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Extended Stay America, Inc.
Form 10-Q
July 28, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2016

Or

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

For the transition period from _____ to _____

Commission File Number: 001-36190 Commission File Number: 001-36191

Extended Stay America, Inc.	ESH Hospitality, Inc.
(Exact name of registrant as specified in its charter)	(Exact name of registrant as specified in its charter)

Delaware	Delaware
(State or other jurisdiction of	(State or other jurisdiction of
incorporation or organization)	incorporation or organization)
46-3140312	27-3559821
(I.R.S. Employer	(I.R.S. Employer
Identification No.)	Identification No.)
11525 N. Community House Road, Suite 100	11525 N. Community House Road, Suite 100
Charlotte, North Carolina 28277	Charlotte, North Carolina 28277
(Address of principal executive offices, zip code)	(Address of principal executive offices, zip code)
(980) 345-1600	(980) 345-1600
(Registrant's telephone number, including area code)	(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Extended Stay America, Inc. Yes ☒ No ☐

ESH Hospitality, Inc. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Extended Stay America, Inc. Yes ☒ No ☐

ESH Hospitality, Inc. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Extended Stay America, Inc.	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
ESH Hospitality, Inc.	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Extended Stay America, Inc. Yes ☐ No ☒

ESH Hospitality, Inc. Yes ☐ No ☒

200,708,399 shares of common stock, par value \$0.01 per share, of Extended Stay America, Inc., which are attached to and traded together with 200,708,399 shares of Class B common stock, par value \$0.01 per share, of ESH Hospitality, Inc., and 250,493,583 shares of Class A common stock, par value \$0.01 per share, of ESH Hospitality, Inc., were all outstanding as of July 25, 2016.

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ABOUT THIS COMBINED QUARTERLY REPORT

This combined quarterly report on Form 10-Q is filed by Extended Stay America, Inc., a Delaware corporation (the “Corporation”), and its controlled subsidiary, ESH Hospitality, Inc., a Delaware corporation (“ESH REIT”). Both the Corporation and ESH REIT have securities that have been registered under the Securities Act of 1933, as amended (the “Securities Act”), which are publicly traded and listed on the New York Stock Exchange (the “NYSE”) as Paired Shares, as defined herein. As further discussed herein, unless otherwise indicated or the context requires, the terms “Company,” “Extended Stay,” “Extended Stay America,” “we,” “our” and “us” refer to the Corporation, ESH REIT and their subsidiaries considered as a single enterprise.

We believe combining the quarterly reports on Form 10-Q of the Corporation and ESH REIT into this single report results in the following benefits:

- Enhances investors’ understanding of the Corporation and ESH REIT by enabling investors, whose ownership of Paired Shares gives them an ownership interest in our hotel properties through ESH REIT and in the operation of the hotels and other aspects of our business through the Corporation, to view the business as a whole;
- Eliminates duplicative and potentially confusing disclosure and provides a more streamlined presentation, since a substantial amount of our disclosure applies to the Corporation and ESH REIT; and
- Creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

This combined quarterly report on Form 10-Q presents the following sections or portions of sections separately for each of the Company, on a consolidated basis, and ESH REIT, where applicable:

Part I Item 1 – Unaudited Financial Statements.

Part I Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Part I Item 3 – Quantitative and Qualitative Disclosures About Market Risk.

As required by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 810, Consolidations, due to the Corporation’s controlling financial interest in ESH REIT, the Corporation consolidates ESH REIT’s financial position, results of operations, comprehensive income and cash flows with those of the Corporation. The Corporation’s stand-alone financial condition and related information is discussed herein where applicable. In addition, with respect to other financial and non-financial disclosure items required by Form 10-Q, any material differences between the Corporation and ESH REIT are discussed herein.

This report also includes separate Part I Item 4 – Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of Extended Stay America, Inc. and ESH Hospitality, Inc. in order to establish that the Chief Executive Officer and the Chief Financial Officer of each registrant has made the requisite certifications and that Extended Stay America, Inc. and ESH Hospitality, Inc. are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and 18 U.S.C. §1350.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This combined quarterly report on Form 10-Q contains “forward-looking statements” within the meaning of the federal securities laws. All statements other than statements of historical facts included in this combined quarterly report on Form 10-Q may be forward-looking.

Statements herein regarding our ongoing hotel renovation program, our ability to meet our debt service obligations, our future capital expenditures, our distribution policies, growth opportunities, anticipated benefits or use of proceeds from any dispositions, our plans, objectives, goals, beliefs, business strategies, future events, business conditions, results of operations, financial position and our business outlook, business trends and other information referred to under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” include forward-looking statements. When used in this combined quarterly report on Form 10-Q, the words “believe,” “expect,” “anticipate,” “intend,” “estimate,” “will,” “look forward to” and variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not historical facts, and are based upon our current expectations, beliefs, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs, estimates and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management’s expectations, beliefs, estimates and projections will result or be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this combined quarterly report on Form 10-Q. Such risks, uncertainties and other important factors include, but are not limited to: failure to successfully implement our business strategies, including our hotel renovation program, growth initiatives, asset repositionings and asset sales;

changes in U.S. general and local economic activity and the impact of these changes on consumer demand for lodging and related services in general and for extended stay lodging in particular;

levels of spending in the business, travel and leisure industries, as well as consumer confidence;

increased competition, including the over-building of hotels in our markets and new sources of potential competition such as sharing platforms;

fluctuations in the supply and demand for hotel rooms;

changes in the tastes and preferences of our customers;

the seasonal and cyclical nature of the real estate and lodging businesses;

interruptions in transportation systems, which may result in reduced business or leisure travel;

events beyond our control, such as war, terrorist attacks, travel-related health concerns, natural disasters and severe weather;

our ability to implement our business or growth strategies profitably;

the availability of capital for reinvestments, including future hotel renovation, construction, development and/or acquisition;

our ability to integrate and successfully operate any hotel properties acquired, developed or built in the future and the risks associated with these hotel properties;

the high fixed cost of hotel operations;

our ability to retain the services of certain members of our management and to recruit qualified talent for new positions;

incidents or adverse publicity concerning our hotels or other extended stay hotels;

decreases in brand loyalty due to increasing use of internet reservation channels;

changes in distribution arrangements, such as those with internet travel intermediaries;

our ability to keep pace with improvements in technology utilized for reservations systems and other operating systems, including technology used in the delivery of guest services;

the occurrence of cybersecurity incidents;

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• our ability to protect our trademarks and other intellectual property;

• the ability of ESH REIT to qualify, and remain qualified, as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”);

• actual or constructive ownership (including deemed ownership by virtue of certain attribution provisions under the Code) of Paired Shares by investors who we do not control, which may cause ESH REIT to fail to meet the REIT income tests;

• amendments to or elimination of our current equity pairing arrangement and/or other changes to our organizational structure;

• changes in federal, state or local tax law, including legislative, administrative, regulatory or other actions affecting REITs or changes in interpretations thereof or increased taxes resulting from tax audits;

• our relationships with associates and changes in labor and employment laws;

• the cost of compliance with and liabilities under environmental, health and safety laws;

• changes in real estate and zoning laws and increases in real property tax rates;

• changes in local market or neighborhood conditions which may diminish the value of real property;

• our geographic concentration in California, Texas, Florida and Illinois, which collectively account for approximately 38.2% of our rooms;

• increases in interest rates, hotel operating costs or other costs we incur in connection with operating our business;

• our substantial indebtedness and debt service obligations, including material increases in our cost of borrowing, and our ability to refinance debt before or upon maturity;

• our ability to access credit or capital markets;

• rating agency downgrades or withdrawals;

• inadequate insurance coverage;

• adverse litigation judgments or settlements; and

• our status as a “controlled company.”

There may be other factors that may cause our actual results to differ materially from the forward-looking statements, including factors disclosed in our combined annual report on Form 10-K filed with the U.S. Securities and Exchange Commission (“SEC”) on February 23, 2016 and in other filings with the SEC. You should evaluate all forward-looking statements made in this combined quarterly report on Form 10-Q in the context of these risks and uncertainties.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that may be important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. Estimates and forward-looking statements speak only as of the date they were made and we undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

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PART I — FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

EXTENDED STAY AMERICA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2016 AND DECEMBER 31, 2015

(In thousands, except share and per share data)

(Unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
PROPERTY AND EQUIPMENT - Net of accumulated depreciation of \$877,897 and \$781,929	\$3,913,762	\$3,921,341
RESTRICTED CASH	190,080	84,416
CASH AND CASH EQUIVALENTS	137,104	373,239
INTANGIBLE ASSETS - Net of accumulated amortization of \$7,680 and \$7,010	29,053	29,723
GOODWILL	53,531	53,531
ACCOUNTS RECEIVABLE - Net of allowance for doubtful accounts of \$2,004 and \$2,413	25,425	18,164
DEFERRED TAX ASSETS	12,418	—
OTHER ASSETS	45,213	48,486
TOTAL ASSETS	\$4,406,586	\$4,528,900
LIABILITIES AND EQUITY		
LIABILITIES:		
Mortgage loan payable - Net of unamortized deferred financing costs of \$13,460 and \$19,536	\$1,484,160	\$1,911,621
Senior notes payable - Net of unamortized deferred financing costs and debt discount of \$36,550 and \$10,756	1,263,450	489,244
Term loan facility payable - Net of unamortized deferred financing costs and debt discount of \$0 and \$4,940	—	361,523
Mandatorily redeemable preferred stock - \$0.01 par value, \$1,000 redemption value, 8.0%, 350,000,000 shares authorized, 21,202 shares issued and outstanding	21,202	21,202
Accounts payable and accrued liabilities	200,597	243,969
Deferred tax liabilities	469	12,984
Total liabilities	2,969,878	3,040,543
COMMITMENTS AND CONTINGENCIES (Note 11)		
EQUITY:		
Common stock - \$0.01 par value, 3,500,000,000 shares authorized, 200,814,546 and 204,593,912 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	2,011	2,049
Additional paid in capital	780,084	784,194
Retained earnings	130,830	102,184
Accumulated other comprehensive loss	(7,436)	(8,754)
Total Extended Stay America, Inc. shareholders' equity	905,489	879,673
Noncontrolling interests	531,219	608,684
Total equity	1,436,708	1,488,357
TOTAL LIABILITIES AND EQUITY	\$4,406,586	\$4,528,900

See accompanying notes to unaudited condensed consolidated financial statements.

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EXTENDED STAY AMERICA, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
REVENUES:				
Room revenues	\$327,833	\$335,384	\$610,970	\$618,682
Other hotel revenues	4,956	4,927	9,377	9,220
Total revenues	332,789	340,311	620,347	627,902
OPERATING EXPENSES:				
Hotel operating expenses	149,078	146,499	294,638	291,494
General and administrative expenses	23,988	26,036	48,940	49,536
Depreciation and amortization	55,011	50,529	108,319	99,712
Total operating expenses	228,077	223,064	451,897	440,742
OTHER INCOME	—	38	18	41
INCOME FROM OPERATIONS	104,712	117,285	168,468	187,201
OTHER NON-OPERATING EXPENSE (INCOME)	114	(873)	(764)	892
INTEREST EXPENSE, NET	35,764	35,501	82,749	66,818
INCOME BEFORE INCOME TAX EXPENSE	68,834	82,657	86,483	119,491
INCOME TAX EXPENSE	7,448	17,852	10,344	26,826
NET INCOME	61,386	64,805	76,139	92,665
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(657)	(6,822)	1,636	(13,134)
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$60,729	\$57,983	\$77,775	\$79,531
NET INCOME PER COMMON SHARE:				
Basic	\$0.30	\$0.28	\$0.38	\$0.39
Diluted	\$0.30	\$0.28	\$0.38	\$0.39
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING:				
Basic	201,600	204,227	202,955	204,117
Diluted	201,689	204,553	203,029	204,465

See accompanying notes to unaudited condensed consolidated financial statements.

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EXTENDED STAY AMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
NET INCOME	\$61,386	\$64,805	\$76,139	\$92,665
FOREIGN CURRENCY TRANSLATION GAIN (LOSS), NET OF TAX OF \$824, \$0, \$824 AND \$0	(686)	951	2,672	(1,614)
COMPREHENSIVE INCOME	60,700	65,756	78,811	91,051
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(675)	(7,096)	282	(11,910)
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$60,025	\$58,660	\$79,093	\$79,141

See accompanying notes to unaudited condensed consolidated financial statements.

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EXTENDED STAY AMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(In thousands, except per share data)

(Unaudited)

	Common Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount						
BALANCE - January 1, 2015	204,517	\$ 2,048	\$ 779,447	\$ 13,833	\$ (5,810)	\$ 789,518	\$ 599,799	\$ 1,389,317
Net income	—	—	—	79,531	—	79,531	13,134	92,665
Foreign currency translation loss, net of tax	—	—	—	—	(390)	(390)	(1,224)	(1,614)
Corporation common distributions - \$0.04 per common share	—	—	—	(4,101)	—	(4,101)	—	(4,101)
ESH REIT common distributions - \$0.30 per Class B common share	—	—	—	—	—	—	(61,474)	(61,474)
ESH REIT preferred distributions	—	—	—	—	—	—	(8)	(8)
Equity-based compensation	87	1	1,590	—	—	1,591	2,223	3,814
BALANCE - June 30, 2015	204,604	\$ 2,049	\$ 781,037	\$ 89,263	\$ (6,200)	\$ 866,149	\$ 552,450	\$ 1,418,599
	Common Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount						
BALANCE - January 1, 2016	204,594	\$ 2,049	\$ 784,194	\$ 102,184	\$ (8,754)	\$ 879,673	\$ 608,684	\$ 1,488,357
Net income (loss)	—	—	—	77,775	—	77,775	(1,636)	76,139
Foreign currency translation gain, net of tax	—	—	—	—	1,318	1,318	1,354	2,672
Issuance of common stock	1	—	6	—	—	6	—	6
Repurchase of common stock	(3,979)	(40)	—	(36,880)	—	(36,920)	(23,436)	(60,356)
Corporation common distributions - \$0.06 per common share	—	—	—	(12,249)	—	(12,249)	—	(12,249)
ESH REIT common distributions - \$0.30 per Class B common share	—	—	—	—	—	—	(61,401)	(61,401)

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ESH REIT preferred distributions	—	—	—	—	—	—	(8) (8)
Adjustment to noncontrolling interest for change in ownership of ESH REIT	—	—	(5,597) —	—	(5,597) 5,597	—	
Equity-based compensation	199	2	1,481	—	—	1,483	2,065	3,548	
BALANCE - June 30, 2016	200,815	\$2,011	\$780,084	\$130,830	\$ (7,436	) \$905,489	\$ 531,219	\$1,436,708	

See accompanying notes to unaudited condensed consolidated financial statements.

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EXTENDED STAY AMERICA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2016	2015
OPERATING ACTIVITIES:		
Net income	\$76,139	\$92,665
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	107,649	99,025
Amortization of intangible assets	670	687
Foreign currency transaction (gain) loss	(764)	) 1,066
Amortization and write-off of deferred financing costs and debt discount	13,816	6,864
Amortization of above-market ground leases	(68)	) (68)
Loss on disposal of property and equipment	5,001	2,039
Equity-based compensation	5,619	4,919
Deferred income tax benefit	(25,757)	) (5,426)
Changes in assets and liabilities:		
Accounts receivable, net	(7,233)	) (10,061)
Other assets	269	(4,900)
Accounts payable and accrued liabilities	14,879	36,466
Net cash provided by operating activities	190,220	223,276
INVESTING ACTIVITIES:		
Purchases of property and equipment	(109,949)	) (74,083)
Proceeds from asset dispositions, net	—	852
Increase in restricted cash and insurance collateral	(105,490)	) (118,465)
Proceeds from insurance recoveries	2,716	1,994
Net cash used in investing activities	(212,723)	) (189,702)
FINANCING ACTIVITIES:		
Principal payments on mortgage loan	(433,537)	) (500,777)
Principal payments on term loan facility	(366,463)	) (8,537)
Proceeds from senior notes, net of debt discount	788,000	500,000
Proceeds from revolving credit facilities	—	65,000
Payments on revolving credit facilities	—	(65,000)
Payments of deferred financing costs	(14,717)	) (10,677)
Tax withholdings related to restricted stock unit settlements	(2,071)	) (1,105)
Issuance of common stock	6	—
Repurchase of common stock	(60,356)) —
Corporation common distributions	(24,459)	) (4,091)
ESH REIT common distributions	(100,050)	) (61,459)
ESH REIT preferred distributions	(8)	) (8)
Net cash used in financing activities	(213,655)	) (86,654)
CHANGES IN CASH AND CASH EQUIVALENTS DUE TO CHANGES IN FOREIGN CURRENCY EXCHANGE RATES	23	(39)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(236,135)) (53,119)
CASH AND CASH EQUIVALENTS - Beginning of period	373,239	121,324

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CASH AND CASH EQUIVALENTS - End of period	\$ 137,104	\$ 68,205
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash payments for interest, excluding prepayment and other penalties	\$ 53,664	\$ 44,911
Cash payments for income taxes, net of refunds of \$665 and \$91	\$ 42,385	\$ 34,706
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capital expenditures included in accounts payable and accrued liabilities	\$ 16,142	\$ 18,623
Deferred financing costs included in accounts payable and accrued liabilities	\$ 524	\$ 799
Corporation common distributions included in accounts payable and accrued liabilities	\$ 199	\$ 10
ESH REIT common distributions included in accounts payable and accrued liabilities	\$ 1,084	\$ 282
See accompanying notes to unaudited condensed consolidated financial statements.		

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EXTENDED STAY AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2016 AND DECEMBER 31, 2015 AND FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2016 AND 2015

(Unaudited)

1. BUSINESS, ORGANIZATION AND BASIS OF CONSOLIDATION

Extended Stay America, Inc. (the “Corporation”) was incorporated in the state of Delaware on July 8, 2013. ESH Hospitality, Inc. (“ESH REIT”) was formed as a limited liability company in the state of Delaware on September 16, 2010 and was converted to a corporation on November 5, 2013. On November 18, 2013, the Corporation and ESH REIT completed an initial public offering of 32.5 million Paired Shares (as defined below) for cash consideration of \$20.00 per Paired Share, each Paired Share consisting of one share of common stock, par value \$0.01 per share, of the Corporation, that is attached to and trades as a single unit with one share of Class B common stock, par value \$0.01 per share, of ESH REIT. The Corporation owns, and is expected to continue to own, all of the issued and outstanding Class A common stock of ESH REIT, which represents approximately 55% of the outstanding common stock of ESH REIT. Due to its controlling interest in ESH REIT, the Corporation consolidates the financial position, results of operations, comprehensive income and cash flows of ESH REIT. The term, “the Company,” as used herein refers to the Corporation and its consolidated subsidiaries, including ESH REIT.

As of June 30, 2016 and December 31, 2015, the Company owned and operated 626 hotel properties in 44 U.S. states, consisting of approximately 68,900 rooms, and three hotels in Canada consisting of 500 rooms. The hotel properties are owned by wholly-owned subsidiaries of ESH REIT and are operated by wholly-owned subsidiaries of the Corporation (the “Operating Lessees”) pursuant to leases between ESH REIT and the Operating Lessees. The hotels are managed by ESA Management LLC (“ESA Management”), a wholly-owned subsidiary of the Corporation. The substantial majority of the hotels are operated under the core brand, Extended Stay America. The three hotels in Canada are operated under the brand Extended Stay Canada. The brands are owned by ESH Hospitality Strategies LLC (“ESH Strategies”), also a wholly-owned subsidiary of the Corporation.

In December 2015, the Boards of Directors of the Corporation and ESH REIT authorized a combined Paired Share repurchase program for up to \$100 million of Paired Shares. In February 2016, the Boards of Directors of the Corporation and ESH REIT authorized an increase of the combined Paired Share repurchase program from \$100 million to up to \$200 million of Paired Shares. The program expires on December 31, 2016. Repurchases may be made at management's discretion from time to time in the open market, in privately negotiated transactions or by other means (including through Rule 10b5-1 trading plans). Depending on market conditions and other factors, these repurchases may be commenced or suspended without prior notice. As of June 30, 2016, the Corporation and ESH REIT repurchased and retired approximately 4.0 million Corporation common shares and approximately 4.0 million ESH REIT Class B common shares, respectively, for approximately \$37.0 million and \$23.4 million, respectively. As of June 30, 2016, the Corporation had approximately 200.8 million shares of common stock outstanding, approximately 35.8% of which were owned by the public and approximately 64.2% of which were owned by Centerbridge Partners, L.P., Paulson & Co. Inc. and the Blackstone Group, L.P. and their affiliates (collectively, the “Sponsors”) and senior management, including certain directors. As of June 30, 2016, ESH REIT's common equity consisted of the following: (i) approximately 250.5 million shares of Class A common stock outstanding (approximately 55% of its common equity), all of which were owned by the Corporation, and (ii) approximately 200.8 million shares of Class B common stock outstanding (approximately 45% of its common equity), approximately 35.8% of which were owned by the public and approximately 64.2% of which were owned by the Sponsors and senior management, including certain directors. As discussed above, each share of ESH REIT Class B common stock is attached to, and trades as a single unit with, one share of Corporation common stock (collectively, this single unit is referred to as a “Paired Share”).

As of December 31, 2015, the Corporation had approximately 204.6 million shares of common stock outstanding, approximately 36.9% of which were owned by the public and approximately 63.1% of which were owned by the

Sponsors and senior management, including certain directors. As of December 31, 2015, ESH REIT's common equity consisted of the following: (i) approximately 250.5 million shares of Class A common stock outstanding, all of which were owned by the Corporation, and (ii) approximately 204.6 million shares of Class B common stock outstanding, approximately 36.9% of which were owned by the public and approximately 63.1% of which were owned by the Sponsors and senior management, including certain directors.

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Basis of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP"), and include the financial position, results of operations, comprehensive income, changes in equity and cash flows of the Corporation and its consolidated subsidiaries. Third party equity interests in consolidated subsidiaries are presented as noncontrolling interests. Despite the fact that each share of Corporation common stock is paired on a one-for-one basis with each share of ESH REIT Class B common stock, the Corporation does not own the ESH REIT Class B common stock; therefore, ESH REIT Class B common stock represents a third party equity interest. As such, the rights associated with the ESH REIT Class B common stock, along with other third party equity interests in ESH REIT, which include 125 shares of preferred stock, are presented as noncontrolling interests in the accompanying unaudited condensed consolidated financial statements. Changes in ownership interests in a consolidated subsidiary that do not result in a loss of control are accounted for as equity transactions. All intercompany accounts and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Presentation—Certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. GAAP have been condensed or omitted in the accompanying unaudited condensed consolidated financial statements. The Company believes the disclosures made are adequate to prevent the information presented from being misleading. However, the unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2015 included in the combined annual report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on February 23, 2016.

The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal and recurring items) necessary to present fairly the Company's financial position as of June 30, 2016, the results of the Company's operations and comprehensive income for the three and six months ended June 30, 2016 and 2015 and changes in equity and cash flows for the six months ended June 30, 2016 and 2015. Interim results are not necessarily indicative of full year performance because of the impact of seasonal and short-term variations, including the impact of our hotel renovation program.

Use of Estimates—The preparation of the accompanying unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management used significant estimates to estimate the useful lives of tangible assets as well as the assessment of tangible and intangible assets, including goodwill, for impairment, estimated liabilities for insurance reserves and the grant-date fair value of certain equity-based awards. Actual results could differ from those estimates.

Property and Equipment—Property and equipment additions are recorded at cost. Major improvements that extend the life or utility of property or equipment are capitalized and depreciated over a period equal to the shorter of the estimated useful life of the improvement or the remaining estimated useful life of the asset. Ordinary repairs and maintenance are charged to expense as incurred. Depreciation and amortization are recorded on a straight-line basis over estimated useful lives which range from three to 49 years.

Management assesses the performance of long-lived assets for potential impairment at least annually, as well as when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of property and equipment is measured by a comparison of the carrying amount of a hotel property to the estimated future undiscounted cash flows expected to be generated by each hotel property. Impairment is recognized when estimated future undiscounted cash flows, including proceeds from disposition, are less than the carrying value of each hotel property.

To the extent that a hotel property is impaired, the excess carrying amount of each hotel property over its estimated fair value is recognized as an impairment charge and reduces income from operations. Fair value is determined based upon the discounted cash flows of the hotel property, quoted market prices or independent appraisals, as considered necessary. No impairment charges were recognized during the six months ended June 30, 2016 or 2015 (see Note 5).

The estimation of future undiscounted cash flows is inherently uncertain and relies upon assumptions regarding current and future economic and market conditions. If such conditions change, then an impairment charge to reduce the carrying value of a hotel property could occur in a future period in which conditions change.

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Segments—The Company's hotel operations represent a single operating segment based on the way the Company manages its business. The Company's hotels provide similar services, use similar processes to sell those services and sell those services to similar classes of customers. The amounts of long-lived assets and net revenues outside the U.S. are not significant for any period presented.

Recently Issued Accounting Standards

Compensation—Stock Compensation—In March 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, and certain classifications on the statement of cash flows. The update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods with early application permitted. The Company does not expect the adoption of this update to have a material effect on its consolidated financial statements.

Leases— In February 2016, the FASB issued an accounting standards update which introduces a lessee model that requires a right-of-use asset and lease obligation to be presented on the balance sheet for all leases, whether operating or financing. The update eliminates the requirement in current U.S. GAAP for an entity to use bright-line tests in determining lease classification. The update also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. This update will be effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted, and must be applied using a modified retrospective approach, which will require adjustment to all comparative periods presented. The adoption of this update will require the recognition of a right-of-use asset and a lease obligation for the Company's ground leases and office lease (see Note 11). As of June 30, 2016, the future minimum lease payments under these operating leases totaled approximately \$95.6 million.

Intangibles—Goodwill and Other—Internal-Use Software—In April 2015, the FASB issued an accounting standards update which clarifies the accounting for fees paid by a customer in a cloud computing arrangement. This update provides guidance to customers regarding whether a cloud computing arrangement includes the sale or license of software or, alternatively, the sale of a service. The Company adopted this update on January 1, 2016. The adoption of this update did not have a material effect on the Company's unaudited condensed consolidated financial statements.

