

Each member of the Audit Committee is financially literate, knowledgeable and qualified to review financial statements. The Board has determined that Mr. Harrington is the Audit Committee's "financial expert" and is independent as defined by the rules of the SEC and the Nasdaq. The Board's determination that Mr. Harrington is a financial expert was based on his experience as: (i) executive director of a large charitable organization; (ii) chief executive officer of a major professional sports business; (iii) a member of the Audit Committee and of the audit committees of other public companies; (iv) a certified public accountant; (v) a director of a large national bank; and (vi) a college assistant professor of accounting.

**Compensation Committee**

**John L. Harrington**

*Committee Chair*

*"The Compensation Committee regularly evaluates the Company's compensation practices and considers the incentives and risks associated with the Company's compensation practices."*

**Additional Committee Members: Donna D. Fraiche and William A. Lamkin**

**Meetings Held in 2017: 4**

**Purpose and Primary Responsibilities:**

The purpose of the Compensation Committee is to discharge directly, or assist the Board in discharging, its responsibilities related to: (1) the evaluation of the performance and compensation of the business and property management services provider to the Company, the President, the Treasurer and any other executive officer of the Company and the Director of Internal Audit of the Company; (2) the compensation of the Trustees; and (3) the approval, evaluation and administration of any equity compensation plans of the Company. Under its charter, the Compensation Committee is responsible for the determination and approval of any compensation payable by the Company to the President, the Treasurer and any other executive officer of the Company based on such evaluation. The Compensation Committee is also responsible for the evaluation and recommendation to the Board of the cash compensation payable by the Company to the Trustees for Board and committee service and the annual evaluation of the performance of the Director of Internal Audit and the determination of his or her compensation. In addition, the Compensation Committee is responsible for the annual review of any business and property management agreement of the Company with the business and property management services provider to the Company, the proposal and approval of amendments to or termination of any business and property management agreement of the Company with any such provider to the Company and the review of amounts payable by the Company under any such management agreement.

**Independence:**

Each member of the Compensation Committee meets the independence requirements of the Nasdaq, the Exchange Act and the Company's Governance Guidelines.

**Nominating and Governance Committee**

**Donna D. Fraiche**

*Committee Chair*

*"The Nominating and Governance Committee regularly evaluates the Board's leadership structure and corporate governance to promote the best long term interests of the Company."*

**Additional Committee Members: John L. Harrington and William A. Lamkin**

**Meetings Held in 2017: 3**

**Purpose and Primary Responsibilities:**

The principal purposes of the Nominating and Governance Committee are: (1) to identify individuals qualified to become Board members, consistent with criteria approved by the Board, and to recommend candidates to the entire Board for nomination or selection as Board members for each annual meeting of shareholders (or special meeting of shareholders at which Trustees are to be elected) or when vacancies occur; (2) to perform certain assessments of the Board and Company management; and (3) to develop and recommend to the Board a set of governance principles applicable to the Company. Under its charter, the Nominating and Governance Committee is also responsible for overseeing the evaluation of Company management to the extent not overseen by the Compensation Committee or another committee of the Board.

**Independence:**

Each member of the Nominating and Governance Committee meets the independence requirements of the Nasdaq, the Exchange Act and the Company's Governance Guidelines.



## Board Oversight of Risk

The Board is elected by shareholders to oversee the Company's business and long term strategy. As part of fulfilling its responsibilities, the Board oversees the safeguarding of the assets of the Company, the maintenance of appropriate financial and other internal controls and the Company's compliance with applicable laws and regulations. Inherent in these responsibilities is the Board's understanding and oversight of the various risks facing the Company. The Board considers that risks should not be viewed in isolation and should be considered in virtually every business decision and as part of the Company's business strategy.

### Oversight of Risk

The Board oversees risk management.

Board committees play significant roles in carrying out the risk oversight function.

RMR LLC implements risk management and the Company's officers and Director of Internal Audit help evaluate and implement risk management.

The Board oversees risk as part of its general oversight of the Company. Oversight of risk is addressed as part of various Board and Board committee activities and through regular and special Board and Board committee meetings. The actual day to day business of the Company is conducted by RMR LLC, and RMR LLC and the Company's officers and Director of Internal Audit are responsible to incorporate risk management in their activities. The Company's Director of Internal Audit provides the Company advice and assistance with the Company's risk management function.

In discharging their oversight responsibilities, the Board and Board committees review regularly a wide range of reports provided to them by RMR LLC and other service providers, including:

reports on market and industry conditions;

operating and regulatory compliance reports;

financial reports;

reports on risk management activities;

regulatory and legislative updates that may impact the Company;

reports on the security of the Company's information technology processes and the Company's data; and

legal proceedings updates and reports on other business related matters.

The Board and Board committees discuss these matters among themselves and with representatives of RMR LLC, officers of the Company, the Director of Internal Audit, counsel and the Company's independent auditors.

The Audit Committee takes a leading role in helping the Board fulfill its responsibilities for oversight of the Company's financial reporting, internal audit function, risk management and the Company's compliance with legal and regulatory requirements. The Audit Committee meets at least quarterly and reports its findings to the Board. The Board and Audit Committee review periodic reports from the Company's independent auditors regarding potential risks, including risks related to the Company's internal control over financial reporting. The Audit Committee also reviews annually, approves and oversees an internal audit plan developed by the Company's Director of Internal Audit with the goal of helping the Company systematically evaluate the effectiveness of its risk management, control and governance processes. The Audit Committee also

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meets periodically with the Company's Director of Internal Audit to review the results of the Company's internal audits, and directs or recommends to the Board actions or changes it determines appropriate to enhance or improve the effectiveness of the Company's risk management.

**HOSPITALITY PROPERTIES TRUST**

*2018 Proxy Statement* 33

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The Compensation Committee evaluates the performance of the Company's Director of Internal Audit and RMR LLC's performance under the Company's business and property management agreements, including any perceived risks created by compensation arrangements. Also, the Compensation Committee and the Board consider that the Company has a share award program that requires share awards to executive officers to vest over a period of years. The Company believes that the use of share awards vesting over time rather than stock options mitigates the incentives for the Company's management to undertake undue risks and encourages management to make longer term and appropriately risk balanced decisions.

It is not possible to identify all of the risks that may affect the Company or to develop processes and controls to eliminate all risks and their possible effects, and processes and controls employed to address risks may be limited in their effectiveness. Moreover, it is necessary for the Company to bear certain risks to achieve its objectives. As a result of the foregoing and other factors, the Company's ability to manage risk is subject to substantial limitations.

To learn more about the risks facing the Company, you can review the matters discussed in Part I, "Item 1A. Risk Factors" and "Warning Concerning Forward Looking Statements" in our Annual Report. The risks described in the Annual Report are not the only risks facing the Company. Additional risks and uncertainties not currently known or that may currently be deemed to be immaterial also may materially adversely affect the Company's business, financial condition or results of operations in future periods.

### Shareholder Engagement

Shareholders may effectively communicate a point of view to the Board in a number of ways, including:

recommending candidates for election to the Board;

participating in the advisory vote to approve executive compensation;

directing communications to individual Trustees or the entire Board; and

attending the annual meeting of shareholders.

### Communication with the Board

The Board has established a process to facilitate communication by shareholders and other interested parties with Trustees. Communications should be addressed to Trustees in care of the Secretary, Hospitality Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458 or by email to [secretary@hptreit.com](mailto:secretary@hptreit.com).

### Code of Business Conduct and Ethics

The Company has adopted the Code to, among other things, provide guidance to our Trustees and officers and RMR LLC, its officers and employees and its parent's and subsidiaries' directors, officers and employees to ensure compliance with applicable laws and regulations.

The Company's shareholders, Trustees, executive officers and persons involved in the Company's business can ask questions about the Code and other ethics and compliance issues, or report potential violations as follows: by writing to the Director of Internal Audit at Hospitality Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458; by calling toll free (866) 511-5038; by emailing [Internal.Audit@hptreit.com](mailto:Internal.Audit@hptreit.com); or by filling out a report by visiting the Company's website, [www.hptreit.com](http://www.hptreit.com), clicking "Investors," clicking "Governance" and then clicking "Governance Hotline." We intend to satisfy the requirements under Item 5.05 of Form 8-K regarding disclosure of amendments to, or waivers from, provisions of our Code that apply to the principal executive officer, principal financial officer or controller, or persons performing similar functions, by posting such information on our website.



## Trustee Share Ownership Policy

All Trustees receive compensation in Common Shares to align the interests of Trustees with those of the Company's shareholders. The Company's Governance Guidelines codify our expectation that, subject to certain exemptions, each Trustee retain at least 20,000 Common Shares by the later of: (i) the date of the 2019 annual meeting of shareholders of the Company and (ii) five years from the annual meeting of shareholders of the Company at which the Trustee was initially elected or, if earlier, the first annual meeting of shareholders of the Company following the initial appointment of the Trustee to the Board.

## Trading Policies

Pursuant to the Company's insider trading policy, Trustees and executive officers are required to obtain pre-approval from at least two designated individuals before trading or agreeing to trade in, including by entering into a share trading plan such as a 10b5-1 trading plan, with respect to any Company security, except for regular reinvestments in the Company's securities made pursuant to a dividend reinvestment plan.

The Company's insider trading policy generally prohibits (i) the Company's Trustees and officers, (ii) the trustees and officers of the Company's subsidiaries, (iii) RMR Inc. and its directors and officers and (iv) RMR LLC and its officers and employees, to the extent they are involved in RMR LLC's services to the Company, from, directly or indirectly through family members or others, purchasing or selling Common Shares or the Company's other equity or debt securities while in possession of material, non-public information concerning the Company. Similar prohibitions also apply to trading in the securities of RMR Inc. and the other public companies to which RMR LLC provides management services on the basis of material, non-public information learned in the course of performing services for those companies.

## Sustainability

The Company's business strategy incorporates and values environmental sustainability principles. The Company seeks to operate its properties in a manner that improves the environmental efficiency of their operations. The Company regularly considers ways to improve the Company's internal culture and the communities in which it operates. The Company's environmental sustainability and community engagement strategies are primarily implemented by its managers, including RMR LLC, and focus on a complementary set of objectives, including the following:

**Responsible Investment:** During the acquisition of properties, RMR LLC assesses, among other things, environmental sustainability opportunities and climate related risks as part of the due diligence process. The Company regularly seeks to invest in sustainability practices that improves environmental performance and enhances asset value.

**Environmental Stewardship:** The Company, through RMR LLC, seeks to improve the environmental footprint of its properties, including by reducing energy consumption and water usage at the Company's properties, especially when doing so may reduce operating costs and improve the properties' competitive positions.

**Corporate Citizenship:** The Company seeks to be a responsible corporate citizen and to strengthen the communities in which it owns properties. The Company has no employees but the Company's manager, RMR LLC, regularly encourages its employees to engage in a variety of charitable and community programs, including participation in a company wide service day and a matching charitable giving program.

To learn more about the Company's and RMR LLC's sustainability initiatives, visit [www.rmrgroup.com/corporate-sustainability](http://www.rmrgroup.com/corporate-sustainability).

## Executive Compensation Policies

See the "Compensation Discussion and Analysis" beginning on page 49 for a detailed discussion of the Company's executive compensation program.

## Shareholder Nominations and Other Proposals

*Trustee Nominations and Shareholder Proposals for the 2019 Annual Meeting of Shareholders:* In order for a shareholder to propose a nominee for election to the Board or propose business outside of Rule 14a-8 under the Exchange Act at the 2019 annual meeting of shareholders, the shareholder must comply with the advance notice and other requirements set forth in our Declaration of Trust and Bylaws, which include, among other things, requirements as to the shareholder's timely delivery of advance notice, continuous requisite ownership of Common Shares, holding of a share certificate for such shares at the time of the advance notice and submission of specified information.

