

**ESH HOSPITALITY, INC.**  
**AUDIT COMMITTEE**  
**OF THE BOARD OF DIRECTORS**

**CHARTER**

**(Last Amended effective as of August 14, 2018)**

**I PURPOSE**

The Audit Committee (the “**Committee**”) shall:

A. Provide assistance to the Board of Directors (the “**Board**”) of ESH Hospitality, Inc. (the “**Company**”) with respect to its oversight of:

- 1 The quality and integrity of the Company’s financial statements;
- 2 The integrity and adequacy of the Company’s auditing, accounting and financial reporting processes and systems of internal controls for financial reporting;
- 3 The Company’s compliance with legal and regulatory requirements, including internal controls designed for that purpose;
- 4 The independent registered public accounting firm’s qualifications, performance and independence;
- 5 The performance of the Company’s internal audit function; and
- 6 The Company’s enterprise risk management framework and its policies and procedures for risk management.

B. Prepare the audit committee report required by the Securities and Exchange Commission (the “**SEC**”) to be included in the Company’s annual proxy statement.

**II STRUCTURE AND OPERATIONS**

A. Composition and Qualifications

The Committee shall be comprised of three (3) or more members of the Board, each of whom shall be determined by the Board to be “independent” under the rules of The Nasdaq Stock Market (“**Nasdaq**”) and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). No member of the Committee may serve on the audit committee of more than three (3) public companies, including the Company, unless the Board (i) determines that such simultaneous service would not impair the ability of such member to effectively serve on the Committee and (ii) discloses such determination either on or through the Company’s website or in the annual proxy statement.

All members of the Committee shall have a working familiarity with basic finance and accounting practices and be able to read and understand fundamental financial statements. At least one (1) member must be an “audit committee financial expert” as defined by the SEC and have accounting or related financial sophistication (as required by the Nasdaq). The designation of any person as an “audit committee financial expert” shall not impose any greater responsibility or liability on that person than the responsibility and liability imposed on such person as a member of the Committee, nor does it decrease the duties and obligations of other Committee members or the Board. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or by an outside consultant.

**B. Appointment and Removal**

The Board shall appoint members of the Committee on an annual basis, who shall each serve for a term of one (1) year; provided, however, that the members shall serve until their failure to qualify, resignation, or retirement, their removal by the Board or until their successors shall be duly appointed and qualified. The Board will also appoint members of the Committee as vacancies or newly created positions occur. The Board may designate one (1) or more directors as alternate members of the Committee, who may replace any absent or disqualified member at any meeting of the Committee. A member of the Committee shall be deemed to have resigned from the Committee at such time that the member shall no longer be a director of the Company.

**C. Chairperson**

Unless a Chairperson is elected by the full Board, the members of the Committee shall designate a Chairperson by the majority vote of the full Committee membership. The Chairperson of the Committee will chair all regular sessions of the Committee and is responsible to set the agendas for Committee meetings. In the absence of the Chairperson of the Committee, the Committee shall select another member to preside.

**D. Delegation to Subcommittees**

The Committee may form subcommittees composed of one (1) or more of its independent members for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate. The Committee shall periodically review any such delegations and may revoke any such delegation at any time.

**III MEETINGS**

The Committee shall meet at least once per quarter, or more frequently as the Chairperson or other members deem appropriate. As part of its goal to foster open communication, the Committee shall periodically meet separately with each of management, the independent registered public accounting firm and the internal auditors (or other personnel responsible for the internal audit function) to discuss any matters that the Committee or each of these groups believe would be appropriate to discuss privately. In addition, the Committee should meet with the independent registered public accounting firm and management quarterly to review the Company’s financial statements in a manner consistent with that outlined in Section IV of this Charter, which meetings may be conducted on the same day as the quarterly Board meetings. The Chairperson of

the Board or any member of the Committee may call meetings of the Committee. All meetings of the Committee may be held telephonically. In addition, unless otherwise restricted by the Company's certificate of incorporation or bylaws, the Committee may act by unanimous written consent in lieu of a meeting, either in writing or by electronic transmission.