Consolidation—Amendments to the Consolidation Analysis—In February 2015, the FASB issued an accounting standards update which amends the consolidation requirements under U.S. GAAP, changing the analysis performed by a company to determine whether it has a variable interest in an entity and when to consolidate such entities. The Company adopted this update on January 1, 2016. The adoption of this update did not have a material effect on the Company's unaudited condensed consolidated financial statements.

Income Statement—Extraordinary and Unusual Items—In January 2015, the FASB issued an accounting standards update to simplify income statement presentation by eliminating the concept of extraordinary items. The Company adopted this update on January 1, 2016. The adoption of this update did not have a material effect on the Company's unaudited condensed consolidated financial statements.

Contractual Revenue—Since May 2014, the FASB has issued several accounting standards updates which amend existing revenue recognition accounting standards. These updates are based on the principle that revenue is recognized when an entity transfers goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. These updates also require more detailed disclosure to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. These updates are effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted for interim and annual periods beginning after December 15, 2016. The Company is currently assessing the impact these updates will have on its consolidated financial statements.

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3. NET INCOME PER SHARE

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of the Corporation's unrestricted common stock outstanding. Diluted net income per share is computed by dividing net income available to common shareholders, as adjusted for potentially dilutive securities, by the weighted-average number of shares of the Corporation's unrestricted common stock outstanding plus other potentially dilutive securities. Dilutive securities include certain equity-based awards issued under long-term incentive plans (see Note 12).

The calculations of basic and diluted net income per share, including a reconciliation of the numerators and denominators, are as follows:

(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator:				
Net income available to common shareholders - basic	\$60,729	\$57,983	\$77,775	\$79,531
Less amounts available to noncontrolling interests assuming conversion	—	(6)	—	(12)
Net income available to common shareholders - diluted	\$60,729	\$57,977	\$77,775	\$79,519
Denominator:				
Weighted-average number of common shares outstanding - basic	201,600	204,227	202,955	204,117
Dilutive securities	89	326	74	348
Weighted-average number of common shares outstanding - diluted	201,689	204,553	203,029	204,465
Net income per common share - basic	\$0.30	\$0.28	\$0.38	\$0.39
Net income per share common share - diluted	\$0.30	\$0.28	\$0.38	\$0.39

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4. HOTEL DISPOSITIONS

On December 8, 2015, the Company sold a portfolio of 53 hotel properties, 47 of which operated under the Crossland Economy Studios brand and six of which operated under the Extended Stay America brand, and certain intellectual property of Crossland Economy Studios (the "Portfolio Sale"), for gross proceeds of \$285.0 million. The carrying value of this portfolio, including net working capital and allocable goodwill, was approximately \$145.4 million, resulting in a gain, net of closing costs and adjustments, of approximately \$130.9 million, which was reported in gain on sale of hotel properties in the consolidated statement of operations for the year ended December 31, 2015. This disposition was not reported as a discontinued operation.

During the three and six months ended June 30, 2015, these hotel properties contributed total room and other hotel revenues, total operating expenses and income before income tax expense as follows (in thousands):

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Total room and other hotel revenues	\$18,428	\$35,377
Total operating expenses	11,943	23,736
Income before income tax expense ⁽¹⁾	5,528	9,761

⁽¹⁾ The only interest expense included is related to approximately \$86.1 million of ESH REIT's 2012 Mortgage Loan (as defined in Note 7) repaid in conjunction with the Portfolio Sale.

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5. PROPERTY AND EQUIPMENT

Net investment in property and equipment as of June 30, 2016 and December 31, 2015, consists of the following (in thousands):

	June 30, 2016	December 31, 2015
Hotel properties:		
Land and site improvements	\$1,299,815	\$1,296,918
Building and improvements	2,901,286	2,859,227
Furniture, fixtures and equipment	568,149	522,617
Total hotel properties	4,769,250	4,678,762
Corporate furniture, fixtures, equipment, software and other	20,734	22,833
Undeveloped land parcel	1,675	1,675
Total cost	4,791,659	4,703,270
Less accumulated depreciation:		
Hotel properties	(864,921)	(767,240)
Corporate furniture, fixtures, equipment, software and other	(12,976)	(14,689)
Total accumulated depreciation	(877,897)	(781,929)
Property and equipment - net	\$3,913,762	\$3,921,341

During the six months ended June 30, 2016 and 2015, the Company, using Level 3 unobservable inputs, assessed property and equipment for potential impairment. No impairment charges were recognized during the six months ended June 30, 2016 or 2015. Quantitative information with respect to unobservable inputs consists of internally developed cash flow models that include the following assumptions, among others: projections of revenues, expenses and hotel related cash flows based on assumed long-term growth rates, demand trends, expected future capital expenditures and estimated discount rates. These assumptions are based on the Company's historical data and experience, the Company's budgets, industry projections and micro and macro general economic condition projections. As of June 30, 2016, substantially all of the hotel properties (625 of 629 hotel properties) are pledged as collateral for ESH REIT's 2012 Mortgage Loan (as defined in Note 7).

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6. INTANGIBLE ASSETS AND GOODWILL

The Company's intangible assets and goodwill as of June 30, 2016 and December 31, 2015, consist of the following (dollars in thousands):

June 30, 2016				
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Definite-lived intangible assets—customer relationships	20 years	\$26,800	\$ (7,680)	\$ 19,120
Indefinite-lived intangible assets—trademarks		9,933	—	9,933
Total intangible assets		36,733	(7,680)	29,053
Goodwill		53,531	—	53,531
Total intangible assets and goodwill		\$90,264	\$ (7,680)	\$ 82,584

December 31, 2015				
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Definite-lived intangible assets—customer relationships	20 years	\$26,800	\$ (7,010)	\$ 19,790
Indefinite-lived intangible assets—trademarks		9,933	—	9,933
Total intangible assets		36,733	(7,010)	29,723
Goodwill		53,531	—	53,531
Total intangible assets and goodwill		\$90,264	\$ (7,010)	\$ 83,254

The remaining weighted-average amortization period for definite-lived intangible assets is approximately 14 years as of June 30, 2016. Estimated future amortization expense for definite-lived intangible assets is as follows (in thousands):

Years Ending December 31,	
Remainder of 2016	\$670
2017	1,340
2018	1,340
2019	1,340
2020	1,340
Thereafter	13,090
Total	\$19,120

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7. DEBT

Summary - The Company's outstanding debt, net of unamortized debt discounts and unamortized deferred financing costs as of June 30, 2016 and December 31, 2015, consists of the following (dollars in thousands):

Loan	Stated Amount(1)	Outstanding Principal		Unamortized Deferred Financing Costs ⁽¹⁰⁾		Interest Rate		Maturity	
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	Stated Interest Rate	June 30, 2016	December 31, 2015	Date
Mortgage loan 2012									
Mortgage Loan - Component B	\$350,000	\$—	\$111,157	\$—	\$784	3.4047 %	N/A	3.4047 %	12/1/2017
Mortgage Loan - Component C	1,820,000	1,497,620	1,820,000	13,460	18,752	4.0547 %	4.0547 %	4.0547 %	12/1/2019
Term loan facility 2014 Term Loan	375,000	—	365,157	(2) —	3,635	LIBOR ⁽³⁾⁽⁴⁾ + 4.25%	N/A	5.00 %	6/24/2019
Senior notes 2025 Notes ⁽⁵⁾	1,300,000	1,288,384	(6) 500,000	24,934	10,756	5.25 %	5.25 %	5.25 %	5/1/2025
Revolving credit facilities									
ESH REIT Revolving Credit Facility ⁽⁷⁾	250,000	(8) —	—	618	1,431	LIBOR ⁽³⁾ + 3.00%	N/A	N/A	11/18/2016 ⁽⁹⁾
Corporation Revolving Credit Facility ⁽⁷⁾	50,000	—	—	415	956	LIBOR ⁽³⁾ + 3.75%	N/A	N/A	11/18/2016 ⁽⁹⁾
Total		\$2,786,004	\$2,796,314	\$39,427	\$36,314				

(1) Amortization is interest only.

The 2014 Term Loan is presented net of an unamortized debt discount of approximately \$1.3 million as of December 31, 2015.

(2) London Interbank Offering Rate.

(4) The 2014 Term Loan included a LIBOR floor of 0.75%.

(5) In March 2016, ESH REIT issued an additional \$800.0 million of its 2025 Notes.

(6)

The 2025 Notes are presented net of an unamortized debt discount of approximately \$11.6 million as of June 30, 2016.

- (7) Each revolving credit facility's unamortized deferred financing costs are included in other assets in the accompanying unaudited condensed consolidated balance sheets.
- (8) ESH REIT is able to request to increase the facility to an amount of up to \$350.0 million at any time, subject to certain conditions.
- (9) Each revolving credit facility is subject to a one-year extension option.

- (10) As of December 31, 2015, the Company early adopted FASB accounting standards updates which require that debt issuance costs related to a recognized debt liability, excluding revolving credit facilities, are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts.

During the six months ended June 30, 2016, ESH REIT issued \$800.0 million of additional 2025 Notes (as defined below) at 98.5% of par value. ESH REIT received net proceeds of approximately \$772.8 million, which, together with cash on hand, were used to fully repay the balance of approximately \$366.5 million outstanding under its 2014 Term Loan (as defined below) and repay approximately \$433.5 million of the outstanding balance under its 2012 Mortgage Loan (as defined below), which consisted of approximately \$111.2 million of Component B and approximately \$322.3 million of Component C. ESH REIT incurred approximately \$12.1 million of debt extinguishment costs in connection with the full repayment of the 2014 Term Loan and partial repayment of the 2012 Mortgage Loan, consisting of the write-off of unamortized deferred financing costs and debt discount of approximately \$8.4 million and prepayment penalties and other costs of approximately \$3.7 million. Debt extinguishment costs are included as a component of net interest expense in the accompanying unaudited condensed consolidated statements of operations.

ESH REIT Mortgage Loan

On November 30, 2012, subsidiaries of ESH REIT entered into a \$2.52 billion mortgage loan comprised of three components (the "2012 Mortgage Loan"). After giving effect to principal repayments, including the March 2016 repayment discussed above, monthly required interest-only payments are approximately \$5.1 million. Principal amounts, interest rates and maturities of components of the 2012 Mortgage Loan are included in the table above. Component C of the 2012 Mortgage Loan may be prepaid without incurring a prepayment penalty or premium.

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As of June 30, 2016 and December 31, 2015, substantially all of ESH REIT's hotel properties served as collateral for the 2012 Mortgage Loan. ESH REIT guarantees, under a customary recourse carve out guaranty (i) under certain limited circumstances, losses related to the 2012 Mortgage Loan plus enforcement costs incurred by the lenders and (ii) under certain other limited circumstances, repayment of the 2012 Mortgage Loan up to an aggregate liability under this clause (ii) of \$252.0 million plus enforcement costs.

In connection with the 2012 Mortgage Loan, the Loan Parties (as defined in the agreement governing the 2012 Mortgage Loan) made certain representations, warranties and covenants customary in similar mortgage loan transactions, including, without limitation, regarding the ownership and operation of the hotels and standard special purpose bankruptcy remote entity provisions that are provided in order to make certain that each loan party (and certain specified affiliates) will maintain a prescribed level of separateness to forestall a substantive consolidation of such entities in the event of a bankruptcy action. The occurrence of a Mortgage Loan Event of Default, a Debt Yield Trigger Event (a Debt Yield, as defined, of less than 9.0%), or a Guarantor Bankruptcy Event triggers a Cash Trap Event, each as defined. During the period of a Cash Trap Event, any excess cash flow, after all monthly requirements (including the payment of management fees and operating expenses) are fully funded, is held by the loan service agent as additional collateral for the 2012 Mortgage Loan. As of June 30, 2016, none of these events had occurred and the Debt Yield was approximately 37.8%.

A right of contribution agreement provides that if any funds of the Corporation are needed and used to service ESH REIT's obligations under the 2012 Mortgage Loan, such as in the case of a Cash Trap Event, ESH REIT shall be obligated to reimburse the Corporation, with interest, for the amount of any such funds that were applied for this purpose as soon as permitted under the 2012 Mortgage Loan. Interest shall accrue on ESH REIT's reimbursement obligation at the relevant applicable federal rate as determined under Section 1274(d) of the Internal Revenue Code of 1986, as amended (the "Code"). In lieu of cash payment, the Corporation may elect, at its option, to receive payment in the form of additional shares of Class A common stock of ESH REIT of an equivalent value.

The 2012 Mortgage Loan is subject to certain customary events of default. Upon the occurrence of an Event of Default, as defined, the lender may, among other things, take the following actions: (i) accelerate the maturity date of the 2012 Mortgage Loan, (ii) foreclose on any or all of the mortgages securing the mortgage loan or (iii) apply amounts on deposit in the reserve accounts to pay the debt service on the 2012 Mortgage Loan.

All receipts from the mortgaged properties are required to be deposited into a domestic cash management account ("CMA") for hotels in the U.S. and a Canadian CMA for hotels in Canada. Such CMAs are under the control of the loan service agent as specified by the terms of the mortgage loan agreement and cash management agreements and are, therefore, classified as restricted cash on the accompanying unaudited condensed consolidated balance sheets.

Receipts are allocated to CMA subaccounts for hotel occupancy/goods and services sales taxes, real estate taxes, insurance, ground leases, operating expenses (including management fees and reimbursements), capital improvements and mortgage debt service. Funds in excess of a month's Canadian waterfall requirements are converted to U.S. dollars and transferred to the domestic CMA. Funds in excess of a month's domestic waterfall requirements are distributed to the Corporation and/or ESH REIT so long as no Cash Trap Event has occurred.

ESH REIT Term Loan Facility

On March 18, 2016, using a portion of the net proceeds from its issuance of \$800.0 million of additional 2025 Notes (as defined below), together with cash on hand, ESH REIT fully repaid the remaining outstanding balance of approximately \$366.5 million of its \$375.0 million term loan facility (the "2014 Term Loan") originally entered into in June 2014. The 2014 Term Loan was scheduled to mature on June 24, 2019 and bore interest at a rate equal to (i) LIBOR (subject to a floor of 0.75%) plus 4.25%, or (ii) a base rate (determined by reference to the highest of (1) the prime lending rate, (2) the overnight federal funds rate plus 0.5%, or (3) the one-month adjusted LIBOR rate (subject to a floor of 0.75%) plus 1.0%) plus 3.25%. There was no scheduled amortization on the 2014 Term Loan; however, subject to certain exceptions, mandatory prepayments of up to 50% of Excess Cash Flow may have been required, based on ESH REIT's Consolidated Leverage Ratio, each as defined. ESH REIT made a mandatory prepayment of approximately \$8.5 million during the three months ended March 31, 2015.

Obligations under the 2014 Term Loan were guaranteed by certain of ESH REIT's domestic subsidiaries. The 2014 Term Loan was secured by a first-priority security interest in substantially all of the assets of ESH REIT and the

guarantors under the facility on a pari passu basis with obligations under the ESH REIT Revolving Credit Facility (as defined below), with certain exceptions, including certain entities that were not pledged pursuant to the 2012 Mortgage Loan. Subject to an intercreditor agreement, that, among other things, provided priority in favor of the ESH REIT Revolving Credit Facility under certain circumstances, the 2014 Term Loan was prepayable prior to its maturity, subject to a prepayment penalty on or after December

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24, 2015 but prior to June 24, 2016 in an amount equal to 1.0% of the aggregate principal amount repaid. As such, the March 2016 repayment discussed above resulted in a prepayment penalty of approximately \$3.7 million.

The 2014 Term Loan contained a number of restrictive covenants that, among other things and subject to certain exceptions, restricted ESH REIT's ability and the ability of its subsidiaries to incur additional indebtedness, pay distributions and make other restricted payments, engage in transactions with ESH REIT's affiliates, sell all or substantially all of its assets, merge and create liens. The 2014 Term Loan also contained certain customary affirmative covenants and events of default. During a Trigger Event, an Adjusted Trigger Event, a Default or an Event of Default, each as defined, ESH REIT was restricted from making cash distributions, subject to certain exceptions.

ESH REIT Senior Notes

On May 15, 2015, ESH REIT issued \$500.0 million of its 5.25% senior notes due in 2025 (the "2025 Notes") under an indenture (the "Indenture") with Deutsche Bank Trust Company Americas, as trustee, at 100% of their par value in a private placement pursuant to Rule 144A of the Securities Act. On March 18, 2016, ESH REIT issued an additional \$800.0 million of its 2025 Notes under the Indenture at 98.5% of their par value in a private placement pursuant to Rule 144A of the Securities Act. ESH REIT used the net proceeds from the 2015 offering, together with cash on hand, to repay \$500.0 million of the outstanding balance under its 2012 Mortgage Loan. ESH REIT used the net proceeds from the 2016 offering, together with cash on hand, to fully repay the balance of approximately \$366.5 million outstanding under its 2014 Term Loan and repay approximately \$433.5 million of the outstanding balance under its 2012 Mortgage Loan.

The 2025 Notes mature on May 1, 2025 and bear interest at a fixed rate of 5.25% per annum, payable semi-annually in arrears on May 1 and November 1 of each year.

The 2025 Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis by each of ESH REIT's subsidiaries that guarantee ESH REIT's obligations under the ESH REIT Revolving Credit Facility. The 2025 Notes rank equally in right of payment with ESH REIT's existing and future senior unsecured indebtedness, and senior in right of payment to all future subordinated indebtedness, if any. The 2025 Notes are effectively junior to any of ESH REIT's secured indebtedness to the extent of the value of the assets securing such indebtedness.

ESH REIT may redeem the 2025 Notes at any time on or after May 1, 2020, in whole or in part, at a redemption price equal to 102.625% of the principal amount, declining annually to 100% of the principal amount from May 1, 2023 and thereafter, plus accrued and unpaid interest. Prior to May 1, 2020, ESH REIT may redeem the 2025 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount, plus a "make-whole" premium, as defined in the Indenture, plus accrued and unpaid interest. Prior to May 1, 2018, subject to certain conditions, ESH REIT may redeem up to 35% of the aggregate principal amount of the 2025 Notes at a redemption price equal to 105.250% of the aggregate principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds from certain equity offerings, provided 65% of the original amount of the principal remains outstanding after the occurrence of each such redemption. Upon a Change of Control, as defined, holders of the 2025 Notes have the right to require ESH REIT to redeem the 2025 Notes at 101% of the principal amount, plus accrued and unpaid interest.

The Indenture contains a number of customary covenants that, subject to certain exceptions, limit ESH REIT's ability and the ability of certain of its subsidiaries to incur additional debt, create certain liens, pay dividends or distributions, make certain investments and other payments, enter into affiliate transactions, sell assets or merge, consolidate or transfer substantially all of their assets, among other things. ESH REIT was in compliance with all covenants set forth in the Indenture as of June 30, 2016.

Revolving Credit Facilities

ESH REIT Revolving Credit Facility—On November 18, 2013, ESH REIT entered into a \$250.0 million revolving credit facility (the "ESH REIT Revolving Credit Facility"). Subject to the satisfaction of certain criteria, ESH REIT is able to request to increase the facility to an amount up to \$350.0 million at any time. The facility provides for the issuance of up to \$50.0 million of letters of credit as well as borrowings on same day notice, referred to as swingline loans, in an amount up to \$20.0 million. ESH REIT incurs a fee of 0.35% or 0.175% on the unutilized revolver balance, based on the outstanding amount under the facility, and a fee of 3.125% on outstanding letters of credit. Borrowings under the facility bear interest at a rate equal to an adjusted LIBOR rate or a base rate determined by

reference to the highest of (i) the prime lending rate, (ii) the overnight federal funds rate plus 0.5% or (iii) the one-month adjusted LIBOR rate plus 1.0%, plus an applicable margin of 2.00% for base rate loans and 3.00% for LIBOR loans. There is no scheduled amortization under the facility and the facility matures on November 18, 2016, subject to a one-year extension option. ESH REIT had no letters of credit outstanding under this facility,

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an outstanding balance drawn of \$0 and borrowing capacity available of \$250.0 million as of June 30, 2016 and December 31, 2015.

ESH REIT's obligations under the ESH REIT Revolving Credit Facility are guaranteed by its existing and future direct and indirect domestic subsidiaries, with certain exceptions, including certain entities that may not provide guarantees pursuant to the 2012 Mortgage Loan. The ESH REIT Revolving Credit Facility is secured by a first-priority security interest in substantially all of the assets of ESH REIT and the guarantors under the facility, with certain exceptions, including certain entities that may not be pledged pursuant to the 2012 Mortgage Loan.

The ESH REIT Revolving Credit Facility contains a number of covenants that, among other things and subject to certain exceptions, restrict ESH REIT's ability and the ability of its subsidiaries to incur additional indebtedness, pay distributions and make other restricted payments, engage in transactions with ESH REIT's affiliates, sell all or substantially all of its assets, merge and create liens. The ESH REIT Revolving Credit Facility also contains certain customary affirmative covenants and events of default.

If any loans or obligations are outstanding during any fiscal quarter, the ESH REIT Revolving Credit Facility requires that the Consolidated Leverage Ratio, as defined, calculated as of the end of such fiscal quarter, be less than or equal to 9.00 to 1.0. Further, if loans or obligations are outstanding during any calendar month, the ESH REIT Revolving Credit Facility requires that the Debt Yield or the Adjusted Debt Yield, each as defined, not be less than 9.0% as of the last day of such calendar month.

In order to avoid a Trigger Event or an Adjusted Trigger Event, the ESH REIT Revolving Credit Facility requires a Debt Yield and an Adjusted Debt Yield, each as defined, of at least 11.5%. The occurrence of a Trigger Event or an Adjusted Trigger Event would require ESH REIT to repay the outstanding facility balance and cash collateralize outstanding letters of credit and restrict ESH REIT from making cash distributions, subject to certain exceptions. As of June 30, 2016, the Debt Yield and Adjusted Debt Yield were approximately 37.8% and 20.3%, respectively, and no Trigger Event or Adjusted Trigger Event had occurred.

Corporation Revolving Credit Facility—On November 18, 2013, the Corporation entered into a revolving credit facility (the "Corporation Revolving Credit Facility") of \$75.0 million. On November 18, 2014, the borrowing availability under the facility decreased to \$50.0 million. The facility provides for the issuance of up to \$50.0 million of letters of credit as well as borrowings on same day notice, referred to as swingline loans, in an amount up to \$20.0 million. The Corporation incurs a fee of 0.35% or 0.175% on the unutilized revolver balance, based on the outstanding amount under the facility, and a fee of 3.875% on outstanding letters of credit. Borrowings under the facility bear interest at a rate equal to an adjusted LIBOR rate or a base rate determined by reference to the highest of (i) the prime lending rate, (ii) the overnight federal funds rate plus 0.5% or (iii) the one-month adjusted LIBOR rate plus 1.0%, plus an applicable margin of 2.75% for base rate loans and 3.75% for LIBOR loans. There is no scheduled amortization under the facility and the facility matures on November 18, 2016, subject to a one-year extension option. As of June 30, 2016 and December 31, 2015, the Corporation had one letter of credit outstanding under this facility of \$1.8 million, an outstanding balance drawn of \$0 and borrowing capacity available of \$48.2 million.

The Corporation's obligations under the Corporation Revolving Credit Facility are guaranteed by its existing and future direct and indirect domestic subsidiaries, with certain exceptions, including, but not limited to, ESH REIT and its subsidiaries and certain other entities that may not provide guarantees pursuant to ESH REIT's 2012 Mortgage Loan. The Corporation Revolving Credit Facility is secured by a first-priority security interest in substantially all of the assets of the Corporation and the guarantors under the facility, with certain exceptions, including certain entities that may not be pledged pursuant to the 2012 Mortgage Loan.

The Corporation Revolving Credit Facility contains a number of covenants that, among other things and subject to certain exceptions, restrict the Corporation's ability and the ability of its subsidiaries (other than, with certain exceptions, ESH REIT and its subsidiaries) to incur additional indebtedness, pay distributions and make other restricted payments, engage in transactions with the Corporation's affiliates, sell all or substantially all of their assets, merge and create liens. The Corporation Revolving Credit Facility also contains certain customary affirmative covenants and events of default.

If any loans or obligations are outstanding during any fiscal quarter, the Corporation Revolving Credit Facility requires that the Consolidated Leverage Ratio, as defined, calculated as of the end of such fiscal quarter, be less than or equal to 8.75 to 1.0. Further, if loans or obligations are outstanding during any calendar month, the Corporation Revolving Credit Facility requires that the Debt Yield and the Adjusted Debt Yield, each as defined, not be less than 9.0% as at the last day of such calendar month.

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In order to avoid a Trigger Event or an Adjusted Trigger Event, the Corporation Revolving Credit Facility requires a Debt Yield and an Adjusted Debt Yield, each as defined, of at least 12.0%. The occurrence of a Trigger Event or an Adjusted Trigger Event would require the Corporation to repay the outstanding facility balance and cash collateralize outstanding letters of credit and restrict the Corporation from making cash distributions, subject to certain exceptions. As of June 30, 2016, the Debt Yield and Adjusted Debt Yield were approximately 37.8% and 20.2%, respectively, and no Trigger Event or Adjusted Trigger Event had occurred.

Future Maturities of Debt—The future maturities of debt as of June 30, 2016, are as follows (in thousands):

Years Ending December 31,

Remainder of 2016	\$—
2017	—
2018	—
2019	1,497,620
2020	—
Thereafter	1,300,000
Total	\$2,797,620

Fair Value of Debt—As of June 30, 2016 and December 31, 2015, the estimated fair value of ESH REIT's 2012 Mortgage Loan, 2014 Term Loan and 2025 Notes was approximately \$2.8 billion. Estimated fair values are determined by comparing current borrowing rates and risk spreads offered in the market to the stated interest rates and spreads on ESH REIT's 2012 Mortgage Loan, 2014 Term Loan and 2025 Notes (Level 2 fair value measures) or quoted market prices (Level 1 fair value measures), when available.

