

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 1934
For the quarterly period ended **June 30, 2022**

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: **001-34693**

CHATHAM LODGING TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of Incorporation or Organization)

27-1200777
(I.R.S. Employer Identification No.)

222 Lakeview Avenue, Suite 200
West Palm Beach
(Address of Principal Executive Offices)

Florida

33401
(Zip Code)

(561) 802-4477

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Shares of Beneficial Interest, \$0.01 par value	CLDT	New York Stock Exchange
6.625% Series A Cumulative Redeemable Preferred Shares	CLDT-PA	New York Stock Exchange

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. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). 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 company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at August 3, 2022</u>
Common Shares of Beneficial Interest (\$0.01 par value per share)	48,806,505

TABLE OF CONTENTS

Page

PART I. FINANCIAL INFORMATION

Item1.	Financial Statements.	3
Item2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations.	21
Item3.	Quantitative and Qualitative Disclosures about Market Risk.	38
Item4.	Controls and Procedures.	39

PART II. OTHER INFORMATION

Item1.	Legal Proceedings.	40
Item1A.	Risk Factors.	40
Item2.	Unregistered Sales of Equity Securities and Use of Proceeds.	40
Item3.	Defaults Upon Senior Securities.	40
Item4.	Mine Safety Disclosures.	40
Item5.	Other Information.	40
Item6.	Exhibits.	41

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

CHATHAM LODGING TRUST
Consolidated Balance Sheets
(In thousands, except share and per share data)

	June 30, 2022 (unaudited)	December 31, 2021
Assets:		
Investment in hotel properties, net	\$ 1,286,661	\$ 1,282,870
Investment in hotel properties under development	—	67,554
Cash and cash equivalents	17,750	19,188
Restricted cash	10,038	10,681
Right of use asset, net	19,645	19,985
Hotel receivables (net of allowance for doubtful accounts of \$230 and \$382, respectively)	7,276	3,003
Deferred costs, net	4,121	4,627
Prepaid expenses and other assets	8,269	2,791
Total assets	<u>\$ 1,353,760</u>	<u>\$ 1,410,699</u>
Liabilities and Equity:		
Mortgage debt, net	\$ 434,940	\$ 439,282
Revolving credit facility	15,000	70,000
Construction loan	39,143	35,007
Accounts payable and accrued expenses	27,913	27,718
Lease liability, net	22,410	22,696
Distributions payable	1,656	1,803
Total liabilities	<u>541,062</u>	<u>596,506</u>
Commitments and contingencies (Note 15)		
Equity:		
Shareholders' Equity:		
Preferred shares, \$0.01 par value, 100,000,000 shares authorized; 4,800,000 and 4,800,000 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	48	48
Common shares, \$0.01 par value, 500,000,000 shares authorized; 48,806,107 and 48,768,890 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	488	487
Additional paid-in capital	1,046,980	1,048,070
Accumulated deficit	(255,372)	(251,103)
Total shareholders' equity	<u>792,144</u>	<u>797,502</u>
Noncontrolling Interests:		
Noncontrolling interest in Operating Partnership	20,554	16,691
Total equity	<u>812,698</u>	<u>814,193</u>
Total liabilities and equity	<u>\$ 1,353,760</u>	<u>\$ 1,410,699</u>

The accompanying notes are an integral part of these consolidated financial statements.

CHATHAM LODGING TRUST
Consolidated Statements of Operations
(In thousands, except share and per share data)
(unaudited)

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Revenue:				
Room	\$ 75,761	\$ 46,514	\$ 125,926	\$ 75,905
Food and beverage	1,968	756	3,382	1,120
Other	3,674	2,647	6,654	4,218
Reimbursable costs from unconsolidated entities	358	327	684	1,114
Total revenue	<u>81,761</u>	<u>50,244</u>	<u>136,646</u>	<u>82,357</u>
Expenses:				
Hotel operating expenses:				
Room	14,480	9,486	26,074	16,653
Food and beverage	1,429	491	2,476	775
Telephone	359	348	760	748
Other hotel operating	879	544	1,611	909
General and administrative	6,804	5,056	12,153	8,870
Franchise and marketing fees	6,559	4,091	10,966	6,688
Advertising and promotions	1,230	835	2,419	1,592
Utilities	2,784	2,352	5,673	4,638
Repairs and maintenance	3,347	2,720	6,792	5,180
Management fees	2,727	1,760	4,645	2,956
Insurance	747	707	1,457	1,356
Total hotel operating expenses	<u>41,345</u>	<u>28,390</u>	<u>75,026</u>	<u>50,365</u>
Depreciation and amortization	15,277	13,353	30,313	26,687
Property taxes, ground rent and insurance	5,932	5,954	10,890	11,833
General and administrative	4,462	4,316	8,405	7,844
Other charges	150	322	400	377
Reimbursable costs from unconsolidated entities	358	327	684	1,114
Total operating expenses	<u>67,524</u>	<u>52,662</u>	<u>125,718</u>	<u>98,220</u>
Operating income (loss) before gain (loss) on sale of hotel properties	14,237	(2,418)	10,928	(15,863)
Gain (loss) on sale of hotel properties	2,020	28	2,020	(15)
Operating income (loss)	<u>16,257</u>	<u>(2,390)</u>	<u>12,948</u>	<u>(15,878)</u>
Interest and other income	1	28	1	102
Interest expense, including amortization of deferred fees	(6,936)	(6,356)	(13,325)	(12,826)
Loss from unconsolidated real estate entities	—	—	—	(1,231)
Gain on sale of investment in unconsolidated real estate entities	—	—	—	23,817
Income (loss) before income tax expense	<u>9,322</u>	<u>(8,718)</u>	<u>(376)</u>	<u>(6,016)</u>
Income tax expense	—	—	—	—
Net income (loss)	<u>9,322</u>	<u>(8,718)</u>	<u>(376)</u>	<u>(6,016)</u>
Net (income) loss attributable to noncontrolling interests	<u>(171)</u>	<u>160</u>	<u>82</u>	<u>114</u>
Net income (loss) attributable to Chatham Lodging Trust	<u>9,151</u>	<u>(8,558)</u>	<u>(294)</u>	<u>(5,902)</u>
Preferred dividends	<u>(1,987)</u>	<u>—</u>	<u>(3,975)</u>	<u>—</u>
Net income (loss) attributable to common shareholders	<u>\$ 7,164</u>	<u>\$ (8,558)</u>	<u>\$ (4,269)</u>	<u>\$ (5,902)</u>
Income (loss) per Common Share - Basic:				
Net income (loss) attributable to common shareholders (Note 12)	<u>\$ 0.15</u>	<u>\$ (0.18)</u>	<u>\$ (0.09)</u>	<u>\$ (0.12)</u>
Income (loss) per Common Share - Diluted:				
Net income (loss) attributable to common shareholders (Note 12)	<u>\$ 0.15</u>	<u>\$ (0.18)</u>	<u>\$ (0.09)</u>	<u>\$ (0.12)</u>
Weighted average number of common shares outstanding:				
Basic	48,795,348	48,637,484	48,791,455	47,935,130
Diluted	49,017,184	48,637,484	48,791,455	47,935,130
Distributions declared per common share:	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes are an integral part of these consolidated financial statements.