*Deadline to Submit Nominations and Proposals for the 2019 Annual Meeting of Shareholders under our Bylaws:* To be timely, shareholder nominations and proposals intended to be made outside of Rule 14a-8 under the Exchange Act at the 2019 annual meeting of shareholders must be received by the Company's Secretary at the Company's principal executive offices, in accordance with the requirements of our Declaration of Trust and Bylaws, not later than 5:00 p.m., Eastern time, on November 15, 2018 and not earlier than October 16, 2018.

*Deadline to Submit Proposals for the 2019 Annual Meeting of Shareholders for Purposes of Rule 14a-8:* Shareholder proposals pursuant to Rule 14a-8 under the Exchange Act must be received at the Company's principal executive offices on or before December 25, 2018 in order to be eligible to be included in the proxy statement for the 2019 annual meeting of shareholders; provided, that, if the date of the 2019 annual meeting of shareholders is more than 30 days before or after June 14, 2019, such a proposal must be submitted within a reasonable time before the Company begins to print its proxy materials. Under Rule 14a-8, the Company is not required to include shareholder proposals in its proxy materials in certain circumstances or if conditions specified in the rule are not met.

The foregoing description of the requirements for a shareholder to propose a nomination for election to the Board at an annual meeting of shareholders or other business for consideration at an annual meeting of shareholders is only a summary and is not a complete listing of all requirements. Copies of our Declaration of Trust and Bylaws, including the requirements for shareholder nominations and other proposals, may be obtained by writing to the Company's Secretary at Hospitality Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458, or from the SEC's website, [www.sec.gov](http://www.sec.gov). Any shareholder considering making a nomination or other proposal should carefully review and comply with those provisions.

## Related Person Transactions

The descriptions of agreements in this "Related Person Transactions" section do not purport to be complete and are subject to, and qualified in their entirety by, reference to the actual agreements, copies of certain of which are filed as exhibits to the Annual Report.

A "related person transaction" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which (i) the Company was, is or will be a participant, (ii) the amount involved exceeds \$120,000 and (iii) any related person had, has or will have a direct or indirect material interest.

A "related person" means any person who is, or at any time since January 1, 2017 was:

a Trustee, a nominee for Trustee or an executive officer of the Company;

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known to the Company to be the beneficial owner of more than 5.0% of the outstanding Common Shares when a transaction in which such person had a direct or indirect material interest occurred or existed;

an immediate family member of any of the persons referenced in the preceding two bullets, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of any of the persons referenced in the preceding two bullets, and any person (other than a tenant or employee) sharing the household of any of the persons referenced in the preceding two bullets; or

a firm, corporation or other entity in which any of the foregoing persons is a partner or principal or in a similar position or in which such person has a 10.0% or greater beneficial ownership interest.

The Company has adopted written Governance Guidelines that describe the consideration and approval of related person transactions. Under these Governance Guidelines, the Company may not enter a transaction in which any Trustee or executive officer, any member of the immediate family of any Trustee or executive officer or other related person, has or will have a direct or indirect material interest unless that transaction has been disclosed or made known to the Board and the Board reviews and approves or ratifies the transaction by the affirmative vote of a majority of the disinterested Trustees, even if the disinterested Trustees constitute less than a quorum. If there are no disinterested Trustees, the transaction must be reviewed, authorized and approved or ratified by both (i) the affirmative vote of a majority of the Board and (ii) the affirmative vote of a majority of the Independent Trustees. In determining whether to approve or ratify a transaction, the Board, or disinterested Trustees or Independent Trustees, as the case may be, also act in accordance with any applicable provisions of the Company's Declaration of Trust and Bylaws and consider all of the relevant facts and circumstances and approve only those transactions that they determine are fair and reasonable to the Company. All related person transactions described below were reviewed and approved or ratified by a majority of the disinterested Trustees or otherwise in accordance with the Company's policies, Declaration of Trust and Bylaws, each as described above. In the case of transactions with the Company by employees of RMR Inc. and its subsidiaries who are subject to the Code but who are not Trustees or executive officers of the Company, the employee must seek approval from an executive officer who has no interest in the matter for which approval is being requested. Copies of the Company's Governance Guidelines and the Code are available on the Company's website,

[www.hptreit.com](http://www.hptreit.com).

### Certain Related Person Transactions

*Relationship with TA.* TA was the Company's 100% owned subsidiary until the Company distributed its common shares to the Company's shareholders in 2007. TA is the Company's largest tenant and property operator, leasing 35% of the Company's gross carrying value of real estate properties as of December 31, 2017. The Company is TA's largest shareholder; as of December 31, 2017, the Company owned 3,420,000 common shares, representing approximately 8.6% of TA's outstanding common shares.

One of the Company's Managing Trustees, Adam D. Portnoy, is a managing director of TA, and a former Managing Trustee of the Company, Barry M. Portnoy, was a managing director of TA until his death on February 25, 2018. Thomas O'Brien, who resigned effective December 31, 2017 as a managing director and president and chief executive officer of TA, was also an officer of RMR LLC until December 31, 2017, and was an executive officer of the Company until 2007. TA's chief executive officer, president and chief operating officer, executive vice president, chief financial officer and treasurer and executive vice president and general counsel are also officers and employees of RMR LLC. RMR LLC provides management services to both the Company and TA.

*Spin-Off of TA.* In connection with TA's spin-off, the Company entered a transaction agreement with TA and RMR LLC, pursuant to which TA granted the Company a right of first refusal to purchase, lease, mortgage or otherwise finance any interest TA owns in a travel center before it sells, leases, mortgages or otherwise finances that travel center to or with another party, and TA also granted the Company and any other company managed by RMR LLC a right of first refusal to acquire or finance any real estate of

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the types in which the Company or they invest before TA does. TA also agreed that for so long as TA is a tenant of the Company's, TA will not permit: the acquisition by any person or group of beneficial ownership of 9.8% or more of the voting shares or the power to direct the management and policies of TA or any of its subsidiary tenants or guarantors under its leases with the Company; the sale of a material part of the assets of TA or any such tenant or guarantor; or the cessation of certain continuing directors constituting a majority of the board of directors of TA or any such tenant or guarantor. TA also agreed not to take any action that might reasonably be expected to have a material adverse impact on the Company's ability to qualify as a REIT and to indemnify the Company for any liabilities it may incur relating to TA's assets and business.

*TA Leases.* As of December 31, 2017, the Company leased all of its 199 travel centers to TA under five leases, and the number of travel centers leased, the term, the minimum annual rent and deferred rent balances owed under each of these leases were as follows (*dollar amounts in thousands*):

|                | Number of<br>Travel<br>Sites | Initial Term End <sup>(1)</sup> | Annual Minimum Rent<br>as of<br>December 31, 2017 | Deferred<br>Rent <sup>(2)</sup> |
|----------------|------------------------------|---------------------------------|---|---------------------------------|
| TA No. 1 Lease | 40                           | December 31, 2029               | \$ 52,763   | \$ 27,421                       |
| TA No. 2 Lease | 40                           | December 31, 2028               | 53,681  | 29,107                          |
| TA No. 3 Lease | 39                           | December 31, 2026               | 54,005  | 29,324                          |
| TA No. 4 Lease | 40                           | December 31, 2030               | 54,437  | 21,233                          |
| TA No. 5 Lease | 40                           | June 30, 2032                   | 69,527  | 42,915                          |
|                | 199                          |                                 | \$ 284,413  | \$ 150,000                      |

(1) TA has two renewal options of 15 years each under each of the TA leases.

(2) Pursuant to a rent deferral agreement with TA, TA previously deferred as of December 31, 2010 a total of \$150.0 million of rent payable to the Company, which remained outstanding as of December 31, 2017. This deferred rent obligation was allocated among the leases with TA and is due at the end of the initial terms of the respective leases as noted above, except for the TA No. 5 lease, in which case the applicable deferred rent is due and payable on June 30, 2024. These deferred rent obligations are subject to acceleration at the Company's option upon an uncured default or a change in control of TA, each as provided under the leases.

The TA leases are "triple net" leases that require TA to pay all costs incurred in the operation of the leased travel centers, including personnel, utility, inventory, customer service and insurance expenses, real estate and personal property taxes, environmental related expenses, underground storage tank removal costs and ground lease payments at those travel centers at which the Company leases the property and subleases it to TA. The TA leases generally require TA to indemnify the Company for certain environmental matters and for liabilities that arise during the terms of the leases from ownership or operation of the leased travel centers. In addition, TA is obligated to pay the Company at lease expiration an amount equal to an estimate of the cost of removing underground storage tanks on the leased properties. The TA leases do not require FF&E escrow deposits. However, TA is required to maintain the leased travel centers, including structural and non-structural components. Under the TA leases, without the Company's consent, TA generally cannot own, franchise, finance, operate, lease or manage any travel center or similar property within 75 miles in either direction along the primary interstate on which a travel center owned by the Company is located.

The Company recognized rental income of approximately \$293.3 million for the year ended December 31, 2017 under the TA leases. Rental income for the year ended December 31, 2017 includes approximately \$12.0 million of adjustments necessary to record the deferred rent obligations under the TA leases and the estimated future payments to the Company by TA for the cost of removing underground storage tanks, in each case on a straight line basis.

In addition to the payment of annual minimum rent, the TA Nos. 1, 2, 3 and 4 leases provide for payment to the Company of percentage rent based on increases in total non-fuel revenues over base year levels (3% of non-fuel revenues above 2015 non-fuel revenues) and the TA No. 5 lease provides for payment to the Company of percentage rent based on increases in total non-fuel revenues over base year levels (3% of non-fuel revenues above 2012 non-fuel revenues). The total amount of percentage rent from TA that the Company recognized was approximately \$2.1 million for the year ended December 31, 2017.





Under the TA leases, TA may request that the Company fund capital improvements in return for increases in TA's annual minimum rent according to the following formula: the annual minimum rent is increased by an amount equal to the amount funded by the Company multiplied by the greater of (1) 8.5% or (2) a benchmark U.S. Treasury interest rate plus 3.5%. TA is not obligated to request and the Company is not obligated to fund any such improvements. The Company funded approximately \$84.6 million, during the year ended December 31, 2017, for capital improvements to the Company's travel center properties and, as a result, TA's annual minimum rent payable to the Company increased by approximately \$7.2 million.

On September 28, 2017, the Company acquired land and certain improvements at a travel center located in Sayre, OK that the Company previously leased from a third party and subleased to TA for a purchase price of approximately \$8.7 million, including capitalized acquisition costs of approximately \$0.1 million. Effective as of that date, rent due to that third party and TA's sublease rental obligations to pay the third party rent ceased, and the Company amended its lease with TA to document a direct lease to TA of that land and those improvements and to increase the annual minimum rent payable by TA to the Company by approximately \$0.7 million.

On June 1, 2015, the Company entered into a transaction agreement with TA pursuant to which, as amended, the Company agreed to, among other things, acquire from, and lease back to, TA four travel centers owned by TA and under development. On May 3, 2017, the Company purchased for approximately \$27.6 million from and leased back to TA the remaining development property.

On August 13, 2013, a travel center located in Roanoke, VA that the Company leased to TA was taken by eminent domain proceedings brought by the Virginia Department of Transportation (the "VDOT") in connection with certain highway construction. In January 2014, the Company received proceeds from the VDOT of approximately \$6.2 million, which is a substantial portion of the VDOT's estimate of the value of the property, and as a result the annual minimum rent payable by TA to the Company under the then applicable lease decreased by approximately \$0.5 million, effective January 6, 2014. In November 2014, this property was surrendered to the VDOT. The Company and TA challenged VDOT's estimate of this property's value and engaged in mediation. Following the mediation, VDOT agreed to pay, and the Company agreed to accept, the sum of \$7.2 million as full payment for VDOT's taking of the travel center. VDOT subsequently made payment to the Company of approximately \$1.0 million, representing the agreed settlement less amounts previously paid to the Company (exclusive of interest). After deducting from this payment the Company's and TA's share of third party costs and expenses incurred in connection with the challenge of VDOT's initial valuation of the property, the Company and TA will allocate and apply any remaining amount as set forth in the lease.