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8. MANDATORILY REDEEMABLE PREFERRED STOCK

The Corporation has authorized 350.0 million shares of preferred stock, par value \$0.01 per share, of which 21,202 shares of mandatorily redeemable voting preferred stock were issued and outstanding as of June 30, 2016 and December 31, 2015. Dividends on these preferred shares are payable quarterly in arrears at a rate of 8.0% per year. With respect to dividend, distribution and liquidation rights, the 8.0% voting preferred stock ranks senior to the Corporation's common stock. Holders of the 8.0% voting preferred stock are generally entitled to one vote for each share and will vote together with the Corporation common stock as a single class on all matters that the Corporation's common shareholders are entitled to vote upon. On or after November 15, 2018, a holder of the 8.0% voting preferred stock has the right to require the Corporation to redeem in cash the 8.0% voting preferred stock at \$1,000 per share plus any accumulated unpaid dividends. On November 15, 2020, the Corporation shall mandatorily redeem all of the 8.0% voting preferred stock at \$1,000 per share plus any accumulated unpaid dividends.

Due to the fact that the outstanding 8.0% voting preferred stock is mandatorily redeemable by the Corporation, it is classified as a liability on the accompanying unaudited condensed consolidated balance sheets. Dividends on these preferred shares are classified as net interest expense on the accompanying unaudited condensed consolidated statements of operations.

Fair Value of Mandatorily Redeemable Preferred Stock—As of June 30, 2016 and December 31, 2015, the estimated fair value of the 8.0% voting preferred stock was approximately \$21.5 million and \$21.2 million, respectively. The estimated fair value of the 8.0% voting preferred stock is determined by comparing current borrowing rates and risk spreads offered in the market to the stated interest rates and spreads (Level 2 fair value measures).

9. INCOME TAXES

The Company's taxable income includes the taxable income of its wholly-owned subsidiaries and distribution income related to its ownership of approximately 55% of ESH REIT.

ESH REIT has elected to be taxed and expects to continue to qualify as a real estate investment trust ("REIT") under Sections 856 through 860 of the Code. A REIT is a legal entity that holds real estate assets and is generally not subject to federal and state income taxes. In order to maintain qualification as a REIT, ESH REIT is required to distribute at least 90% of its taxable income, excluding net capital gain, to its shareholders each year. In addition, ESH REIT must meet a number of complex organizational and operational requirements. If ESH REIT were to fail to qualify as a REIT in any taxable year, it would be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and generally would be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which it lost its REIT qualification. Even in qualifying as a REIT, ESH REIT may be subject to state and local taxes in certain jurisdictions, and is subject to federal income and excise taxes on undistributed income.

In 2015, ESH REIT distributed approximately 95% of its taxable income and utilized its federal net operating loss carryforward of approximately \$18.6 million. As a result, in 2015, ESH REIT incurred minimal current federal income tax in the form of alternative minimum tax. ESH REIT intends to distribute its taxable income to the extent necessary to optimize its tax efficiency including, but not limited to, maintaining its REIT status, while retaining sufficient capital for its ongoing needs. Accordingly, ESH REIT expects to distribute approximately 100% of its taxable income for the foreseeable future. As of December 31, 2015, the expectation was to distribute approximately 95% of ESH REIT's taxable income. As a result of this change, during the three months ended March 31, 2016, the Company recognized a benefit of approximately \$1.8 million with respect to the reversal of net deferred tax liabilities recorded as of December 31, 2015, which represented the previously estimated 5% of taxable income to be retained by ESH REIT.

In January 2016, ESH REIT paid a special distribution of approximately \$86.5 million. Approximately \$77.4 million of the special distribution was deductible in 2015; the remaining approximately \$9.1 million is deductible in 2016. The special distribution is subject to current taxation to the Corporation as a distribution in 2016 at the time of receipt. During the three months ended June 30, 2016, the Company recognized a benefit of approximately \$7.7 million attributable to a December 2015 statutory law change in the way earnings and profits are computed at ESH REIT. The effect of the change was the reversal of a deferred tax liability related to the Corporation's anticipated receipt of

future ESH REIT nontaxable distributions.

The Company recorded a provision for federal, state and foreign income taxes of approximately \$7.4 million for the three months ended June 30, 2016, an effective rate of approximately 10.8%, as compared with a provision of approximately \$17.9 million for the three months ended June 30, 2015, an effective rate of approximately 21.6%. The Company recorded a provision for federal, state and foreign income taxes of approximately \$10.3 million for the six months ended June 30, 2016, an effective

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rate of approximately 12.0%, as compared with a provision of approximately \$26.8 million for the six months ended June 30, 2015, an effective rate of approximately 22.5%. The Company's effective rate differs from the federal statutory rate of 35% primarily due to ESH REIT's status as a REIT under the provisions of the Code. For the three months ended June 30, 2016, the Company's effective rate was impacted by the approximate \$7.7 million benefit discussed above. For the six months ended June 30, 2016, the effective rate was further impacted by the approximate \$1.8 million benefit also discussed above.

The Company's income tax returns for the years 2012 to present are subject to examination by the Internal Revenue Service and other taxing authorities.

10. RELATED PARTY TRANSACTIONS

In March 2016, in connection with ESH REIT's \$800.0 million issuance of its 2025 Notes discussed in Note 7, an affiliate of one of the Sponsors acted as an initial purchaser and purchased \$24.0 million of the 2025 Notes. As such, the affiliate of one of the Sponsors earned approximately \$0.4 million in fees related to the transaction for the six months ended June 30, 2016.

Investment funds of the Sponsors held 21,105 shares of the Corporation's outstanding mandatorily redeemable preferred stock as of June 30, 2016 and December 31, 2015.

11. COMMITMENTS AND CONTINGENCIES

Lease Commitments—The Company is a tenant under long-term ground leases at four of its hotel properties. The initial terms of the ground lease agreements terminate at various dates between 2016 and 2096, and three leases include multiple renewal options for generally five or 10 year periods. The Company is a tenant under an office lease for its corporate office in Charlotte, North Carolina. The initial term of the office lease terminates in August 2021 and includes renewal options for two additional terms of five years each.

Rent expense on ground and office leases is recognized on a straight-line basis and was approximately \$0.8 million for each of the three months ended June 30, 2016 and 2015, and approximately \$1.6 million for each of the six months ended June 30, 2016 and 2015. Ground lease expense is included in hotel operating expenses and office lease expense is included in general and administrative expenses in the accompanying unaudited condensed consolidated statements of operations.

Other Commitments—The Company has a commitment to make quarterly payments in lieu of taxes to the owner of the land on which one of its properties is located. The initial term of the agreement terminates in 2031. The cost related to this commitment was approximately \$0.1 million for each of the three months ended June 30, 2016 and 2015, and \$0.1 million for each of the six months ended June 30, 2016 and 2015, and is included in hotel operating expenses in the accompanying unaudited condensed consolidated statements of operations.

Letters of Credit—As of June 30, 2016, the Company had one outstanding letter of credit, issued by the Corporation, for \$1.8 million, which is collateralized by the Corporation's revolving credit facility.

Paired Share Repurchase Commitments—As of June 30, 2016, the Corporation and ESH REIT agreed to repurchase approximately 0.1 million Corporation common shares and approximately 0.1 million ESH REIT Class B common shares, respectively, for approximately \$0.3 million and \$0.2 million, respectively, for which settlement had not yet occurred.

Legal Contingencies—The Company is not a party to any litigation or claims, other than routine matters arising in the ordinary course of business that are incidental to the operation of the business of the Company. The Company believes that the results of all claims and litigation, individually or in the aggregate, will not have a material adverse effect on its business or unaudited condensed consolidated financial statements.

12. EQUITY-BASED COMPENSATION

The Corporation and ESH REIT each maintain a long-term incentive plan ("LTIP"), as amended and restated in 2015, approved by their shareholders. Under the LTIPs, the Corporation and ESH REIT may issue to eligible employees or directors restricted stock awards ("RSAs"), restricted stock units ("RSUs") or other equity-based awards, in respect of Paired Shares, with service, performance or market vesting conditions. The aggregate number of Paired Shares that

may be the subject of awards under the LTIPs shall not exceed 8,000,000, of which no more than 4,000,000 may be granted as incentive stock options. Each of the Corporation's and ESH REIT's LTIP has a share reserve of an equivalent number of shares of Corporation common stock and ESH REIT Class B common stock. As of June 30, 2016, approximately 4,005,000 Paired Shares were available for future issuance under the LTIPs.

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Equity-based compensation expense is recognized by amortizing the grant-date fair value of the equity-based awards, less estimated forfeitures, on a straight-line basis over the requisite service period of each award. A portion of the grant-date fair value of all equity-based awards is allocated to a share of common stock of the Corporation and a portion is allocated to a share of ESH REIT Class B common stock. Equity-based compensation expense was approximately \$2.9 million and \$2.8 million for the three months ended June 30, 2016 and 2015, respectively, and approximately \$5.6 million and \$4.9 million for the six months ended June 30, 2016 and 2015, respectively, and is included in general and administrative expenses in the accompanying unaudited condensed consolidated statements of operations.

As of June 30, 2016, unrecognized compensation expense related to outstanding equity-based awards and the related weighted-average period over which it is expected to be recognized subsequent to June 30, 2016, is presented in the following table. Total unrecognized compensation expense will be adjusted for actual forfeitures.

	Unrecognized Compensation Expense Related to Outstanding RSAs/RSUs (in thousands)	Remaining Weighted-Average Amortization Period (in years)
RSAs/RSUs with service vesting conditions	\$ 12,683	2.1
RSUs with performance vesting conditions	682	0.5
RSUs with market vesting conditions	7,197	2.3
Total unrecognized compensation expense	\$ 20,562	

RSA/RSU activity during the six months ended June 30, 2016, was as follows:

	Service-Based Awards		Performance-Based Awards			
	Number of RSAs/RSUs (in thousands)	Weighted-Average Grant-Date Fair Value	Number of RSUs (in thousands)	Weighted-Average Grant-Date Fair Value	Number of RSUs (in thousands)	Weighted-Average Grant-Date Fair Value ⁽¹⁾
Outstanding RSAs/RSUs - January 1, 2016	992	\$ 18.24	19	\$ 19.07	556	\$ 6.81
RSAs/RSUs granted in 2016	527	\$ 14.09	166	\$ 14.07	441	\$ 12.03
RSAs/RSUs settled in 2016	(524)	\$ 16.72	(19)	\$ 19.07	—	\$ —
RSAs/RSUs forfeited in 2016	(19)	\$ 16.09	(1)	\$ 14.07	(4)	\$ 15.04
Outstanding RSAs/RSUs - June 30, 2016	976	\$ 16.86	165	\$ 14.07	993	\$ 9.10
Vested RSAs/RSUs - June 30, 2016	7	\$ 20.15	—	\$ —	—	\$ —
Nonvested RSAs/RSUs - June 30, 2016	969	\$ 16.83	165	\$ 14.07	993	\$ 9.10

(1) An independent third-party valuation was performed contemporaneously with the issuance of grants.

Service-Based Awards

The Corporation granted approximately 512,000 service-based awards during the six months ended June 30, 2016, with a weighted-average grant-date fair value per award of \$14.09. ESH REIT granted approximately 15,000 service-based awards during the six months ended June 30, 2016, with a grant-date fair value per award of \$14.08. The grant-date fair value of awards with service vesting conditions is based on the closing price of a Paired Share on the date of grant. Service-based awards vest over a period of two to four years, subject to the grantee's continued employment or service.

Performance-Based Awards

The Corporation granted approximately 166,000 awards with performance vesting conditions during the six months ended June 30, 2016, with a grant-date fair value per award of \$14.07. The grant-date fair value of awards with performance vesting conditions is based on the closing price of a Paired Share on the date of grant. Equity-based compensation expense with respect to these awards is adjusted over the remainder of the fiscal year to reflect the probability of achievement of

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performance targets defined in the award agreements. These awards vest over the remainder of the fiscal year, subject to the grantee's continued employment, with the ability to earn Paired Shares in a range of 0% to 200% of the awarded number of RSUs based on the achievement of defined performance targets. As of June 30, 2016, all awards with performance vesting conditions are expected to be satisfied at less than 100% of their target level.

The Corporation granted approximately 441,000 awards with market vesting conditions during the six months ended June 30, 2016, with a grant-date fair value per award of \$12.03. These awards vest at the end of a three-year period, subject to the grantee's continued employment, with the ability to earn Paired Shares in a range of 0% to 150% of the awarded number of RSUs based on the total shareholder return of a Paired Share relative to the total shareholder return of other publicly traded lodging companies identified in the award agreements. The grant-date fair value of awards with market vesting conditions is based on an independent third-party valuation. During the six months ended June 30, 2016, the grant-date fair value of awards granted during the quarter with market vesting conditions was calculated using a Monte Carlo simulation model with the following key assumptions:

Expected holding period	2.85	
	years	
Risk-free rate of return	0.88	%
Expected dividend yield	5.91	%

13. DEFINED CONTRIBUTION PLANS

ESA Management has a savings plan that qualifies under Section 401(k) of the Code for all employees meeting the eligibility requirements of the plan. Through December 31, 2015, the plan had an employer-matching contribution of 50% of the first 6% of an employee's contribution, which vested over an employee's initial five-year service period. Beginning January 1, 2016, the plan has an employer-matching contribution of 100% of the first 3% of an employee's contribution and 50% of the next 2% of an employee's contribution, which vests immediately. The plan also provides for contributions up to 100% of eligible employee pretax salary, subject to the Code's annual deferral limit of \$18,000 during 2016 and 2015. Employer contributions, net of forfeitures, totaled approximately \$0.8 million and \$0.4 million for the three months ended June 30, 2016 and 2015, respectively, and approximately \$1.9 million and \$0.8 million for the six months ended June 30, 2016 and 2015, respectively.

Effective June 9, 2016, ESA Management established a non-qualified deferred compensation plan to allow certain eligible employees an option to defer a portion of their compensation on a tax-deferred basis. At this time, ESA Management does not offer a matching contribution. The plan is fully funded in a Rabbi Trust, which is subject to creditor claims in the event of insolvency, but the assets held in the Rabbi Trust are not available for general corporate purposes. As of June 30, 2016, no amounts were deferred.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2016, the Corporation and ESH REIT repurchased and retired approximately 0.1 million Corporation common shares and approximately 0.1 million ESH REIT Class B common shares, respectively, for approximately \$1.0 million and \$0.6 million, respectively.

On July 28, 2016, the Board of Directors of the Corporation declared a cash distribution of \$0.09 per share for the second quarter of 2016 on its common stock. The distribution is payable on August 25, 2016 to shareholders of record as of August 11, 2016. Also on July 28, 2016, the Board of Directors of ESH REIT declared a cash distribution of \$0.10 per share for the second quarter of 2016 on its Class A and Class B common stock. This distribution is also payable on August 25, 2016 to shareholders of record as of August 11, 2016.

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ESH HOSPITALITY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 AS OF JUNE 30, 2016 AND DECEMBER 31, 2015
 (In thousands, except share and per share data)
 (Unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
PROPERTY AND EQUIPMENT - Net of accumulated depreciation of \$862,129 and \$765,034	\$3,913,454	\$3,920,906
RESTRICTED CASH	165,897	60,945
CASH AND CASH EQUIVALENTS	40,109	223,256
RENTS RECEIVABLE FROM EXTENDED STAY AMERICA, INC.	30,187	4,299
DEFERRED RENTS RECEIVABLE FROM EXTENDED STAY AMERICA, INC.	40,903	41,546
GOODWILL	52,245	52,245
OTHER ASSETS	10,813	13,352
TOTAL ASSETS	\$4,253,608	\$4,316,549
LIABILITIES AND EQUITY		
LIABILITIES:		
Mortgage loan payable - Net of unamortized deferred financing costs of \$13,460 and \$19,536	\$1,484,160	\$1,911,621
Senior notes payable - Net of unamortized deferred financing costs and debt discount of \$36,550 and \$10,756	1,263,450	489,244
Term loan facility payable - Net of unamortized deferred financing costs and debt discount of \$0 and \$4,940	—	361,523
Unearned rental revenues from Extended Stay America, Inc.	143,686	38,321
Due to Extended Stay America, Inc.	107,960	64,680
Accounts payable and accrued liabilities	66,505	101,997
Deferred tax liabilities	469	2,697
Total liabilities	3,066,230	2,970,083
COMMITMENTS AND CONTINGENCIES (Note 9)		
EQUITY:		
Common stock - Class A: \$0.01 par value, 4,300,000,000 shares authorized, 250,493,583 shares issued and outstanding; Class B: \$0.01 par value, 7,800,000,000 shares authorized, 200,814,546 and 204,593,912 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	4,516	4,554
Additional paid in capital	1,170,433	1,168,903
Preferred stock - no par value, \$1,000 liquidation value, 125 shares authorized, issued and outstanding	73	73
Retained earnings	22,694	186,306
Accumulated other comprehensive loss	(10,338)	(13,370)
Total equity	1,187,378	1,346,466
TOTAL LIABILITIES AND EQUITY	\$4,253,608	\$4,316,549
See accompanying notes to unaudited condensed consolidated financial statements.		

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ESH HOSPITALITY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
REVENUES: Rental revenues from Extended Stay America, Inc.	\$ 116,492	\$ 123,600	\$ 232,734	\$ 246,791
OPERATING EXPENSES:				
Hotel operating expenses	22,231	20,737	46,602	45,356
General and administrative expenses	4,167	4,355	7,201	8,359
Depreciation	53,758	49,287	105,798	97,322
Total operating expenses	80,156	74,379	159,601	151,037
OTHER INCOME	—	37	—	37
INCOME FROM OPERATIONS	36,336	49,258	73,133	95,791
OTHER NON-OPERATING (INCOME) EXPENSE	(1	) (771	) (774	) 1,066
INTEREST EXPENSE, NET	35,075	34,734	81,365	65,285
INCOME (LOSS) BEFORE INCOME TAX (BENEFIT) EXPENSE	1,262	15,295	(7,458	) 29,440
INCOME TAX (BENEFIT) EXPENSE	(209	) 107	(3,799	) 206
NET INCOME (LOSS)	\$ 1,471	\$ 15,188	\$ (3,659	) \$ 29,234
NET INCOME (LOSS) PER COMMON SHARE:				
Class A -basic	\$—	\$0.03	\$ (0.01	) \$0.06
Class A - diluted	\$—	\$0.03	\$ (0.01	) \$0.06
Class B - basic	\$—	\$0.03	\$ (0.01	) \$0.06
Class B - diluted	\$—	\$0.03	\$ (0.01	) \$0.06
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING:				
Class A - basic	250,494	250,494	250,494	250,408
Class A - diluted	250,494	250,494	250,494	250,408
Class B - basic	201,600	204,227	202,955	204,117
Class B - diluted	201,689	204,553	202,955	204,465

See accompanying notes to unaudited condensed consolidated financial statements.

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ESH HOSPITALITY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
NET INCOME (LOSS)	\$1,471	\$15,188	\$(3,659)	\$29,234
FOREIGN CURRENCY TRANSLATION INCOME (LOSS), NET OF TAX	45	611	3,032	(2,725)
COMPREHENSIVE INCOME (LOSS)	\$1,516	\$15,799	\$(627)	\$26,509

See accompanying notes to unaudited condensed consolidated financial statements.

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ESH HOSPITALITY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(In thousands, except preferred stock shares and per share data)

(Unaudited)

	Common Stock		Preferred Stock				Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
	Class A Shares	Class B Shares	Amount	Shares	Amount	Additional Paid in Capital			
BALANCE - January 1, 2015	250,303	204,517	\$ 4,551	125	\$ 73	\$ 1,182,611	\$ 150,652	\$ (5,854)	\$ 1,332,033
Net income	—	—	—	—	—	—	29,234	—	29,234
Foreign currency translation loss, net of tax	—	—	—	—	—	—	—	(2,725)	(2,725)
Issuance of common stock	191	97	3	—	—	2,411	—	—	2,414
Common distributions - \$0.30 per Class A and Class B common share	—	—	—	—	—	—	(136,594)	—	(136,594)
Preferred distributions	—	—	—	—	—	—	(8)	—	(8)
Equity-based compensation	—	(10)	—	—	—	263	—	—	263
BALANCE - June 30, 2015	250,494	204,604	\$ 4,554	125	\$ 73	\$ 1,185,285	\$ 43,284	\$ (8,579)	\$ 1,224,617
	Common Stock		Preferred Stock				Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
	Class A Shares	Class B Shares	Amount	Shares	Amount	Additional Paid in Capital			
BALANCE - January 1, 2016	250,494	204,594	\$ 4,554	125	\$ 73	\$ 1,168,903	\$ 186,306	\$ (13,370)	\$ 1,346,466
Net loss	—	—	—	—	—	—	(3,659)	—	(3,659)
Foreign currency translation gain, net of tax	—	—	—	—	—	—	—	3,032	3,032
Issuance of common stock	—	199	2	—	—	1,468	—	—	1,470
Repurchase of common stock	—	(3,979)	(40)	—	—	—	(23,396)	—	(23,436)
Common distributions - \$0.30 per Class A and Class B common share	—	—	—	—	—	—	(136,549)	—	(136,549)
Preferred distributions	—	—	—	—	—	—	(8)	—	(8)
Equity-based compensation	—	1	—	—	—	62	—	—	62
BALANCE - June 30, 2016	250,494	200,815	\$ 4,516	125	\$ 73	\$ 1,170,433	\$ 22,694	\$ (10,338)	\$ 1,187,378

See accompanying notes to unaudited condensed consolidated financial statements.

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ESH HOSPITALITY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2016	2015
OPERATING ACTIVITIES:		
Net (loss) income	\$(3,659)	\$29,234
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	105,798	97,322
Foreign currency transaction (gain) loss	(774)	1,066
Amortization and write-off of deferred financing costs and debt discount	13,275	6,323
Amortization of above-market ground leases	(68)	(68)
Loss on disposal of property and equipment	5,001	2,039
Equity-based compensation	62	263
Deferred income tax benefit	(2,247)	—
Changes in assets and liabilities:		
Deferred rents receivable from Extended Stay America, Inc.	644	(6,540)
Due to/from Extended Stay America, Inc., net	(4,068)	(7,038)
Other assets	(66)	(6,587)
Unearned rental revenues/rents receivable from Extended Stay America, Inc., net	79,477	47,957
Accounts payable and accrued liabilities	9,914	16,927
Net cash provided by operating activities	203,289	180,898
INVESTING ACTIVITIES:		
Purchases of property and equipment	(108,201)	(71,155)
Proceeds from asset dispositions, net	—	852
Increase in restricted cash	(104,952)	(117,635)
Proceeds from insurance recoveries	2,716	1,994
Net cash used in investing activities	(210,437)	(185,944)
FINANCING ACTIVITIES:		
Principal payments on mortgage loan	(433,537)	(500,777)
Principal payments on term loan facility	(366,463)	(8,537)
Proceeds from senior notes, net of debt discount	788,000	500,000
Proceeds from revolving credit facility	—	65,000
Payments on revolving credit facility	—	(65,000)
Payments of deferred financing costs	(14,717)	(10,677)
Net proceeds from Extended Stay America, Inc.	95,819	135,410
Repurchase of common stock	(23,436)	—
Issuance of common stock	1,134	2,414
Common distributions	(222,791)	(136,579)
Preferred distributions	(8)	(8)
Net cash used in financing activities	(175,999)	(18,754)

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	Six Months Ended June 30,	
	2016	2015
NET DECREASE IN CASH AND CASH EQUIVALENTS	(183,147)	(23,800)
CASH AND CASH EQUIVALENTS - Beginning of period	223,256	33,816
CASH AND CASH EQUIVALENTS - End of period	\$40,109	\$10,016
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash payments for interest, excluding prepayment and other penalties	\$52,694	\$43,911
Cash payments for income taxes	\$1,608	\$558
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capital expenditures included in due to/from Extended Stay America, Inc. and accounts payable and accrued liabilities	\$15,685	\$18,263
Deferred financing costs included in accounts payable and accrued liabilities	\$524	\$799
Common distributions included in accounts payable and accrued liabilities	\$1,084	\$282
See accompanying notes to unaudited condensed consolidated financial statements.		

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ESH HOSPITALITY, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2016 AND DECEMBER 31, 2015 AND FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2016 AND 2015

(Unaudited)

1. BUSINESS, ORGANIZATION AND BASIS OF CONSOLIDATION

ESH Hospitality, Inc. (“ESH REIT”) was formed as a limited liability company in the state of Delaware on September 16, 2010 and was converted to a corporation on November 5, 2013. Extended Stay America, Inc. (the “Corporation”) was incorporated in the state of Delaware on July 8, 2013. On November 18, 2013, the Corporation and ESH REIT completed an initial public offering of 32.5 million Paired Shares (as defined below) for cash consideration of \$20.00 per Paired Share, each Paired Share consisting of one share of common stock, par value \$0.01 per share, of the Corporation, that is attached to and trades as a single unit with one share of Class B common stock, par value \$0.01 per share, of ESH REIT. The Corporation owns, and is expected to continue to own, all of the issued and outstanding Class A common stock of ESH REIT, which represents approximately 55% of the outstanding common stock of ESH REIT.

As of June 30, 2016 and December 31, 2015, ESH REIT and its subsidiaries owned 626 hotel properties in 44 U.S. states, consisting of approximately 68,900 rooms, and three hotels in Canada consisting of 500 rooms. The hotels are operated by wholly-owned subsidiaries of the Corporation (the “Operating Lessees”) pursuant to leases between ESH REIT and the Operating Lessees. The hotels are managed by ESA Management LLC (“ESA Management”), a wholly-owned subsidiary of the Corporation. The substantial majority of the hotels are operated under the core brand, Extended Stay America. The three hotels in Canada are operated under the brand Extended Stay Canada. The brands are owned by ESH Hospitality Strategies LLC (“ESH Strategies”), also a wholly-owned subsidiary of the Corporation. In December 2015, the Boards of Directors of the Corporation and ESH REIT authorized a combined Paired Share repurchase program for up to \$100 million of Paired Shares. In February 2016, the Boards of Directors of the Corporation and ESH REIT authorized an increase of the combined Paired Share repurchase program from \$100 million to up to \$200 million of Paired Shares. The program expires on December 31, 2016. Repurchases may be made at management's discretion from time to time in the open market, in privately negotiated transactions or by other means (including through Rule 10b5-1 trading plans). Depending on market conditions and other factors, these repurchases may be commenced or suspended without prior notice. As of June 30, 2016, ESH REIT repurchased and retired approximately 4.0 million ESH REIT Class B common shares for approximately \$23.4 million.