CHATHAM LODGING TRUST
Consolidated Statements of Equity
(In thousands, except share and per share data)
(unaudited)
Three months ended June 30, 2021 and 2022

	Preferred Shares		Common Shares		Additional Paid - In Capital	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interest in Operating Partnership	Total Equity
	Shares	Amount	Shares	Amount					
Balance, April 1, 2021	—	\$ —	48,518,201	\$ 485	\$ 929,725	\$ (226,062)	\$ 704,148	\$ 13,318	\$ 717,466
Issuance of preferred shares, net of offering costs of \$3,780	4,800,000	48	—	—	116,172	—	116,220	—	116,220
Issuance of common shares, net of offering costs of \$292	—	—	238,354	2	2,994	—	2,996	—	2,996
Amortization of share based compensation	—	—	—	—	7	—	7	1,088	1,095
Reallocation of noncontrolling interest	—	—	—	—	(592)	—	(592)	592	—
Net loss	—	—	—	—	—	(8,558)	(8,558)	(160)	(8,718)
Balance, June 30, 2021	<u>4,800,000</u>	<u>\$ 48</u>	<u>48,756,555</u>	<u>\$ 487</u>	<u>\$ 1,048,306</u>	<u>\$ (234,620)</u>	<u>\$ 814,221</u>	<u>\$ 14,838</u>	<u>\$ 829,059</u>
Balance, April 1, 2022	4,800,000	\$ 48	48,804,585	\$ 488	\$ 1,047,031	\$ (262,536)	\$ 785,031	\$ 19,108	\$ 804,139
Issuance of common shares, net of offering costs of \$79	—	—	1,522	—	(61)	—	(61)	—	(61)
Amortization of share based compensation	—	—	—	—	10	—	10	1,275	1,285
Dividends accrued on preferred shares	—	—	—	—	—	(1,987)	(1,987)	—	(1,987)
Net income	—	—	—	—	—	9,151	9,151	171	9,322
Balance, June 30, 2022	<u>4,800,000</u>	<u>\$ 48</u>	<u>48,806,107</u>	<u>\$ 488</u>	<u>\$ 1,046,980</u>	<u>\$ (255,372)</u>	<u>\$ 792,144</u>	<u>\$ 20,554</u>	<u>\$ 812,698</u>

Six months ended June 30, 2021 and 2022

	Preferred Shares		Common Shares		Additional Paid - In Capital	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interest in Operating Partnership	Total Equity
	Shares	Amount	Shares	Amount					
Balance, January 1, 2021	—	\$ —	46,973,473	\$ 470	\$ 906,000	\$ (228,718)	\$ 677,752	\$ 14,708	\$ 692,460
Issuance of preferred shares, net of offering costs of \$3,780	4,800,000	48	—	—	116,172	—	116,220	—	116,220
Issuance of shares pursuant to Equity Incentive Plan	—	—	40,203	—	450	—	450	—	450
Issuance of common shares, net of offering costs of \$811	—	—	1,742,879	17	23,754	—	23,771	—	23,771
Amortization of share based compensation	—	—	—	—	15	—	15	2,119	2,134
Forfeited distributions declared on LTIP units	—	—	—	—	—	—	—	40	40
Reallocation of noncontrolling interest	—	—	—	—	1,915	—	1,915	(1,915)	—
Net loss	—	—	—	—	—	(5,902)	(5,902)	(114)	(6,016)
Balance, June 30, 2021	<u>4,800,000</u>	<u>\$ 48</u>	<u>48,756,555</u>	<u>\$ 487</u>	<u>\$ 1,048,306</u>	<u>\$ (234,620)</u>	<u>\$ 814,221</u>	<u>\$ 14,838</u>	<u>\$ 829,059</u>
Balance, January 1, 2022	4,800,000	\$ 48	48,768,890	\$ 487	\$ 1,048,070	\$ (251,103)	\$ 797,502	\$ 16,691	\$ 814,193
Issuance of common shares pursuant to Equity Incentive Plan	—	—	34,672	1	486	—	487	—	487
Issuance of common shares, net of offering costs of \$107	—	—	2,545	—	(74)	—	(74)	—	(74)
Amortization of share based compensation	—	—	—	—	19	—	19	2,424	2,443
Dividends accrued on preferred shares	—	—	—	—	—	(3,975)	(3,975)	—	(3,975)
Reallocation of noncontrolling interest	—	—	—	—	(1,521)	—	(1,521)	1,521	—
Net loss	—	—	—	—	—	(294)	(294)	(82)	(376)
Balance, June 30, 2022	<u>4,800,000</u>	<u>\$ 48</u>	<u>48,806,107</u>	<u>\$ 488</u>	<u>\$ 1,046,980</u>	<u>\$ (255,372)</u>	<u>\$ 792,144</u>	<u>\$ 20,554</u>	<u>\$ 812,698</u>

The accompanying notes are an integral part of these consolidated financial statements.

CHATHAM LODGING TRUST
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	For the six months ended	
	June 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (376)	\$ (6,016)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	30,193	26,566
Amortization of deferred franchise fees	129	120
Amortization of deferred financing fees included in interest expense	720	984
(Gain) loss on sale of hotel properties	(2,020)	15
Gain on sale of investment in unconsolidated real estate entities	—	(23,817)
Share based compensation	2,713	2,351
Loss from unconsolidated real estate entities	—	1,231
Changes in assets and liabilities:		
Right of use asset	340	324
Hotel receivables	(4,293)	(2,145)
Deferred costs	(243)	(22)
Prepaid expenses and other assets	(5,592)	(3,576)
Accounts payable and accrued expenses	428	2,080
Lease liability	(286)	(262)
Net cash provided by (used in) operating activities	21,713	(2,167)
Cash flows from investing activities:		
Improvements and additions to hotel properties	(9,435)	(4,200)
Acquisition of hotel properties	(31,048)	—
Investment in hotel properties under development	(3,573)	(15,231)
Proceeds from sale of hotel properties, net	79,569	—
Proceeds from sale of unconsolidated real estate entity	—	2,800
Receipt of deferred key money	400	—
Net cash provided by (used in) investing activities	35,913	(16,631)
Cash flows from financing activities:		
Borrowings on revolving credit facility	40,000	20,000
Repayments on revolving credit facility	(95,000)	(27,300)
Borrowings on construction loan	4,136	14,248
Payments on mortgage debt	(4,475)	(16,875)
Payment of financing costs	(172)	(144)
Payment of offering costs on common shares	(107)	(810)
Proceeds from issuance of common shares	33	24,583
Payment of offering costs on preferred shares	—	(3,780)
Proceeds from issuance of preferred shares	—	120,000
Distributions-common shares/units	(147)	(282)
Distributions-preferred shares	(3,975)	—
Net cash (used in) provided by financing activities	(59,707)	129,640
Net change in cash, cash equivalents and restricted cash	(2,081)	110,842
Cash, cash equivalents and restricted cash, beginning of period	29,869	31,453
Cash, cash equivalents and restricted cash, end of period	\$ 27,788	\$ 142,295
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 12,976	\$ 13,456
Capitalized interest	\$ 330	\$ 1,532
Cash paid for income taxes	\$ 600	\$ 166

-continued-

Supplemental disclosure of non-cash investing and financing information (dollars in thousands):

On January 18, 2022, the Company issued 34,672 shares to its independent trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2021. On January 15, 2021, the Company issued 40,203 shares to its independent trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2020.

