

LANDandBUILDINGS

Land and Buildings Issues Open Letter to RLJ Lodging Trust Shareholders Calling on Company to Provide Clarity on Strategy Following Merger and to Evaluate Strategic Alternatives

- *Land and Buildings' Engagement with the RLJ Management Team Has Been Disappointing at Best and the Company's Track Record of Poor Total Returns Seriously Casts Doubt on Current Management Team's Ability to Unlock Shareholder Value –*
- *RLJ Should Immediately Provide a Comprehensive Plan Outlining How the Combined Company Will Achieve a Valuation that is Materially Better than the All-Cash Offer It Rejected at ~25% Above Its Current Share Price –*
- *RLJ Should Simultaneously Run a Process to Evaluate Strategic Alternatives to Seek Interest from Potential Buyers –*

Stamford, CT (September 6, 2017) – Land and Buildings Investment Management LLC (together with its affiliates, “Land and Buildings”) today issued the following letter to shareholders of RLJ Lodging Trust (NYSE: RLJ) (“RLJ” or the “Company”):

September 6, 2017

Dear Fellow RLJ Lodging Trust Shareholders:

Since the close of the FelCor Lodging Trust Inc. (“Felcor”) and RLJ merger on August 31, 2017, Land and Buildings has become a significant shareholder of RLJ, owning approximately 2% of the Company’s outstanding shares. Our engagement with the leadership team at RLJ since the announcement of the merger with FelCor on April 25, 2017 has been underwhelming, but does not alter our view that the true value of the Company is well in excess of where the shares currently trade.

Land and Buildings believes that RLJ should immediately provide a strategic roadmap outlining how the Board expects to deliver value to shareholders that is materially better than Blackstone’s¹ reported offer to buy RLJ for as much as \$25 per share. In the more than four months since the merger was announced, RLJ has failed to communicate a comprehensive strategy for the combined company, and, as a result, shares have significantly underperformed the Company’s Lodging REIT Peers by 13% since the announcement.

Consider the following lackluster facts:

- RLJ’s total shareholder return has trailed its Lodging REIT Peers over the past 5-, 3- and 1-year periods by 27%, 22% and 14%, respectively².
- Since the announcement of Ross Bierkan as CEO and Leslie Hale as COO/CFO as the new leadership team of RLJ, RLJ’s total shareholder return has trailed its Lodging REIT Peers by 15%³.
- RLJ reduced 2017 Pro forma Consolidated Hotel EBITDA during its most recent quarterly earnings report while its competitors largely maintained or increased guidance.

- RLJ rebuffed an all cash offer in favor of the merger with FelCor that was ~25% above the current stock price.

Meanwhile, the senior executive team of RLJ continues to get paid handsomely, with Executive Chairman Robert Johnson earning \$3.6 million in 2016, CEO Ross Bierkan earning \$4.4 million in 2016 and CFO/COO Leslie Hale earning \$4 million in 2016. This leads us to seriously question whether RLJ rejected the all-cash offer in favor of the merger so that the executive team could continue to collect its generous paychecks.

The RLJ/FelCor Combination Opportunity Must Be Better Communicated

RLJ should immediately provide to the investment community a comprehensive strategic plan to unlock value in the combined company and outline how it will maximize value for all RLJ shareholders in a way that is materially in excess of the rejected Blackstone offer. The RLJ management team has failed to communicate a comprehensive strategy for the combined company, which we believe has left many members of the investment community skeptical of the transaction, as evidenced by the 13% underperformance of the shares since the transaction was announced.

Key questions that should be addressed in the strategic plan include:

- What is the mission of the Company – full service or limited service hotels?
- What is the expected amount and timing of asset sale proceeds and what is the plan to reduce debt and return of cash to shareholders through cash dividends?
- What is guidance for 2018 and what is pro forma EBITDA and FFO per share based on the execution of the strategic plan?
- What revenue and expense synergies have been identified and what is the timeframe for full implementation to leverage the scale of being the third largest lodging REIT?
- What are RLJ's redevelopment/renovation plans to invest capital in FelCor assets to enhance operating performance and what are expected returns on such investments?

RLJ must close the substantial discount to net asset value of the combined portfolio. Given the Company's poor track record, we are concerned with the current management team's ability to effectively execute this plan.

Jeff Donnelly, a leading REIT analyst at Wells Fargo, upgraded shares of RLJ on September 5th based on "a series of steps in the next six months that can polish a tarnished reputation," including "deleveraging via non-core asset sales, glimmers of margin improvements from instituting best practices in FelCor assets, laying out plans for key asset repositionings." If RLJ's senior leadership fails to deliver on such steps in the near-term, we believe the investment community's frustration with RLJ's management team will further intensify.

Given RLJ's recent underperformance, and the troubling indications that it did not adequately explore potential interest from acquirers, we are concerned that the Company's shareholders are not receiving the value they deserve. We call on the Company to immediately outline the value creation opportunity from the FelCor combination and simultaneously run a true process to evaluate all strategic alternatives.

Sincerely,



Jonathan Litt

Founder & Chief Investment Officer

Land and Buildings

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About Land and Buildings:

Land and Buildings is a registered investment manager specializing in publicly traded real estate and real estate related securities. Land and Buildings seeks to deliver attractive risk adjusted returns by opportunistically investing in securities of global real estate and real estate related companies, leveraging its investment professionals' deep experience, research expertise and industry relationships.

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¹ The Wall Street Journal reported that Blackstone was the private equity firm disclosed in the Company's Proxy Statement that made offers to buy RLJ

² Total shareholder returns are through August 31, 2017; "Lodging REIT Peers" are members of the Bloomberg Hotel REIT Index: AHP, AHT, APLE, CHSP, CLDT, DRH, HPT, HST, HT, INN, LHO, MGP, PEB, RHP, SHO, SOHO, XHR

³ Total shareholder returns are through August 31, 2017 since the senior management announcements on August 1, 2016