The Committee may invite to its meetings any director, management of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

A majority of the Committee shall constitute a quorum for the transaction of business and the act of a majority of those present at any meeting at which there is a quorum shall be the act of the Committee.

#### **IV RESPONSIBILITIES AND DUTIES**

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be required or appropriate in light of business, legislative, regulatory, legal or other conditions or changes. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time and, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate.

The Committee shall be given full access to the Company's internal audit function, Board, corporate executives, employees and independent registered public accounting firm as necessary to carry out these responsibilities.

Notwithstanding the foregoing, the Committee is not responsible for certifying the Company's financial statements or guaranteeing the independent registered public accounting firm's report. The fundamental responsibility for the Company's financial statements and disclosures rests with management while the independent registered public accounting firm is responsible for conducting the annual audit in accordance with the standards of the Public Company Accounting Oversight Board (the "PCAOB").

##### **A. Documents/Reports Review**

1 Review and discuss with management and the independent registered public accounting firm prior to public dissemination the Company's annual audited financial statements and quarterly financial statements and the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

2 Review and discuss with management and the independent registered public accounting firm the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee's discussion in this regard may be general in nature (*i.e.*, discussion of the types of information to be disclosed and the type of presentation to be made) and need not take place in advance of each earnings release or each instance in which the Company may provide earnings guidance.

3 Review and discuss with management and the independent registered public accounting firm any major issues arising as to the adequacy of the Company's internal controls, any actions taken in light of material control deficiencies, the adequacy of disclosures about changes in internal control over financial reporting and the performance of the Company's internal audit function.

4 Review and discuss with management and the independent registered public accounting firm any major issues regarding accounting principles and financial statement presentation, including:

- (a) Any changes to the Company's selection or application of accounting principles,
- (b) Any special audit steps adopted in light of material control deficiencies, and
- (c) Any items the Company's independent registered public accounting firm is required to communicate in accordance with auditing procedures and standards.

5 Discuss with management and the independent registered public accounting firm any analyses or other written communications prepared by management or the independent registered public accounting firm setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative Generally Accepted Accounting Principles ("GAAP") methods on the financial statements.

6 Discuss with management and the independent registered public accounting firm any related party transactions and off-balance sheet transactions.

7 Discuss with management and the Company's independent registered public accounting firm the effect of regulatory and accounting initiatives on the financial statements of the Company (including any SEC investigations or proceedings) and any report or opinion proposed to be rendered in connection therewith.

8 Discuss with management and the independent registered public accounting firm any material correcting adjustments that the independent registered public accounting firm has identified in accordance with GAAP and applicable laws, rules and regulations.

9 Review with the independent registered public accounting firm any audit problems or difficulties the auditor may have encountered in the course of audit work, including:

- (a) Any restrictions on the scope of the independent registered public accounting firm's activities or on access to requested information and
- (b) Any significant disagreements with management.

The Committee shall consider discussing with the independent registered public accounting firm:

- (c) Any accounting adjustments that were noted or proposed but not made due to immateriality or otherwise;
- (d) Any communications between the audit team and the independent registered public accounting firm's national office with respect to auditing or accounting issues; and
- (e) Any "management" or "internal control" letters issued or proposed to be issued by the independent registered public accounting firm to the Company.

The Committee shall have sole authority to resolve any disagreements between management and the independent registered public accounting firm.

10 Review and discuss with management and the independent registered public accounting firm other matters related to the conduct of the audit which are to be communicated to the Committee under generally accepted auditing standards, including under Statement on Auditing Standards No. 1301, as amended (or any other successor standard that may be promulgated by the PCAOB), Communications with Audit Committees.

11 Discuss with management the guidelines and policies that management has established to assess and manage the Company's exposure to risk, including a discussion of the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

#### B. Independent Registered Public Accounting Firm

1 Be directly responsible for the appointment, compensation, retention, oversight and termination of any independent registered public accounting firm engaged (including the resolution of disagreements between management and such firm regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

2 Inform each independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company that such firm must report directly to the Committee.