As of June 30, 2022, the Company had accrued distributions payable of \$1,656. As of June 30, 2021, the Company had accrued distributions payable of \$147.

Accrued share based compensation of \$270 and \$200 is included in accounts payable and accrued expenses as of June 30, 2022 and 2021, respectively.

Accrued capital improvements of \$802 and \$2,712 are included in accounts payable and accrued expenses as of June 30, 2022 and 2021, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

CHATHAM LODGING TRUST
Notes to the Consolidated Financial Statements
(unaudited)

1. Organization

Chatham Lodging Trust (“we,” “us” or the “Company”) was formed as a Maryland real estate investment trust on October 26, 2009. The Company is internally-managed and invests primarily in upscale extended-stay and premium-branded select-service hotels. The Company has elected to be treated as a real estate investment trust for federal income tax purposes (“REIT”).

The net proceeds from our share offerings are contributed to Chatham Lodging, L.P., our operating partnership (the “Operating Partnership”), in exchange for partnership interests. Substantially all of the Company’s assets are held by, and all operations are conducted through, the Operating Partnership. The Company is the sole general partner of the Operating Partnership and owns 100% of the common units of limited partnership interest in the Operating Partnership (“common units”). Certain of the Company’s executive officers hold vested and unvested long-term incentive plan units in the Operating Partnership (“LTIP units”), which are presented as non-controlling interests on our consolidated balance sheets.

As of June 30, 2022, the Company owned 39 hotels with an aggregate of 5,914 rooms located in 16 states and the District of Columbia. Prior to September 23, 2021, the Company held a 10.0% noncontrolling interest in a joint venture (the “Inland JV”) with affiliates of Colony Capital, Inc. (“CLNY”), which owned 48 hotels acquired from Inland American Real Estate Trust, Inc. (“Inland”), comprising an aggregate of 6,402 rooms. Chatham sold its interest in the Inland JV in September 2021. Prior to March 18, 2021, the Company also held a 10.3% noncontrolling interest in a joint venture (the “NewINK JV”) with affiliates of CLNY, which owned 46 hotels with an aggregate of 5,948 rooms. Chatham sold its interest in the NewINK JV in March 2021 for \$2.8 million.

To qualify as a REIT, the Company cannot operate the hotels. Therefore, the Operating Partnership and its subsidiaries lease the Company’s wholly owned hotels to taxable REIT subsidiary lessees (“TRS Lessees”), which are wholly owned by the Company’s taxable REIT subsidiary (“TRS”) holding company. Each hotel is leased to a TRS Lessee under a percentage lease that provides for rental payments equal to the greater of (i) a fixed base rent amount or (ii) a percentage rent based on hotel revenue. The initial term of each of the TRS leases is 5 years. Lease revenue from each TRS Lessee is eliminated in consolidation.

The TRS Lessees have entered into management agreements with a third-party management company that provides day-to-day management for the hotels. As of June 30, 2022, Island Hospitality Management LLC (“IHM”), which is 100% owned by Jeffrey H. Fisher, the Company’s Chairman, President and Chief Executive Officer, managed all of the Company’s hotels.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and in conformity with the rules and regulations of the Securities and Exchange Commission (“SEC”) applicable to interim financial information. These unaudited consolidated financial statements, in the opinion of management, include all adjustments consisting of normal, recurring adjustments which are considered necessary for a fair statement of the consolidated balance sheets, consolidated statements of operations, consolidated statements of equity, and consolidated statements of cash flows for the periods presented. Interim results are not necessarily indicative of full year performance due to seasonal and other factors, including the timing of the acquisition or sale of hotels.

The consolidated financial statements include all of the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions are eliminated in consolidation. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited financial statements prepared in accordance with GAAP, and the related notes thereto as of December 31, 2021, which are included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Recently Issued Accounting Standards

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-04 Reference Rate Reform (Topic 848). ASU 2020-04 contains practical expedients for reference rate reform-related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. As of June 30, 2022, the Company does not anticipate that this guidance will have a material impact on its consolidated financial statements; however, the Company will continue to evaluate the impact that ASU 2020-04 may have on its consolidated financial statements and related disclosures.

3. Acquisition of Hotel Properties

On March 8, 2022, the Company acquired the Hilton Garden Inn Destin Miramar Beach ("HGI Destin") hotel property in Miramar Beach, FL for \$31.0 million. The Company allocated the purchase price of the hotel based on the estimated fair values of the assets on the date of acquisition. Property acquisition costs of \$48 thousand were capitalized in 2022.

On August 3, 2021, the Company acquired both the Residence Inn Austin Northwest/The Domain Area ("RI Austin") hotel property in Austin, TX for \$37.0 million and the TownePlace Suites Austin Northwest/The Domain Area ("TPS Austin") hotel property in Austin, TX for \$34.3 million. The Company allocated the purchase price of each hotel based on the estimated fair values of the assets on the date of acquisition. Property acquisition costs of \$0.1 million were capitalized in 2021.

4. Disposition of Hotel Properties

On May 6, 2022, the Company sold the Hilton Garden Inn Boston-Burlington ("HGI Burlington") hotel property in Burlington, MA for \$23.2 million and recognized a gain on sale of the hotel property of \$0.5 million. Proceeds from the sale were used to repay amounts outstanding on the Company's revolving credit facility.

On May 13, 2022, the Company sold a portfolio of three hotels, the Homewood Suites Dallas-Market Center ("HWS Dallas") hotel property in Dallas, TX, the Courtyard Houston West University ("CY Houston West U") hotel property in Houston, TX, and the Residence Inn Houston West University ("RI Houston West U") hotel property in Houston, TX, for \$57.0 million, and recognized a gain on sale of the hotel properties of \$1.5 million. Proceeds from the sale were used to repay amounts outstanding on the Company's revolving credit facility.

The sales did not represent a strategic shift that had or will have a major effect on the Company's operations and financial results and did not qualify to be reported as discontinued operations.

5. Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts at a level believed to be adequate to absorb estimated probable losses. That estimate is based on past loss experience, current economic and market conditions and other relevant factors. The allowance for doubtful accounts was \$0.2 million and \$0.4 million as of June 30, 2022 and December 31, 2021, respectively.

6. Investment in Hotel Properties

Investment in hotel properties, net

Investment in hotel properties, net as of June 30, 2022 and December 31, 2021 consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Land and improvements	\$ 289,569	\$ 291,768
Building and improvements	1,264,693	1,258,845
Furniture, fixtures and equipment	97,508	91,110
Renovations in progress	8,496	7,869
	<u>1,660,266</u>	<u>1,649,592</u>
Less: accumulated depreciation	(373,605)	(366,722)
Investment in hotel properties, net	<u>\$ 1,286,661</u>	<u>\$ 1,282,870</u>

Investment in hotel properties under development

On January 24, 2022, the Company opened the newly developed Home2 Suites by Hilton Woodland Hills Los Angeles ("Home2 Woodland Hills"). We incurred \$71.4 million of costs to develop the hotel, which included \$6.6 million of land acquisition costs and \$64.8 million of other development costs.

7. Investment in Unconsolidated Entities

On June 9, 2014, the Company acquired a 10.3% interest in the NewINK JV, a joint venture between affiliates of NorthStar Realty Finance Corp. ("NorthStar") and the Operating Partnership. NorthStar merged with Colony Capital, Inc. ("Colony") on January 10, 2017 to form a new company, CLNY, which owned a 89.7% interest in the NewINK JV. Chatham sold its interest in the NewINK JV in March 2021 for \$2.8 million which resulted in Chatham recording a gain on sale of investment in unconsolidated real estate entities of \$23.8 million during the six months ended June 30, 2021. The Company accounted for this investment under the equity method.

On November 17, 2014, the Company acquired a 10.0% interest in the Inland JV, a joint venture between affiliates of NorthStar and the Operating Partnership. NorthStar merged with Colony on January 10, 2017 to form a new company, CLNY, which owned a 90% interest in the Inland JV. Chatham sold its interest in the Inland JV for \$0 in September 2021. The Company accounted for this investment under the equity method.

The following table sets forth the combined components of net loss, including the Company's share, related to the NewINK JV and the Inland JV for the three and six months ended June 30, 2022 and 2021 (in thousands):

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Revenue	\$ —	\$ —	\$ —	\$ —
Total hotel operating expenses	—	—	—	—
Hotel operating income	\$ —	\$ —	\$ —	\$ —
Loss from continuing operations	\$ —	\$ —	\$ —	\$ —
Net loss	\$ —	\$ —	\$ —	\$ —
Loss allocable to the Company	\$ —	\$ —	\$ —	\$ —
Basis difference adjustment	—	—	—	—
Total loss from unconsolidated real estate entities attributable to the Company	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

8. Debt

The Company's mortgage loans are collateralized by first-mortgage liens on certain of the Company's properties. The mortgage loans are non-recourse except for instances of fraud or misapplication of funds. Mortgage and revolving credit facility debt consisted of the following (dollars in thousands):

Collateral	Interest Rate	Maturity Date	June 30, 2022 Property Carrying Value	Balance Outstanding on Loan as of	
				June 30, 2022	December 31, 2021
Revolving Credit Facility (1)	3.38 %	March 8, 2023	\$ 613,584	\$ 15,000	\$ 70,000
Construction loan (2)	7.98 %	August 4, 2024	68,786	39,143	35,007
Homewood Suites by Hilton San Antonio, TX	4.59 %	February 6, 2023	27,711	14,606	14,808
Residence Inn by Marriott Vienna, VA	4.49 %	February 6, 2023	29,368	19,963	20,243
Courtyard by Marriott Houston, TX	4.19 %	May 6, 2023	28,896	16,438	16,673
Hyatt Place Pittsburgh, PA	4.65 %	July 6, 2023	32,135	20,247	20,515
Residence Inn by Marriott Bellevue, WA	4.97 %	December 6, 2023	60,411	41,615	42,089
Residence Inn by Marriott Garden Grove, CA	4.79 %	April 6, 2024	38,795	30,514	30,839
Residence Inn by Marriott Silicon Valley I, CA	4.64 %	July 1, 2024	69,856	61,830	62,374
Residence Inn by Marriott Silicon Valley II, CA	4.64 %	July 1, 2024	77,697	67,459	68,054
Residence Inn by Marriott San Mateo, CA	4.64 %	July 1, 2024	58,382	46,372	46,781
Residence Inn by Marriott Mountain View, CA	4.64 %	July 6, 2024	43,778	36,163	36,481
SpringHill Suites by Marriott Savannah, GA	4.62 %	July 6, 2024	32,031	28,620	28,873
Hilton Garden Inn Marina del Rey, CA	4.68 %	July 6, 2024	36,713	19,781	20,024
Homewood Suites by Hilton Billerica, MA	4.32 %	December 6, 2024	11,823	14,960	15,114
Hampton Inn & Suites Houston Medical Center, TX	4.25 %	January 6, 2025	14,850	16,883	17,058
Total debt before unamortized debt issue costs			\$ 1,244,816	\$ 489,594	\$ 544,933
Unamortized mortgage debt issue costs				(511)	(644)
Total debt outstanding				\$ 489,083	\$ 544,289

- The interest rate for the \$250.0 million revolving credit facility is variable and based on LIBOR (subject to a 0.5% floor) plus a spread of 2.5% if borrowings remain at or below \$200 million and a spread of 3.0% if borrowings exceed \$200 million. At June 30, 2022 and December 31, 2021, the Company had \$15.0 million and \$70.0 million, respectively, of outstanding borrowings under the revolving credit facility. Credit facility lenders representing \$227.5 million of commitments have provided two six-month extension options that would extend the final maturity to March 8, 2024, if exercised. The credit facility is currently secured by equity pledges in hotel properties that do not serve as collateral for other secured debt.
- On August 4, 2020, a subsidiary of Chatham entered into an agreement with affiliates of Mack Real Estate Credit Strategies to obtain a \$40 million loan to fund the remaining construction costs of the Home2 Woodland Hills hotel development. The loan has an initial term of 4 years and there are two six-month extension options. The interest rate on the loan is LIBOR, subject to a 0.25% floor, plus a spread of 7.5%.

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates. All of the Company's mortgage loans are fixed-rate. Rates take into consideration general market conditions, quality and estimated value of collateral and maturity of debt with similar credit terms and are classified within level 3 of the fair value hierarchy. The estimated fair value of the Company's fixed rate debt as of June 30, 2022 and December 31, 2021 was \$417.6 million and \$443.4 million, respectively.

The Company estimates the fair value of its variable rate debt by taking into account general market conditions and the estimated credit terms it could obtain for debt with similar maturity and is classified within level 3 of the fair value hierarchy. As of June 30, 2022, the Company's variable rate debt consisted of its revolving credit facility and construction loan. The estimated fair value of the Company's variable rate debt as of June 30, 2022 and December 31, 2021 was \$54.2 million and \$105.0 million, respectively.