As of June 30, 2016, ESH REIT's common equity consisted of the following: (i) approximately 250.5 million shares of Class A common stock outstanding (approximately 55% of its common equity), all of which were owned by the Corporation, and (ii) approximately 200.8 million shares of Class B common stock outstanding (approximately 45% of its common equity), approximately 35.8% of which were owned by the public and approximately 64.2% of which were owned by Centerbridge Partners, L.P., Paulson & Co. Inc. and the Blackstone Group, L.P. and their affiliates (collectively, the “Sponsors”) and senior management, including certain directors. As discussed above, each share of ESH REIT Class B common stock is attached to, and trades as a single unit with, one share of Corporation common stock (collectively, this single unit is referred to as a “Paired Share”).

As of December 31, 2015, ESH REIT's common equity consisted of the following: (i) approximately 250.5 million shares of Class A common stock outstanding, all of which were owned by the Corporation, and (ii) approximately 204.6 million shares of Class B common stock outstanding, approximately 36.9% of which were owned by the public and approximately 63.1% of which were owned by the Sponsors and senior management, including certain directors.

Basis of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”). All intercompany accounts and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Presentation—Certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. GAAP have been condensed or omitted in the accompanying unaudited condensed consolidated

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financial statements. ESH REIT believes the disclosures made are adequate to prevent the information presented from being misleading. However, the unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2015 included in the combined annual report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on February 23, 2016.

The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal and recurring items) necessary to present fairly ESH REIT's financial position as of June 30, 2016, the results of ESH REIT's operations and comprehensive income (loss) for the three and six months ended June 30, 2016 and 2015 and changes in equity and cash flows for the six months ended June 30, 2016 and 2015. Interim results are not necessarily indicative of full year performance because of the impact of accounting for contingent rental payments under contractual lease arrangements.

Use of Estimates—The preparation of the accompanying unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management used significant estimates to estimate the useful lives of tangible assets as well as the assessment of tangible assets and goodwill for impairment and estimated liabilities for insurance reserves. Actual results could differ from those estimates.

Property and Equipment—Property and equipment additions are recorded at cost. Major improvements that extend the life or utility of property or equipment are capitalized and depreciated over a period equal to the shorter of the estimated useful life of the improvement or the remaining estimated useful life of the asset. Ordinary repairs and maintenance are charged to expense as incurred. Depreciation and amortization are recorded on a straight-line basis over estimated useful lives which range from three to 49 years.

Management assesses the performance of long-lived assets for potential impairment at least annually, as well as when events or changes in circumstances indicate the carrying amount of an asset or group of assets may not be recoverable. Recoverability of property and equipment is measured by a comparison of the carrying amount of a group of hotel properties (groups of hotel properties align with hotels as they are grouped under ESH REIT's operating leases) to the estimated future undiscounted cash flows expected to be generated by each group of hotel properties. Impairment is recognized when estimated future undiscounted cash flows, including proceeds from disposition, are less than the carrying value of each group of hotel properties.

To the extent that a group of hotel properties is impaired, the excess carrying amount of the group of hotel properties over its estimated fair value is recognized as an impairment charge and reduces income from operations. Fair value is determined based upon the discounted cash flows of a group of hotel properties, quoted market prices or independent appraisals, as considered necessary. No impairment charges were recognized during the six months ended June 30, 2016 or 2015 (see Note 5). The estimation of future undiscounted cash flows is inherently uncertain and relies upon assumptions regarding current and future economic and market conditions. If such conditions change, then an impairment charge to reduce the carrying value of a group of hotel properties could occur in a future period in which conditions change.

Revenue Recognition—ESH REIT's sole source of revenues is rental revenue derived from leases with the Operating Lessees. ESH REIT records rental revenues on a straight-line basis as they are earned during the lease terms. Rents receivable from Extended Stay America, Inc. on the accompanying unaudited condensed consolidated balance sheets represent rental amounts contractually due from the Operating Lessees. Deferred rents receivable from Extended Stay America, Inc. on the accompanying unaudited condensed consolidated balance sheets represent the cumulative difference between straight-line rental revenues recognized and rental revenues contractually due from the Operating Lessees. As scheduled rent payments begin to exceed straight-line rental revenue, this amount, approximately \$40.9 million as of June 30, 2016, will gradually decrease through the remainder of the lease term until it is zero at the end of the lease term in October 2018. Lease rental payments received prior to rendering services are included in unearned rental revenues from Extended Stay America, Inc. on the accompanying unaudited condensed consolidated balance sheets. Contingent rental revenues, specifically percentage rental revenues related to hotel revenues of the Operating Lessees, are recognized when such amounts are fixed and determinable (i.e., when percentage rental revenue

thresholds have been achieved).

Segments—ESH REIT's business represents a single operating segment based on the way ESH REIT manages its business. ESH REIT's hotels provide similar services, use similar processes to sell those services and sell those services (i.e., lease the hotel properties) to similar classes of customers. The amounts of long-lived assets and net revenues outside the U.S. are not significant for any period presented.

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Recently Issued Accounting Standards

Compensation—Stock Compensation—In March 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, and certain classifications on the statement of cash flows. The update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods with early application permitted. ESH REIT does not expect the adoption of this update to have a material effect on its consolidated financial statements.

Leases—In February 2016, the FASB issued an accounting standards update which introduces a lessee model that requires a right-of-use asset and lease obligation to be presented on the balance sheet for all leases, whether operating or financing. The update eliminates the requirement in current U.S. GAAP for an entity to use bright-line tests in determining lease classification. The update also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. This update will be effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted, and must be applied using a modified retrospective approach, which will require adjustment to all comparative periods presented. The adoption of this update will require the recognition of a right-of-use asset and a lease obligation for ESH REIT's ground leases (see Note 9). As of June 30, 2016, the future minimum lease payments under these operating leases totaled approximately \$85.0 million.

Intangibles—Goodwill and Other—Internal-Use Software—In April 2015, the FASB issued an accounting standards update which clarifies the accounting for fees paid by a customer in a cloud computing arrangement. This update provides guidance to customers regarding whether a cloud computing arrangement includes the sale or license of software or, alternatively, the sale of a service. ESH REIT adopted this update on January 1, 2016. The adoption of this update did not have a material effect on ESH REIT's unaudited condensed consolidated financial statements.

Consolidation—Amendments to the Consolidation Analysis—In February 2015, the FASB issued an accounting standards update which amends the consolidation requirements under U.S. GAAP, changing the analysis performed by a company to determine whether it has a variable interest in an entity and when to consolidate such entities. ESH REIT adopted this update on January 1, 2016. The adoption of this update did not have a material effect on ESH REIT's unaudited condensed consolidated financial statements.

Income Statement-Extraordinary and Unusual Items—In January 2015, the FASB issued an accounting standards update to simplify income statement presentation by eliminating the concept of extraordinary items. ESH REIT adopted this update on January 1, 2016. The adoption of this update did not have a material effect on ESH REIT's unaudited condensed consolidated financial statements.

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3. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed by dividing net income (loss) available to Class A and Class B common shareholders by the weighted-average number of shares of ESH REIT's unrestricted Class A and Class B common stock outstanding, respectively. Diluted net income (loss) per share is computed by dividing net income (loss) available to Class A and Class B common shareholders, as adjusted for potentially dilutive securities, by the weighted-average number of shares of ESH REIT's unrestricted Class A and Class B common stock outstanding, respectively, plus other potentially dilutive securities. Dilutive securities include certain equity-based awards issued under long-term incentive plans (see Note 10) and are included in the calculation, provided that the inclusion of such securities is not anti-dilutive.

The calculations of basic and diluted net income (loss) per share, including a reconciliation of the numerators and denominators, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	2016	2015	2016	2015
Numerator:				
Net income (loss) attributable to common shareholders	\$1,471	\$15,188	\$(3,659)	\$29,234
Less preferred dividends	(4)	(4)	(8)	(8)
Net income (loss) available to common shareholders	\$1,467	\$15,184	\$(3,667)	\$29,226
Class A:				
Net income (loss) available to common shareholders - basic	\$814	\$8,364	\$(2,023)	\$16,100
Less amounts available to Class B shareholders assuming conversion	—	(6)	—	(12)
Net income (loss) available to common shareholders - diluted	\$814	\$8,358	\$(2,023)	\$16,088
Class B:				
Net income (loss) available to common shareholders - basic	\$653	\$6,820	\$(1,644)	\$13,126
Amounts available to Class B shareholders assuming conversion	—	6	—	12
Net income (loss) available to common shareholders - diluted	\$653	\$6,826	\$(1,644)	\$13,138
Denominator:				
Class A:				
Weighted-average number of common shares outstanding - basic and diluted	250,494	250,494	250,494	250,408
Class B:				
Weighted-average number of common shares outstanding - basic	201,600	204,227	202,955	204,117
Dilutive securities	89	326	—	348
Weighted-average number of common shares outstanding - diluted	201,689	204,553	202,955	204,465
Net income (loss) per common share - Class A - basic	\$—	\$0.03	\$(0.01)	\$0.06
Net income (loss) per common share - Class A - diluted	\$—	\$0.03	\$(0.01)	\$0.06
Net income (loss) per common share - Class B - basic	\$—	\$0.03	\$(0.01)	\$0.06
Net income (loss) per common share - Class B - diluted	\$—	\$0.03	\$(0.01)	\$0.06
Anti-dilutive securities excluded from net income (loss) per common share - Class B - diluted	—	—	74	—

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4. HOTEL DISPOSITIONS

On December 8, 2015, ESH REIT sold a portfolio of 53 hotel properties, 47 of which operated under the Crossland Economy Studios brand and six of which operated under the Extended Stay America brand, for gross proceeds of \$273.0 million. ESH REIT's carrying value of the portfolio, including net working capital and approximately \$2.1 million of allocable goodwill, was approximately \$148.4 million, resulting in a gain, net of closing costs and adjustments, of approximately \$116.6 million, which was reported in gain on sale of hotel properties in the consolidated statement of operations for the year ended December 31, 2015. This disposition was not reported as a discontinued operation.

During the three and six months ended June 30, 2015, these hotel properties contributed rental revenues, total operating expenses and income before income tax expense as follows (in thousands):

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Rental revenues from Extended Stay America, Inc.	\$ 6,792	\$ 13,583
Total operating expenses	3,487	7,190
Income before income tax expense ⁽¹⁾	2,349	4,514

(1) The only interest expense included is related to approximately \$86.1 million of ESH REIT's 2012 Mortgage Loan (as defined in Note 6) repaid in conjunction with the sale of the portfolio of 53 hotel properties.

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5. PROPERTY AND EQUIPMENT

Net investment in property and equipment as of June 30, 2016 and December 31, 2015, consists of the following (in thousands):

	June 30, 2016	December 31, 2015
Hotel properties:		
Land and site improvements	\$ 1,300,579	\$ 1,297,696
Building and improvements	2,911,000	2,868,943
Furniture, fixtures and equipment	562,329	517,626
Total hotel properties	4,773,908	4,684,265
Undeveloped land parcel	1,675	1,675
Total cost	4,775,583	4,685,940
Less accumulated depreciation	(862,129)	(765,034)
Property and equipment - net	\$ 3,913,454	\$ 3,920,906

During the six months ended June 30, 2016 and 2015, ESH REIT, using Level 3 unobservable inputs, assessed property and equipment for potential impairment. No impairment charges were recognized during the six months ended June 30, 2016 or 2015. Quantitative information with respect to unobservable inputs consists of internally developed cash flow models that include the following assumptions, among others: projections of revenues, expenses and hotel related cash flows based on assumed long-term growth rates, demand trends, expected future capital expenditures and estimated discount rates. These assumptions are based on ESH REIT's historical data and experience, budgets, industry projections and micro and macro general economic condition projections.

As of June 30, 2016, substantially all of the hotel properties (625 of 629 hotel properties) are pledged as collateral for ESH REIT's 2012 Mortgage Loan (as defined in Note 6).

6. DEBT

Summary—ESH REIT's outstanding debt, net of unamortized debt discounts and unamortized deferred financing costs as of June 30, 2016 and December 31, 2015, consists of the following (dollars in thousands):

Loan	Stated Amount ⁽¹⁾	Outstanding Principal		Unamortized Deferred Financing Costs ⁽¹⁰⁾		Stated Interest Rate	Interest Rate		Maturity Date
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015		June 30, 2016	December 31, 2015	
Mortgage loan 2012									
Mortgage Loan - Component B	\$ 350,000	\$ —	\$ 111,157	\$ —	\$ 784	3.4047 %	N/A	3.4047 %	12/1/2017
Mortgage Loan - Component C	1,820,000	1,497,620	1,820,000	13,460	18,752	4.0547 %	4.0547 %	4.0547 %	12/1/2019
Term loan facility	375,000	—	365,157	(2) —	3,635		N/A	5.00 %	6/24/2019

2014 Term Loan													LIBOR ⁽³⁾⁽⁴⁾ + 4.25%					
Senior notes																		
2025 Notes ⁽⁵⁾	1,300,000	1,288,384	⁽⁶⁾ 500,000	24,934	10,756	5.25	%	5.25	%	5.25	%	5/1/2025						
Revolving credit facility																		
ESH REIT revolving credit facility ⁽⁷⁾	250,000	⁽⁸⁾ —	—	618	1,431	LIBOR ⁽³⁾ + 3.00%		N/A		N/A		11/18/2016 ⁽⁹⁾						
Total		\$2,786,004	\$2,796,314	\$39,012	\$35,358													

(1) Amortization is interest only.

(2) The 2014 Term Loan is presented net of an unamortized debt discount of approximately \$1.3 million as of December 31, 2015.

(3) London Interbank Offering Rate.

(4) The 2014 Term Loan included a LIBOR floor of 0.75%.

(5) In March 2016, ESH REIT issued an additional \$800.0 million of its 2025 Notes.

(6) The 2025 Notes are presented net of an unamortized debt discount of approximately \$11.6 million as of June 30, 2016.

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(7) The ESH REIT Revolving Credit Facility's unamortized deferred financing costs are included in other assets in the accompanying unaudited condensed consolidated balance sheets.

(8) ESH REIT is able to request to increase the facility to an amount of up to \$350.0 million at any time, subject to certain conditions.

(9) The ESH REIT Revolving Credit Facility is subject to a one-year extension option.

As of December 31, 2015, ESH REIT early adopted FASB accounting standards updates which require that debt issuance costs related to a recognized debt liability, excluding revolving credit facilities, are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts.

During the six months ended June 30, 2016, ESH REIT issued \$800.0 million of additional 2025 Notes (as defined below) at 98.5% of par value. ESH REIT received net proceeds of approximately \$772.8 million, which, together with cash on hand, were used to fully repay the balance of approximately \$366.5 million outstanding under its 2014 Term Loan (as defined below) and repay approximately \$433.5 million of the outstanding balance under its 2012 Mortgage Loan (as defined below), which consisted of approximately \$111.2 million of Component B and approximately \$322.3 million of Component C. ESH REIT incurred approximately \$12.1 million of debt extinguishment costs in connection with the full repayment of the 2014 Term Loan and partial repayment of the 2012 Mortgage Loan, consisting of the write-off of unamortized deferred financing costs and debt discount of approximately \$8.4 million and prepayment penalties and other costs of approximately \$3.7 million. Debt extinguishment costs are included as a component of net interest expense in the accompanying unaudited condensed consolidated statements of operations.

ESH REIT Mortgage Loan

On November 30, 2012, subsidiaries of ESH REIT entered into a \$2.52 billion mortgage loan comprised of three components (the "2012 Mortgage Loan"). After giving effect to principal repayments, including the March 2016 repayment discussed above, monthly required interest-only payments are approximately \$5.1 million. Principal amounts, interest rates and maturities of components of the 2012 Mortgage Loan are included in the table above. Component C of the 2012 Mortgage Loan may be prepaid without incurring a prepayment penalty or premium. As of June 30, 2016 and December 31, 2015, substantially all of ESH REIT's hotel properties served as collateral for the 2012 Mortgage Loan. ESH REIT guarantees, under a customary recourse carve out guaranty (i) under certain limited circumstances, losses related to the 2012 Mortgage Loan plus enforcement costs incurred by the lenders and (ii) under certain other limited circumstances, repayment of the 2012 Mortgage Loan up to an aggregate liability under this clause (ii) of \$252.0 million plus enforcement costs.

In connection with the 2012 Mortgage Loan, the Loan Parties (as defined in the agreement governing the 2012 Mortgage Loan) made certain representations, warranties and covenants customary in similar mortgage loan transactions, including, without limitation, regarding the ownership and operation of the hotels and standard special purpose bankruptcy remote entity provisions that are provided in order to make certain that each loan party (and certain specified affiliates) will maintain a prescribed level of separateness to forestall a substantive consolidation of such entities in the event of a bankruptcy action. The occurrence of a Mortgage Loan Event of Default, a Debt Yield Trigger Event (a Debt Yield, as defined, of less than 9.0%), or a Guarantor Bankruptcy Event triggers a Cash Trap Event, each as defined. During the period of a Cash Trap Event, any excess cash flow, after all monthly requirements (including the payment of management fees and operating expenses) are fully funded, is held by the loan service agent as additional collateral for the 2012 Mortgage Loan. As of June 30, 2016 none of these events had occurred and the Debt Yield was approximately 37.8%.

A right of contribution agreement provides that if any funds of the Corporation are needed and used to service ESH REIT's obligations under the 2012 Mortgage Loan, such as in the case of a Cash Trap Event, ESH REIT shall be obligated to reimburse the Corporation, with interest, for the amount of any such funds that were applied for this purpose as soon as permitted under the 2012 Mortgage Loan. Interest shall accrue on ESH REIT's reimbursement obligation at the relevant applicable federal rate as determined under Section 1274(d) of the Internal Revenue Code of 1986, as amended (the "Code"). In lieu of cash payment, the Corporation may elect, at its option, to receive payment in the form of additional shares of Class A common stock of ESH REIT of an equivalent value.

The 2012 Mortgage Loan is subject to certain customary events of default. Upon the occurrence of an Event of Default, as defined, the lender may, among other things, take the following actions: (i) accelerate the maturity date of the 2012 Mortgage Loan, (ii) foreclose on any or all of the mortgages securing the mortgage loan or (iii) apply amounts on deposit in the reserve accounts to pay the debt service on the 2012 Mortgage Loan.

All receipts from the mortgaged properties are required to be deposited into a domestic cash management account (“CMA”) for hotels in the U.S. and a Canadian CMA for hotels in Canada. Such CMAs are under the control of the loan

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service agent as specified by the terms of the mortgage loan agreement and cash management agreements and are, therefore, classified as restricted cash on the accompanying unaudited condensed consolidated balance sheets. Receipts are allocated to CMA subaccounts for hotel occupancy/goods and services sales taxes, real estate taxes, insurance, ground leases, operating expenses (including management fees and reimbursements), capital improvements and mortgage debt service. Funds in excess of a month's Canadian waterfall requirements are converted to U.S. dollars and transferred to the domestic CMA. Funds in excess of a month's domestic waterfall requirements are distributed to the Corporation and/or ESH REIT so long as no Cash Trap Event has occurred.

ESH REIT Term Loan Facility

On March 18, 2016, using a portion of the net proceeds from its issuance of \$800.0 million of additional 2025 Notes (as defined below), together with cash on hand, ESH REIT fully repaid the remaining outstanding balance of approximately \$366.5 million of its \$375.0 million term loan facility (the "2014 Term Loan") originally entered into in June 2014. The 2014 Term Loan was scheduled to mature on June 24, 2019 and bore interest at a rate equal to (i) LIBOR (subject to a floor of 0.75%) plus 4.25%, or (ii) a base rate (determined by reference to the highest of (1) the prime lending rate, (2) the overnight federal funds rate plus 0.5%, or (3) the one-month adjusted LIBOR rate (subject to a floor of 0.75%) plus 1.0%) plus 3.25%. There was no scheduled amortization on the 2014 Term Loan; however, subject to certain exceptions, mandatory prepayments of up to 50% of Excess Cash Flow may have been required, based on ESH REIT's Consolidated Leverage Ratio, each as defined. ESH REIT made a mandatory prepayment of approximately \$8.5 million during the three months ended March 31, 2015.

Obligations under the 2014 Term Loan were guaranteed by certain of ESH REIT's domestic subsidiaries. The 2014 Term Loan was secured by a first-priority security interest in substantially all of the assets of ESH REIT and the guarantors under the facility on a pari passu basis with obligations under the ESH REIT Revolving Credit Facility (as defined below), with certain exceptions, including certain entities that were not pledged pursuant to the 2012 Mortgage Loan. Subject to an intercreditor agreement, that, among other things, provided priority in favor of the ESH REIT Revolving Credit Facility under certain circumstances, the 2014 Term Loan was prepayable prior to its maturity, subject to a prepayment penalty on or after December 24, 2015 but prior to June 24, 2016 in an amount equal to 1.0% of the aggregate principal amount repaid. As such, the March 2016 repayment discussed above resulted in a prepayment penalty of approximately \$3.7 million.

The 2014 Term Loan contained a number of restrictive covenants that, among other things and subject to certain exceptions, restricted ESH REIT's ability and the ability of its subsidiaries to incur additional indebtedness, pay distributions and make other restricted payments, engage in transactions with ESH REIT's affiliates, sell all or substantially all of its assets, merge and create liens. The 2014 Term Loan also contained certain customary affirmative covenants and events of default. During a Trigger Event, an Adjusted Trigger Event, a Default or an Event of Default, each as defined, ESH REIT was restricted from making cash distributions, subject to certain exceptions.

ESH REIT Senior Notes

On May 15, 2015, ESH REIT issued \$500.0 million of its 5.25% senior notes due in 2025 (the "2025 Notes") under an indenture (the "Indenture") with Deutsche Bank Trust Company Americas, as trustee, at 100% of their par value in a private placement pursuant to Rule 144A of the Securities Act. On March 18, 2016, ESH REIT issued an additional \$800.0 million of its 2025 Notes under the Indenture at 98.5% of their par value in a private placement pursuant to Rule 144A of the Securities Act. ESH REIT used the net proceeds from the 2015 offering, together with cash on hand, to repay \$500.0 million of the outstanding balance under its 2012 Mortgage Loan. ESH REIT used the net proceeds from the 2016 offering, together with cash on hand, to fully repay the balance of approximately \$366.5 million outstanding under its 2014 Term Loan and repay approximately \$433.5 million of the outstanding balance under its 2012 Mortgage Loan.

The 2025 Notes mature on May 1, 2025 and bear interest at a fixed rate of 5.25% per annum, payable semi-annually in arrears on May 1 and November 1 of each year.

The 2025 Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis by each of ESH REIT's subsidiaries that guarantee ESH REIT's obligations under the ESH REIT Revolving Credit Facility. The 2025 Notes rank equally in right of payment with ESH REIT's existing and future senior unsecured indebtedness, and senior

in right of payment to all future subordinated indebtedness, if any. The 2025 Notes are effectively junior to any of ESH REIT's secured indebtedness to the extent of the value of the assets securing such indebtedness.

ESH REIT may redeem the 2025 Notes at any time on or after May 1, 2020, in whole or in part, at a redemption price equal to 102.625% of the principal amount, declining annually to 100% of the principal amount from May 1, 2023 and thereafter, plus accrued and unpaid interest. Prior to May 1, 2020, ESH REIT may redeem the 2025 Notes, in whole or in part,

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at a redemption price equal to 100% of the principal amount, plus a “make-whole” premium, as defined in the Indenture, plus accrued and unpaid interest. Prior to May 1, 2018, subject to certain conditions, ESH REIT may redeem up to 35% of the aggregate principal amount of the 2025 Notes at a redemption price equal to 105.250% of the aggregate principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds from certain equity offerings, provided 65% of the original amount of the principal remains outstanding after the occurrence of each such redemption. Upon a Change of Control, as defined, holders of the 2025 Notes have the right to require ESH REIT to redeem the 2025 Notes at 101% of the principal amount, plus accrued and unpaid interest.

The Indenture contains a number of customary covenants that, subject to certain exceptions, limit ESH REIT’s ability and the ability of certain of its subsidiaries to incur additional debt, create certain liens, pay dividends or distributions, make certain investments and other payments, enter into affiliate transactions, sell assets or merge, consolidate or transfer substantially all of their assets, among other things. ESH REIT was in compliance with all covenants set forth in the Indenture as of June 30, 2016.

ESH REIT Revolving Credit Facility

On November 18, 2013, ESH REIT entered into a \$250.0 million revolving credit facility (the “ESH REIT Revolving Credit Facility”). Subject to the satisfaction of certain criteria, ESH REIT is able to request to increase the facility to an amount up to \$350.0 million at any time. The facility provides for the issuance of up to \$50.0 million of letters of credit as well as borrowings on same day notice, referred to as swingline loans, in an amount up to \$20.0 million. ESH REIT incurs a fee of 0.35% or 0.175% on the unutilized revolver balance, based on the outstanding amount under the facility, and a fee of 3.125% on outstanding letters of credit. Borrowings under the facility bear interest at a rate equal to an adjusted LIBOR rate or a base rate determined by reference to the highest of (i) the prime lending rate, (ii) the overnight federal funds rate plus 0.5% or (iii) the one-month adjusted LIBOR rate plus 1.0%, plus an applicable margin of 2.00% for base rate loans and 3.00% for LIBOR loans. There is no scheduled amortization under the facility and the facility matures on November 18, 2016, subject to a one-year extension option. ESH REIT had no letters of credit outstanding under this facility, an outstanding balance drawn of \$0 and borrowing capacity available of \$250.0 million as of June 30, 2016 and December 31, 2015.