*Relationships with RMR LLC and Others Related to It.* The Company has relationships and historical and continuing transactions with RMR LLC, RMR Inc. and others related to them. RMR LLC is a majority owned subsidiary of RMR Inc. Adam D. Portnoy, one of our Managing Trustees, is the sole trustee of, and owns beneficial interest in, ABP Trust, the controlling shareholder of RMR Inc. A former Managing Trustee of the Company, Barry M. Portnoy, served as a trustee of, and owned a majority of the beneficial interest in, ABP Trust until his death on February 25, 2018. Adam D. Portnoy is a managing director and an officer of RMR Inc. and is an officer of ABP Trust and RMR LLC. Adam D. Portnoy, as the sole trustee of ABP Trust, beneficially owns all the class A membership units of RMR LLC not owned by RMR Inc. Barry M. Portnoy served as a Managing Trustee of the Company and as a managing director and an officer of RMR Inc. and an officer of RMR LLC until his death on February 25, 2018. John G. Murray, the other current Managing Trustee of the Company, also serves as an officer of RMR LLC. Each of the Company's executive officers is also an officer and employee of RMR LLC, including Ethan Bornstein, the brother-in-law of Adam D. Portnoy. Adam D. Portnoy serves, and until his death Barry M. Portnoy served, as a managing trustee or managing director of all of the public companies to which RMR LLC or its subsidiaries provide management services. Certain of TA's and Sonesta's executive officers are officers of RMR LLC. The Company's Independent Trustees also serve as independent trustees or independent directors of other public companies to which RMR LLC or its subsidiaries provide management services. In addition, officers of RMR LLC and RMR Inc. serve as the Company's officers and officers of other companies to which RMR LLC or its subsidiaries provide management services.

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The Company has no employees. The personnel and various services the Company requires to operate its business are provided to it by RMR LLC. The Company has two agreements with RMR LLC to provide management services to the Company: (i) a business management agreement, which relates to the Company's business generally, and (ii) a property management agreement, which relates to the Company's property level operations of the office building component of one of the Company's hotels. Both of these management agreements are described below, see " Management Agreements With RMR LLC."

*Interest in RMR Inc.* The Company currently holds 2,503,777 shares of class A common stock of RMR Inc., the parent and managing member of RMR LLC. The Company and three Other RMR Managed REITs, GOV, SIR and SNH, acquired shares of class A common stock of RMR Inc. in a transaction completed on June 5, 2015 (the "Up-C Transaction"). Through their ownership of class A common stock of RMR Inc., class B-1 common stock of RMR Inc., class B-2 common stock of RMR Inc. and class A membership units of RMR LLC, as of February 1, 2018, Adam D. Portnoy and Barry M. Portnoy, in aggregate held, directly and indirectly (including as trustees of ABP Trust), a 51.9% economic interest in RMR LLC and controlled 91.4% of the voting power of outstanding capital stock of RMR Inc. As part of the Up-C Transaction, on June 5, 2015, the Company entered into a registration rights agreement with RMR Inc. covering the class A common stock of RMR Inc. that the Company received in the Up-C Transaction, pursuant to which the Company received demand and piggyback registration rights, subject to certain limitations, and the Company entered into a lock up and registration rights agreement with ABP Trust and Adam D. Portnoy and Barry M. Portnoy pursuant to which ABP Trust and Adam D. Portnoy and Barry M. Portnoy agreed not to transfer the 1,490,000 Common Shares that ABP Trust received in the Up-C Transaction for a 10 year period ending on June 5, 2025, and the Company granted them certain registration rights, subject to certain exceptions.

*Management Agreements with RMR LLC.* The Company's management agreements with RMR LLC provide for an annual base management fee, an annual incentive management fee and property management and construction supervision fees, payable in cash, among other terms:

*Base Management Fee.* The annual base management fee payable to RMR LLC by the Company for each applicable period is equal to the lesser of:

the sum of (a) 0.7% of the average aggregate historical cost of the Company's real estate investments up to \$250.0 million, plus (b) 0.5% of the average aggregate historical cost of the Company's real estate investments exceeding \$250.0 million; and

the sum of (a) 0.7% of the average closing price per share of the Common Shares on the stock exchange on which such Common Shares are principally traded during such period, multiplied by the average number of the Common Shares outstanding during such period, plus the daily weighted average of the aggregate liquidation preference of each class of the Company's preferred shares outstanding during such period, plus the daily weighted average of the aggregate principal amount of the Company's consolidated indebtedness during such period (together, the "Company's Average Market Capitalization") up to \$250.0 million, plus (b) 0.5% of the Company's Average Market Capitalization exceeding \$250.0 million.

The average aggregate historical cost of the Company's real estate investments includes its consolidated assets invested, directly or indirectly, in equity interests in or loans secured by real estate and personal property owned in connection with such real estate (including acquisition related costs and costs which may be allocated to intangibles or are unallocated), all before reserves for depreciation, amortization, impairment charges or bad debts or other similar non-cash reserves.

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*Incentive Management Fee.* The incentive management fee which may be earned by RMR LLC for an annual period is calculated as follows:

An amount, subject to a cap, based on the value of the outstanding Common Shares, equal to 12.0% of the product of:

§

the Company's equity market capitalization on the last trading day of the year immediately prior to the relevant three year measurement period, and

§

the amount (expressed as a percentage) by which the total return per share, as defined in the business management agreement and further described below, of the holders of Common Shares (i.e., share price appreciation plus dividends) exceeds the total shareholder return of the SNL U.S. REIT Hotel Index, or the benchmark return per share, (in each case subject to adjustments for Common Shares issued during the measurement period) for the relevant measurement period.

For purposes of the total return per share of the holders of Common Shares, share price appreciation for a measurement period is determined by subtracting (1) the closing price of our common shares on the Nasdaq on the last trading day of the year immediately before the first year of the measurement period from (2) the average closing price of our common shares on the 10 consecutive trading days having the highest average closing prices during the final 30 trading days in the last year of the measurement period.

The calculation of the incentive management fee (including the determinations of our equity market capitalization and the total return per share of holders of Common Shares) is subject to adjustments if additional Common Shares are issued during the measurement period.

No incentive management fee is payable by the Company unless its total return per share during the measurement period is positive.

The measurement periods are three year periods ending with the year for which the incentive management fee is being calculated.

If the Company's total return per share exceeds 12.0% per year in any measurement period, the benchmark return per share is adjusted to be the lesser of the total shareholder return of the SNL U.S. REIT Hotel Index for such measurement period and 12.0% per year, or the adjusted benchmark return per share. In instances where the adjusted benchmark return per share applies, the incentive management fee will be reduced if the Company's total return per share is between 200 basis points and 500 basis points below the SNL U.S. REIT Hotel Index by a low return factor, as defined in the business management agreement, and there will be no incentive management fee paid if, in these instances, the Company's total return per share is more than 500 basis points below the SNL U.S. REIT Hotel Index.

The incentive management fee is subject to a cap. The cap is equal to the value of the number of Common Shares which would, after issuance, represent 1.5% of Common Shares then outstanding multiplied by the average closing price of Common Shares during the 10 consecutive trading days having the highest average closing prices during the final 30 trading days of the relevant measurement period.

Incentive management fees the Company paid to RMR LLC for any period may be subject to "clawback" if the Company's financial statements for that period are restated due to material non-compliance with any financial reporting requirements under the securities laws as a result of the bad faith, fraud, willful misconduct or gross negligence of RMR LLC and the amount of the incentive management fee the Company paid was greater than the

amount the Company would have paid based on the restated financial statements.

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*Property Management and Construction Supervision Fees.* The property management fees payable to RMR LLC by the Company for each applicable period are equal to 3.0% of gross collected rents and the construction supervision fees payable to RMR LLC by the Company for each applicable period are equal to 5.0% of construction costs for the office building component of one of the Company's hotels that is subject to the Company's property management agreement with RMR LLC.

Pursuant to the Company's business management agreement with RMR LLC, the Company recognized net business management fees of approximately \$40.7 million for the year ended December 31, 2017, which amount reflects a reduction of approximately \$3.6 million for the amortization of the liability the Company recorded in accordance with generally accepted accounting principles in connection with the Up-C Transaction.

Pursuant to the Company's business management agreement with RMR LLC, in January 2017, the Company paid RMR LLC incentive management fees of approximately \$52.4 million for the year ended December 31, 2016 and in January 2018, the Company paid RMR LLC incentive management fees of approximately \$74.6 million for the year ended December 31, 2017. In calculating the incentive management fee payable by the Company, the Company's total shareholder return per share<sup>1</sup> was adjusted in accordance with the business management agreement to reflect an aggregate net increase in the number of Common Shares outstanding as a result of certain share issuances and repurchases.

Pursuant to the Company's property management agreement with RMR LLC, the Company recognized aggregate property management and construction supervision fees of \$45,000 for the year ended December 31, 2017.

*Expense Reimbursement.* The Company is generally responsible for all of its operating expenses, including certain expenses incurred by RMR LLC on its behalf. The Company's property level operating expenses are generally incorporated into rents charged to its tenants, including certain payroll and related costs incurred by RMR LLC. The Company reimbursed RMR LLC approximately \$0.2 million for property management related expenses related to the office building component of one of the Company's hotels for the year ended December 31, 2017. The Company is generally not responsible for payment of RMR LLC's employment, office or administrative expenses incurred to provide management services to the Company, except for the employment and related expenses of RMR LLC's employees assigned to work exclusively or partly at the office building component of one of the Company's hotels, its share of the wages, benefits and other related costs of centralized accounting personnel and its share of RMR LLC's costs for providing the Company's internal audit function. The Audit Committee appoints the Company's Director of Internal Audit and the Compensation Committee approves the costs of the Company's internal audit function. The amounts recognized as expense for internal audit costs were approximately \$0.3 million for the year ended December 31, 2017.

*Term.* The Company's management agreements with RMR LLC have terms that end on December 31, 2037, and automatically extend on December 31st of each year for an additional year, so that the terms of its management agreements thereafter end on the 20th anniversary of the date of the extension.

*Termination Rights.* The Company has the right to terminate one or both of its management agreements with RMR LLC: (i) at any time on 60 days' written notice for convenience, (ii) immediately on written notice for cause, as defined therein, (iii) on written notice given within 60 days after the end of an applicable calendar year for a performance reason, as defined therein,

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"Total shareholder return" for purposes of the incentive management fee calculation differs from "total shareholder return" presented in the performance graph in the Annual Report because "total shareholder return" for purposes of the incentive management fee calculation has been determined in accordance with the terms of the business management agreement and includes adjustments for Common Shares issued and repurchased during the period and other items whereas "total shareholder return" presented in the performance graph is determined in the same or similar manner as each index reflected in the performance graph and does not include such adjustments and other items.



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and (iv) by written notice during the 12 months following a change of control of RMR LLC, as defined therein. RMR LLC has the right to terminate the management agreements for good reason, as defined therein.

*Termination Fee.* If the Company terminates one or both of its management agreements with RMR LLC for convenience, or if RMR LLC terminates one or both of its management agreements for good reason, the Company has agreed to pay RMR LLC a termination fee in an amount equal to the sum of the present values of the monthly future fees, as defined therein, for the terminated management agreement(s) for the term that was remaining prior to such termination, which, depending on the time of termination would be between 19 and 20 years. If the Company terminates one or both of its management agreements with RMR LLC for a performance reason, the Company has agreed to pay RMR LLC the termination fee calculated as described above, but assuming a 10 year term was remaining prior to the termination. The Company is not required to pay any termination fee if it terminates its management agreements with RMR LLC for cause or as a result of a change of control of RMR LLC.

*Transition Services.* RMR LLC has agreed to provide certain transition services to the Company for 120 days following an applicable termination by the Company or notice of termination by RMR LLC, including cooperating with the Company and using commercially reasonable efforts to facilitate the orderly transfer of the management and real estate investment services provided under its business management agreement and to facilitate the orderly transfer of the management of the managed properties under its property management agreement, as applicable.