Our credit facility contains financial covenants that require us to maintain secured leverage and total leverage below certain levels and maintain fixed charge coverage above certain levels. On October 26, 2021, the Company executed an amendment to its credit facility which extended a waiver of financial covenants until June 30, 2022. The Company exited its credit facility covenant waiver period as of the end of the second quarter of 2022 and is in compliance with the covenants in the credit facility agreement.

Our mortgage debt agreements contain “cash trap” provisions that are triggered when the hotel’s operating results fall below a certain debt service coverage ratio or debt yield. When these provisions are triggered, all of the excess cash flow generated by the hotel is deposited directly into cash management accounts for the benefit of our lenders until a specified debt service coverage ratio or debt yield is reached. Such provisions do not allow the lender the right to accelerate repayment of the underlying debt. As of June 30, 2022, the debt service coverage ratios or debt yields for seven of our mortgage loans were below the minimum thresholds such that the cash trap provision of each respective loan could be enforced. As of June 30, 2022, one of our mortgage debt lenders has enforced cash trap provisions. We do not expect that such cash traps will affect our ability to satisfy our short-term liquidity requirements.

Future scheduled principal payments of debt obligations as of June 30, 2022, for the current year and each of the next five calendar years and thereafter are as follows (in thousands):

	Amount
2022 (remaining six months)	\$ 4,773
2023	132,919
2024	335,955
2025	15,947
2026	—
Thereafter	—
Total debt before unamortized debt issue costs	\$ 489,594
Unamortized mortgage debt issue costs	(511)
Total debt outstanding	\$ 489,083

Accounting for Derivative Instruments

The Company has entered into interest rate cap agreements to hedge against interest rate fluctuations related to the construction loan for the Home2 Woodland Hills hotel. The Company records its derivative instruments on the balance sheet at their estimated fair values. Changes in the fair value of the derivatives are recorded each period in current earnings or in other comprehensive income, depending on whether a derivative is designated as part of a hedging relationship and, if it is, depending on the type of hedging relationship. The Company's interest rate caps are not designated as a hedge but to eliminate the incremental cost to the Company if the one-month LIBOR were to exceed 3.5%. Accordingly, the interest rate caps are recorded on the balance sheet under prepaid expenses and other assets at the estimated fair value and realized and unrealized changes in the fair value are reported in the consolidated statement of operations. As of June 30, 2022, the fair value of the interest rate caps were \$0.4 million.

9. Income Taxes

The Company’s TRS is subject to federal and state income taxes. Income tax expense was zero for the three and six months ended June 30, 2022 and 2021.

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. The Company's TRS is expecting continued taxable losses in 2022. As of June 30, 2022, the TRS continues to recognize a full valuation allowance equal to 100% of the net deferred tax assets due to the uncertainty of the TRS's ability to utilize these net deferred tax assets. Management will continue to monitor the need for a valuation allowance.

10. Dividends Declared and Paid

Common Dividends

The Company suspended common dividends beginning after the payment of the March 27, 2020 dividend due to a decline in operating performance caused by the COVID-19 pandemic. There were no common share dividends declared during the three and six months ended June 30, 2022 and 2021.

Preferred Dividends

During the three and six months ended June 30, 2022, the Company declared dividends of \$0.41406 and \$0.82812, respectively, per share of 6.625% Series A Cumulative Redeemable Preferred Shares. There were no preferred share dividends declared during the three and six months ended June 30, 2021. The preferred share dividends paid were as follows:

	Record Date	Payment Date	Dividend per Preferred Share
March	3/31/2022	4/18/2022	\$ 0.41406
June	6/30/2022	7/15/2022	0.41406
Total 2022			\$ 0.82812

11. Shareholders' Equity

Common Shares

The Company is authorized to issue up to 500,000,000 common shares of beneficial interest, \$0.01 par value per share ("common shares"). Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders. Holders of the Company's common shares are entitled to receive dividends when authorized by the Company's Board of Trustees. As of June 30, 2022, 48,806,107 common shares were outstanding.

In January 2021, we established an "at-the-market" equity offering program (the "ATM Program") whereby, from time to time, we could publicly offer and sell our common shares having an aggregate offering price of up to \$100 million by means of ordinary brokers transactions on the New York Stock Exchange (the "NYSE"), in negotiated transactions or in transactions deemed to be "at-the-market" offerings as defined in Rule 415 under the Securities Act of 1933, as amended. Cantor Fitzgerald & Co., Barclays Capital Inc., BMO Capital Markets Corp., BofA Securities, Inc., BTIG, LLC, Citigroup Global Markets Inc., Regions Securities LLC, Stifel, Nicolaus & Company, Incorporated and Wells Fargo Securities act as sales agents under the ATM Program. The Company did not issue any shares under the ATM Program during the three months ended June 30, 2022. As of June 30, 2022, there was approximately \$77.5 million in common shares available for issuance under the ATM Program.

In December 2017, we established a \$50 million dividend reinvestment and stock purchase plan. We filed a new \$50 million shelf registration statement for the dividend reinvestment and stock purchase plan (the "DRSPP") on December 22, 2020 to replace the prior plan. Under the DRSPP, shareholders may purchase additional common shares by reinvesting some or all of the cash dividends received on common shares. Shareholders may also make optional cash purchases of the Company's common shares subject to certain limitations detailed in the prospectuses for the DRSPP. During the three months ended June 30, 2022, the Company issued 1,522 common shares under the DRSPP at a weighted average price of \$12.47, which generated \$19 thousand of proceeds. As of June 30, 2022, there was approximately \$47.9 million in common shares available for issuance under the DRSPP.

Preferred Shares

The Company is authorized to issue up to 100,000,000 preferred shares of beneficial interest, \$0.01 par value per share, in one or more series.

On June 30, 2021, the Company issued 4,800,000 6.625% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, \$0.01 par value per share (the "Series A Preferred Shares"), and received net proceeds of approximately \$115.9 million. The Series A Preferred Shares rank senior to common shares with respect to the payment of dividends and

distributions of assets in the event of a liquidation, dissolution, or winding up. The Series A Preferred Shares do not have any maturity date and are not subject to mandatory redemptions or sinking fund requirements. The distribution rate is 6.625% per annum of the \$25.00 liquidation preference, which is equivalent to \$1.65625 per annum per Series A Preferred Share. Distributions on the Series A Preferred Shares are payable quarterly in arrears with the first distribution on the Series A Preferred Shares paid on October 15, 2021. The Company may not redeem the Series A Preferred Shares before June 30, 2026 except in limited circumstances to preserve the Company's status as a REIT for federal income tax purposes and upon the occurrence of a change of control. On and after June 30, 2026, the Company may, at its option, redeem the Series A Preferred Shares, in whole or from time to time in part, by paying \$25.00 per share, plus any accrued and unpaid distributions to, but not including, the date of redemption. Upon the occurrence of a change of control, as defined in the Company's declaration of trust, the result of which common shares and the common securities of the acquiring or surviving entity are not listed on the New York Stock Exchange, the NYSE MKT or NASDAQ, or any successor exchanges, the Company may, at its option, redeem the Series A Preferred Shares in whole or in part within 120 days following the change of control by paying \$25.00 per share, plus any accrued and unpaid distributions through the date of redemption. If the Company does not exercise its right to redeem the Series A Preferred Shares upon a change of control, the holders of Series A Preferred Shares have the right to convert some or all of their shares into a number of common shares based on defined formulas subject to share caps. The share cap on each Series A Preferred Share is 3.701 common shares. As of June 30, 2022, 4,800,000 Series A Preferred Shares were issued and outstanding. During the three months ended June 30, 2022, the Company accrued preferred share dividends of \$2.0 million.