ESH REIT’s obligations under the ESH REIT Revolving Credit Facility are guaranteed by its existing and future direct and indirect domestic subsidiaries, with certain exceptions, including certain entities that may not provide guarantees pursuant to the 2012 Mortgage Loan. The ESH REIT Revolving Credit Facility is secured by a first-priority security interest in substantially all of the assets of ESH REIT and the guarantors under the facility, with certain exceptions, including certain entities that may not be pledged pursuant to the 2012 Mortgage Loan.

The ESH REIT Revolving Credit Facility contains a number of covenants that, among other things and subject to certain exceptions, restrict ESH REIT’s ability and the ability of its subsidiaries to incur additional indebtedness, pay distributions and make other restricted payments, engage in transactions with ESH REIT’s affiliates, sell all or substantially all of its assets, merge and create liens. The ESH REIT Revolving Credit Facility also contains certain customary affirmative covenants and events of default.

If any loans or obligations are outstanding during any fiscal quarter, the ESH REIT Revolving Credit Facility requires that the Consolidated Leverage Ratio, as defined, calculated as of the end of such fiscal quarter, be less than or equal to 9.00 to 1.0. Further, if loans or obligations are outstanding during any calendar month, the ESH REIT Revolving Credit Facility requires that the Debt Yield or the Adjusted Debt Yield, each as defined, not be less than 9.0% as of the last day of such calendar month.

In order to avoid a Trigger Event or an Adjusted Trigger Event, the ESH REIT Revolving Credit Facility requires a Debt Yield and an Adjusted Debt Yield, each as defined, of at least 11.5%. The occurrence of a Trigger Event or an Adjusted Trigger Event would require ESH REIT to repay the outstanding facility balance and cash collateralize outstanding letters of credit and restrict ESH REIT from making cash distributions, subject to certain exceptions. As of June 30, 2016, the Debt Yield and Adjusted Debt Yield were approximately 37.8% and 20.3%, respectively, and no Trigger Event or Adjusted Trigger Event had occurred.

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Future Maturities of Debt—The future maturities of debt, as of June 30, 2016, are as follows (in thousands):

Years Ending December 31,

Remainder of 2016	\$—
2017	—
2018	—
2019	1,497,620
2020	—
Thereafter	1,300,000
Total	\$2,797,620

Fair Value of Debt—As of June 30, 2016 and December 31, 2015, the estimated fair value of ESH REIT's 2012 Mortgage Loan, 2014 Term Loan and 2025 Notes was approximately \$2.8 billion. Estimated fair values are determined by comparing current borrowing rates and risk spreads offered in the market to the stated interest rates and spreads on ESH REIT's 2012 Mortgage Loan, 2014 Term Loan and 2025 Notes (Level 2 fair value measures) or quoted market prices (Level 1 fair value measures), when available.

7. INCOME TAXES

ESH REIT has elected to be taxed and expects to continue to qualify as a real estate investment trust ("REIT") under Sections 856 through 860 of the Code. A REIT is a legal entity that holds real estate assets and is generally not subject to federal and state income taxes. In order to maintain qualification as a REIT, ESH REIT is required to distribute at least 90% of its taxable income, excluding net capital gain, to its shareholders each year. In addition, ESH REIT must meet a number of complex organizational and operational requirements. If ESH REIT were to fail to qualify as a REIT in any taxable year, it would be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and generally would be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which it lost its REIT qualification. Even in qualifying as a REIT, ESH REIT may be subject to state and local taxes in certain jurisdictions, and is subject to federal income and excise taxes on undistributed income.

In 2015, ESH REIT distributed approximately 95% of its taxable income and utilized its federal net operating loss carryforward of approximately \$18.6 million. As a result, in 2015, ESH REIT incurred minimal current federal income tax in the form of alternative minimum tax. ESH REIT intends to distribute its taxable income to the extent necessary to optimize its tax efficiency including, but not limited to, maintaining its REIT status, while retaining sufficient capital for its ongoing needs. Accordingly, ESH REIT expects to distribute approximately 100% of its taxable income for the foreseeable future. As of December 31, 2015, the expectation was to distribute approximately 95% of ESH REIT's taxable income. As a result of this change, during the six months ended June 30, 2016, ESH REIT recognized a benefit of approximately \$2.3 million with respect to the reversal of net deferred tax liabilities recorded as of December 31, 2015, which represented the previously estimated 5% of taxable income to be retained by ESH REIT.

In January 2016, ESH REIT paid a special distribution of approximately \$86.5 million. Approximately \$77.4 million of the special distribution was deductible in 2015; the remaining approximately \$9.1 million is deductible in 2016. The special distribution is subject to current taxation to ESH REIT as a distribution in 2016 at the time of payment. ESH REIT recorded a benefit for state and foreign income taxes of approximately \$0.2 million for the three months ended June 30, 2016, an effective rate of approximately (16.6)%, as compared with a provision of approximately \$0.1 million for the three months ended June 30, 2015, an effective rate of approximately 0.7%. ESH REIT recorded a benefit for state and foreign income taxes of approximately \$3.8 million for the six months ended June 30, 2016, an effective rate of approximately 50.9%, as compared with a provision of approximately \$0.2 million for the six months ended June 30, 2015, an effective rate of approximately 0.7%. ESH REIT's effective rate differs from the federal statutory rate of 35% primarily due to ESH REIT's status as a REIT under the provisions of the Code. During the three months ended June 30, 2016, ESH REIT recognized a benefit of approximately \$0.2 million related to the revision of a current income tax payable estimate upon filing one of its subsidiaries' income tax returns. During the six months ended June 30, 2016, in addition to the \$0.2 million benefit, ESH REIT also recognized the approximate \$2.3 million

benefit discussed above.

ESH REIT's income tax returns for the years 2012 to present are subject to examination by the Internal Revenue Service and other taxing authorities.

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8. RELATED PARTY TRANSACTIONS

Leases and Related Rental Revenues—ESH REIT's revenues are derived from four leases. The counterparty to each lease agreement is a wholly-owned subsidiary of the Corporation. Fixed rental revenues are recognized on a straight-line basis. For the three months ended June 30, 2016 and 2015, ESH REIT recognized fixed rental revenues of approximately \$116.3 million and \$123.2 million, respectively. For the six months ended June 30, 2016 and 2015, ESH REIT recognized fixed rental revenues of approximately \$232.5 million and \$246.4 million, respectively.

Deferred rents receivable from Extended Stay America, Inc. on the accompanying unaudited condensed consolidated balance sheets represent the cumulative difference between straight-line rental revenues recognized and rental revenues contractually due. As scheduled rent payments begin to exceed straight-line rental revenues, this amount, approximately \$40.9 million and \$41.5 million as of June 30, 2016 and December 31, 2015, respectively, will gradually decrease through the remainder of the lease term until it is zero at the end of the lease term in October 2018. Due to the fact that percentage rental revenue thresholds specified in the leases were achieved during the second quarter of 2016 and 2015, ESH REIT recognized approximately \$0.2 million and \$0.4 million of percentage rental revenues for the three and six months ended June 30, 2016 and 2015, respectively. As of June 30, 2016, unearned rental revenues related to percentage rent, as defined, were approximately \$104.9 million, of which approximately \$74.7 million had been received and approximately \$30.2 million was outstanding and included as rents receivable on the accompanying unaudited condensed consolidated balance sheet. As of December 31, 2015, because all percentage rental revenue thresholds had been achieved for the year, no unearned contingent rental revenues existed, and approximately \$4.3 million was outstanding and included as rents receivable on the accompanying unaudited condensed consolidated balance sheet.

As of June 30, 2016, unearned rental revenues related to prepaid July 2016 fixed rental revenues were approximately \$38.8 million. As of December 31, 2015, unearned rental revenues related to prepaid January 2016 fixed rental revenues were approximately \$38.3 million.

Distributions—The Corporation owns all of the Class A common stock of ESH REIT, which represents approximately 55% of the outstanding shares of common stock of ESH REIT. During the three and six months ended June 30, 2016, ESH REIT paid distributions of approximately \$37.6 million and \$122.7 million (of which approximately \$47.6 million had been declared as of December 31, 2015), respectively, to the Corporation in respect of the Class A common stock of ESH REIT. During the three and six months ended June 30, 2015, ESH REIT paid distributions of approximately \$37.6 million and \$75.1 million, respectively, to the Corporation in respect of the Class A common stock of ESH REIT.

Issuance of Common Stock—In March 2016, ESH REIT issued, and was compensated approximately \$1.1 million for, approximately 199,000 shares of Class B common stock, each of which was attached to a share of Corporation common stock to form a Paired Share, used to settle vested restricted stock units. In March 2015, ESH REIT issued, and was compensated approximately \$0.7 million for, approximately 97,000 shares of Class B common stock, each of which was attached to a share of Corporation common stock to form a Paired Share, used to settle vested restricted stock units. In March 2015, ESH REIT issued approximately 190,000 shares of Class A common stock to the Corporation for consideration of approximately \$1.7 million.

Overhead Costs—ESA Management incurs costs under a services agreement with the Corporation and ESH REIT for certain overhead services performed on the entities' behalf. The services relate to executive management, accounting, financial analysis, training and technology. For each of the three months ended June 30, 2016 and 2015, ESH REIT incurred approximately \$2.6 million related to this agreement and for the six months ended June 30, 2016 and 2015, ESH REIT incurred approximately \$4.6 million and \$5.0 million, respectively, related to this agreement, which is included in general and administrative expenses in the accompanying unaudited condensed consolidated statements of operations. The expenses ESH REIT incurs under this services agreement include expenses related to applicable employees that participate in the Corporation's long-term incentive plan (as described in Note 10). Such charges were approximately \$0.1 million and \$0.3 million for the three months ended June 30, 2016 and 2015, respectively, and \$0.1 million and \$0.6 million for the six months ended June 30, 2016 and 2015, respectively.

Working Capital—As of June 30, 2016, ESH REIT had an outstanding net payable of approximately \$108.0 million due to the Corporation and its subsidiaries. This amount consists of monthly hotel receipts deposited into ESH REIT's

CMAs which were swept into the Corporation's unrestricted cash accounts at the beginning of July 2016, as specified by the agreements governing the 2012 Mortgage Loan and the CMAs, and certain disbursements made by the Corporation on behalf of ESH REIT in the ordinary course of business. As of December 31, 2015, ESH REIT had an outstanding net payable of approximately \$64.7 million due to the Corporation and its subsidiaries. This amount consisted of an unpaid special cash distribution ESH REIT declared on its Class A common shares of approximately \$47.6 million and certain disbursements the Corporation made on behalf of ESH REIT in the ordinary course of business. Outstanding balances are typically repaid within 60 days.

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Senior Note Issuance—In March 2016, in connection with ESH REIT's \$800.0 million issuance of its 2025 Notes discussed in Note 6, an affiliate of one of the Sponsors acted as an initial purchaser and purchased \$24.0 million of the 2025 Notes. As such, the affiliate of one of the Sponsors earned approximately \$0.4 million in fees related to the transaction for the six months ended June 30, 2016.

9. COMMITMENTS AND CONTINGENCIES

Lease Commitments—ESH REIT is a tenant under long-term ground leases at four of its hotel properties. The initial terms of the ground lease agreements terminate at various dates between 2016 and 2096, and three leases include multiple renewal options for generally five or 10 year periods.

Rent expense on ground leases is recognized on a straight-line basis and was approximately \$0.4 million for each of the three months ended June 30, 2016 and 2015, and approximately \$0.7 million for each of the six months ended June 30, 2016 and 2015. Ground lease expense is included in hotel operating expenses in the accompanying unaudited condensed consolidated statements of operations.

Other Commitments—ESH REIT has a commitment to make quarterly payments in lieu of taxes to the owner of the land on which one of its properties is located. The initial term of the agreement terminates in 2031. The cost related to this commitment was approximately \$0.1 million for each of the three months ended June 30, 2016 and 2015, and approximately \$0.1 million for each of the six months ended June 30, 2016 and 2015 and is included in hotel operating expenses in the accompanying unaudited condensed consolidated statements of operations.

Paired Share Repurchase Commitments—As of June 30, 2016, ESH REIT agreed to repurchase approximately 0.1 million ESH REIT Class B common shares for approximately \$0.2 million, for which settlement had not yet occurred.

Legal Contingencies—ESH REIT is not a party to any litigation or claims, other than routine matters arising in the ordinary course of business that are incidental to the operation of the business of ESH REIT. ESH REIT believes that the results of all claims and litigation, individually or in the aggregate, will not have a material adverse effect on its business or unaudited condensed consolidated financial statements.

10. EQUITY-BASED COMPENSATION

The Corporation and ESH REIT each maintain a long-term incentive plan ("LTIP"), as amended and restated in 2015, approved by their shareholders. Under the LTIPs, the Corporation and ESH REIT may issue to eligible employees or directors restricted stock awards ("RSAs"), restricted stock units ("RSUs") or other equity-based awards, in respect of Paired Shares, with service, performance or market vesting conditions. The aggregate number of Paired Shares that may be the subject of awards under the LTIPs shall not exceed 8,000,000, of which no more than 4,000,000 may be granted as incentive stock options. Each of the Corporation's and ESH REIT's LTIP has a share reserve of an equivalent number of shares of Corporation common stock and ESH REIT Class B common stock. As of June 30, 2016, approximately 4,005,000 Paired Shares were available for future issuance under the LTIPs.

Equity-based compensation expense is recognized by amortizing the grant-date fair value of the equity-based awards, less estimated forfeitures, on a straight-line basis over the requisite service period of each award. The fair value of equity-based awards is based on the closing price of a Paired Share on the date of grant. A portion of the grant-date fair value of all equity-based awards is allocated to a share of Corporation common stock and a portion is allocated to a share of ESH REIT Class B common stock. Expense related to the portion of the grant-date fair value with respect to a share of Corporation common stock is recorded as a payable due to the Corporation. Expense related to the portion of the grant-date fair value with respect to a share of Class B common stock of ESH REIT is recorded as an increase to additional paid in capital.

During each of the three and six months ended June 30, 2016, ESH REIT incurred approximately \$0.1 million of equity-based compensation expense related to its equity-based awards. During the three and six months ended June 30, 2015, ESH REIT incurred approximately \$0.3 million and \$0.6 million, respectively, of equity-based compensation expense (which included approximately \$0.2 million and \$0.4 million paid to the Corporation).

Equity-based compensation expense is included in general and administrative expenses in the accompanying unaudited condensed consolidated statements of operations.

As of June 30, 2016, there was approximately \$0.3 million of unrecognized compensation expense related to outstanding equity-based awards, which is expected to be recognized subsequent to June 30, 2016 over a weighted-average period of approximately 2.9 years. Total unrecognized compensation expense will be adjusted for actual forfeitures.

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ESH REIT will have to pay more or less for a share of the Corporation common stock than it would have otherwise paid at the time of grant as the result of regular market changes in the value of a Paired Share between the time of grant and the time of settlement. An increase in the value allocated to a share of Corporation common stock due to market changes in the value of a Paired Share between the time of grant and the time of settlement is recorded as a distribution to the Corporation. A decrease in the value allocated to a share of Corporation common stock due to market changes in the value of a Paired Share between the time of grant and the time of settlement is recorded as additional paid in capital from the Corporation.

The Corporation accounts for awards issued under its LTIP in a manner similar to that of ESH REIT. As such, for all LTIP awards granted by the Corporation, ESH REIT will receive compensation for the fair value of the Class B shares on the date of settlement of such Class B shares by ESH REIT. As of June 30, 2016, the Corporation had granted a total of approximately 2,631,000 RSUs, of which approximately 547,000 were forfeited or settled, under which ESH REIT is counterparty and is expected to issue, and be compensated in cash for, approximately 2,002,000 shares of Class B common stock of ESH REIT in future periods, assuming performance-based awards vest at less than 100% and no additional forfeitures.

RSA/RSU activity during the six months ended June 30, 2016, was as follows:

	Number of RSAs/RSUs (in thousands)	Weighted- Average Grant-Date Fair Value
Outstanding RSAs/RSUs - January 1, 2016	244	\$ 9.71
RSAs/RSUs granted in 2016	15	\$ 14.08
RSAs/RSUs settled in 2016	(210)	\$ 9.11
RSAs/RSUs forfeited in 2016	—	\$ —
Outstanding RSAs/RSUs - June 30, 2016	49	\$ 13.57
Vested RSAs/RSUs - June 30, 2016	3	\$ 19.74
Nonvested RSAs/RSUs - June 30, 2016	46	\$ 13.24

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2016, ESH REIT repurchased and retired approximately 0.1 million ESH REIT Class B common shares for approximately \$0.6 million.

On July 28, 2016, the Board of Directors of ESH REIT declared a cash distribution of \$0.10 per share for the second quarter of 2016 on its Class A and Class B common stock. The distribution is payable on August 25, 2016 to shareholders of record as of August 11, 2016.

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

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements of Extended Stay America, Inc. and ESH Hospitality, Inc. included in Item 1 in this combined quarterly report on Form 10-Q.

Background and Certain Defined Terms

On November 18, 2013, Extended Stay America, Inc. (the "Corporation") and its controlled subsidiary, ESH Hospitality, Inc. ("ESH REIT"), completed their initial public offering (the "Offering") of Paired Shares (as defined below). Unless otherwise indicated or the context requires:

Company. The term "Company" refers to the Corporation, ESH REIT and their subsidiaries considered as a single enterprise.

Comparable Hotels. The term "Comparable Hotels" refers, when used in connection with describing our results of operations, to the 629 Extended Stay America and Extended Stay Canada-branded hotels owned and operated by the Company for the three and six months ended June 30, 2016 and 2015, and excludes the 53 hotels sold in December 2015 as part of the Portfolio Sale (as defined below).

Corporation. The term "Corporation" refers to Extended Stay America, Inc., a Delaware corporation, and its subsidiaries (excluding ESH REIT and its subsidiaries), which include the Operating Lessees (as defined below), ESH Strategies (as defined below) and ESA Management (as defined below). The Corporation controls ESH REIT through its ownership of ESH REIT's Class A common stock, which represents approximately 55% of the outstanding common stock of ESH REIT.

ESH REIT. The term "ESH REIT" refers to ESH Hospitality, Inc., a Delaware corporation that has elected to be taxed as a real estate investment trust ("REIT"), and its subsidiaries. ESH REIT is a majority-owned subsidiary of the Corporation, which leases all of its hotel properties to the Operating Lessees.

Hotel renovation. The term "hotel renovation" refers, when used in connection with our company-wide initiatives to renovate our hotel properties, to upgrades that typically include remodeling of common areas, new paint, carpet, signage, tile or vinyl flooring and counters in bathrooms and kitchens, as well as the refurbishment of furniture, replacement of aged mattresses and installation of new flat screen televisions, artwork, lighting and bedspreads.

Operating Lessees. The term "Operating Lessees" refers to several entities that each lease a group of hotels from ESH REIT and, as stipulated under the respective lease agreement, operate the hotels.

ESH Strategies. The term "ESH Strategies" refers to ESH Hospitality Strategies LLC and its subsidiaries, which own the intellectual property related to our business.

ESA Management. The term "ESA Management" refers to ESA Management LLC and its subsidiaries, which manage the hotel properties on behalf of the Operating Lessees.

Paired Shares. The term "Paired Shares" means the shares of common stock, par value \$0.01 per share, of the Corporation together with the shares of Class B common stock, par value \$0.01 per share, of ESH REIT, which are attached and trade as a single unit.

For ease of presentation:

When we refer to our ownership of hotel properties, we are referring to the hotel properties owned by subsidiaries of ESH REIT.

When we refer to the management and operation of our hotels, we are referring to the management of hotels by ESA Management, a subsidiary of the Corporation, and the operation of hotels by the Operating Lessees, each a subsidiary of the Corporation.

When we refer to our brands, we are referring to intellectual property related to our business owned by ESH Strategies, a subsidiary of the Corporation.

The following are definitions of lodging operating metrics used throughout this combined quarterly report on Form 10-Q:

"ADR" or "average daily rate" means hotel room revenues divided by total number of rooms sold in a given period.

"Extended stay market" means the market of hotels with a fully equipped kitchenette in each guest room, which accept reservations and do not require a lease, as defined by The Highland Group.

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“Mid-price extended stay segment” means the segment of the extended stay market that generally operates at a daily rate between \$45 and \$95, as defined by The Highland Group.

“Occupancy” or “occupancy rate” means the total number of rooms sold in a given period divided by the total number of rooms available during that period.

“RevPAR” or “revenue per available room” means the product of average daily room rate charged and the average daily occupancy achieved for a hotel or group of hotels in a given period. RevPAR does not include ancillary revenues, such as food and beverage revenues, or parking, pet, telephone or other guest service revenues.

The following discussion may contain forward-looking statements about our market, analysis, future trends, the demand for our services, capital expenditures and other future results, including unit growth, distributions and other topics. Actual results may differ materially from those suggested by our forward-looking statements for various reasons, including those discussed in “Risk Factors” in our combined annual report on Form 10-K filed with the U.S. Securities and Exchange Commission (“SEC”) on February 23, 2016, and “Cautionary Note Regarding Forward-Looking Statements” contained herein. Those sections expressly qualify any subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf.

Overview

We are the largest integrated owner/operator of company-branded hotels in North America. Our business operates in the extended stay lodging industry, and as of June 30, 2016, we owned and operated 629 hotel properties comprising approximately 69,400 rooms located in 44 states across the United States and in Canada. We own and operate the substantial majority of our hotels under our core brand, Extended Stay America, which serves the mid-price extended stay segment, and accounts for approximately half of the segment by number of rooms in the United States. In addition, we own and operate three Extended Stay Canada hotels.

Our extended stay hotels are designed to provide an affordable and attractive alternative to traditional lodging or apartment accommodations and are targeted toward self-sufficient, value-conscious guests. Our hotels feature fully-furnished rooms with in-room kitchens, complimentary grab-and-go breakfast, free WiFi, flat screen TVs and on-site guest laundry. Our guests include business travelers, leisure travelers, professionals on temporary work or training assignments, persons relocating, temporarily displaced or purchasing a home and anyone else in need of temporary housing. Our guests generally rent accommodations on a weekly or longer term basis. For the twelve months ended June 30, 2016, approximately 33.9%, 23.1% and 43.0% of our total revenues were derived from guests with stays from 1-6 nights, from 7-29 nights and 30 or more nights, respectively.

In December 2015, we sold a portfolio of 53 hotel properties, 47 of which operated under our former Crossland Economy Studios brand and six of which operated under our Extended Stay America brand, and certain intellectual property of Crossland Economy Studios (the “Portfolio Sale”). We no longer own, operate or manage these hotel properties, nor do we own intellectual property related to Crossland Economy Studios. See Note 4 to each of the unaudited condensed consolidated financial statements of Extended Stay America, Inc. and ESH Hospitality, Inc., both of which are included in Item 1 in this combined quarterly report on Form 10-Q.

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Understanding Our Results of Operations—The Company

Revenues and Expenses. The Company's revenues are derived from hotel ownership and operations. Hotel operating expenses account for the largest portion of the Company's operating expenses and reflect ongoing expenses associated with the ownership and operation of our hotels.

The following table presents the components of the Company's revenues as a percentage of our total revenues for the six months ended June 30, 2016:

	Percentage of 2016 Year to Date Revenues
<ul style="list-style-type: none"> Room revenues. Room revenues are driven primarily by ADR and occupancy. Pricing policy and customer mix are significant drivers of ADR. Due to our relatively high occupancy levels, our primary focus is on increasing RevPAR by increasing ADR. For the six months ended June 30, 2016, we experienced RevPAR growth of approximately 7.5% compared to the six months ended June 30, 2015, due to a shift in our customer mix to a greater number of high yield, shorter-stay business and leisure guests, improved asset quality through our Portfolio Sale, the collective impact of our hotel renovation program and a focus on service excellence. 	98.5%
<ul style="list-style-type: none"> Other hotel revenues. Other hotel revenues include ancillary revenues such as laundry revenues, vending commissions, additional housekeeping fees and pet charges. Occupancy and customer mix, as well as the number and percentage of guests that have longer-term stays, are the key drivers of other hotel revenues. 	1.5%

The following table presents the components of the Company's operating expenses as a percentage of our total operating expenses for the six months ended June 30, 2016:

	Percentage of 2016 Year to Date Operating Expenses
<ul style="list-style-type: none"> Hotel operating expenses. Hotel operating expenses have both fixed and variable components. Operating expenses that are relatively fixed include personnel expense, real estate tax expense and property insurance premium expense. Occupancy is a key driver of expenses that have a high degree of variability such as housekeeping services and amenity costs. Other variable expenses include marketing costs, reservation costs, property insurance claims expense and repairs and maintenance expense. We experienced an increase in hotel operating expenses of approximately \$3.1 million for the six months ended June 30, 2016 compared to the six months ended June 30, 2015, due mainly to increases in personnel expense, reservation costs, loss on disposal of assets, repairs and maintenance expense and real estate tax expense offset by a decrease in property insurance claims expense as well as expenses related to the hotels sold in December 2015 as part of the Portfolio Sale. 	65.2%
<ul style="list-style-type: none"> General and administrative expenses. General and administrative expenses include expenses associated with corporate overhead. These costs consist primarily of compensation expense of our corporate staff, which includes non-cash equity-based compensation, and professional fees, including audit, tax, legal and consulting fees. 	10.8%
<ul style="list-style-type: none"> Depreciation and amortization. Depreciation and amortization is a non-cash charge that relates primarily to the acquisition and related usage of hotels and other property and equipment, including capital expenditures incurred with respect to our hotel renovations. 	24.0%

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Understanding Our Results of Operations—ESH REIT

Revenues. ESH REIT's rental revenues are generated from leasing its hotel properties to the Operating Lessees. Rental revenues consist of fixed minimum rental payments recognized on a straight-line basis over the lease terms plus specified percentages of total hotel revenues over designated thresholds.