*Vendors.* Pursuant to the Company's management agreements with RMR LLC, RMR LLC may from time to time negotiate on the Company's behalf with certain third party vendors and suppliers for the procurement of goods and services to the Company. As part of this arrangement, the Company may enter agreements with RMR LLC and other companies to which RMR LLC provides management services for the purpose of obtaining more favorable terms from such vendors and suppliers.

*Investment Opportunities.* Under the Company's business management agreement with RMR LLC, the Company acknowledges that RMR LLC may engage in other activities or businesses and act as the manager to any other person or entity (including other REITs) even though such person or entity has investment policies and objectives similar to the Company's and the Company is not entitled to preferential treatment in receiving information, recommendations and other services from RMR LLC.

*Share Awards to RMR LLC Employees.* The Company has historically granted share awards to certain RMR LLC employees under the Company's equity compensation plans. During the year ended December 31, 2017, the Company granted annual share awards of 85,000 Common Shares to the Company's officers and to other employees of RMR LLC valued at approximately \$2.4 million, based upon the closing price of the Common Shares on the Nasdaq on the date of grant. One fifth of those share awards vested on the grant date and one fifth vests on each of the next four anniversaries of the grant date. These share awards to such RMR LLC employees are in addition to the share awards granted to Adam D. Portnoy and Barry M. Portnoy, as the Company's then Managing Trustees, and the fees the Company paid to RMR LLC. In 2017, the Company purchased 19,058 Common Shares, at the closing price of the Common Shares on the Nasdaq on the date of purchase, from certain of the Company's Trustees and officers and certain other employees of RMR LLC in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of Common Shares.

On occasion, the Company has entered into arrangements with former employees of RMR LLC in connection with the termination of their employment with RMR LLC, providing for the acceleration of vesting of Common Share awards previously granted to them under the Company's equity compensation plans. Additionally, each of the Company's executive officers during 2017 received share awards of other companies to which RMR LLC or its subsidiaries provide management services, including TA, in their capacities as officers or employees of RMR LLC.



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*Lease with RMR LLC.* The Company leases office space to RMR LLC in the office building component of one of the Company's hotels. Pursuant to the Company's lease agreement with RMR LLC, the Company recognized rental income from RMR LLC for leased office space of \$35,000 for the year ended December 31, 2017. The Company's office space lease with RMR LLC is terminable by RMR LLC if the Company's management agreements with RMR LLC are terminated.

*Other.* In June 2017, the Company and RMR LLC became aware that the Company had been a victim of a criminal fraud that law enforcement authorities refer to as business email compromise fraud. This fraud involved a person pretending to be the representative of the seller in one of the Company's property acquisition transactions and such imposter providing fraudulent wire instructions to one of the Company's senior officers. As a result, funds were sent by wire transfer to an account that was believed to be, but in fact was not, the seller's account. RMR LLC reimbursed the Company during the second quarter of 2017 for this fraudulent wire payment. As a result of the reimbursement, the Company did not incur any loss in connection with this matter.

The Company has in the past held, and likely will in the future hold, business meetings at hotels operated by Sonesta, which is owned in part by one of the Company's Managing Trustees, Adam D. Portnoy, and the remainder was owned by Barry M. Portnoy until his death and which manages certain hotels owned by the Company, and the Company's Trustees and officers have in the past stayed, and are likely in the future to stay, overnight at hotels operated by Sonesta when traveling for Company business. The Company pays Sonesta for the use of meeting space and related services and pays Sonesta or reimburses the Company's Trustees and officers for the costs of these hotel stays.

*Relationship with Sonesta and Others Related to It.* As of December 31, 2017, Sonesta managed 49 of the Company's hotels. One of the Company's Managing Trustees, Adam D. Portnoy, also serves as a director and owns a portion of Sonesta, and Barry M. Portnoy, a former Managing Trustee of the Company, served as a director and owned a majority of Sonesta until his death. Sonesta's other director serves as a managing director of RMR Inc. and as its executive vice president, general counsel and secretary and as the Company's Secretary. Sonesta's chief executive officer and chief financial officer are officers of RMR LLC. Certain other officers and employees of Sonesta are former employees of RMR LLC. RMR LLC also provides certain services to Sonesta.

*Management Agreements With Sonesta.* The Company has hotel management agreements with Sonesta that provide for Sonesta to manage, as of December 31, 2017, 10 of the Company's full service hotels and 39 of the Company's limited service hotels pursuant to management agreements for each of the hotels, which the Company refers to collectively as the Sonesta agreement, and a pooling agreement, which combines those management agreements for purposes of calculating gross revenues, payment of hotel operating expenses, payment of fees and distributions and minimum returns due to the Company.

The Sonesta agreement provides that the Company is paid a fixed annual minimum return equal to 8.0% of its invested capital, as defined therein, which fixed annual minimum return was approximately \$109.6 million as of December 31, 2017, if gross revenues of the hotels, after payment of hotel operating expenses and management and related fees (other than Sonesta's incentive fee, if applicable), are sufficient to do so. The Sonesta agreement further provides that the Company is paid an additional return based upon operating profits, as defined therein, after payment of Sonesta's incentive fee, if applicable. The Company realized returns of approximately \$70.6 million during the year ended December 31, 2017 under the Sonesta agreement. The Company does not have any security deposits or guarantees for its Sonesta hotels. Accordingly, the returns the Company receives from its Sonesta hotels are limited to available hotel cash flows after payment of operating expenses.

The Sonesta agreement provides that Sonesta is entitled to receive, after payment of hotel operating expenses, a base management fee equal to 3% of gross revenues for the Company's full service Sonesta hotels and 5% of gross revenues for the Company's limited service Sonesta hotels. Additionally, Sonesta is entitled to a reservation fee equal to 1.5% of gross room revenues, as defined in the management agreements, a system fee for centralized services of 1.5% of gross revenues, a procurement and construction supervision fee equal to 3% of third party costs of capital expenditures and an incentive

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management fee equal to 20% of operating profits remaining after reimbursement to the Company and to Sonesta of certain advances and payment of the Company's minimum returns. Sonesta's incentive management fee, but not its other fees, is earned only after the Company's minimum returns are paid. The Company incurred base management, reservation and system fees and reimbursement costs for certain guest loyalty, marketing program and third party reservation transmission fees of approximately \$28.2 million for the year ended December 31, 2017 under the Sonesta agreement. In addition, the Company recognized procurement and construction supervision fees of approximately \$1.1 million for the year ended December 31, 2017 under the Sonesta agreement.

Under the Sonesta agreement, the costs incurred by Sonesta for advertising, marketing, promotional and public relations programs and campaigns, including "frequent stay" rewards programs, for the benefit of the Company's Sonesta hotels are subject to reimbursement by the Company or are otherwise treated as hotel operating expenses, subject to the Company's approval.

The Sonesta agreement does not require FF&E escrow deposits, but does require the Company to fund capital expenditures the Company approves at its Sonesta hotels. The Company funded approximately \$34.9 million for renovations and other capital improvements to hotels included in the Sonesta agreement during the year ended December 31, 2017.

The Sonesta agreement expires in January 2037, and will be extended automatically for up to two successive 15 year renewal terms unless Sonesta elects not to renew the management agreements. The Company generally has the right to terminate the Sonesta agreement after three years without cause upon payment of a termination fee. The Company also has the right to terminate the Sonesta agreement without a termination fee if the Company's minimum return is less than 6% of its invested capital during any three of four applicable consecutive years. Both the Company and Sonesta have the right to terminate the Sonesta agreement upon a change in control, as defined therein, of the other party, and under certain other circumstances that, in the case of termination by Sonesta, may require the payment of a termination fee. Under the Sonesta agreement, the termination fee is an amount equal to the present value of the payments that would have been made to Sonesta as a base management fee, reservation fee, system fee and incentive management fee, each as defined therein, between the date of termination of the applicable agreement and the scheduled expiration date of the term that was remaining prior to such termination, which present value is calculated based upon the average of each of such fees earned in each of the three years ended prior to the date of termination, discounted at an annual rate equal to 8%. A hotel may be designated as "non-economic" under the applicable management agreement and removed from the Sonesta pooling agreement and subject to sale, and the Company has an early termination right under the Sonesta agreement if the applicable hotel does not meet certain criteria for the stipulated measurement period.

On September 26, 2017, the Company acquired 14 extended stay hotels with 1,653 suites located in 12 states for an aggregate purchase price of approximately \$138.0 million, excluding acquisition related costs. In connection with this acquisition the Company converted these hotels to the Sonesta ES Suites® brand and added them to the management agreement with Sonesta.

On June 2, 2017, the Company acquired the 389 room Chase Park Plaza Hotel in St. Louis, MO for a purchase price of approximately \$88.1 million, including capitalized acquisition costs of approximately \$0.5 million. The Company converted this hotel to the Royal Sonesta® hotel brand and added it to one of the management agreements with Sonesta.

*Relationship with AIC.* The Company, ABP Trust, TA and four other companies to which RMR LLC provides management services currently own AIC, an Indiana insurance company, in equal amounts and are parties to a shareholders agreement regarding AIC.

All of the Company's Trustees (other than John G. Murray) and most of the trustees and directors of the other AIC shareholders currently serve on the board of directors of AIC. RMR LLC provides management and administrative services to AIC pursuant to a management and administrative services agreement with AIC. Pursuant to this agreement, AIC pays RMR LLC a service fee equal to 3.0% of the total annual net

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earned premiums payable under then active policies issued or underwritten by AIC or by a vendor or an agent of AIC on its behalf or in furtherance of AIC's business.

The Company and the other AIC shareholders participate in a combined property insurance program arranged and insured or reinsured in part by AIC. The Company paid aggregate annual premiums, including taxes and fees, of approximately \$6.4 million in connection with this insurance program for the policy year ending June 30, 2018, which amount may be adjusted from time to time as the Company acquires or disposes of properties that are included in this insurance program.

*Directors' and Officers' Liability Insurance.* The Company, RMR Inc. and certain other companies to which RMR LLC or its subsidiaries provide management services, including TA, participate in a combined directors' and officers' liability insurance policy. This combined policy expires in September 2019. The Company paid an aggregate premium of approximately \$0.3 million for this policy.

The foregoing descriptions of the Company's agreements with RMR Inc., RMR LLC, TA, Sonesta, AIC and other related persons are summaries and are qualified in their entirety by the terms of the agreements. A further description of the terms of certain of those agreements is included in the Annual Report. In addition, copies of certain of the agreements evidencing these relationships are filed with the SEC and may be obtained from the SEC's website, [www.sec.gov](http://www.sec.gov). The Company may engage in additional transactions with related persons, including businesses to which RMR LLC or its subsidiaries provide management services.

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Executive officers, Trustees and certain persons who own more than 10.0% of the outstanding Common Shares are required by Section 16(a) of the Exchange Act and related regulations:

to file reports of their ownership of Common Shares with the SEC and the Nasdaq; and

to furnish the Company with copies of the reports.

To the Company's knowledge, based solely on review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2017, our executive officers, Trustees and greater than 10.0% beneficial owners timely filed all required Section 16(a) reports.

## OWNERSHIP OF EQUITY SECURITIES OF THE COMPANY

### Trustees and Executive Officers

The following table sets forth information regarding the beneficial ownership of then outstanding Common Shares by each Trustee nominee, each Trustee, each of our named executive officers, and our Trustees, Trustee nominees and executive officers as a group, all as of April 24, 2018. Unless otherwise noted, to the Company's knowledge, voting power and investment power in the Common Shares are exercisable solely by the named person and the principal business address of the named person is c/o Hospitality Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458.

| Name and Address   | Aggregate<br>Number of<br>Shares<br>Beneficially<br>Owned | Percent of<br>Outstanding<br>Shares* | Additional Information  |
|--|---|--------------------------------------|---|
| Adam D. Portnoy  |   |                                      | Includes 1,672,783 Common Shares owned by ABP Trust. Voting and investment power with respect to Common Shares owned by ABP Trust may be deemed to be held by Adam D. Portnoy as ABP Trust's sole trustee.              |
|  | 1,816,282   | 1.11%                                |   |
| John G. Murray   | 91,837  | Less than 1%                         |   |
| Ethan S. Bornstein   | 81,650  | Less than 1%                         |   |
| Mark L. Kleifges   | 72,935  | Less than 1%                         |   |
| John L. Harrington   |   |                                      | Includes 31,760 Common Shares owned by the John L. Harrington Revocable Trust. Mr. Harrington may be deemed to hold voting and investment power as a trustee and beneficiary of the John L. Harrington Revocable Trust. |
|  | 31,760  | Less than 1%                         |   |
| William A. Lamkin  | 23,000  | Less than 1%                         |   |
| Donna D. Fraiche   | 8,000   | Less than 1%                         |   |
| All Trustees and executive officers as a group (seven persons) | 2,125,464   | 1.29%                                |   |

\*  
Based on 164,345,747 Common Shares outstanding as of the Record Date, February 1, 2018.