Operating Partnership Units

Holders of common units in the Operating Partnership, if and when issued, will have certain redemption rights, which will enable the unit holders to cause the Operating Partnership to redeem their units in exchange for, at the Company's option, cash per unit equal to the market price per common share at the time of redemption or for common shares on a one-for-one basis. The number of shares issuable upon exercise of the redemption rights will be adjusted upon the occurrence of share splits, mergers, consolidations or similar pro-rata share transactions, which otherwise would have the effect of diluting the ownership interests of limited partners or shareholders. As of June 30, 2022, there were 1,214,759 vested Operating Partnership LTIP units held by current and former employees.

12. Earnings Per Share

The two-class method is used to determine earnings per share because unvested restricted shares and unvested LTIP units are considered to be participating shares. The LTIP units held by the non-controlling interest holders, which may be converted to common shares, have been excluded from the denominator of the diluted earnings per share calculation as there would be no effect on the amounts since limited partners' share of income or loss would also be added back to net income or loss. Unvested restricted shares, unvested long-term incentive plan units and unvested Class A Performance LTIP units that could potentially dilute basic earnings per share in the future would not be included in the computation of diluted loss per share, for the periods where a loss has been recorded, because they would have been anti-dilutive for the periods presented. The following is a reconciliation of the amounts used in calculating basic and diluted net income per share (in thousands, except share and per share data):

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Numerator:				
Net income (loss) attributable to common shareholders	\$ 7,164	\$ (8,558)	\$ (4,269)	\$ (
Dividends paid on unvested shares and units	—	—	—	—
Net income (loss) attributable to common shareholders	<u>\$ 7,164</u>	<u>\$ (8,558)</u>	<u>\$ (4,269)</u>	<u>\$ (</u>
Denominator:				
Weighted average number of common shares - basic	48,795,348	48,637,484	48,791,455	47,93
Unvested shares and units	221,836	—	—	—
Weighted average number of common shares - diluted	<u>49,017,184</u>	<u>48,637,484</u>	<u>48,791,455</u>	<u>47,93</u>
Basic income (loss) per Common Share:				
Net income (loss) attributable to common shareholders per weighted average basic common share	<u>\$ 0.15</u>	<u>\$ (0.18)</u>	<u>\$ (0.09)</u>	<u>\$</u>
Diluted income (loss) per Common Share:				
Net income (loss) attributable to common shareholders per weighted average diluted common share	<u>\$ 0.15</u>	<u>\$ (0.18)</u>	<u>\$ (0.09)</u>	<u>\$</u>

13. Equity Incentive Plan

The Company maintains its Equity Incentive Plan to attract and retain independent trustees, executive officers and other key employees. The plan provides for the grant of options to purchase common shares, share awards, share appreciation rights, performance units and other equity-based awards. The plan was amended on May 24, 2022 to increase the maximum number of shares available under the plan by 1,600,000 shares and extend the term of the plan to March 22, 2032. Share awards under this plan generally vest over three to five years, though compensation for the Company's independent trustees includes share grants that vest immediately. The Company pays dividends on unvested shares and units, except for performance-based shares and outperformance based units, for which dividends on unvested performance-based shares and units are accrued and not paid until those shares or units vest. Certain awards may provide for accelerated vesting if there is a change in control. In January 2022 and 2021, the Company issued 34,672 and 40,203 common shares, respectively, to its independent trustees as compensation for services performed in 2021 and 2020, respectively. As of June 30, 2022, there were 1,765,149 common shares available for issuance under the Equity Incentive Plan.

Restricted Share Awards

From time to time, the Company may award restricted shares under the Equity Incentive Plan as compensation to officers, employees and non-employee trustees. The Company recognizes compensation expense for the restricted shares on a straight-line basis over the vesting period based on the fair market value of the shares on the date of issuance.

A summary of the Company's restricted share awards for the six months ended June 30, 2022 and the year ended December 31, 2021 is as follows:

	For the six months ended		For the year ended	
	June 30, 2022		December 31, 2021	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested at beginning of the period	10,000	\$ 11.47	1,667	\$ 17.40
Granted	—	—	10,000	11.47
Vested	—	—	(1,667)	17.40
Forfeited	—	—	—	—
Non-vested at end of the period	<u>10,000</u>	<u>\$ 11.47</u>	<u>10,000</u>	<u>\$ 11.47</u>

As of June 30, 2022 and December 31, 2021, there were \$81 thousand and \$100 thousand, respectively, of unrecognized compensation costs related to restricted share awards. As of June 30, 2022, these costs were expected to be recognized over a weighted-average period of approximately 2.1 years. For the three months ended June 30, 2022 and 2021, the Company recognized approximately \$10 thousand and \$7 thousand, respectively, and for the six months ended June 30, 2022 and 2021, the Company recognized approximately \$19 thousand and \$14 thousand, respectively, of expense related to the restricted share awards.

Long-Term Incentive Plan Awards

LTIP units are a special class of partnership interests in the Operating Partnership which may be issued to eligible participants for the performance of services to or for the benefit of the Company. Under the Equity Incentive Plan, each LTIP unit issued is deemed equivalent to an award of one common share thereby reducing the number of shares available for other equity awards on a one-for-one basis.

A summary of the Company's LTIP unit awards for the six months ended June 30, 2022 and the year ended December 31, 2021 is as follows:

	For the six months ended June 30, 2022		For the year ended December 31, 2021	
	Number of Units	Weighted-Average Grant Date Fair Value	Number of Units	Weighted-Average Grant Date Fair Value
Non-vested at beginning of the period	764,178	\$ 15.00	669,609	\$ 15.73
Granted	380,004	16.08	330,945	14.55
Vested	(238,657)	16.61	(219,451)	16.39
Forfeited	—	—	(16,925)	17.02
Non-vested at end of the period	<u>905,525</u>	<u>\$ 15.03</u>	<u>764,178</u>	<u>\$ 15.00</u>

Time-Based LTIP Awards

On March 1, 2022, the Company's Operating Partnership, upon the recommendation of the Compensation Committee, granted 152,004 time-based awards (the "2022 Time-Based LTIP Unit Award"). The grants were made pursuant to award agreements that provide for time-based vesting (the "LTIP Unit Time-Based Vesting Agreement").