Expenses. The following table presents the components of ESH REIT's operating expenses as a percentage of ESH REIT's total operating expenses for the six months ended June 30, 2016:

	Percentage of 2016 Year to Date Operating Expenses
<ul style="list-style-type: none"> Hotel operating expenses. ESH REIT's hotel operating expenses include expenses directly related to ownership of the hotels, such as real estate tax expense and property insurance premium and claims expense. 	29.2%
<ul style="list-style-type: none"> General and administrative expenses. General and administrative expenses include overhead expenses incurred directly by ESH REIT and administrative costs reimbursed to ESA Management. 	4.5%
<ul style="list-style-type: none"> Depreciation. Depreciation is a non-cash charge that relates primarily to the acquisition and related usage of hotels and other property and equipment, including capital expenditures incurred with respect to our hotel renovations. 	66.3%

Results of Operations

Results of Operations discusses each of the Company's and ESH REIT's unaudited condensed consolidated financial statements, each of which have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments, including those relating to property and equipment, goodwill, revenue recognition, income taxes, non-cash equity-based compensation and investments. We base our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

Results of Operations—The Company

Comparison of Three Months Ended June 30, 2016 and June 30, 2015

As of June 30, 2015, we owned and operated 682 hotels consisting of 76,000 rooms. On December 8, 2015, we completed the Portfolio Sale. Therefore, as of June 30, 2016, we owned and operated 629 hotels consisting of approximately 69,400 rooms. See Note 4 to the unaudited condensed consolidated financial statements of Extended Stay America, Inc., which are included in Item 1 in this combined quarterly report on Form 10-Q.

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The following table presents our consolidated results of operations for the three months ended June 30, 2016 and 2015, including the amount and percentage change in these results between the periods (in thousands):

	Three Months Ended June 30,				
	2016	2015	Change (\$)	Change (%)	
Revenues:					
Room revenues	\$327,833	\$335,384	\$ (7,551)	(2.3)%	
Other hotel revenues	4,956	4,927	29	0.6 %	
Total revenues	332,789	340,311	(7,522)	(2.2)%	
Operating expenses:					
Hotel operating expenses	149,078	146,499	2,579	1.8 %	
General and administrative expenses	23,988	26,036	(2,048)	(7.9)%	
Depreciation and amortization	55,011	50,529	4,482	8.9 %	
Total operating expenses	228,077	223,064	5,013	2.2 %	
Other income	—	38	(38)	(100.0)%	
Income from operations	104,712	117,285	(12,573)	(10.7)%	
Other non-operating expense (income)	114	(873)	987	113.1 %	
Interest expense, net	35,764	35,501	263	0.7 %	
Income before income tax expense	68,834	82,657	(13,823)	(16.7)%	
Income tax expense	7,448	17,852	(10,404)	(58.3)%	
Net income	61,386	64,805	(3,419)	(5.3)%	
Net income attributable to noncontrolling interests ⁽¹⁾	(657)	(6,822)	6,165	(90.4)%	
Net income attributable to common shareholders	\$60,729	\$57,983	\$ 2,746	4.7 %	

⁽¹⁾ Noncontrolling interests in Extended Stay America, Inc. include approximately 45% of ESH REIT's common equity and 125 shares of ESH REIT preferred stock.

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The following table presents key operating metrics, including occupancy, ADR, RevPAR and renovation displacement data for our hotels for the three months ended June 30, 2016 and 2015, respectively:

	Three Months Ended June 30,		
	2016	2015	Change
Number of hotels (as of June 30) ⁽¹⁾	629	682	(53)
Number of rooms (as of June 30) ⁽¹⁾	69,383	76,000	(6,617)
Occupancy	76.7%	77.1%	(40) bps
ADR	\$67.65	\$62.90	7.6%
RevPAR	\$51.89	\$48.49	7.0%
Hotel Inventory (as of June 30) ⁽²⁾ :			
Renovated Extended Stay America ⁽³⁾	530	382	148
Unrenovated Extended Stay America and other ⁽¹⁾	99	253	(154)
Crossland Economy Studios ⁽¹⁾	—	47	(47)
Total number of hotels	629	682	(53)
Renovation Displacement Data (in thousands, except percentages) ⁽²⁾			
Total available room nights	6,316	6,917	(601)
Room nights displaced from renovation	57	27	30
% of available room nights displaced	0.9%	0.4%	50 bps

In December 2015, the Company sold a portfolio of 53 hotel properties, six of which were included in (1) "Unrenovated Extended Stay America and other" and 47 of which were included in "Crossland Economy Studios" as of June 30, 2015.

(2) See "—Liquidity and Capital Resources—Capital Expenditures—Hotel Renovation Program."

(3) Includes three Extended Stay Canada-branded hotels.

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The following table presents key operating metrics, including occupancy, ADR, RevPAR and renovation displacement data for Comparable Hotels for the three months ended June 30, 2016 and 2015, respectively:

	Three Months Ended June 30,		
	2016	2015	Change
Number of hotels	629	629	—
Number of rooms	69,383	69,383	—
Comparable Hotel Occupancy	76.7%	77.2%	(50) bps
Comparable Hotel ADR	\$67.65	\$65.07	4.0%
Comparable Hotel RevPAR	\$51.89	\$50.24	3.3%
Comparable Hotel Inventory ⁽¹⁾ :			
Renovated Extended Stay America ⁽²⁾	530	382	148
Unrenovated Extended Stay America and other	99	247	(148)
Comparable Hotel number of hotels	629	629	—
Comparable Hotel Renovation Displacement Data (in thousands, except percentages) ⁽¹⁾			
Comparable Hotel available room nights	6,316	6,316	—
Comparable Hotel room nights displaced from renovation	57	27	30
% of Comparable Hotel available room nights displaced	0.9%	0.4%	50 bps

(1) See "—Liquidity and Capital Resources—Capital Expenditures—Hotel Renovation Program."

(2) Includes three Extended Stay Canada-branded hotels.

Room revenues. Room revenues decreased by approximately \$7.6 million, or 2.3%, to approximately \$327.8 million for the three months ended June 30, 2016 compared to approximately \$335.4 million for the three months ended June 30, 2015. On a Comparable Hotel basis, room revenues increased by approximately \$10.6 million, or 3.3%, primarily due to a 4.0% increase in ADR partially offset by a 50 bps decrease in occupancy, mainly driven by an increase in the number of Comparable Hotel room nights displaced from renovation, resulting in a 3.3% increase in RevPAR, primarily a result of a shift in our customer mix to a greater number of high yield, shorter-stay business and leisure guests, the collective impact of our hotel renovation program and a focus on service excellence.

Other hotel revenues. Other hotel revenues remained relatively consistent, increasing by approximately 0.6% to approximately \$5.0 million for the three months ended June 30, 2016 compared to approximately \$4.9 million for the three months ended June 30, 2015.

Hotel operating expenses. Hotel operating expenses increased by approximately \$2.6 million, or 1.8%, to approximately \$149.1 million for the three months ended June 30, 2016 compared to approximately \$146.5 million for the three months ended June 30, 2015. On a Comparable Hotel basis, hotel operating expenses increased by approximately \$12.6 million, or 9.2%, partly due to an increase in personnel expense of approximately \$5.5 million and reservation costs of approximately \$2.9 million, which related to an increase in commissionable bookings through online travel agents. This increase was also driven by an increase in loss on disposal of assets of approximately \$1.8 million as a result of our hotel renovation program as well as an increase in real estate tax expense of approximately \$1.8 million, mainly due to the receipt of a \$2.1 million refund in the prior year as a result of the appeal of real estate taxes in certain jurisdictions. Partially offsetting these increases was a decrease in property insurance claims expense mainly due to lower frequency and severity of insurable events than in the prior year.

General and administrative expenses. General and administrative expenses decreased by approximately \$2.0 million, or 7.9%, to approximately \$24.0 million for the three months ended June 30, 2016 compared to approximately \$26.0 million for the three months ended June 30, 2015. The decrease was driven by a decrease in personnel expense of approximately \$1.2 million, mainly due to a decrease in short-term incentive compensation, as well as a decrease in professional fees, including legal and consulting fees, partially offset by an increase of approximately \$0.7 million in expenses related to future growth initiatives.

Depreciation and amortization. Depreciation and amortization increased by approximately \$4.5 million, or 8.9%, to approximately \$55.0 million for the three months ended June 30, 2016 compared to approximately \$50.5 million for the three

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months ended June 30, 2015, which was primarily due to an increase in investment in hotel assets as a result of our hotel renovation program, partially offset by the Portfolio Sale.

Other non-operating expense (income). During the three months ended June 30, 2016, we recognized a non-cash foreign currency transaction loss of approximately \$0.1 million, related to the appreciation of the U.S. dollar versus the Canadian dollar at one of our Canadian currency-based entities which has U.S. dollar denominated debt. During the three months ended June 30, 2015, we recognized a non-cash foreign currency transaction gain of approximately \$0.9 million, related to the depreciation of the U.S. dollar versus the Canadian dollar at one of our Canadian currency-based entities which has U.S. dollar denominated debt.

Interest expense, net. Excluding debt extinguishment costs of approximately \$2.3 million incurred during the three months ended June 30, 2015 related to the repayment of approximately \$500.0 million of the outstanding balance under ESH REIT's \$2.52 billion mortgage loan entered into in November 2012 (the "2012 Mortgage Loan"), consisting of the write-off of unamortized deferred financing costs of approximately \$1.7 million and other costs of approximately \$0.6 million, net interest expense for the three months ended June 30, 2016 increased by approximately \$2.5 million, or 7.7%, to approximately \$35.8 million compared to approximately \$33.2 million for the three months ended June 30, 2015, primarily due to an increase in the Company's weighted-average interest rate. The Company's weighted-average interest rate increased to approximately 4.6% as of June 30, 2016 compared to approximately 4.4% as of June 30, 2015 due to ESH REIT's issuance of an additional \$800.0 million of its 5.25% unsecured senior notes due in 2025 (the "2025 Notes") in March 2016, the proceeds of which, together with cash on hand, were used to repay \$800.0 million in principal on the outstanding 2014 Term Loan (as defined below) and the outstanding 2012 Mortgage Loan.

Income tax expense. Our effective income tax rate decreased by approximately 10.8 percentage points to approximately 10.8% for the three months ended June 30, 2016 compared to approximately 21.6% for the three months ended June 30, 2015. The Company's effective tax rate is lower than the federal statutory rate of 35% due to ESH REIT's status as a REIT under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"). During the three months ended June 30, 2016, we recorded an income tax benefit of approximately \$7.7 million related to the reversal of a deferred tax liability associated with the Corporation's anticipated receipt of future ESH REIT nontaxable distributions. ESH REIT intends to distribute its taxable income to the extent necessary to optimize its tax efficiency including, but not limited to, maintaining its REIT status, while retaining sufficient capital for its ongoing needs. Accordingly, ESH REIT expects to distribute approximately 100% of its taxable income for the foreseeable future. ESH REIT will incur federal and state income tax at statutory rates on its taxable income not distributed.

Comparison of Six Months Ended June 30, 2016 and June 30, 2015

As of June 30, 2015, we owned and operated 682 hotels consisting of 76,000 rooms. On December 8, 2015, we completed the Portfolio Sale. Therefore, as of June 30, 2016, we owned and operated 629 hotels consisting of approximately 69,400 rooms. See Note 4 to the unaudited condensed consolidated financial statements of Extended Stay America, Inc., which are included in Item 1 in this combined quarterly report on Form 10-Q.

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The following table presents our consolidated results of operations for the six months ended June 30, 2016 and 2015, including the amount and percentage change in these results between the periods (in thousands):

	Six Months Ended June 30,			
	2016	2015	Change (\$)	Change (%)
Revenues:				
Room revenues	\$610,970	\$618,682	\$ (7,712)	(1.2)%
Other hotel revenues	9,377	9,220	157	1.7 %
Total revenues	620,347	627,902	(7,555)	(1.2)%
Operating expenses:				
Hotel operating expenses	294,638	291,494	3,144	1.1 %
General and administrative expenses	48,940	49,536	(596)	(1.2)%
Depreciation and amortization	108,319	99,712	8,607	8.6 %
Total operating expenses	451,897	440,742	11,155	2.5 %
Other income	18	41	(23)	(56.1)%
Income from operations	168,468	187,201	(18,733)	(10.0)%
Other non-operating (income) expense	(764)	892	(1,656)	(185.7)%
Interest expense, net	82,749	66,818	15,931	23.8 %
Income before income tax expense	86,483	119,491	(33,008)	(27.6)%
Income tax expense	10,344	26,826	(16,482)	(61.4)%
Net income	76,139	92,665	(16,526)	(17.8)%
Net loss (income) attributable to noncontrolling interests ⁽¹⁾	1,636	(13,134)	14,770	(112.5)%
Net income attributable to common shareholders	\$77,775	\$79,531	\$ (1,756)	(2.2)%

(1) Noncontrolling interests in Extended Stay America, Inc. include approximately 45% of ESH REIT's common equity and 125 shares of ESH REIT preferred stock.

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The following table presents key operating metrics, including occupancy, ADR, RevPAR and renovation displacement data for our hotels for the six months ended June 30, 2016 and 2015, respectively:

	Six Months Ended June 30,		
	2016	2015	Change
Number of hotels (as of June 30) ⁽¹⁾	629	682	(53)
Number of rooms (as of June 30) ⁽¹⁾	69,383	76,000	(6,617)
Occupancy	73.1%	73.8%	(70) bps
ADR	\$66.14	\$60.99	8.4%
RevPAR	\$48.36	\$44.98	7.5%
Hotel Inventory (as of June 30) ⁽²⁾ :			
Renovated Extended Stay America ⁽³⁾	530	382	148
Unrenovated Extended Stay America and other ⁽¹⁾	99	253	(154)
Crossland Economy Studios ⁽¹⁾	—	47	(47)
Total number of hotels	629	682	(53)
Renovation Displacement Data (in thousands, except percentages) ⁽²⁾			
Total available room nights	12,632	13,754	(1,122)
Room nights displaced from renovation	179	103	76
% of available room nights displaced	1.4%	0.7%	70 bps

In December 2015, the Company sold a portfolio of 53 hotel properties, six of which were included in

(1) "Unrenovated Extended Stay America and other" and 47 of which were included in "Crossland Economy Studios" as of June 30, 2015.

(2) See "—Liquidity and Capital Resources—Capital Expenditures—Hotel Renovation Program."

(3) Includes three Extended Stay Canada-branded hotels.

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The following table presents key operating metrics, including occupancy, ADR, RevPAR and renovation displacement data for Comparable Hotels for the six months ended June 30, 2016 and 2015, respectively:

	Six Months Ended June 30,		
	2016	2015	Change
Number of hotels	629	629	—
Number of rooms	69,383	69,383	—
Comparable Hotel Occupancy	73.1%	73.7%	(60) bps
Comparable Hotel ADR	\$66.14	\$63.07	4.9%
Comparable Hotel RevPAR	\$48.36	\$46.49	4.0%
Comparable Hotel Inventory ⁽¹⁾ :			
Renovated Extended Stay America ⁽²⁾	530	382	148
Unrenovated Extended Stay America and other	99	247	(148)
Comparable Hotel number of hotels	629	629	—
Comparable Hotel Renovation Displacement Data (in thousands, except percentages) ⁽¹⁾			
Comparable Hotel available room nights	12,632	12,561	71
Comparable Hotel room nights displaced from renovation	179	103	76
% of Comparable Hotel available room nights displaced	1.4%	0.8%	60 bps

(1) See "—Liquidity and Capital Resources—Capital Expenditures—Hotel Renovation Program."

(2) Includes three Extended Stay Canada-branded hotels.

Room revenues. Room revenues decreased by approximately \$7.7 million, or 1.2%, to approximately \$611.0 million for the six months ended June 30, 2016 compared to approximately \$618.7 million for the six months ended June 30, 2015. On a Comparable Hotel basis, room revenues increased by approximately \$27.0 million, or 4.6%, primarily due to a 4.9% increase in ADR partially offset by a 60 bps decrease in occupancy, mainly driven by an increase in the number of Comparable Hotel room nights displaced from renovation, resulting in a 4.0% increase in RevPAR, primarily a result of a shift in our customer mix to a greater number of high yield, shorter-stay business and leisure guests, the collective impact of our hotel renovation program and a focus on service excellence.

Other hotel revenues. Other hotel revenues increased by approximately \$0.2 million, or 1.7%, to approximately \$9.4 million for the six months ended June 30, 2016 compared to approximately \$9.2 million for the six months ended June 30, 2015.

Hotel operating expenses. Hotel operating expenses increased by approximately \$3.1 million, or 1.1%, to approximately \$294.6 million for the six months ended June 30, 2016 compared to approximately \$291.5 million for the six months ended June 30, 2015. On a Comparable Hotel basis, hotel operating expenses increased by approximately \$23.0 million, or 8.5%, partly due to an increase in personnel expense of approximately \$10.3 million and reservation costs of approximately \$5.6 million, which related to an increase in commissionable bookings through online travel agents. This increase was also driven by an increase in loss on disposal of assets of approximately \$3.1 million as a result of our hotel renovation program as well as an increase in repairs and maintenance expense of approximately \$2.2 million and an increase in real estate tax expense of approximately \$2.2 million, mainly due to the receipt of a \$2.1 million refund in the prior year as a result of the appeal of real estate taxes in certain jurisdictions. Partially offsetting these increases was a decrease in property insurance claims expense mainly due to lower frequency and severity of insurable events than in the prior year.

General and administrative expenses. General and administrative expenses decreased by approximately \$0.6 million, or 1.2%, to approximately \$48.9 million for the six months ended June 30, 2016 compared to approximately \$49.5 million for the six months ended June 30, 2015. The decrease was driven by a decrease in professional fees of approximately \$0.9 million, including legal and consulting fees, as well as a decrease in costs related to the

preparation of registration statements of approximately \$0.7 million. These decreases were partially offset by an increase of approximately \$1.1 million in expenses

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related to future growth initiatives, as well as personnel expense of approximately \$0.8 million, including non-cash equity-based compensation expense, for awards granted to employees during the six months ended June 30, 2016. Depreciation and amortization. Depreciation and amortization increased by approximately \$8.6 million, or 8.6%, to approximately \$108.3 million for the six months ended June 30, 2016 compared to approximately \$99.7 million for the six months ended June 30, 2015, which was primarily due to an increase in investment in hotel assets as a result of our hotel renovation program, partially offset by the Portfolio Sale.

Other non-operating (income) expense. During the six months ended June 30, 2016, we recognized a non-cash foreign currency transaction gain of approximately \$0.8 million, related to the depreciation of the U.S. dollar versus the Canadian dollar at one of our Canadian currency-based entities which has U.S. dollar denominated debt. During the six months ended June 30, 2015, we recognized a non-cash foreign currency transaction loss of approximately \$0.9 million, related to the appreciation of the U.S. dollar versus the Canadian dollar at one of our Canadian currency-based entities which has U.S. dollar denominated debt.

Interest expense, net. Excluding debt extinguishment costs of approximately \$12.1 million incurred during the six months ended June 30, 2016 related to the full repayment of the balance of approximately \$366.5 million outstanding under ESH REIT's \$375.0 million term loan facility entered into in June 2014 (the "2014 Term Loan") and the repayment of approximately \$433.5 million of the outstanding balance under ESH REIT's 2012 Mortgage Loan, consisting of the write-off of unamortized deferred financing costs and debt discount of approximately \$8.4 million and prepayment penalties and other costs of approximately \$3.7 million, and excluding debt extinguishment costs of approximately \$2.3 million incurred during the three months ended June 30, 2015 related to the repayment of approximately \$500.0 million of the outstanding balance under ESH REIT's 2012 Mortgage Loan, consisting of the write-off of unamortized deferred financing costs of approximately \$1.7 million and other costs of approximately \$0.6 million, net interest expense for the six months ended June 30, 2016 increased by approximately \$6.1 million, or 9.5%, to approximately \$70.6 million compared to approximately \$64.5 million for the six months ended June 30, 2015, primarily due to an increase in the Company's weighted-average interest rate. The Company's weighted-average interest rate increased to approximately 4.6% as of June 30, 2016 compared to approximately 4.4% as of June 30, 2015 due to ESH REIT's issuance of an additional \$800.0 million of the 2025 Notes in March 2016, the proceeds of which, together with cash on hand, were used to repay \$800.0 million in principal on the outstanding 2014 Term Loan and the outstanding 2012 Mortgage Loan.

Income tax expense. Our effective income tax rate decreased by approximately 10.5 percentage points to approximately 12.0% for the six months ended June 30, 2016 compared to approximately 22.5% for the six months ended June 30, 2015. The Company's effective tax rate is lower than the federal statutory rate of 35% due to ESH REIT's status as a REIT under the provisions of the Code. The decrease in our effective income tax rate for the six months ended June 30, 2016 is due to the recognition of an income tax benefit of approximately \$7.7 million related to the reversal of a deferred tax liability associated with the Corporation's anticipated receipt of future ESH REIT nontaxable distributions and due to the recognition of an income tax benefit of approximately \$1.8 million with respect to the reversal of net deferred tax liabilities reported as of December 31, 2015, which related to the previously estimated 5% of taxable income expected to be retained by ESH REIT. ESH REIT intends to distribute its taxable income to the extent necessary to optimize its tax efficiency including, but not limited to, maintaining its REIT status, while retaining sufficient capital for its ongoing needs. Accordingly, ESH REIT expects to distribute approximately 100% of its taxable income for the foreseeable future. ESH REIT will incur federal and state income tax at statutory rates on its taxable income not distributed.

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Results of Operations—ESH REIT

ESH REIT's sole source of revenues is lease rental revenues and its hotel operating expenses reflect only those hotel operating expenses that are incurred directly related to the ownership of the hotels. Administrative costs reimbursed to ESA Management are reflected as a component of general and administrative expenses.

Comparison of Three Months Ended June 30, 2016 and June 30, 2015

As of June 30, 2015, ESH REIT owned 682 hotels consisting of 76,000 rooms. On December 8, 2015, ESH REIT sold a portfolio of 53 hotels, 47 of which operated under the Crossland Economy Studios brand and six of which operated under the Extended Stay America brand. Therefore, as of June 30, 2016, ESH REIT owned 629 hotels consisting of approximately 69,400 rooms. See Note 4 to the unaudited condensed consolidated financial statements of ESH Hospitality, Inc., which are included in Item 1 in this combined quarterly report on Form 10-Q.

The following table presents ESH REIT's consolidated results of operations for the three months ended June 30, 2016 and 2015, including the amount and percentage change in these results between the periods (in thousands):

	Three Months Ended June 30,			
	2016	2015	Change (\$)	Change (%)
Revenues: Rental revenues from Extended Stay America, Inc.	\$116,492	\$123,600	\$ (7,108)	(5.8)%
Operating expenses:				
Hotel operating expenses	22,231	20,737	1,494	7.2%
General and administrative expenses	4,167	4,355	(188)	(4.3)%
Depreciation	53,758	49,287	4,471	9.1%
Total operating expenses	80,156	74,379	5,777	7.8%
Other income	—	37	(37)	(100.0)%
Income from operations	36,336	49,258	(12,922)	(26.2)%
Other non-operating income	(1)	(771)	770	(99.9)%
Interest expense, net	35,075	34,734	341	1.0%
Income before income tax (benefit) expense	1,262	15,295	(14,033)	(91.7)%
Income tax (benefit) expense	(209)	107	(316)	(295.3)%
Net income	\$1,471	\$15,188	\$ (13,717)	(90.3)%

Rental revenues from Extended Stay America, Inc. Rental revenues decreased by approximately \$7.1 million, or 5.8%, to approximately \$116.5 million for the three months ended June 30, 2016 compared to approximately \$123.6 million for the three months ended June 30, 2015. Rental revenues consist of fixed minimum rental payments recognized on a straight-line basis over the terms of the lease plus specified percentages of total hotel revenues over designated thresholds. Percentage rental revenues of approximately \$0.2 million and \$0.4 million were recognized during the three months ended June 30, 2016 and June 30, 2015, respectively. The decrease in rental revenues was mainly due to the sale of the portfolio of 53 hotels in December 2015, partially offset by the depreciation of the U.S. dollar relative to the Canadian dollar.

Hotel operating expenses. Hotel operating expenses increased by approximately \$1.5 million, or 7.2%, to approximately \$22.2 million for the three months ended June 30, 2016 compared to approximately \$20.7 million for the three months ended June 30, 2015. The increase was due to an increase in loss on disposal of assets of approximately \$1.6 million as a result of ESH REIT's hotel reinvestment program as well as an increase in real estate tax expense of approximately \$0.9 million, mainly due to the receipt of a \$2.1 million refund in the prior year as a result of the appeal of real estate taxes in certain jurisdictions. These increases were offset by decreases in property-related costs that were obligations of ESH REIT due to its ownership of the 53 hotels sold in December 2015.

General and administrative expenses. General and administrative expenses decreased by approximately \$0.2 million, or 4.3%, to approximately \$4.2 million for the three months ended June 30, 2016 compared to approximately \$4.4 million for the three months ended June 30, 2015. The decrease was primarily driven by decreases in costs related to the preparation of registration statements of approximately \$0.3 million and non-cash equity-based compensation expense of approximately \$0.3 million.

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Depreciation. Depreciation increased by approximately \$4.5 million, or 9.1%, to approximately \$53.8 million for the three months ended June 30, 2016 compared to approximately \$49.3 million for the three months ended June 30, 2015, which was primarily due to an increase in investment in hotel assets as a result of our hotel renovation program, partially offset by the sale of the portfolio of 53 hotels in December 2015.

Other non-operating income. During the three months ended June 30, 2016 and June 30, 2015, ESH REIT recognized a non-cash foreign currency transaction gain of approximately \$0.0 million and \$0.8 million, respectively, related to the depreciation of the U.S. dollar versus the Canadian dollar at one of its Canadian currency-based entities which has U.S. dollar denominated debt.