## Principal Shareholders

Set forth in the table below is information about the number of shares held by persons the Company knows to be the beneficial owners of more than 5.0% of the Common Shares.

| Name and Address   | Aggregate<br>Number of<br>Shares<br>Beneficially<br>Owned* | Percent of<br>Outstanding<br>Shares** | Additional Information   |
|--|--|---------------------------------------|--|
| The Vanguard Group, Inc.<br>("Vanguard")<br>100 Vanguard Boulevard<br>Malvern, Pennsylvania 19355                                    | 28,179,023   | 17.47%                                | Based on a Schedule 13G/A filed with the SEC on February 9, 2018, by Vanguard:<br><br>Vanguard beneficially owns 28,727,759 Common Shares. Vanguard has sole voting power over 276,480 Common Shares, shared voting power over 217,199 Common Shares, sole dispositive power over 28,437,493 Common Shares and shared dispositive power over 290,266 Common Shares.<br><br>Vanguard Fiduciary Trust Company, a wholly owned subsidiary of Vanguard, beneficially owns 73,067 Common Shares as a result of its serving as investment manager of collective trust accounts.<br><br>Vanguard Investments Australia, Ltd., a wholly owned subsidiary of Vanguard, beneficially owns 420,612 Common Shares as a result of its serving as investment manager of Australian investment offerings. |
| Vanguard Specialized Funds<br>Vanguard REIT Index Fund<br>("Vanguard REIT")<br>100 Vanguard Boulevard<br>Malvern, Pennsylvania 19355 | 11,060,959   | 6.73%                                 | Based on a Schedule 13G/A filed with the SEC on February 2, 2018, by Vanguard REIT, Vanguard REIT beneficially owns and has sole voting power over 11,060,959 Common Shares and no dispositive power over such Common Shares.  |
| BlackRock, Inc. ("BlackRock")<br>55 East 52nd Street<br>New York, New York 10055   | 16,690,704   | 9.9%                                  | The Company has been advised by Vanguard that the Common Shares reported as beneficially owned by Vanguard REIT are included in the total Common Shares reported as beneficially owned by Vanguard above. Based on a Schedule 13G/A filed with the SEC on January 23, 2018, by BlackRock:<br><br>BlackRock beneficially owns and has sole dispositive power over 16,308,468 Common Shares and has sole voting power over 15,613,744 Common Shares.   |

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BlackRock is the parent holding company for certain subsidiaries that have acquired the Company's shares and that are listed in the Schedule 13G/A.

\*

*Beneficial ownership of Vanguard, Vanguard REIT and BlackRock is shown as of December 31, 2017.*

\*\*

*Our Declaration of Trust places restrictions on the ability of any person or group to acquire beneficial ownership of more than 9.8% of any class of the Company's shares. BlackRock and Vanguard, however, are Excepted Persons, as defined in our Declaration of Trust, and Excepted Holders, as defined in our Bylaws, and therefore are not subject to this ownership limit, subject to certain limitations. The percentages indicated are based on 164,345,747 Common Shares outstanding as of the Record Date, February 1, 2018.*

## COMPENSATION DISCUSSION AND ANALYSIS

### Compensation Overview

This Compensation Discussion and Analysis provides a detailed description of the Company's executive compensation philosophy and programs, the compensation decisions the Compensation Committee made under those programs in 2017 and the factors that impacted those decisions. This Compensation Discussion and Analysis discusses the compensation of the Company's "named executive officers" for 2017, who are the officers for whom compensation disclosure is required to be made in this Proxy Statement under SEC rules. For 2017, the Company's named executive officers were:

| Name               | Title  |
|--------------------|--|
| John G. Murray     | President, Chief Operating Officer and Assistant Secretary |
| Mark L. Kleifges   | Chief Financial Officer and Treasurer                      |
| Ethan S. Bornstein | Senior Vice President                                      |

The Company does not have any employees. The Company's manager, RMR LLC, provides services that otherwise would be provided by employees. The Company's named executive officers are employees of RMR LLC. RMR LLC conducts the Company's day to day operations on the Company's behalf and compensates the Company's named executive officers, Messrs. Murray, Kleifges and Bornstein, directly and in its sole discretion in connection with their services rendered to the Company and to RMR LLC. The Company does not pay its named executive officers salaries or bonuses or provide other compensatory benefits except for the grants of shares under the Company's 2012 Equity Compensation Plan (the "Share Award Plan"), discussed below. The Company does not reimburse RMR LLC for compensation RMR LLC pays to the Company's named executive officers. None of the Company's named executive officers have an employment agreement with the Company. In addition, except for the share award agreements discussed below under "Potential Payments upon Termination or Change in Control," none of the Company's named executive officers have an agreement that provides for payments or benefits upon or in connection with his termination or a change in control of the Company. Although the Compensation Committee reviews and approves the Company's business management and property management agreements with RMR LLC, it is not involved in compensation decisions made by RMR LLC for its employees other than the employee serving as the Company's Director of Internal Audit. The Company's payments to RMR LLC are described in "Certain Related Person Transactions" beginning on page 37 of this Proxy Statement. For information regarding the compensation paid by RMR LLC and RMR Inc. to the named executive officers of RMR Inc., please see the below "RMR LLC and RMR Inc. Compensation Practices" section and the documents filed by RMR Inc. with the SEC, including its Annual Report on Form 10-K for the fiscal year ended September 30, 2017 and its Proxy Statement on Schedule 14A for its 2018 Annual Meeting of Shareholders. RMR Inc.'s filings with the SEC are not incorporated by reference into this Proxy Statement.

### Compensation Philosophy

The Company's compensation program for its executive officers consists of grants of shares under the Share Award Plan. The Compensation Committee believes that these share grants recognize the Company's executive officers' scope of responsibilities, reward demonstrated performance and leadership, motivate future performance and further align the interests of the executive officers with those of the Company's shareholders.

### Overview of 2017 Compensation Actions

In September 2017, the Chair of the Compensation Committee met with Mr. Barry M. Portnoy, our then Managing Trustee, and the chairs of the compensation committees of RMR Inc. and of the then other

public companies to which RMR LLC provides management services, which included: the Company; GOV; SIR; SNH; FVE; and TA. The purposes of this meeting were, among other things, to discuss compensation philosophy and factors that may affect compensation decisions, to consider the compensation payable to the Company's Director of Internal Audit (who provides services to the Company and to other companies to which RMR LLC provides management services), to consider the allocation of internal audit and related services costs among RMR Inc., the Company and other companies to which RMR LLC provides such services, to provide a comparative understanding of potential share grants by the Company and the other companies to which RMR LLC provides management services and to hear and consider recommendations from the Company's then Managing Trustees concerning potential share grants. The share grants made by the other companies managed by RMR LLC are considered to be appropriate comparisons because of the similarities between certain services the Company requires from the Company's share grantees and the services provided by grantees providing similar services to these other companies. Subsequent to this meeting, the members of the Compensation Committee held a meeting at which the Committee Chair provided a report of the information discussed with Mr. Barry M. Portnoy and others, and made recommendations for share grants to the Company's named executive officers. The Compensation Committee then discussed these recommendations and other factors, including the following factors for the 2017 share grants: (i) the value of the proposed share grants; (ii) the historical awards previously granted to each named executive officer and the corresponding values at the time of the grants; (iii) the recommendations of RMR LLC as presented by Mr. Barry M. Portnoy; (iv) the value of share grants to executive officers providing comparable services at the applicable Other RMR Managed REITs and companies to which RMR LLC provides management services; (v) the scope of, and any changes to, the responsibilities assigned to, or assumed by, each named executive officer during the past year and on a going forward basis; (vi) the length of historical services by each named executive officer; (vii) the Compensation Committee's perception regarding the quality of the services provided by each named executive officer in carrying out those responsibilities; and (viii) the Company's financial and operating performance in the past year and the Company's perceived future prospects. The Compensation Committee considered these multiple factors in determining whether to increase or decrease the amounts of the prior year's grants. There was no formulaic approach in the use of these various factors in determining the number of shares to award to each named executive officer. The share amounts were determined on a subjective basis, using the various factors in the Compensation Committee's sole discretion. The named executive officers did not participate in these meetings and were not involved in determining or recommending the amount or form of named executive compensation they receive from the Company.

## Analysis of 2017 Awards under the Share Award Plan

Although the Company does not pay any cash compensation directly to its officers and has no employees, the Company has adopted the Share Award Plan to reward the Company's named executive officers and other RMR LLC employees who provide services to the Company and to foster a continuing identity of interest between them and the Company's shareholders. The Company awards shares under the Share Award Plan to recognize the named executive officers' scope of responsibilities, reward demonstrated performance and leadership, motivate future performance, align the interests of the Company's executives with those of the Company's other shareholders and motivate the executives to remain employees of the Company's manager and to continue to provide services to the Company through the term of the awards.

Under its charter, the Compensation Committee evaluates, approves and administers the Company's equity compensation plans, which currently consist solely of the Share Award Plan. The Compensation Committee has historically determined to use grants of Common Share awards under the Share Award Plan rather than stock options as equity compensation. Because the value of the Common Shares may be determined in part by reference to its dividend yield relative to market interest rates rather than by its potential for capital appreciation, the Company believes a conventional stock option plan might not provide appropriate incentives for management for a business like that of the Company, but a share grant plan may create a better identity of interests between management and other shareholders. Also, because the Company believes a stock option plan could have the potential to encourage excessive short term risk taking, the Company has historically granted share awards rather than stock options.



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The Compensation Committee uses comparative information about the applicable Other RMR Managed REITs as additional data to help it determine whether it is awarding share amounts that are reasonable based on the characteristics of those REITs and their respective officers. The Compensation Committee also considers the size and structure of the Other RMR Managed REITs and other RMR LLC managed businesses, and the experience, length of service and scope of duties and responsibilities of the officers at these other companies to assess the appropriateness of the value of the share awards proposed for the Company's officers in light of the proposed awards for officers with comparable roles at the other companies. The Compensation Committee reviewed the compensation data regarding the applicable Other RMR Managed REITs and their officers, together with the other factors discussed above, but the Compensation Committee did not undertake a detailed comparison of the named executive officers across the REITs or other companies managed by RMR LLC or assign weight to any particular characteristic of these other companies or their officers because the Compensation Committee determines the share amounts in its sole discretion on a non-formulaic basis. In 2017, the Compensation Committee considered the foregoing factors and decided to award the same number of shares awarded to the Company's named executive officers as were awarded in 2016, in accordance with the recommendation of the Company's Managing Trustees and the Chair of the Compensation Committee. The Compensation Committee also determined that it would be appropriate to provide that such share awards would vest upon the occurrence of certain corporate "change in control" or termination events. For more information on potential payments upon such events, see page 56.