Time-based LTIP unit awards will vest ratably provided that the recipient remains employed by the Company through the applicable vesting date, subject to acceleration of vesting in the event of the recipient's death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company. Prior to vesting, a holder is entitled to receive distributions on the LTIP units that comprise the 2022 Time-Based LTIP Unit Awards and the prior year LTIP unit awards set forth in the table above.

Performance-Based LTIP Awards

On March 1, 2022, the Company's Operating Partnership, upon the recommendation of the Compensation Committee, also granted 228,000 performance-based awards (the "2022 Performance-Based LTIP Unit Awards"). The grants were made pursuant to award agreements that have market based vesting conditions. The Performance-Based LTIP Unit Awards are comprised of Class A Performance LTIP Units that will vest only if and to the extent that (i) the Company achieves certain long-term market based TSR criteria established by the Compensation Committee and (ii) the recipient remains employed by the Company through the applicable vesting date, subject to acceleration of vesting in the event of the recipient's death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company. Compensation expense is based on an estimated value of \$18.58 per 2022 Performance-Based LTIP Unit Award, which takes into account that some or all of the awards may not vest if long-term market based TSR criteria are not met during the vesting period.

The 2022 Performance-Based LTIP Unit Awards may be earned based on the Company's relative TSR performance for the three-year period beginning on March 1, 2022 and ending on February 28, 2025. The 2022 Performance-Based LTIP Unit Awards, if earned, will be paid out between 50% and 200% of target value as follows:

	Relative TSR Hurdles (Percentile)	Payout Percentage
Threshold	25th	50%
Target	55th	100%
Maximum	80th	200%

Payouts at performance levels in between the hurdles will be calculated by straight-line interpolation.

The Company estimated the aggregate compensation cost to be recognized over the service period determined as of the grant date under ASC 718, excluding the effect of estimated forfeitures, using a Monte Carlo approach. In determining the discounted value of the LTIP units, the Company considered the inherent uncertainty that the LTIP units would never reach parity with the other common units of the Operating Partnership and thus have an economic value of zero to the grantee. Additional factors considered in estimating the value of LTIP units included discounts for illiquidity, expectations for future dividends, risk free interest rates, stock price volatility, and economic environment and market conditions.

The grant date fair values of the LTIPs and the assumptions used to estimate the values are as follows:

	Grant Date	Number of Units Granted	Estimated Value Per Unit	Volatility	Dividend Yield	Risk Free Interest Rate
2017 Time-Based LTIP Unit Awards	3/1/2017	89,574	\$18.53	24%	—%	0.92%
2017 Performance-Based LTIP Unit Awards	3/1/2017	134,348	\$19.65	25%	5.8%	1.47%
2018 Time-Based LTIP Unit Awards	3/1/2018	97,968	\$16.83	26%	—%	2.07%
2018 Performance-Based LTIP Unit Awards	3/1/2018	146,949	\$17.02	26%	6.2%	2.37%
2019 Time-Based LTIP Unit Awards	3/1/2019	88,746	\$18.45	21%	—%	2.57%
2019 Performance-Based LTIP Unit Awards	3/1/2019	133,107	\$18.91	21%	6.2%	2.55%
2020 Time-Based LTIP Unit Awards	3/1/2020	130,206	\$13.05	20%	—%	1.06%
2020 Performance-Based LTIP Unit Awards	3/1/2020	195,301	\$13.66	20%	8.1%	0.90%
2021 Time-Based LTIP Unit Awards	3/1/2021	132,381	\$12.52	78%	—%	0.08%
2021 Performance-Based LTIP Unit Awards	3/1/2021	198,564	\$15.91	64%	3.4%	0.30%
2022 Time-Based LTIP Unit Awards	3/1/2022	152,004	\$12.33	80%	—%	1.01%
2022 Performance-Based LTIP Unit Awards	3/1/2022	228,000	\$18.58	66%	3.5%	1.44%

The Company recorded \$1.3 million and \$1.1 million in compensation expense related to the LTIP units for the three months ended June 30, 2022 and 2021, respectively, and \$2.4 million and \$2.1 million in compensation expense related to the LTIP units for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and December 31, 2021, there was \$9.1 million and \$5.4 million, respectively, of total unrecognized compensation cost related to LTIP units. This cost is expected to be recognized over approximately 2.2 years, which represents the weighted average remaining vesting period of the LTIP units.

14. Leases

The Residence Inn Gaslamp hotel property is subject to a ground lease with an expiration date of January 31, 2065 with an extension option by the Company of up to three additional terms of ten years each. Monthly payments are currently approximately \$44,400 per month and increase 10% every five years. The hotel is subject to annual supplemental rent payments calculated as 5% of gross revenues during the applicable lease year, minus 12 times the monthly base rent scheduled for the lease year.

The Residence Inn New Rochelle hotel property is subject to an air rights lease and garage lease that each expire on December 1, 2104. The lease agreements with the City of New Rochelle cover the space above the parking garage that is occupied by the hotel as well as 128 parking spaces in a parking garage that is attached to the hotel. The annual base rent for the garage lease is the hotel's proportionate share of the city's adopted budget for the operations, management and maintenance of the garage and established reserves to fund for the cost of capital repairs. Aggregate rent for 2022 is approximately \$31,000 per quarter.

The Hilton Garden Inn Marina del Rey hotel property is subject to a ground lease with an expiration date of December 31, 2067. Minimum monthly payments are currently approximately \$47,500 per month and a percentage rent payment less the minimum rent is due in arrears equal to 5% to 25% of gross income based on the type of income.

The Company entered into a corporate office lease in September 2015. The lease is for a term of 11 years and includes a 12-month rent abatement period and certain tenant improvement allowances. The Company has a renewal option of up to two successive terms of 5 years each. The Company shares the space with a related party and is reimbursed for the pro-rata share of rentable space occupied by the related party.

The Company is the lessee under ground, air rights, garage and office lease agreements for certain of its properties, all of which qualify as operating leases as of June 30, 2022. These leases typically provide multi-year renewal options to extend term as lessee at the Company's option. Option periods are included in the calculation of the lease obligation liability only when options are reasonably certain to be exercised.

In calculating the Company's lease obligations under the various leases, the Company uses discount rates estimated to be equal to what the Company would have to pay to borrow on a collateralized basis over a similar term, for an amount equal to the lease payments, in a similar economic environment.