Interest expense, net. Excluding debt extinguishment costs of approximately \$2.3 million incurred during the three months ended June 30, 2015 related to the repayment of approximately \$500.0 million of the outstanding balance under ESH REIT's 2012 Mortgage Loan, consisting of the write-off of unamortized deferred financing costs of approximately \$1.7 million and other costs of approximately \$0.6 million, net interest expense for the three months ended June 30, 2016 increased by approximately \$2.6 million, or 8.1%, to approximately \$35.1 million compared to approximately \$32.5 million for the three months ended June 30, 2015, primarily due to an increase in ESH REIT's weighted-average interest rate. ESH REIT's weighted-average interest rate increased to approximately 4.6% as of June 30, 2016 compared to approximately 4.4% as of June 30, 2015 due to ESH REIT's issuance of an additional \$800.0 million of the 2025 Notes in March 2016, the proceeds of which, together with cash on hand, were used to repay \$800.0 million in principal on the outstanding 2014 Term Loan and the outstanding 2012 Mortgage Loan.

Income tax (benefit) expense. ESH REIT's effective income tax rate decreased by approximately 17.3 percentage points to a benefit of approximately 16.6% for the three months ended June 30, 2016 compared to a provision of approximately 0.7% for the three months ended June 30, 2015. ESH REIT's effective tax rate is lower than the federal statutory rate of 35% due to its status as a REIT under the provisions of the Code. During the three months ended June 30, 2016, ESH REIT incurred an income tax benefit of approximately \$0.2 million due to a revision of its current income tax payable estimate upon filing of one of its subsidiaries' income tax returns.

Comparison of Six Months Ended June 30, 2016 and June 30, 2015

As of June 30, 2015, ESH REIT owned 682 hotels consisting of 76,000 rooms. On December 8, 2015, ESH REIT sold a portfolio of 53 hotels, 47 of which operated under the Crossland Economy Studios brand and six of which operated under the Extended Stay America brand. Therefore, as of June 30, 2016, ESH REIT owned 629 hotels consisting of approximately 69,400 rooms. See Note 4 to the unaudited condensed consolidated financial statements of ESH Hospitality, Inc., which are included in Item 1 in this combined quarterly report on Form 10-Q.

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The following table presents ESH REIT's consolidated results of operations for the six months ended June 30, 2016 and 2015, including the amount and percentage change in these results between the periods (in thousands):

	Six Months Ended June 30,			
	2016	2015	Change (\$)	Change (%)
Revenues: Rental revenues from Extended Stay America, Inc.	\$232,734	\$246,791	\$ (14,057)	(5.7)%
Operating expenses:				
Hotel operating expenses	46,602	45,356	1,246	2.7 %
General and administrative expenses	7,201	8,359	(1,158)	(13.9)%
Depreciation	105,798	97,322	8,476	8.7 %
Total operating expenses	159,601	151,037	8,564	5.7 %
Other income	—	37	(37)	(100.0)%
Income from operations	73,133	95,791	(22,658)	(23.7)%
Other non-operating (income) expense	(774)	1,066	(1,840)	(172.6)%
Interest expense, net	81,365	65,285	16,080	24.6 %
(Loss) income before income tax (benefit) expense	(7,458)	29,440	(36,898)	(125.3)%
Income tax (benefit) expense	(3,799)	206	(4,005)	(1,944.2)%
Net (loss) income	\$(3,659)	\$29,234	\$(32,893)	(112.5)%

Rental revenues from Extended Stay America, Inc. Rental revenues decreased by approximately \$14.1 million, or 5.7%, to approximately \$232.7 million for the six months ended June 30, 2016 compared to approximately \$246.8 million for the six months ended June 30, 2015. Rental revenues consist of fixed minimum rental payments recognized on a straight-line basis over the terms of the lease plus specified percentages of total hotel revenues over designated thresholds. Percentage rental revenues of approximately \$0.2 million and \$0.4 million were recognized during the six months ended June 30, 2016 and June 30, 2015, respectively. The decrease in rental revenues was mainly due to the sale of the portfolio of 53 hotels in December 2015, partially offset by the depreciation of the U.S. dollar relative to the Canadian dollar.

Hotel operating expenses. Hotel operating expenses increased by approximately \$1.2 million, or 2.7%, to approximately \$46.6 million for the six months ended June 30, 2016 compared to approximately \$45.4 million for the six months ended June 30, 2015. The increase was due to an increase in loss on disposal of assets of approximately \$3.0 million as a result of ESH REIT's hotel renovation program as well as an increase in real estate tax expense of approximately \$0.4 million, mainly due to the receipt of a \$2.1 million refund in the prior year as a result of the appeal of real estate taxes in certain jurisdictions. These increases were offset by decreases in property-related costs that were obligations of ESH REIT due to its ownership of the 53 hotels sold in December 2015, including property insurance claims expense of approximately \$1.3 million due to lower frequency and severity of insurable events than in the prior year.

General and administrative expenses. General and administrative expenses decreased by approximately \$1.2 million, or 13.9%, to approximately \$7.2 million for the six months ended June 30, 2016 compared to approximately \$8.4 million for the six months ended June 30, 2015. The decrease was mainly due to decreases in non-cash equity-based compensation expense of approximately \$0.6 million as well as a decrease in reimbursable costs of approximately \$0.4 million to ESA Management for administrative services performed on ESH REIT's behalf (including executive management, accounting, financial analysis, training and technology) and costs related to the preparation of registration statements of approximately \$0.4 million.

Depreciation. Depreciation increased by approximately \$8.5 million, or 8.7%, to approximately \$105.8 million for the six months ended June 30, 2016 compared to approximately \$97.3 million for the six months ended June 30, 2015, which was primarily due to an increase in investment in hotel assets as a result of our hotel renovation program, partially offset by the sale of the portfolio of 53 hotels in December 2015.

Other non-operating (income) expense. During the six months ended June 30, 2016, ESH REIT recognized a non-cash foreign currency transaction gain of approximately \$0.8 million, related to the depreciation of the U.S. dollar versus the Canadian dollar at one of its Canadian currency-based entities which has U.S. dollar denominated debt. During the

six months ended June 30, 2015, ESH REIT recognized a non-cash foreign currency transaction loss of approximately \$1.1 million, related

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to the appreciation of the U.S. dollar versus the Canadian dollar at one of its Canadian currency-based entities which has U.S. dollar denominated debt.

Interest expense, net. Excluding debt extinguishment costs of approximately \$12.1 million incurred during the six months ended June 30, 2016 related to the full repayment of the balance of approximately \$366.5 million outstanding under ESH REIT's 2014 Term Loan and the repayment of approximately \$433.5 million of the outstanding balance under ESH REIT's 2012 Mortgage Loan, consisting of the write-off of unamortized deferred financing costs and debt discount of approximately \$8.4 million and prepayment penalties and other costs of approximately \$3.7 million, and excluding debt extinguishment costs of approximately \$2.3 million incurred during the three months ended June 30, 2015 related to the repayment of approximately \$500.0 million of the outstanding balance under ESH REIT's 2012 Mortgage Loan, consisting of the write-off of unamortized deferred financing costs of approximately \$1.7 million and other costs of approximately \$0.6 million, net interest expense for the six months ended June 30, 2016 increased by approximately \$6.3 million, or 10.0%, to approximately \$69.3 million compared to approximately \$63.0 million for the six months ended June 30, 2015, primarily due to an increase in ESH REIT's weighted-average interest rate. ESH REIT's weighted-average interest rate increased to approximately 4.6% as of June 30, 2016 compared to approximately 4.4% as of June 30, 2015 due to ESH REIT's issuance of an additional \$800.0 million of the 2025 Notes in March 2016, the proceeds of which, together with cash on hand, were used to repay \$800.0 million in principal on the outstanding 2014 Term Loan and the outstanding 2012 Mortgage Loan.

Income tax (benefit) expense. ESH REIT's effective income tax rate decreased by approximately 51.6 percentage points to a benefit of approximately 50.9% for the six months ended June 30, 2016 compared to a provision of approximately 0.7% for the six months ended June 30, 2015. ESH REIT's effective tax rate is lower than the federal statutory rate of 35% due to its status as a REIT under the provisions of the Code. The decrease in ESH REIT's effective income tax rate for the six months ended June 30, 2016 is due to a \$0.2 million revision of its current income tax payable estimate upon filing one of its subsidiaries' income tax returns and the recognition of an income tax benefit of approximately \$2.3 million with respect to the reversal of net deferred tax liabilities reported as of December 31, 2015, which related to the previously estimated 5% of taxable income expected to be retained by ESH REIT. ESH REIT intends to distribute its taxable income to the extent necessary to optimize its tax efficiency including, but not limited to, maintaining its REIT status, while retaining sufficient capital for its ongoing needs. Accordingly, ESH REIT expects to distribute approximately 100% of its taxable income for the foreseeable future. ESH REIT will incur federal and state income tax at statutory rates on its taxable income not distributed.

Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA

EBITDA is defined as net income excluding: (1) net interest expense; (2) income tax expense; and (3) depreciation and amortization. EBITDA is a commonly used measure of performance in many industries. The Company believes that EBITDA provides useful information to investors regarding our operating performance as it helps us and investors evaluate the ongoing performance of our hotels after removing the impact of our capital structure, primarily net interest expense, our corporate structure, primarily income tax expense, and our asset base, primarily depreciation and amortization. We believe that the use of EBITDA facilitates comparisons between us and other lodging companies, hotel owners and capital-intensive companies. Additionally, EBITDA is a measure that is widely used by management in our annual budgeting and compensation planning processes.

The Company uses Adjusted EBITDA when evaluating our performance because we believe the adjustment for certain additional items, described below, provides useful supplemental information to investors regarding our ongoing operating performance and that the presentation of Adjusted EBITDA, when combined with the U.S. GAAP presentation of net income, net income per common share and cash flow provided by operating activities, is beneficial to the overall understanding of our ongoing operating performance. We adjust EBITDA for the following items and refer to this measure as Adjusted EBITDA:

• Non-cash equity-based compensation—We exclude non-cash charges related to the amortization of equity-based compensation awards to employees and directors.

Other non-operating expense (income)—We exclude the effect of other non-operating expense or income, as we believe non-cash foreign currency transaction loss or gain is not reflective of ongoing or future operating performance.

Other expenses—We exclude the effect of other expenses that we do not consider reflective of ongoing or future operating performance including the following: loss on disposal of assets, transaction costs associated with the sale of hotel properties and costs incurred in connection with the preparation of registration statements.

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EBITDA and Adjusted EBITDA as presented may not be comparable to similar measures calculated by other companies. This information should not be considered as an alternative to net income, net income per common share, cash flow from operations or any other operating performance measure calculated in accordance with U.S. GAAP. Cash expenditures for real estate or hotel assets such as capital expenditures, interest expense and other items have been and will continue to be incurred and are not reflected in EBITDA or Adjusted EBITDA. Management compensates for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions and assessments of operating performance. The Company's unaudited condensed consolidated statements of operations and cash flows include capital expenditures, net interest expense and other excluded items, all of which should be considered when evaluating our performance, in addition to our non-GAAP financial measures. Additionally, EBITDA and Adjusted EBITDA should not solely be considered as measures of our liquidity or indicative of funds available to fund our cash needs, including unit growth or our ability to pay distributions.

EBITDA and Adjusted EBITDA are not meaningful or useful measures for ESH REIT on a stand-alone basis due to the fact that a Paired Share represents an investment in the Company, as a single, consolidated enterprise, which is reflected in the consolidated Company results of operations; therefore, we believe these performance measures are meaningful for the Company only.

The following table provides a reconciliation of net income to EBITDA and Adjusted EBITDA for the Company for the three and six months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	\$61,386	\$64,805	\$76,139	\$92,665
Interest expense, net	35,764	35,501	82,749	66,818
Income tax expense	7,448	17,852	10,344	26,826
Depreciation and amortization	55,011	50,529	108,319	99,712
EBITDA	159,609	168,687	277,551	286,021
Non-cash equity-based compensation	2,939	2,803	5,619	4,919
Other non-operating expense (income)	114	(873)	(764)	892
Other expenses	1,997 ⁽¹⁾	1,101 ⁽²⁾	5,052 ⁽³⁾	2,744 ⁽⁴⁾
Adjusted EBITDA	\$164,659	\$171,718	\$287,458	\$294,576

(1) Includes loss on disposal of assets of approximately \$2.1 million and transaction costs of approximately \$(0.1) million due to the revision of an estimate related to the Portfolio Sale.

(2) Includes costs incurred in connection with the preparation of the registration statement filed in June 2015 of approximately \$0.7 million and loss on disposal of assets of approximately \$0.4 million.

(3) Includes loss on disposal of assets of approximately \$5.0 million and transaction costs of approximately \$0.1 million due to the revision of an estimate related to the Portfolio Sale.

(4) Includes costs incurred in connection with the preparation of the registration statement filed in June 2015 of approximately \$0.7 million and loss on disposal of assets of approximately \$2.0 million.

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As a result of the Portfolio Sale, to facilitate a more useful period over period comparison of the Company's performance, we also present EBITDA and Adjusted EBITDA on a Comparable Hotel basis to enable investors to better evaluate our operating performance. The following table provides a reconciliation of net income to EBITDA and Comparable Hotel Adjusted EBITDA for the three and six months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended		Six Months Ended	
	June,		June,	
	2016	2015	2016	2015
Net income	\$61,386	\$64,805	\$76,139	\$92,665
Interest expense, net	35,764	35,501	82,749	66,818
Income tax expense	7,448	17,852	10,344	26,826
Depreciation and amortization	55,011	50,529	108,319	99,712
EBITDA	159,609	168,687	277,551	286,021
Adjusted Property EBITDA of hotels not owned for entirety of periods presented	—	(8,548)	—	(15,680)
Non-cash equity-based compensation	2,939	2,803	5,619	4,919
Other non-operating expense (income)	114	(873)	(764)	892
Other expenses	1,997 ⁽¹⁾	1,101 ⁽²⁾	5,052 ⁽³⁾	2,744 ⁽⁴⁾
Comparable Hotel Adjusted EBITDA	\$164,659	\$163,170	\$287,458	\$278,896

(1) Includes loss on disposal of assets of approximately \$2.1 million and transaction costs of approximately \$(0.1) million due to the revision of an estimate related to the Portfolio Sale.

(2) Includes costs incurred in connection with the preparation of the registration statement filed in June 2015 of approximately \$0.7 million and loss on disposal of assets of approximately \$0.4 million, \$0.1 million of which relates to the hotels not owned for entirety of periods presented.

(3) Includes loss on disposal of assets of approximately \$5.0 million and transaction costs of approximately \$0.1 million due to the revision of an estimate related to the Portfolio Sale.

(4) Includes costs incurred in connection with the preparation of the registration statement filed in June 2015 of approximately \$0.7 million and loss on disposal of assets of approximately \$2.0 million, \$0.2 million of which relates to the hotels not owned for entirety of periods presented.

Hotel Operating Profit and Hotel Operating Margin

Hotel Operating Profit and Hotel Operating Margin measure hotel-level operating results prior to debt service, income tax expense, depreciation and amortization and general and administrative expenses. The Company believes that Hotel Operating Profit and Hotel Operating Margin are useful measures to investors regarding our operating performance as they help us and investors evaluate aggregate hotel-level profitability, specifically hotel operating efficiency and effectiveness. Further, these measures allow us and our investors to analyze period over period operating margin flow-through (the change in Hotel Operating Profit divided by the change in total hotel revenues).

We define Hotel Operating Profit as the sum of room and other hotel revenues less hotel operating expenses (excluding loss on disposal of assets) and Hotel Operating Margin as the ratio of Hotel Operating Profit divided by total hotel revenues. Hotel Operating Profit and Hotel Operating Margin are not meaningful or useful measures for ESH REIT on a stand-alone basis due to the fact that a Paired Share represents an investment in the Company, as a single, consolidated enterprise, which is reflected in the consolidated Company results of operations; therefore, we believe these performance measures are meaningful for the Company only.

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The following table provides a reconciliation of room revenues, other hotel revenues and hotel operating expenses (excluding loss on disposal of assets) to Hotel Operating Profit and Hotel Operating Margin for the Company for the three and six months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Room revenues	\$327,833	\$335,384	\$610,970	\$618,682
Other hotel revenues	4,956	4,927	9,377	9,220
Total hotel revenues	332,789	340,311	620,347	627,902
Hotel operating expenses ⁽¹⁾	146,973	146,034	289,637	289,455
Hotel Operating Profit	\$185,816	\$194,277	\$330,710	\$338,447
Hotel Operating Margin	55.8	% 57.1	% 53.3	% 53.9

(1) Excludes loss on disposal of assets of approximately \$2.1 million, \$0.4 million, \$5.0 million and \$2.0 million, respectively.

As a result of the Portfolio Sale, to facilitate a more useful period over period comparison of the Company's performance, we also present Hotel Operating Profit and Hotel Operating Margin on a Comparable Hotel basis to enable investors to better evaluate our operating performance. The following table provides a reconciliation of room revenues, other hotel revenues and hotel operating expenses (excluding loss on disposal of assets) to Comparable Hotel total revenues, Comparable Hotel operating expenses (excluding loss on disposal of assets), Comparable Hotel Operating Profit and Comparable Hotel Operating Margin for the three and six months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Room revenues	\$327,833	\$335,384	\$610,970	\$618,682
Other hotel revenues	4,956	4,927	9,377	9,220
Total revenues of hotels not owned for entirety of periods presented	—	(18,428)	—	(35,377)
Comparable Hotel total revenues	332,789	321,883	620,347	592,525
Hotel operating expenses ⁽¹⁾	146,973	146,034	289,637	289,455
Hotel operating expenses of hotels not owned for entirety of periods presented ⁽²⁾	—	(9,880)	—	(19,697)
Comparable Hotel operating expenses	146,973	136,154	289,637	269,758
Comparable Hotel Operating Profit	\$185,816	\$185,729	\$330,710	\$322,767
Comparable Hotel Operating Margin	55.8	% 57.7	% 53.3	% 54.5

(1) Excludes loss on disposal of assets of approximately \$2.1 million, \$0.4 million, \$5.0 million and \$2.0 million, respectively.

(2) Excludes loss on disposal of assets of approximately \$0, \$0.1 million, \$0 and \$0.2 million, respectively.

Paired Share Income, Adjusted Paired Share Income and Adjusted Paired Share Income per Paired Share
We present Paired Share Income, Adjusted Paired Share Income and Adjusted Paired Share Income per Paired Share as supplemental measures of the Company's operating performance. We believe that these are useful measures for investors since our Paired Shares, directly through the common stock of the Corporation and Class B common stock of ESH REIT, and indirectly through the Corporation's ownership of the Class A common stock of ESH REIT, entitle holders of our Paired Shares to participate in 100% of the common equity and earnings of both the Corporation and ESH REIT. As required by U.S. GAAP, net income attributable to common shareholders excludes earnings attributable to ESH REIT's Class B common shares, a noncontrolling interest. Based on the limitation on transfer provided for in each of the Corporation's and ESH REIT's charters, shares of common stock of the Corporation and shares of Class B common stock of ESH REIT are transferrable and tradable only in combination as units, each unit

consisting of one share of the Corporation's common stock and one share of ESH REIT Class B common stock. As a result, we believe that Paired Share Income, Adjusted Paired Share Income and Adjusted Paired Share Income per Paired Share represent useful measures to holders of our Paired Shares.

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Paired Share Income is defined as the sum of net income attributable to common shareholders and noncontrolling interests attributable to Class B common shares of ESH REIT. Adjusted Paired Share Income is defined as Paired Share Income adjusted for items that, net of income taxes, we believe are not reflective of our ongoing or future operating performance. We adjust Paired Share Income for the following items, net of income taxes, and refer to this measure as Adjusted Paired Share Income: debt extinguishment costs, other non-operating expense (income) (including foreign currency transaction loss or gain) and other expenses, such as loss on disposal of assets, transaction costs associated with the sale of hotel properties and costs incurred in connection with the preparation of registration statements. With the exception of non-cash equity-based compensation, an ongoing charge, and debt extinguishment costs, these adjustments (other than the effect of income taxes) are the same as those used in the reconciliation of EBITDA to Adjusted EBITDA.

Adjusted Paired Share Income per Paired Share is defined as Adjusted Paired Share Income divided by the number of Paired Shares outstanding on a diluted basis. Until such time as the number of outstanding common shares of the Corporation and Class B common shares of ESH REIT differ, we believe Adjusted Paired Share Income per Paired Share is useful to investors, as it represents the economic risks and rewards related to an investment in our Paired Shares. We believe that Paired Share Income, Adjusted Paired Share Income and Adjusted Paired Share Income per Paired Share provide meaningful indicators of the Company's operating performance in addition to separate and/or individual analyses of net income attributable to common shareholders of the Corporation and net income attributable to Class B common shareholders of ESH REIT, each of which is impacted by specific U.S. GAAP requirements, including the recognition of contingent lease rental revenues and the recognition of lease rental revenues on a straight-line basis, and may not necessarily reflect how cash flows are generated on an individual entity or total enterprise basis. Paired Share Income, Adjusted Paired Share Income and Adjusted Paired Share Income per Paired Share should not be considered as an alternative to net income of the Company, net income of the Corporation, net income of ESH REIT, net income per share of common stock of the Corporation, net income per share of Class A or Class B common stock of ESH REIT or any other operating measure calculated in accordance with U.S. GAAP. Paired Share Income, Adjusted Paired Share Income and Adjusted Paired Share Income per Paired Share are not meaningful or useful measures for ESH REIT on a stand-alone basis due to the fact that a Paired Share represents an investment in the Company, as a single, consolidated enterprise, which is reflected in the consolidated Company results of operations; therefore, we believe these performance measures are meaningful for the Company only. The following table provides a reconciliation of net income attributable to common shareholders to Paired Share Income, Adjusted Paired Share Income and Adjusted Paired Share Income per Paired Share for the Company for the three and six months ended June 30, 2016 and 2015 (in thousands, except per Paired Share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income attributable to common shareholders	\$60,729	\$57,983	\$77,775	\$79,531
Noncontrolling interests attributable to Class B common shares of ESH REIT	653	6,820	(1,644)	13,126
Paired Share Income	61,382	64,803	76,131	92,657
Debt extinguishment costs	—	2,283	12,103	2,283
Other non-operating expense (income)	114	(873)	(764)	892
Other expenses	1,997 ⁽¹⁾	1,101 ⁽²⁾	5,052 ⁽³⁾	2,744 ⁽⁴⁾
Tax effect of adjustments to Paired Share Income	(460)	(541)	(3,730)	(1,373)
Adjusted Paired Share Income	\$63,033	\$66,773	\$88,792	\$97,203
Adjusted Paired Share Income per Paired Share – diluted	\$0.31	\$0.33	\$0.44	\$0.48
Weighted average Paired Shares outstanding – diluted	201,689	204,553	203,029	204,465

(1)

Includes loss on disposal of assets of approximately \$2.1 million and transaction costs of approximately \$(0.1) million due to the revision an estimate related to the Portfolio Sale.

- (2) Includes costs incurred in connection with the preparation of the registration statement filed in June 2015 of approximately \$0.7 million and loss on disposal of assets of approximately \$0.4 million.

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- (3) Includes loss on disposal of assets of approximately \$5.0 million and transaction costs of approximately \$0.1 million due to the revision of an estimate related to the Portfolio Sale.
- (4) Includes costs incurred in connection with the preparation of the registration statement filed in June 2015 of approximately \$0.7 million and loss on disposal of assets of approximately \$2.0 million.

Liquidity and Capital Resources

Company Overview

On a consolidated basis, we have historically generated significant cash flow from operations and have financed our ongoing business primarily with existing cash and cash flow generated from operations. We generated cash flow from operations of approximately \$190.2 million for the six months ended June 30, 2016. Our current liquidity requirements consist primarily of funds necessary to pay for operating expenses associated with our hotels, recurring maintenance and capital expenditures necessary to maintain our hotels, general and administrative expenses, interest expense, income taxes, Paired Share repurchases, Corporation distributions, required ESH REIT distributions and the repayment of outstanding amounts under our revolving credit facilities which mature in November 2016, each of which is subject to a one-year extension option. In addition to recurring maintenance and capital expenditures necessary to maintain our hotels, we are also performing, and expect to continue to perform, renovations to our hotels. See “—Capital Expenditures—Hotel Renovation Program.” We expect to fund our hotel renovation program from a combination of cash on hand, cash flow from operations and/or borrowings under our revolving credit facilities (as described below), as needed. Other long-term liquidity requirements are expected to include the need to (i) obtain funds to acquire, develop or construct additional hotels, and (ii) refinance (including prior to or in connection with debt maturity payments) ESH REIT’s 2012 Mortgage Loan and 2025 Notes maturing in December 2019 and May 2025, respectively. See Note 7 to the unaudited condensed consolidated financial statements of Extended Stay America, Inc. and Note 6 to the unaudited condensed consolidated financial statements of ESH Hospitality, Inc., both of which are included in Item 1 in this combined quarterly report on Form 10-Q. We may seek to refinance our outstanding indebtedness at any time. We cannot assure you that the Corporation and/or ESH REIT will be able to refinance any of its debt on attractive terms at or before maturity, or on commercially reasonable terms or at all, or the timing of any such refinancing.

We expect to meet our long-term liquidity requirements through various sources of capital, including future debt financings or equity issuances by the Corporation and/or ESH REIT, existing working capital and cash flow from operations. However, there are a number of factors that may have a material adverse effect on our ability to access these capital sources, including the current and future state of overall capital and credit markets, our degree of leverage, the value of our unencumbered assets and borrowing restrictions imposed by existing or prospective lenders, general market conditions for the lodging industry, our operating performance and liquidity and market perceptions about us. The success of our business strategies will depend, in part, on our ability to access these various capital sources. There can be no assurance that we will be able to raise any such financing on terms acceptable to us or at all. The Company had cash and cash equivalents of approximately \$137.1 million and restricted cash of approximately \$190.1 million at June 30, 2016. Based upon the current level of operations, management believes that cash flow from operations, together with our cash balances and available borrowings under our revolving credit facilities, will be adequate to meet our anticipated funding requirements and business objectives for the foreseeable future. We regularly review our capital structure and at any time may refinance or repay existing indebtedness, incur new indebtedness or issue debt or equity securities.