The Company determines the fair market value of the shares granted based on the closing price of the Common Shares on the date of grant. The Compensation Committee has imposed, and may impose, vesting and other conditions on the granted Common Shares because it believes that time based vesting encourages the recipients of the share awards to remain employed by RMR LLC and to continue to provide services to the Company. The Compensation Committee currently uses a vesting schedule under which one fifth of the shares vest immediately and the remaining shares vest in four equal, consecutive annual installments commencing on the first anniversary of the date of grant. The Compensation Committee utilizes a four year time based vesting schedule to provide an incentive to provide services for a long term and in consideration of the tax treatment of the share grants to the Company and to the recipients. In the event a recipient who has been granted a share award ceases to perform duties for the Company or ceases to be an officer or an employee of RMR LLC or any company that RMR LLC or its subsidiaries manage during the vesting period, the Company may cause the forfeiture of, or the Company may repurchase for nominal consideration, the Common Shares that have not yet vested. As with other issued Common Shares, vested and unvested shares awarded under the Share Award Plan are entitled to receive distributions that the Company makes, if any, on the Common Shares.

Because the consideration of share awards by the Compensation Committee and the Board is determined on a regular schedule (i.e., in September for the Company's officers and employees of RMR LLC and at the first meeting of the Board after the annual meeting of shareholders for the Trustees), the proximity of any grants to earnings announcements or other market events, if any, is coincidental.

The Compensation Committee believes that its compensation philosophy and programs are designed to foster a business culture that aligns the interests of its named executive officers with those of its shareholders. The Compensation Committee believes that the equity compensation of its named executive officers is appropriate to the goal of providing shareholders dependable, long term returns.

### Say on Pay

The Company's current policy, consistent with the prior vote of the Company's shareholders, is to provide shareholders with an opportunity to approve, on an advisory basis, the compensation of named executive officers each year at the annual meeting of shareholders. Accordingly, the Company is providing shareholders with an opportunity to approve the compensation of the named executive officers in this Proxy Statement. For more information, see Item 2 on page 58 of this Proxy Statement.

In evaluating the Company's compensation process for 2017, the Compensation Committee generally considered the results of the most recent advisory vote of the Company's shareholders on the

compensation of the executive officers named in the proxy statement for the Company's 2017 annual meeting of shareholders.

## **RMR LLC and RMR Inc. Compensation Practices**

As explained above, the Company's manager, RMR LLC, provides services that otherwise would be provided by employees, conducts the Company's day to day operations on the Company's behalf and compensates the Company's named executive officers, Messrs. Murray, Kleifges and Bornstein, directly and in its sole discretion in connection with their services rendered to the Company and to RMR LLC. The Company does not pay its named executive officers salaries or bonuses or provide other compensatory benefits except for the grants of share awards under the Share Award Plan. The Company does not reimburse RMR LLC for compensation RMR LLC or RMR Inc. pays to the Company's named executive officers.

RMR LLC has advised the Company that in 2017 RMR LLC paid each of the Company's named executive officers cash compensation comprised of a fixed salary and a cash bonus. RMR LLC did not provide guaranteed cash bonuses to the Company's named executive officers during 2017 and did not set specific performance targets on which bonuses would be payable to them. Instead, the annual cash bonuses paid by RMR LLC to the Company's named executive officers in 2017 were discretionary in amount and were based on a performance evaluation conducted by the compensation committee of RMR Inc.

RMR Inc., the parent of RMR LLC, granted an award of 4,000 shares of Class A common stock of RMR Inc., with a grant date fair value of \$204,200, to each of Mr. Murray and Mr. Kleifges and an award of 1,500 shares of Class A common stock of RMR Inc., with a grant date fair value of \$76,575, to Mr. Bornstein in 2017. One fifth of the shares awarded vested on the grant date and an additional one fifth vests on each of the next four anniversaries of the grant date, subject to the applicable named executive officer continuing to render significant services, whether as an employee or otherwise, to RMR LLC or a public client company managed by RMR LLC or their respective affiliates and to accelerated vesting under certain circumstances.

The Company's named executive officers are also officers and employees of RMR LLC and, as officers and employees of RMR LLC, also provide services to RMR LLC, RMR Inc. and other companies managed by RMR LLC or its subsidiaries. RMR LLC has informed the Company that the cash compensation paid by RMR LLC to the Company's named executive officers is for services provided by the officers to RMR LLC, RMR Inc., the Company and other companies managed by RMR LLC or its subsidiaries. RMR LLC has also informed the Company that it is not able to allocate with reasonable certainty or provide a reasonable estimate of the compensation paid by RMR LLC to our named executive officers for their services to the Company for a number of reasons:

Our management agreements with RMR LLC do not require individual executive officers to dedicate a specific amount of time to providing services to the Company under those agreements. RMR LLC's officers and employees provide services on an as needed basis across RMR LLC, RMR Inc., the Company and all other companies managed by RMR LLC or its subsidiaries.

Our management agreements with RMR LLC do not require that a specified amount or percentage of the fees the Company pays to RMR LLC be allocated to the Company's executive officers.

RMR LLC does not designate a specific amount of time that the Company's named executive officers must spend providing services to the Company or record the amount of time that the Company's named executive officers (or any other employee of RMR LLC) spend providing services to the Company.

For information regarding the compensation paid by RMR LLC and RMR Inc. to the named executive officers of RMR Inc., please see the documents filed by RMR Inc. with the SEC, including its Annual Report on Form 10-K for the fiscal year ended September 30, 2017 and its Proxy Statement on Schedule 14A for its 2018 Annual Meeting of Shareholders. RMR Inc.'s filings with the SEC are not incorporated by reference into this Proxy Statement.

## REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Annual Report on Form 10-K for the year ended December 31, 2017.

John L. Harrington, *Chair*

Donna D. Fraiche

William A. Lamkin

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is comprised entirely of the three Independent Trustees listed above. No member of the Compensation Committee is a current, or during 2017 was a former, officer or employee of the Company. In 2017, none of the Company's executive officers served (i) on the compensation committee of any entity that had one or more of its executive officers serving on the Board or the Compensation Committee of the Company or (ii) on the board of directors or board of trustees of any entity that had one or more of its executive officers serving on the Compensation Committee of the Company. Members of the Compensation Committee serve as independent trustees or independent directors and compensation committee members of other public companies to which RMR LLC provides management services. Mr. Harrington serves as an independent trustee of GOV, SNH, TRMT and RIF. Ms. Fraiche serves as an independent trustee of SIR and an independent director of FVE. Mr. Lamkin serves as an independent trustee of SIR. In addition, each of our Independent Trustees serves as a director of AIC. The disclosures regarding our relationships with these foregoing entities and certain transactions with or involving them under the section entitled "Certain Related Person Transactions" are incorporated by reference herein.

## EXECUTIVE COMPENSATION

The following tables and footnotes summarize the total compensation of the Company's President and Chief Operating Officer, the Chief Financial Officer and Treasurer and Senior Vice President who were serving as such officers as of December 31, 2017, or the Company's "named executive officers". None of the Company's named executive officers are employed by the Company. The Company's manager, RMR LLC, provides services that otherwise would be provided by employees and employs and compensates the Company's named executive officers directly and in RMR LLC's sole discretion in connection with their services rendered to RMR LLC and to the Company. For information regarding the compensation paid by the Company to RMR LLC, please see the above "Related Person Transactions" section. For information regarding the compensation paid by RMR LLC and RMR Inc. to the named executive officers of RMR Inc., please see the above "RMR LLC and RMR Inc. Compensation Practices" section and the documents filed by RMR Inc. with the SEC, including its Annual Report on Form 10-K for the fiscal year ended September 30, 2017 and its Proxy Statement on Schedule 14A for its 2018 Annual Meeting of Shareholders. RMR Inc.'s filings with the SEC are not incorporated by reference into this Proxy Statement. The Company does not pay the Company's named executive officers salaries or bonuses or provide other compensation or employee benefits except for the awards of Common Shares under the Share Award Plan.

### Summary Compensation Table

| Name and<br>Principal Position               | Year | Stock<br>Awards (\$) <sup>(1)</sup> | All Other<br>Compensation (\$) <sup>(2)</sup> | Total (\$) |
|--|------|-------------------------------------|---|------------|
| <b>John G. Murray</b>                        |      |                                     |   |            |
|  | 2017 | \$ 210,600                          | \$ 31,050                                     | \$ 241,650 |
| <i>President, Chief Operating</i>            | 2016 | 214,275                             | 30,298  | 244,573    |
| <i>Officer and Assistant Secretary</i>       | 2015 | 192,450                             | 32,294  | 224,744    |
| <b>Mark L. Kleifges</b>                      |      |                                     |   |            |
|  | 2017 | \$ 210,600                          | \$ 31,050                                     | \$ 241,650 |
| <i>Chief Financial Officer and Treasurer</i> | 2016 | 214,275                             | 30,298  | 244,573    |
|  | 2015 | 192,450                             | 32,294  | 224,744    |
| <b>Ethan S. Bornstein</b>                    |      |                                     |   |            |
| <i>Senior Vice President</i>                 | 2017 | \$ 210,600                          | \$ 31,050                                     | \$ 241,650 |
|  | 2016 | 214,275                             | 30,298  | 244,573    |
|  | 2015 | 192,450                             | 32,294  | 224,744    |

(1) Represents the grant date fair value of Common Share awards in 2017, 2016 and 2015, as applicable, calculated in accordance with ASC 718 (which equals the closing price of the shares on the award date, multiplied by the number of shares subject to the grant). No assumptions were used in this calculation.

(2) Consists of cash distributions in the applicable year on unvested Common Shares received in connection with cash distributions the Company paid to all of the Company's shareholders. For 2015, the amount also includes \$2,941, representing the fair value of the pro rata distribution the Company made of shares of class A common stock of RMR Inc. to the Company's shareholders on the date of distribution of those shares with respect to unvested Common Shares.

## 2017 Grants of Plan Based Awards

Share awards granted by the Company to the named executive officers in 2017 provide that one fifth of each award vested on the date of the award grant and an additional one fifth vests on each of the next four anniversaries of the grant date, subject to the applicable named executive officer continuing to render significant services, whether as an employee or otherwise, to the Company, RMR LLC or any company to which RMR LLC provides management services or their respective affiliates and to accelerated vesting under certain circumstances. Holders of vested and unvested Common Shares awarded under the Share Award Plan receive distributions that the Company makes, if any, on its shares on the same terms as other holders of the Common Shares.

The following table shows the total Common Shares awarded by the Company to its named executive officers in 2017.

| Name               | Grant Date | All Other Stock Awards: Number of Shares of Stock or Units (#) | Grant Date Fair Value of Stock and Option Awards <sup>(1)</sup> |
|--------------------|------------|--|---|
| John G. Murray     | 9/14/2017  | 7,500  | \$ 210,600  |
| Mark L. Kleifges   | 9/14/2017  | 7,500  | 210,600   |
| Ethan S. Bornstein | 9/14/2017  | 7,500  | 210,600   |

<sup>(1)</sup> Equals the number of Common Shares multiplied by the closing price on the date of the award grant, which is also the grant date fair value under ASC 718. No assumptions were used in this calculation.

## 2017 Outstanding Equity Awards at Fiscal Year End

### Stock Awards

| Name               | Year Granted | Number of Shares or Units of Stock That Have Not Vested (#) <sup>(1)</sup> | Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup> |
|--------------------|--------------|--|---|
| John G. Murray     | 2017         | 6,000  | \$ 179,100  |
|                    | 2016         | 4,500  | 134,325   |
|                    | 2015         | 3,000  | 89,550  |
|                    | 2014         | 1,500  | 44,775  |
| Mark L. Kleifges   | 2017         | 6,000  | \$ 179,100  |
|                    | 2016         | 4,500  | 134,325   |
|                    | 2015         | 3,000  | 89,550  |
|                    | 2014         | 1,500  | 44,775  |
| Ethan S. Bornstein | 2017         | 6,000  | \$ 179,100  |
|                    | 2016         | 4,500  | 134,325   |
|                    | 2015         | 3,000  | 89,550  |
|                    | 2014         | 1,500  | 44,775  |

<sup>(1)</sup> The share awards granted in 2017, 2016, 2015 and 2014 were granted on September 14, 2017, September 15, 2016, September 2, 2015 and September 12, 2014, respectively.

<sup>(2)</sup> Equals the number of Common Shares not vested multiplied by the closing price of the Common Shares on December 29, 2017.