3 Pre-approve all auditing services and non-audit services (other than "prohibited non-audit services") to be provided to the Company by its independent registered public accounting firm. The Committee may delegate authority to one (1) or more independent members to grant pre-approvals of audit and permitted non-audit services; provided that any such pre-approvals shall be presented to the full Committee at its next scheduled meeting.

Notwithstanding the foregoing, pre-approval is not necessary for minor non-audit services if: (i) the aggregate amount of all such non-audit services provided to the Company

constitutes not more than five percent (5%) of the total amount of revenues paid by the Company to its registered public accounting firm during the fiscal year in which the non-audit services are provided; (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by one (1) or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

The following shall be “prohibited non-audit services”: (i) bookkeeping or other services related to the accounting records or financial statements of the Company; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, providing fairness opinions or preparing contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service that the Public Company Accounting Oversight Board prohibits through regulation.

4 Review, at least once per year, the qualifications, performance and independence of the independent registered public accounting firm and present its conclusions with respect to the independent registered public accounting firm to the full Board. In conducting its review and evaluation, the Committee should:

- (a) Obtain and review a report by the Company’s independent registered public accounting firm: (i) describing the firm’s internal quality-control procedures; (ii) describing any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five (5) years, respecting one (1) or more independent audits carried out by such firm, and any steps taken to deal with any such issues; and, (iii) to assess the firm’s independence, all relationships between such firm and the Company;
- (b) Review and evaluate the lead audit partner of the independent registered public accounting firm;
- (c) Confirm and evaluate the rotation of the audit partners on the audit engagement team as required by law or PCAOB regulations, and consider whether there should be regular rotation of the independent registered public accounting firm itself; and
- (d) Take into account the opinions of management and the Company’s internal auditors (or other personnel responsible for the internal audit function).

5 At least once per quarter, the independent registered public accounting firm will inform the Committee whether the Company’s financial statements have been selected by the

PCAOB for inspection. The Committee shall be apprised on a “real time” basis of any material developments in connection with this inspection.

6 Obtain from the independent registered public accounting firm assurance that it has not detected or otherwise become aware of information indicating that an illegal act (whether or not perceived to have a material effect on the financial statements of the Company) has or may have occurred.

C. Financial Reporting Process

1 In consultation with the independent registered public accounting firm, management and the internal audit function, review the integrity of the Company’s financial reporting processes. In that connection, the Committee must obtain and discuss with management and the independent registered public accounting firm reports from management and the independent registered public accounting firm regarding:

- (a) All critical accounting policies and practices to be used by the Company;
- (b) Analyses prepared by management and/or the independent registered public accounting firm setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with the Company’s management, the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the independent registered public accounting firm;
- (c) Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company’s selection or application of accounting principles;
- (d) Major issues as to the adequacy of the Company’s internal controls and any special audit steps adopted in light of material control deficiencies; and
- (e) Any other material written communications between the independent registered public accounting firm and the Company’s management.

The Committee should also obtain and discuss with the independent registered public accounting firm other material written communications between the independent registered public accounting firm and management, such as any management letter or schedule of unadjusted differences.

2 Review periodically the effect of regulatory and accounting initiatives, as well as off-balance sheet structures (if any), on the financial statements of the Company.

3 Review with the independent registered public accounting firm (i) any audit problems or difficulties encountered by such firm in the course of the review or audit work, including any restrictions on the scope of its activities or on access to requested information, and any significant disagreements with management and (ii) management's responses to such matters. Without excluding other possibilities, the Committee may wish to review with the independent registered public accounting firm (x) any accounting adjustments that were noted or proposed by such firm but were "passed" (as immaterial or otherwise), (y) any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement and (z) any "management" or "internal control" letter issued, or proposed to be issued, by the independent registered public accounting firm to the Company.

D. Internal Audit

1 Review the appointment and replacement of the senior internal auditing executive or individual responsible for the internal audit function.