During the six months ended June 30, 2016, ESH REIT issued \$800.0 million of additional 2025 Notes at 98.5% of par value. ESH REIT received net proceeds of approximately \$772.8 million, which, together with cash on hand, were used to fully repay the balance of approximately \$366.5 million outstanding under its 2014 Term Loan and repay approximately \$433.5 million of the outstanding balance under its 2012 Mortgage Loan.

In December 2015, the Boards of Directors of the Corporation and ESH REIT authorized a combined Paired Share repurchase program for up to \$100 million of Paired Shares. In February 2016, the Boards of Directors of the Corporation and ESH REIT authorized an increase of the combined Paired Share repurchase program from \$100 million to up to \$200 million of Paired Shares. The program expires on December 31, 2016. Repurchases may be

made at management's discretion from time to time in the open market, in privately negotiated transactions or by other means (including Rule 10b5-1 trading plans). Depending on market conditions and other factors, these repurchases may be commenced or suspended without prior notice. As of June 30, 2016, the Corporation and ESH REIT repurchased and retired their respective portion of approximately 4.0 million Paired Shares for approximately \$60.4 million. Subsequent to June 30, 2016, the Corporation and ESH REIT repurchased and retired their respective portion of approximately 0.1 million additional Paired Shares for approximately \$1.6 million.

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In December 2015, the Board of Directors of ESH REIT declared a special cash distribution of \$0.19 per Class A and Class B common share, totaling \$86.5 million, \$38.9 million of which was payable to holders of Paired Shares. Additionally, the Board of Directors of the Corporation declared a special cash distribution of \$0.06 per common share, totaling \$12.3 million. These distributions, which totaled \$0.25 per Paired Share, were paid in January 2016. On February 23, 2016, the Board of Directors of ESH REIT declared a cash distribution of \$0.15 per Class A and Class B common share for the fourth quarter of 2015. Additionally, the Board of Directors of the Corporation declared a cash distribution of \$0.02 per common share for the fourth quarter of 2015. These distributions, which totaled \$0.17 per Paired Share, were paid in March 2016.

On April 26, 2016, the Board of Directors of ESH REIT declared a cash distribution of \$0.15 per Class A and Class B common share for the first quarter of 2016. Additionally, the Board of Directors of the Corporation declared a cash distribution of \$0.04 per common share for the first quarter of 2016. These distributions, which totaled \$0.19 per Paired Share, were paid in May 2016.

On July 28, 2016, the Board of Directors of ESH REIT declared a cash distribution of \$0.10 per Class A and Class B common share for the second quarter of 2016. Additionally, the Board of Directors of the Corporation declared a cash distribution of \$0.09 per common share for the second quarter of 2016. These distributions, which total \$0.19 per Paired Share, are payable on August 25, 2016 to shareholders of record as of August 11, 2016.

In the future, we intend to maintain or slightly increase our current distribution of \$0.19 per Paired Share per quarter unless our consolidated results of operations, net income, Adjusted EBITDA, liquidity, cash flows, financial condition or prospects, economic conditions or other factors differ materially from our current assumptions. We intend to make a significant portion of our expected distributions in respect of the Class B common stock of ESH REIT. In the event distributions in respect of the Class B common stock of ESH REIT are not sufficient to meet our expected Paired Share distributions and/or additional tax efficiency opportunities exist, the expected Paired Share distributions may be completed through distributions in respect of the common stock of the Corporation using funds distributed to the Corporation in respect of the Class A common stock of ESH REIT, after allowance for tax, if any, on those funds. See “Market for Registrants’ Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities-Distribution Policies” in our combined annual report on Form 10-K filed with the SEC on February 23, 2016 for a description of our distribution policies.

The Corporation

The Corporation’s primary source of liquidity is distribution income it receives in respect of its ownership of approximately 55% of the common stock of ESH REIT. Other sources of liquidity include income from the operations of the Operating Lessees, ESA Management and ESH Strategies.

The Corporation has accumulated, and we expect that it will continue to accumulate, cash. We expect that it will continue to distribute cash to its common shareholders, and that over time it will return cash to ESH REIT in order to fund the renovation, acquisition, development or construction of new hotels, the repayment of debt and for other corporate purposes. The Corporation may transfer cash to ESH REIT through the purchase of additional shares of Class A common stock, which would increase its ownership of ESH REIT and reduce the Company’s overall tax efficiency. The Corporation may also lend funds to ESH REIT through the execution of an unsecured intercompany credit facility, subject to the conditions contained in the ESH REIT Revolving Credit Facility and the 2025 Notes. The covenants of any such unsecured intercompany credit facility would be expected to be customary for similar debt securities in light of then-prevailing market conditions. Entering into an unsecured intercompany credit facility and the terms of such credit facility are subject to a number of factors, and we may not enter into an intercompany credit facility at all. The Corporation’s long-term liquidity requirements will also include the repayment of any outstanding amounts under, or refinancing of, the Corporation Revolving Credit Facility which matures in November 2016, subject to a one-year extension. See Note 7 to the unaudited condensed consolidated financial statements of Extended Stay America, Inc., which is included in Item 1 in this combined quarterly report on Form 10-Q.

The Corporation is expected to continue to pay distributions on its common stock to meet a portion of our expected distribution rate on our Paired Shares. The Corporation’s ability to pay distributions is dependent upon its consolidated results of operations, net income, liquidity, cash flows, financial condition or prospects, economic conditions, the ability to effectively execute certain tax planning strategies, compliance with applicable law, the receipt by the

Corporation of distributions from ESH REIT in respect of the Class A common stock, level of indebtedness, capital requirements, contractual restrictions, restrictions in any existing and future debt agreements of the Corporation and ESH REIT and other factors. The payment of distributions in the future will be at the discretion of the Corporation's Board of Directors.

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Based upon the current level of operations, management believes that the Corporation's cash position, cash flow from operations and available borrowings under the Corporation Revolving Credit Facility will be adequate to meet all of the Corporation's funding requirements and business objectives for the foreseeable future.

ESH REIT

ESH REIT's primary source of liquidity is rental revenues derived from leases with the Operating Lessees. ESH REIT's primary uses of liquidity are fixed costs associated with ownership of the hotel properties, including interest expense, scheduled principal payments (including debt maturity payments) on its outstanding indebtedness, real estate tax expense, property insurance premium and claims expense, capital expenditures, including those capital expenditures related to our hotel renovation program and the payment of distributions. Other long-term liquidity requirements are expected to include the need to obtain funds to acquire, develop or construct additional hotels. In order to qualify and maintain its status as a REIT, ESH REIT must distribute annually to its shareholders an amount at least equal to:

- 90% of its REIT taxable income, computed without regard to the deduction for dividends paid and excluding any net capital gain; plus

- 90% of the excess of its net income, if any, from foreclosure property over the tax imposed on such income by the Code; less

- the sum of certain items of non-cash income that exceeds a percentage of ESH REIT's income.

ESH REIT intends to distribute its taxable income to the extent necessary to optimize its tax efficiency, including, but not limited to, maintaining its REIT status, while retaining sufficient capital for its ongoing needs. Accordingly, ESH REIT expects to distribute approximately 100% of its taxable income for the foreseeable future. ESH REIT is subject to income tax on its taxable income that is not distributed and to an excise tax to the extent that certain percentages of its taxable income are not distributed by specified dates.

To the extent distributions in respect of the Class B common stock of ESH REIT are not sufficient to meet our expected Paired Share distributions, expected Paired Share distributions are expected to be completed through distributions in respect of the common stock of the Corporation using funds distributed to the Corporation in respect of the Class A common stock of ESH REIT, after allowance for tax, if any, on those funds.

Due to REIT distribution requirements, ESH REIT has historically not accumulated significant amounts of cash. As a result, and as discussed above, we expect that ESH REIT will need to refinance all or a portion of its debt, including the 2012 Mortgage Loan and the 2025 Notes, on or before maturity. ESH REIT's current liquidity requirements also include the repayment of any outstanding amounts under the ESH REIT Revolving Credit Facility which matures in November 2016, subject to a one-year extension. See Note 6 to the unaudited condensed consolidated financial statements of ESH Hospitality, Inc., which is included in Item 1 in this combined quarterly report on Form 10-Q. We cannot assure you that ESH REIT will be able to refinance any of its debt on attractive terms at or before maturity, on commercially reasonable terms or at all.

Based upon the current level of operations, management believes that ESH REIT's cash position, cash flow from operations and available borrowings under the ESH REIT Revolving Credit Facility will be adequate to meet all of ESH REIT's funding requirements and business objectives for the foreseeable future.

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Sources and Uses of Cash – The Company

The following cash flow table and comparisons are provided for the Company:

Comparison of Six Months Ended June 30, 2016 and June 30, 2015

We had unrestricted cash and cash equivalents of approximately \$137.1 million and \$68.2 million at June 30, 2016 and 2015, respectively. The following table summarizes the changes in our cash and cash equivalents as a result of operating, investing and financing activities for the six months ended June 30, 2016 and 2015 (in thousands):

	Six Months Ended June 30,		
	2016	2015	Change (\$)
Cash provided by (used in):			
Operating activities	\$190,220	\$223,276	\$(33,056)
Investing activities	(212,723)	(189,702)	(23,021)
Financing activities	(213,655)	(86,654)	(127,001)
Effects of changes in exchange rate on cash and cash equivalents	23	(39)	62
Net decrease in cash and cash equivalents	\$(236,135)	\$(53,119)	\$(183,016)

Cash Flows provided by Operating Activities

Cash flows provided by operating activities totaled approximately \$190.2 million for the six months ended June 30, 2016 compared to approximately \$223.3 million for the six months ended June 30, 2015, a decrease of approximately \$33.1 million. Cash flows provided by operating activities decreased during the six months ended June 30, 2016 mainly due to the December 2015 Portfolio Sale and an increase in interest expense, which included \$3.7 million in prepayment penalties and other costs in connection with the full repayment of ESH REIT's 2014 Term Loan. The decreases were partially offset by the positive impact related to improved Comparable Hotel operating performance, specifically a 4.0% increase in RevPAR for these hotels and the management of short-term working capital.

Cash Flows used in Investing Activities

Cash flows used in investing activities totaled approximately \$212.7 million for the six months ended June 30, 2016 compared to approximately \$189.7 million for the six months ended June 30, 2015, an increase of approximately \$23.0 million. Cash flows used in investing activities increased during the six months ended June 30, 2016, primarily due to an increase in purchases of property and equipment due to additional hotel renovation activity. The increased hotel renovation activity is evidenced by the fact that approximately 179,000 room nights were displaced from renovation during the six months ended June 30, 2016 compared to approximately 103,000 room nights displaced from renovation during the six months ended June 30, 2015.

Cash Flows used in Financing Activities

Cash flows used in financing activities totaled approximately \$213.7 million for the six months ended June 30, 2016 compared to approximately \$86.7 million for the six months ended June 30, 2015, an increase of approximately \$127.0 million. Cash flows used in financing activities increased due to the repurchase of approximately \$60.4 million of Paired Shares as well as an increase in distributions paid to holders of Paired Shares of approximately \$59.0 million, mainly due to the special cash distribution paid in January 2016. Additionally, cash flows used in financing activities increased due to an increase in net loan repayments of approximately \$6.7 million.

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Sources and Uses of Cash – ESH REIT

The following cash flow table and comparisons are provided for ESH REIT:

Comparison of Six Months Ended June 30, 2016 and June 30, 2015

ESH REIT had unrestricted cash and cash equivalents of approximately \$40.1 million and \$10.0 million at June 30, 2016 and 2015, respectively. The following table summarizes the changes in ESH REIT's cash and cash equivalents as a result of operating, investing and financing activities for the six months ended June 30, 2016 and 2015 (in thousands):

	Six Months Ended June 30,		
	2016	2015	Change (\$)
Cash provided by (used in):			
Operating activities	\$203,289	\$180,898	\$22,391
Investing activities	(210,437)	(185,944)	(24,493)
Financing activities	(175,999)	(18,754)	(157,245)
Net decrease in cash and cash equivalents	\$(183,147)	\$(23,800)	\$(159,347)

Cash Flows provided by Operating Activities

Cash flows provided by operating activities totaled approximately \$203.3 million for the six months ended June 30, 2016 compared to approximately \$180.9 million for the six months ended June 30, 2015, an increase of approximately \$22.4 million. Cash flows provided by operating activities increased due to an increase in minimum and percentage rental revenues collected from the Operating Lessees (on a Comparable Hotel basis) offset by the sale of the portfolio of 53 hotels in December 2015.

Cash Flows used in Investing Activities

Cash flows used in investing activities totaled approximately \$210.4 million for the six months ended June 30, 2016 compared to approximately \$185.9 million for the six months ended June 30, 2015, an increase of approximately \$24.5 million. Cash flows used in investing activities increased during the six months ended June 30, 2016, primarily due to an increase in purchases of property and equipment due to additional hotel renovation activity. The increased hotel renovation activity is evidenced by the fact that approximately 179,000 room nights were displaced from renovation during the six months ended June 30, 2016 compared to approximately 103,000 room nights displaced from renovation during the six months ended June 30, 2015. This increase was offset by a decrease in the use of restricted cash due to lower cash receipts as a result of the sale of 53 hotels in December 2015.

Cash Flows used in Financing Activities

Cash flows used in financing activities totaled approximately \$176.0 million for the six months ended June 30, 2016 compared to approximately \$18.8 million for the six months ended June 30, 2015, an increase of approximately \$157.2 million. Cash flows used in financing activities increased due to an increase in distributions paid to holders of Class A and Class B common shares of approximately \$86.2 million, mainly due to the special cash distribution paid in January 2016, as well as repurchases of approximately \$23.4 million of shares of Class B common stock. Additionally, cash flows used in financing activities increased due to an increase in net loan repayments of approximately \$6.7 million.

Capital Expenditures

We maintain each of our hotels in good repair and condition and in conformity with applicable laws and regulations. The cost of all improvements and significant alterations are generally made with cash flows from operations. During the six months ended June 30, 2016 and 2015, we incurred capital expenditures of approximately \$109.9 million and \$74.1 million, respectively. These capital expenditures were primarily made as a result of our hotel renovation program, which remains ongoing. Funding for future capital expenditures is expected to be provided primarily from cash flows from operations or, to the extent necessary, the Corporation or ESH REIT Revolving Credit Facilities. In 2016, we expect to incur capital expenditures between \$240.0 million and \$260.0 million, including the amounts spent in the first and second quarters.

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Hotel Renovation Program

Since 2011, we have been performing a significant number of hotel renovations and have been executing a phased capital investment program across our portfolio in order to seek to drive increases in ADR and incremental market share gains. We have developed a methodology for selecting specific hotels for our renovation program by evaluating potential returns based on multiple market and property specific variables. Prior to undertaking capital investment at a hotel, management determines whether, in its view, the investment is likely to result in incremental revenues and profits and achieve a return on investment that management believes would meet our return criteria.

A hotel renovation generally requires approximately \$1.0 million in capital spend per hotel. Hotel renovations typically include remodeling of common areas, new paint, carpet, signage, tile or vinyl flooring and counters in bathrooms and kitchens, as well as the refurbishment of furniture, replacement of aged mattresses and installation of new flat screen televisions, artwork, lighting and bedspreads.

We have undertaken our hotel renovation program in phases. As of June 30, 2016, we have substantially completed renovations at 530 hotels, with total incurred costs of approximately \$523.0 million. Also, as of June 30, 2016, we are in the process of implementing renovations at an additional 10 hotels and will begin renovations at an additional 18 hotels during the third quarter of 2016, with combined estimated total costs of approximately \$34.3 million.

Renovations for all remaining Extended Stay America-branded hotels are expected to be completed by early 2017, with estimated total costs of approximately \$86.1 million.

Our Indebtedness

As of June 30, 2016, the Company's total indebtedness, including mandatorily redeemable preferred stock, was approximately \$2.8 billion, which includes ESH REIT indebtedness of approximately \$2.7 billion. For a detailed discussion of our indebtedness during the periods presented, see Notes 7 and 8 to the unaudited condensed consolidated financial statements of Extended Stay America, Inc. and Note 6 to the unaudited condensed consolidated financial statements of ESH Hospitality, Inc., both of which are included in Item 1 in this combined quarterly report on Form 10-Q.

Off-Balance Sheet Arrangements

Neither the Corporation nor ESH REIT have off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. See Note 11 to the unaudited condensed consolidated financial statements of Extended Stay America, Inc. and Note 9 to the unaudited condensed consolidated financial statements of ESH Hospitality, Inc., both of which are included in Item 1 in this combined quarterly report on Form 10-Q, for additional information with respect to lease commitments.

Critical Accounting Policies

Our discussion and analysis of our historical financial condition and results of operations is based on the Company's and ESH REIT's historical unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ significantly from these estimates and assumptions. We believe the following accounting policies, which are described in detail in Note 2 to each of the consolidated and combined financial statements of Extended Stay America, Inc. and the consolidated financial statements of ESH Hospitality, Inc., both of which are included in Item 8 in our combined annual report on Form 10-K filed with the SEC on February 23, 2016, require material subjective or complex judgments and have the most significant impact on the Company's and ESH REIT's financial condition and results of operations: property and equipment, goodwill, revenue recognition, income taxes, equity-based compensation and investments. We evaluate estimates, assumptions and judgments on an ongoing basis, based on information that is then available to us, our experience and various matters that we believe are reasonable and appropriate for consideration under the circumstances.

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Recent Accounting Pronouncements

For a discussion of recently issued accounting standards, see Note 2 to each of the unaudited condensed consolidated financial statements of Extended Stay America, Inc. and ESH Hospitality, Inc., both of which are included in Item 1 in this combined quarterly report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Both the Corporation and ESH REIT may seek to reduce earnings and cash flow volatility associated with changes in interest rates, foreign currency exchange rates and commodity prices by entering into financial arrangements to provide a hedge against a portion of the risks associated with such volatility, when applicable. We will continue to have exposure to such risks to the extent they are not hedged. We may enter into derivative financial arrangements to the extent they meet the foregoing objectives. We do not use derivatives for trading or speculative purposes.

The Corporation

As of June 30, 2016, the Corporation had minimal exposure to market risk from changes in interest rates because it had no variable rate debt as there were no outstanding amounts drawn on the Corporation Revolving Credit Facility. The Corporation's exposure to market risk from changes in interest rates will increase in future periods should the Corporation incur variable rate debt, including draws on the Corporation Revolving Credit Facility.

ESH REIT

As of June 30, 2016, ESH REIT had minimal exposure to market risk from changes in interest rates because it had no variable rate debt as there were no outstanding amounts drawn on the ESH REIT Revolving Credit Facility. ESH REIT's exposure to market risk from changes in interest rates will increase in future periods should ESH REIT incur variable rate debt, including draws on the ESH REIT Revolving Credit Facility.

As of June 30, 2016, less than 1.5% of the book value of ESH REIT's hotels are owned outside the United States. ESH REIT has exposure to market risk from changes in foreign currency exchange rates for its Canadian hotels. A fluctuation of 1.0% in the exchange rate between the U.S. dollar and the Canadian dollar would result in a foreign currency transaction gain or loss of approximately \$0.1 million.

Item 4. Controls and Procedures

Controls and Procedures (Extended Stay America, Inc.)

Disclosure Controls and Procedures

As of June 30, 2016, Extended Stay America, Inc. reviewed, under the direction of the Chief Executive Officer and Chief Financial Officer, the disclosure controls and procedures of Extended Stay America, Inc., as defined in Exchange Act Rule 13a-15(e). Based upon and as of the date of that review, the Chief Executive Officer and Chief Financial Officer of Extended Stay America, Inc. concluded that the disclosure controls and procedures of Extended Stay America, Inc. were effective to ensure that information required to be disclosed in the reports that Extended Stay America, Inc. files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the management of Extended Stay America, Inc., including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in Extended Stay America, Inc.'s internal control over financial reporting that occurred during the most recent fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, Extended Stay America, Inc.'s internal control over financial reporting.

Controls and Procedures (ESH Hospitality, Inc.)

Disclosure Controls and Procedures

As of June 30, 2016, ESH Hospitality, Inc. reviewed, under the direction of the Chief Executive Officer and Chief Financial Officer, the disclosure controls and procedures of ESH Hospitality, Inc., as defined in Exchange Act Rule 13a-15(e). Based upon and as of the date of that review, the Chief Executive Officer and Chief Financial Officer of ESH Hospitality, Inc.

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concluded that the disclosure controls and procedures of ESH Hospitality, Inc. were effective to ensure that information required to be disclosed in the reports that ESH Hospitality, Inc. files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the management of ESH Hospitality, Inc., including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in ESH Hospitality, Inc.'s internal control over financial reporting that occurred during the most recent fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, ESH Hospitality, Inc.'s internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are from time to time subject to various claims and lawsuits incidental to our business. In the opinion of management, these claims and suits, individually or in the aggregate, will not have a material adverse effect on the Company's unaudited condensed consolidated financial statements, results of operations or liquidity or on ESH REIT's unaudited condensed consolidated financial statements, results of operations or liquidity.

Item 1A. Risk Factors

There have been no material changes to our principal risks that we believe are material to our business, results of operations and financial condition, from the risk factors previously disclosed in the combined annual report on Form 10-K filed with the SEC on February 23, 2016, which is accessible on the SEC's website at www.sec.gov.

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

Purchases of Equity Securities by the Issuers and Affiliated Purchasers

The following table sets forth all purchases made by or on behalf of the Corporation and ESH REIT or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Exchange Act, of Paired Shares during each month in the second quarter of 2016.

Period	Total number of Paired Shares purchased ⁽¹⁾	Average price paid per Paired Share ⁽²⁾	Total number of Paired Shares purchased as part of publicly announced program ⁽¹⁾	Maximum dollar value that may yet be purchased under the program ⁽³⁾
April 1 - April 30, 2016	978,841	\$ 15.89	978,841	\$ 155,666,016
May 1 - May 31, 2016	693,362	\$ 14.90	693,362	\$ 145,334,922
June 1 - June 30, 2016	390,942	\$ 14.57	390,942	\$ 139,638,897
Total	3,979,328	\$ 15.17	3,979,328	\$ 139,638,897

(1) Represents an equal number of Corporation common shares and ESH REIT Class B common shares, which were paired together on a one-for-one basis to form Paired Shares.

In the aggregate, the Corporation and ESH REIT paid approximately \$19.6 million and \$12.0 million, respectively, (2) for their respective portion of the Paired Shares that were repurchased and retired during the three months ended June 30, 2016.

In December 2015, the Boards of Directors of the Corporation and ESH REIT authorized a combined Paired Share repurchase program for up to \$100 million of Paired Shares. In February 2016, the Boards of Directors of the Corporation and ESH REIT authorized an increase of the combined Paired Share repurchase program from \$100 (3) million to up to \$200 million of Paired Shares. The program expires on December 31, 2016. Repurchases may be made at management's discretion from time to time in the open market, in privately negotiated transactions or by other means (including through Rule 10b5-1 trading plans). Depending on market conditions and other factors, these repurchases may be commenced or suspended without prior notice.

Subsequent to June 30, 2016, the Corporation and ESH REIT repurchased and retired their respective portion of approximately 0.1 million additional Paired Shares for approximately \$1.6 million.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Effective as of June 9, 2016, ESA Management LLC ("ESA Management"), a wholly-owned subsidiary of the Corporation, adopted the ESA Management, LLC Deferred Compensation Plan (the "Plan"), a non-qualified deferred compensation plan designed to provide a select group of management or highly compensated employees, as designated by ESA Management (the "Participants"), the opportunity to save for retirement on a tax-deferred basis. Participants may elect to defer up to 50% of base salary and up to 100% of any annual, semi-annual or quarterly incentive payments for that calendar year, and

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all such deferrals are 100% vested. Amounts that are deferred may also accrue notional investment returns based on the performance of one or more measurement funds selected by ESA Management and in which the Participant may elect to have portions of his or her deferral amounts hypothetically invested. Settlement of deferred amounts will be effected in accordance with the Plan and the Participants' deferral elections, and generally will be paid in either a lump sum or a series of annual installments after the applicable distribution date. The amounts that could potentially be paid out under the Plan is presently indeterminable and will depend on the amounts of the deferrals and the performance of the hypothetical investments chosen by the Participants. The foregoing summary of the Plan is qualified in its entirety by reference to the actual text of the Plan, a complete copy of which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 ("ITRA"), which added Section 13(r) of the Exchange Act, the Company hereby incorporates by reference herein Exhibit 99.1 of this report, which includes disclosures publicly filed, and/or provided to Blackstone, by Travelport Worldwide Limited and NCR Corporation, which may be considered the Company's affiliate.

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Item 6. Exhibits

Exhibit No.	Description
10.1†	ESA Management, LLC Deferred Compensation Plan, effective June 9, 2016.
31.1	Certification of the Chief Executive Officer of Extended Stay America, Inc. pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of Extended Stay America, Inc. pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Certification of the Chief Executive Officer of ESH Hospitality, Inc. pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.4	Certification of the Chief Financial Officer of ESH Hospitality, Inc. pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer of Extended Stay America, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Executive Officer and the Chief Financial Officer of ESH Hospitality, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Section 13(r) disclosure.
101.1.INS	XBRL Instance Document
101.1.SCH	XBRL Taxonomy Extension Schema Document
101.1.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.1.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.1.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.1.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

† Management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

EXTENDED STAY AMERICA, INC.

Date: July 28, 2016 By: /s/ Gerardo I. Lopez
Gerardo I. Lopez
President and Chief Executive Officer

Date: July 28, 2016 By: /s/ Jonathan S. Halkyard
Jonathan S. Halkyard
Chief Financial Officer

ESH HOSPITALITY, INC.

Date: July 28, 2016 By: /s/ Gerardo I. Lopez
Gerardo I. Lopez
President and Chief Executive Officer

Date: July 28, 2016 By: /s/ Jonathan S. Halkyard
Jonathan S. Halkyard
Chief Financial Officer