**HOSPITALITY PROPERTIES TRUST**

*2018 Proxy Statement* 55

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## 2017 Stock Vested

The following table shows Common Share awards made in 2017 and prior years to the Company's named executive officers that vested in 2017.

| Name               | Stock Awards                                |  |
|--------------------|---|--|
|                    | Number of Shares<br>Acquired on Vesting (#) | Value Realized<br>on Vesting (\$) <sup>(1)</sup> |
| John G. Murray     | 7,500                                       | \$ 209,655                                       |
| Mark L. Kleifges   | 7,500                                       | 209,655  |
| Ethan S. Bornstein | 7,500                                       | 209,655  |

(1) Equals the number of vesting Common Shares multiplied by the closing price on the date that such Common Shares vested in 2017.

## Potential Payments upon Termination or Change in Control

From time to time, we have entered into arrangements with former employees of RMR LLC in connection with the termination of their employment with RMR LLC, providing for the acceleration of vesting of Common Shares previously awarded to them under the Share Award Plan. Although we have no formal policy, plan or arrangement for payments to employees of RMR LLC in connection with their termination of employment with RMR LLC, we may in the future provide on a discretionary basis for similar payments depending on various factors we then consider relevant and if we believe it is in our best interests to do so.

The form of share award agreement for awards made to our named executive officers provides for acceleration of vesting of all share awards upon the occurrence of certain change in control or termination events (each, a "Termination Event").

The following table describes the potential payments to our named executive officers upon a Termination Event, if such event had occurred, as of December 31, 2017.

| Name               | Number of Shares Vested Upon<br>Termination Event (#) | Value Realized on<br>Termination Event as of<br>December 31, 2017 (\$) <sup>(1)</sup> |         |
|--------------------|---|---|---------|
|                    |   |   |         |
| John G. Murray     | 15,000  | \$  | 447,750 |
| Mark L. Kleifges   | 15,000  |   | 447,750 |
| Ethan S. Bornstein | 15,000  |   | 447,750 |

(1) Equals the number of Common Shares multiplied by the closing price of the Common Shares on December 29, 2017.

For a discussion of the consequences of a Termination Event under the Company's business and property management agreements with RMR LLC, see the above "Related Person Transactions" section.

## Pay Ratio

Pay ratio disclosure under Item 402(u) has not been provided because the Company does not have any employees.

## REPORT OF THE AUDIT COMMITTEE

In the course of the Audit Committee's oversight of the Company's financial reporting process, the Audit Committee has: (i) reviewed and discussed with management the audited financial statements for the fiscal year ended December 31, 2017; (ii) discussed with Ernst & Young LLP, the Company's independent auditors, the matters required to be discussed under PCAOB Auditing Standard No. 1301; (iii) received the written disclosures and the letter from the auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence; (iv) discussed with the independent auditors their independence; and (v) considered whether the provision of non-audit services by the independent auditors is compatible with maintaining their independence and concluded that it is compatible at this time.

Based on the foregoing review and discussions, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2017, for filing with the SEC.

William A. Lamkin, *Chair*  
Donna D. Fraiche  
John L. Harrington

**HOSPITALITY PROPERTIES TRUST**

*2018 Proxy Statement* 57

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## ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION (ITEM 2)

As required by Section 14A of the Exchange Act, the Company seeks a non-binding advisory vote from its shareholders to approve the compensation of its named executive officers as described in the "Compensation Discussion and Analysis" section beginning on page 49 and the "Executive Compensation" section beginning on page 54.

The Board recommends that shareholders vote FOR the following resolution:

RESOLVED: That the shareholders of the Company approve, on a non-binding, advisory basis, the compensation paid by the Company to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the "Compensation Discussion and Analysis" in this Proxy Statement.

Because your vote is advisory, it will not be binding upon the Board or the Compensation Committee. However, the Board values shareholders' opinions and the Compensation Committee will take into account the outcome of the vote when considering future executive compensation decisions.

Approval of the advisory vote to approve executive compensation requires the affirmative vote of a majority of all the votes cast, in person or by proxy, at the 2018 Annual Meeting.

**The Board of Trustees recommends a vote "FOR" the advisory vote to approve executive compensation.**

## RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT AUDITORS (ITEM 3)

The Audit Committee has the sole authority and responsibility to hire, evaluate and, when appropriate, replace our independent auditors and is directly responsible for the appointment, compensation and general oversight of the work of the independent auditors. The Audit Committee is responsible for approving the audit and permissible non-audit services provided by the independent auditors and the associated fees.

The Audit Committee evaluates the performance of our independent auditors annually and determines whether to reengage the current independent auditors or consider other audit firms. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors' technical expertise and knowledge of our operations and industry, the auditors' independence, legal proceedings involving the auditors, the results of PCAOB inspections and peer quality reviews of the auditors and the auditors' reputation in the marketplace. In connection with the mandated rotation of the independent auditors' lead engagement partner, the Audit Committee and its chair consider the selection of the new lead engagement partner identified by the independent auditors.

Based on this evaluation, the Audit Committee has appointed Ernst & Young LLP to serve as the Company's independent auditors for the fiscal year ending December 31, 2018. Ernst & Young LLP has served as the Company's independent auditors since our formation in 1995 and is considered by management and the Audit Committee to be well qualified. Further, the Audit Committee and the Board believe that the continued retention of Ernst & Young LLP to serve as the independent registered public accounting firm is in the best interests of the Company and its shareholders.

The Audit Committee has determined to submit its selection of the independent auditors to the Company's shareholders for ratification. This vote will ratify prior action by the Audit Committee and will not be binding upon the Audit Committee. However, the Audit Committee may reconsider its prior appointment of the independent auditors or consider the results of this vote when it determines to appoint our independent auditors in the future.

### Audit Fees and All Other Fees

The following table shows the fees for audit and other services provided to us by Ernst & Young LLP for the fiscal years ended December 31, 2017 and 2016.

|                    | 2017 Fees <sup>(1)</sup> | 2016 Fees    |
|--------------------|--------------------------|--------------|
| Audit Fees         | \$ 1,801,135             | \$ 1,529,818 |
| Audit Related Fees |                          |              |
| Tax Fees           | 29,200                   | 28,200       |
| All Other Fees     | 456                      | 508          |

(1) The amount of audit fees for 2017 is based on the fees billed and paid to date and on the estimate for remaining fees provided by Ernst & Young LLP to and approved by the Audit Committee for services provided to us by Ernst & Young LLP, including in connection with the audit of the Company's 2017 financial statements and internal control over financial reporting. The final amount of the fees for those services may vary from the estimate provided.

**Audit Fees.** This category includes fees associated with the annual financial statements audit and related audit procedures, the audit of internal control over financial reporting, work performed in connection with any registration statements and any applicable Current Reports on Form 8-K and the review of any of the Company's Quarterly Reports on Form 10-Q.



**Audit Related Fees.** This category consists of services that are reasonably related to the performance of the audit or review of financial statements and are not included in "Audit Fees." These services principally include due diligence in connection with acquisitions, consultation on accounting and internal control matters, audits in connection with proposed or consummated acquisitions, information systems audits and other attest services.

**Tax Fees.** This category consists of fees for tax services, including tax compliance, tax advice and tax planning.

**All Other Fees.** This category consists of services that are not included in the above categories. The amounts for 2017 and 2016 reflect annual subscription fees for Ernst & Young LLP's online accounting research application.

## **Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

The Audit Committee has established policies and procedures that are intended to control the services provided by our independent auditors and to monitor their continuing independence. Under these policies, no services may be undertaken by our independent auditors unless the engagement is specifically approved by the Audit Committee or the services are included within a category that has been approved by the Audit Committee. The maximum charge for services is established by the Audit Committee when the specific engagement or the category of services is approved. In certain circumstances, our management is required to notify the Audit Committee when approved services are undertaken and the Audit Committee or its Chair may approve amendments or modifications to the engagement or the maximum fees. Our Director of Internal Audit is responsible for reporting to the Audit Committee regarding compliance with these policies and procedures.

The Audit Committee will not approve engagements of the independent auditors to perform non-audit services for the Company if doing so will cause the independent auditors to cease to be independent within the meaning of applicable SEC or Nasdaq rules. In other circumstances, the Audit Committee considers, among other things, whether our independent auditors are able to provide the required services in a more or less effective and efficient manner than other available service providers and whether the services are consistent with the Public Company Accounting Oversight Board Rules.

All services for which the Company engaged its independent auditors in 2017 and 2016 were approved by the Audit Committee. The total fees for audit and non-audit services provided by Ernst & Young LLP in 2017 and 2016 are set forth above and, for 2017, include estimated fee amounts. The tax fees charged by Ernst & Young LLP during 2017 and 2016 were for tax compliance services, including those related to the Company's income tax returns for the fiscal years ended December 31, 2016 and 2015, respectively. The Audit Committee approved the engagement of Ernst & Young LLP to provide these non-audit services because it determined that Ernst & Young LLP providing these services would not compromise Ernst & Young LLP's independence and that the firm's familiarity with our record keeping and accounting systems would permit the firm to provide these services with equal or higher quality, more efficiently and at a lower cost than the Company could obtain these services from other providers.

## Other Information

The Company has been advised by Ernst & Young LLP that neither the firm, nor any member of the firm, has any material interest, direct or indirect, in any capacity in the Company or its subsidiaries.

One or more representatives of Ernst & Young LLP will be present at the 2018 Annual Meeting. The representatives will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

Ratification of the appointment of the independent auditors requires the affirmative vote of a majority of all the votes cast, in person or by proxy, at the 2018 Annual Meeting. If shareholders fail to approve the proposal, the Board may reconsider its prior appointment of the independent auditors or consider the results of this vote when it determines to appoint our independent auditors in the future.

**The Board of Trustees recommends a vote "FOR" the ratification of the appointment of Ernst & Young LLP as independent auditors.**

**HOSPITALITY PROPERTIES TRUST**

*2018 Proxy Statement 61*

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## NON-BINDING SHAREHOLDER PROPOSAL REQUESTING THAT THE BOARD ADOPT A "PROXY ACCESS" BYLAW (ITEM 4)

The following shareholder proposal was submitted by the Comptroller of the City of New York, as the custodian and a trustee of the New York City Employees' Retirement System, the New York City Fire Pension Fund, The New York City Teachers' Retirement System and the New York City Police Pension Fund and custodian of the New York City Board of Education Retirement System, Municipal Building, One Centre Street, 8th Floor North, New York, NY 10007. If a proponent, or a representative of a proponent who is qualified under state law, is present and properly submits the proposal for a vote, then the proposal will be voted on at the 2018 Annual Meeting. In accordance with federal securities laws, the Company is including the proponents' proposal and supporting statement in this proxy statement. The Company is not responsible for the proposal or supporting statement. If approved, the proposal would be a non-binding recommendation to the Board. So you can easily distinguish between information provided by the proponents and the opposition statement of the Company, there is a box around the opposition statement of the Company.

### Proposal

RESOLVED: Shareholders of the Hospitality Properties Trust (the "Company") ask the board of directors (the "Board") to take the steps necessary to adopt a "proxy access" bylaw. Such a bylaw shall require the Company to include in proxy materials prepared for a shareholder meeting at which directors are to be elected the name, Disclosure and Statement (as defined herein) of any person nominated for election to the board by a shareholder or group (the "Nominator") that meets the criteria established below. The Company shall allow shareholders to vote on such nominee on the Company's proxy card.

The number of shareholder-nominated candidates appearing in proxy materials shall not exceed the larger of two or one quarter of the directors then serving. This bylaw, which shall supplement existing rights under Company bylaws, should provide that a Nominator must:

- a) have beneficially owned 3% or more of the Company's outstanding common stock continuously for at least three years before submitting the nomination;
- b) give the Company, within the time period identified in its bylaws, written notice of the information required by the bylaws and any Securities and Exchange Commission rules about (i) the nominee, including consent to being named in the proxy materials and to serving as director if elected; and (ii) the Nominator, including proof it owns the required shares (the "Disclosure"); and
- c) certify that (i) it will assume liability stemming from any legal or regulatory violation arising out of the Nominator's communications with the Company shareholders, including the Disclosure and Statement; (ii) it will comply with all applicable laws and regulations if it uses soliciting material other than the Company's proxy materials; and (iii) to the best of its knowledge, the required shares were acquired in the ordinary course of business and not to change or influence control at the Company.