2 Review the significant reports to management prepared by the internal auditing function and management's responses.

3 Review and discuss with the independent registered public accounting firm the responsibilities, budget and staffing of the Company's internal audit function.

4 Review the internal audit plan.

E. Legal Compliance / General

1 Periodically, review and discuss with the Company's General Counsel any legal matter that could have a significant impact on the Company's financial statements.

2 Review and discuss with management, the internal audit function and the independent registered public accounting firm the Company's guidelines and policies with respect to risk assessment and risk management. The Committee should discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

3 Set clear hiring policies for the Company's hiring of employees or former employees of the independent registered public accounting firm. At a minimum, these policies must provide that any registered public accounting firm may not provide audit services to the Company if the Company's CEO, controller, CFO, chief accounting officer or any person serving in an equivalent capacity for the Company was employed by the registered public accounting firm and participated in any capacity in the audit of the Company during the one (1) year period preceding the date of the initiation of the audit.

4 Establish procedures for: (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.



5 Unless otherwise approved or ratified pursuant to the Board’s “Related Person Transaction Policy,” the Committee shall review and approve or ratify all transactions between the Company and any Related Person that are required to be disclosed pursuant to Item 404(a) of Regulation S-K (“**Item 404(a)**”). “Related Person” shall have the meaning given to such term in Item 404(a), as amended from time to time.

F. Reports

1 Prepare the Committee report required by the SEC to be included in the Company’s annual proxy statement.

2 Report regularly to the Board, including:

- (a) With respect to any issues that arise with respect to the quality or integrity of the Company’s financial statements, the Company’s compliance with legal or regulatory requirements, the qualification, performance and independence of the Company’s independent registered public accounting firm or the performance of the internal audit function;
- (b) Following all meetings of the Committee; and
- (c) With respect to such other matters as are relevant to the Committee’s discharge of its responsibilities.

The Committee shall provide such recommendations to the Board as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the Chairperson or any other member of the Committee designated by the Committee to make such report.

3 Maintain minutes or other records of meetings and activities of the Committee.

**V ANNUAL PERFORMANCE EVALUATION**

The Committee shall perform a review and evaluation, at least once per year, of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least once per year, the adequacy of this Charter and recommend to the Board any improvements to this Charter that the Committee considers necessary or appropriate. To the extent required by the rules of the SEC or the Nasdaq, a copy of this Charter will be attached to the Company’s annual proxy statement at least once every three (3) years or included on the Company’s website. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.

**VI RESOURCES**

The Committee shall have direct access to, and complete and open communications with, the Company’s senior management, internal audit function, Board, employees and independent

registered public accounting firm and may obtain advice and assistance from internal legal, accounting, and other advisors to assist the Committee. The Committee shall have authority to retain and terminate such consultants, outside counsel and other advisors as the Committee may deem necessary or appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms associated with the retention of any such firm or individual, which fees the Company shall pay. In determining whether to retain or terminate a provider of these services, the Committee may, in its discretion, obtain the input of senior management.

The Committee shall have available appropriate funding from the Company as the Committee determines for payment of:

- A. Compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company,
- B. Compensation to any advisers the Committee engages, and
- C. Ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

## **VII RELIANCE ON OTHERS**

Unless a Committee member has knowledge that makes reliance unwarranted, each Committee member, in discharging his or her duties to the Company, may rely on information, opinions, reports, or statements, any of which may be written or oral, formal or informal, including financial statements, valuation reports, and other financial data, if prepared or presented by:

- A. One (1) or more officers or employees of the Company whom the Committee member believes in his or her reasonable business judgment and good faith to be reliable and competent in the matters presented;
- B. Consultants, legal counsel, or other persons as to matters which the Committee member believes in his or her reasonable business judgment and good faith to be within the professional or expert competence of such person; or
- C. Another committee of the Board of which such Committee member is not a member if the Committee member believes in his or her reasonable business judgment and good faith that such committee merits confidence.