The Nominator may submit with the Disclosure a statement not exceeding 500 words in support of each nominee (the "Statement"). The Board shall adopt procedures for promptly resolving disputes over whether notice of a nomination was timely, whether the Disclosure and Statement satisfy the bylaw and applicable federal regulations, and the priority to be given to multiple nominations exceeding the one-quarter limit.

### Supporting Statement

We believe proxy access will make directors more accountable and enhance shareholder value. A 2014 study by the CFA Institute concluded that proxy access could raise overall US market capitalization by up to \$140.3 billion if adopted market-wide, "with little cost or disruption." (<http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2014.n9.1>)

The proposed terms are similar to those in vacated SEC Rule 14a-11 (<https://www.sec.gov/rules/final/2010/33-9136.pdf>). The SEC, following extensive analysis and input from market participants, determined that those terms struck the proper balance of providing shareholders with viable proxy access while containing appropriate safeguards.

The proposed terms enjoy strong investor support and company acceptance. A similar shareholder proposal received 84.8% of votes cast at the Company in 2017 and more than 440 companies have enacted bylaws with similar terms.

We urge shareholders to vote FOR this proposal.

### The Company's Statement about the Proposal

If adopted, the Comptroller of the City of New York's proxy access procedure would facilitate company financed proxy contests in trustee elections by requiring the Company's proxy statement and proxy card to include nominees of a shareholder to stand for election as a Trustee in competition with the Board's nominees, instead of the nominating shareholder providing his or her own proxy materials.

The Board is not convinced that proxy access makes a board more accountable or increases shareholder value for the following reasons:

Allowing shareholders to nominate competing Board candidates in the Company's proxy statement may undercut the role of the Company's independent Nominating and Governance Committee and the Board in a crucial element of our corporate governance.

Proxy access risks introducing non-constructive and destabilizing dynamics into the Board election process.

Proxy access creates the potential for a shareholder with special interests to use proxy access to promote a specific agenda rather than the best interests of the Company, thereby creating the risk of a special interest shareholder leveraging the Board election process at negligible cost to such shareholder.

If adopted, the Comptroller of the City of New York's proxy access procedure would permit a shareholder with a current intent to effect a change in control to use proxy access to obtain seats on the Board, so long as the shareholder originally acquired the required number of shares in the ordinary course of business with no intent to change or influence control of the Company.

Proxy access may encourage a short term focus with respect to the Company's business that would not be in the long term interest of the Company. For example, a nominating shareholder may have more immediate need for liquidity and nominate individuals who will take steps to increase the near term share price at the expense of long term value creation.

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The CFA Institute study on which the proponents rely does not provide meaningful support for proxy access. The CFA Institute concludes that five event studies conducted by third parties "suggest" that proxy access "has the potential" to raise estimated overall U.S. market capitalization by between 0.023% and 1.1%. In fact, one of those five studies identified a *negative* relationship between proxy access and shareholder wealth.

The proponents state that their proposal is similar to the vacated 2010 SEC proxy access rules. The U.S. Court of Appeals for the District of Columbia Circuit vacated those rules in 2011 because the SEC failed to adequately address the economic consequences of their adoption. The Court described the SEC's promulgation of the rules as "arbitrary and capricious." As such, similarity to the vacated rules does not demonstrate that the proponents' proposal strikes the proper balance of providing shareholders with viable proxy access while containing appropriate safeguards.

Proxy access is new and its benefits are unproven. The Board believes that the measures the Company currently employs for the nomination and election of Trustees have promoted long term value creation. Indeed, the Company has performed better than its peers on a long term basis. For each of the three, five and ten-year periods ended December 31, 2017, the Company's total return per share (i.e., dividends plus market price changes) has exceeded the total returns per share of the SNL US REIT Hotel Index by +20%, +12% and +47%, respectively.

**For the foregoing reasons, among others, the Board believes that this proposal is not in the best interests of the Company and unanimously recommends that shareholders vote "AGAINST" Item 4.**

Approval of the proposal requires the affirmative vote of a majority of all the votes cast by the holders of the Common Shares voting in person or by proxy at the 2018 Annual Meeting. As an advisory vote, if approved, the proposal would be a non-binding recommendation to the Board.

**The Board of Trustees recommends a vote "AGAINST" the proposal.**



## NON-BINDING SHAREHOLDER PROPOSAL REQUESTING THAT THE BOARD ADOPT A CONSEQUENTIAL VOTE STANDARD FOR UNCONTESTED DIRECTOR ELECTIONS (ITEM 5)

The following shareholder proposal was submitted by UNITE HERE (the "Union"), which is a labor union. If the Union, or a representative of the Union who is qualified under state law, is present and properly submits the Union's proposal for a vote, then the proposal will be voted on at the 2018 Annual Meeting. In accordance with federal securities laws, the Company is including the Union's proposal and supporting statement in this proxy statement. The Company is not responsible for the Union's proposal or supporting statement. If approved, the proposal would be a non-binding recommendation to the Board. So you can easily distinguish between information provided by the Union and opposition statement of the Company, there is a box around the opposition statement of the Company.

### **Proposal**

Be it resolved that shareholders of Hospitality Properties Trust ("HPT," or "the Company") recommend that the board take all steps necessary in accordance with applicable laws to adopt a consequential majority vote standard for uncontested director elections (elections in which the number of director candidates is identical to the number of directors to be elected), such that the board of directors makes every effort to ensure that directors whose election is opposed by a voting majority of shareholders (a "rejected director," or someone receiving more "against" votes than "for") are replaced in a reasonable time frame (we recommend six months). A plurality voting standard, in which the candidates receiving the greatest number of votes are seated, should be used for contested elections (in which the number of director candidates exceeds the number of directors to be elected).

We recommend that directors who do not receive the support of a voting majority of shareholders in an uncontested election of directors serve a truncated 180-day term, and that the board be given the power to appoint any replacement director it finds suitable, other than the rejected director, to succeed the rejected director upon the expiration of his or her truncated term.

### **Supporting Statement**

We believe the election of directors to be a fundamental right of shareholders; however, when boards keep in place directors rejected by a voting majority of shareholders, this right becomes largely ceremonial.

Our company adopted a majority vote standard for the election of directors on paper in 2010. Even though the number of directors standing for election each year has been small, due to the company's classified board, a voting majority of shareholders have rejected director candidates on six (6) separate occasions. Every single rejected director continued in or was returned to office by the remaining board members. By way of contrast, Ernst and Young estimate that out of all director elections at listed companies on the Russell 3000 index, less than a third of one percent failed to receive the support of a voting majority of shareholders in 2017 (current to 10/31/2017).

The Council of Institutional Investors (CII), an organization dedicated to improving corporate governance representing a membership with over \$3 trillion in assets under management, reviewed uncontested elections from 2013-2016 and found a "rejected director" (a director receiving less than 50% support, as measured by votes for and against or votes for and withhold) left the board just 25 percent of the time. CII supports what it calls "consequential majority voting" to remove the risk of rejected directors lingering

on boards beyond a reasonable transition period. Our proposal provides the board significant time to identify and recruit a replacement director of their choice to fill the vacancy created by the departure of the rejected director while also limiting the time rejected directors continue to hold office.

We urge you to vote YES to ensure shareholders are represented at the board by directors of their choosing.

## **The Company's Statement About The Union's Proposal**

After consideration, the Board has concluded that the Union's proposal is unclear and not in the best interests of the Company and unanimously recommends that shareholders **vote "AGAINST" the proposal** for the following reasons:

### ***The Company Already Has a Majority Vote Standard for Uncontested Trustee Elections.***

Our Declaration of Trust already provides that in an uncontested election, our Trustees are elected by a majority of shareholder votes cast. Trustees in an uncontested election who do not receive a majority of votes cast are not re-elected by shareholders. Accordingly, the Company already has a majority vote standard and no further action is necessary.

The Union's proposal suggests that there are no consequences to the Company's current majority vote standard for uncontested elections when in fact the consequence for a Trustee who does not receive the support of a majority of shareholder votes cast in an uncontested election is that such Trustee is not elected by the Company's shareholders.

### ***The Union's Proposal May Compromise the Integrity and Stability of the Board.***

If the Board is unable, within the Union's arbitrary deadline, to identify, recruit and qualify suitable candidates, the integrity of the Board may be compromised and prolonged vacancies could result. Forced, unfilled vacancies on the Board could result in the Company's failure to meet Nasdaq's continued listing requirements for independent Trustees or the SEC's requirements for an Audit Committee financial expert.

A number of well-informed observers of business governance have noted that frequent board turnover may damage a business's success. For example, Chief Justice Leo E. Strine of the Delaware Supreme Court has observed that frequent shareholder intervention distracts board members from profit producing activities. (Leo E. Strine, Jr. "One Fundamental Corporate Governance Question We Face: Can Corporations be Managed for the Long Term Unless Their Powerful Electorates Also Act and Think Long Term?" (2010)).

### ***The Company Has Delivered Strong Performance.***

The Company has performed better than its peers on a long term basis. For each of the three, five and ten-year periods ended December 31, 2017, the Company's total return per share (i.e., dividends plus market price changes) has exceeded the total returns per share of the SNL US REIT Hotel Index by +18%, +12% and +47%, respectively.

The Board believes that it does not make sense for the Company, which has performed better than its peers, to implement a potentially disruptive process that provides for the automatic removal of an incumbent Trustee in a failed uncontested election.

***What is Good for the Union is Not Good for the Company.***

The Union is regularly engaged in organizing hotel employees and promoting boycotts of hotels which do not employ Union members, including some hotels owned by the Company. The Union has a long history of acquiring small amounts of stock in companies and then making proposals to, or bringing litigation against, those companies to pressure them or their related persons towards its labor union agenda.<sup>2</sup> The Union states that it owns 190 shares of the Company, or less than 0.0001% of our total Common Shares outstanding. The Union's mission is to represent and advance the interests of union members and potential members, not the Company's interests. The Board believes that the Union has submitted its proposal to further the Union's own special interests, which are not aligned with those of the Company or other Company shareholders.

The Board believes that the Union is promoting its proposal, not in the interests of the Company or our shareholders, but to apply pressure to the Company and its related persons.

**For the foregoing reasons, among others, the Board believes that this proposal is not in the best interests of the Company and unanimously recommends that shareholders vote "AGAINST" Item 5.**

Approval of the proposal requires the affirmative vote of a majority of all the votes cast by the holders of the Common Shares voting in person or by proxy at the 2018 Annual Meeting. As an advisory vote, if approved, the proposal would be a non-binding recommendation to the Board.

**The Board of Trustees recommends a vote "AGAINST" the Union's proposal.**

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For example, see *UNITE HERE v. Cintas Corp.*, No. 06 Civ. 7061 (DCL), 2006 WL 2859279 at \*10 (S.D.N.Y. Oct. 11, 2006) where it was noted that the Union brought a lawsuit alleging securities law violations "as part of the [Union's] campaign to harass a corporation and gain leverage in a unionization struggle" and with "no genuine belief in the merits of its claims."

## OTHER INFORMATION

At this time, the Company knows of no other matters that will be brought before the meeting. If, however, other matters properly come before the meeting or any postponement or adjournment thereof, the persons named in the accompanying proxy card intend to vote the shares for which they have been appointed or authorized as proxy in accordance with their discretion on such matters to the maximum extent that they are permitted to do so by applicable law.

**Jennifer B. Clark**

*Secretary*

Newton, Massachusetts

April 24, 2018

## THANK YOU

**Thank you for being a shareholder of Hospitality Properties Trust.**

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QuickLinks

[Notice of 2018 Annual Meeting of Shareholders and Proxy Statement](#)

[Audit Committee](#)

[Compensation Committee](#)

[Nominating and Governance Committee](#)