The following is a schedule of the minimum future payments required under the ground, air rights, garage leases and office lease as of June 30, 2022, for each of the next five calendar years and thereafter (in thousands):

Total Future Lease Payments	Amount
2022 (remaining six months)	\$ 1,040
2023	2,093
2024	2,115
2025	2,186
2026	1,894
Thereafter	64,825
Total lease payments	\$ 74,153
Less: Imputed interest	(51,743)
Present value of lease liabilities	<u>\$ 22,410</u>

The Company incurred \$0.6 million of fixed lease payments and \$0.3 million of variable lease payments for the six months ended June 30, 2022, which are included in property taxes, ground rent and insurance in our consolidated statement of operations.

The following table includes information regarding the right of use assets and lease liabilities of the Company as of June 30, 2022 (in thousands):

	Right of Use Asset	Lease Liability
Balance as of January 1, 2022	\$ 19,985	\$ 22,696
Amortization	(340)	(286)
Balance as of June 30, 2022	<u>\$ 19,645</u>	<u>\$ 22,410</u>

Lease Term and Discount Rate	June 30, 2022
Weighted-average remaining lease term (years)	40.57
Weighted-average discount rate	6.62%

15. Commitments and Contingencies

Litigation

The Company is subject to various claims, lawsuits and legal proceedings, including routine litigation arising in the ordinary course of business, regarding the operation of its hotels, its managers and other Company matters. While it is not possible to ascertain the ultimate outcome of such matters, the Company believes that the aggregate identifiable amount of such liabilities, if any, will not have a material adverse impact on its financial condition or results of operations.

Chatham RIMV LLC (a wholly owned subsidiary of the Company) is a defendant in a lawsuit brought by the City of San Diego and other related entities, San Diego Housing Commission et al. v. Neil et al. (Superior Court of California, County of San Diego, Case No. 37-2021-00033006-CU-BC-CTL), filed in connection with the sale of the Residence Inn Mission Valley to the City of San Diego. The City of San Diego is seeking a return of monies spent on the acquisition as well as a declaration that the purchase agreement executed in connection with the acquisition is void. At the time of this filing, the City of San Diego and the other Plaintiffs have made no allegations of wrongdoing by Chatham RIMV LLC or any other Company entity. We believe this lawsuit is without merit and we are defending our case vigorously. For the six months ended June 30, 2022, we have incurred \$143 thousand of legal costs related to this matter. At this time we believe potential future costs related to this lawsuit are not probable and estimable.

Management Agreements

The management agreements with IHM have an initial term of five years and automatically renew for two five-year periods unless IHM provides written notice to us no later than 90 days prior to the then current term's expiration date of its intent not to renew. The IHM management agreements provide for early termination at the Company's option upon sale of any IHM-managed hotel for no termination fee, with six months advance notice. The IHM management agreements may be terminated for cause, including the failure of the managed hotel to meet specified performance levels. Base management fees are calculated as a percentage of the hotel's gross room revenue. If certain financial thresholds are met or exceeded, an incentive management fee is calculated as 10% of the hotel's net operating income less fixed costs, base management fees and a specified return threshold. The incentive management fee is capped at 1% of gross hotel revenues for the applicable calculation.

Management fees totaled approximately \$2.7 million and \$1.8 million for the three months ended June 30, 2022 and 2021, respectively, and \$4.6 million and \$3.0 million for the six months ended June 30, 2022 and 2021, respectively.

Franchise Agreements

The fees associated with the franchise agreements are calculated as a specified percentage of the hotel's gross room revenue. Franchise and marketing fees totaled approximately \$6.6 million and \$4.1 million for the three months ended June 30, 2022 and 2021, respectively, and \$11.0 million and \$6.7 million for the six months ended June 30, 2022 and 2021, respectively. The initial term of the agreements range from 10 to 30 years with the weighted average expiration being December 2034.

16. Related Party Transactions

Prior to March 18, 2021, Mr. Fisher owned 52.5% of IHM. During the six months ended June 30, 2021, Mr. Fisher acquired the remaining 47.5% ownership interest and as of June 30, 2022, Mr. Fisher owns 100% of IHM. As of June 30, 2022, the Company had hotel management agreements with IHM to manage all 39 of its hotels. Hotel management, revenue management and accounting fees accrued or paid to IHM for the hotels owned by the Company for the three months ended June 30, 2022 and 2021 were \$2.7 million and \$1.8 million, respectively, and for the six months ended June 30, 2022 and 2021 were \$4.6 million and \$3.0 million, respectively. At June 30, 2022 and December 31, 2021, the amounts due to IHM were \$0.8 million and \$0.3 million, respectively.

Cost reimbursements from unconsolidated entities revenue represent reimbursements of costs incurred on behalf of the NewINK JV, Inland JV, and IHM. These costs relate primarily to corporate payroll costs at the NewINK JV and Inland JV where the Company is the employer and office expenses shared with these entities and IHM. Various shared office expenses and rent are paid by the Company and allocated to IHM based on the amount of square footage occupied by each entity. As the Company records cost reimbursements based upon costs incurred with no added markup, the revenue and related expense has no impact on the Company's operating income or net income. Cost reimbursements are recorded based upon the occurrence of a reimbursed activity.

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

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2021. In this report, we use the terms “the Company,” “we” or “our” to refer to Chatham Lodging Trust and its consolidated subsidiaries, unless the context indicates otherwise.

COVID-19 Pandemic

The lodging industry has been significantly impacted by the COVID-19 pandemic, which began in early 2020, but travel trends are improving and we expect strong growth in 2022 relative to 2021. The full impact of the COVID-19 pandemic on the lodging industry will depend on future developments including the continuing severity and duration of the pandemic, and the possibility of additional subsequent widespread outbreaks and variant strains and the impact of actions taken in response, people’s willingness to travel and the strength of the U.S., regional and global economies. The Company took actions to mitigate the operating and financial impact of the COVID-19 pandemic, including suspending common share dividends, reducing capital expenditures, obtaining credit facility covenant waivers through June 30, 2022 and temporarily reducing executive compensation through December 31, 2020. The Company exited its credit facility covenant waiver period as of the end of the second quarter of 2022 and is in compliance with the covenants in the credit facility agreement. There remains significant uncertainty regarding the trends and outlook as a result of new variants and individual and government responses.

Statement Regarding Forward-Looking Information

The following information contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements include information about possible or assumed future results of the lodging industry and our business, financial condition, liquidity, results of operations, cash flow and plans and objectives. These statements generally are characterized by the use of the words “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “may” or similar expressions. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, our actual results could differ materially from those set forth in the forward-looking statements. Important factors that we think could cause our actual results to differ materially from expected results are summarized below. Some factors that might cause such a difference include the following: the continuing and future impact of the COVID-19 pandemic (including its effect on the ability or desire of people to travel), local, national and global economic conditions, increased direct competition, changes in government regulations or accounting rules, changes in local, national and global real estate conditions, declines in lodging industry fundamentals, increased operating costs, seasonality of the lodging industry, our ability to obtain debt and equity financing on satisfactory terms, changes in interest rates, our ability to identify suitable investments, our ability to close on identified investments, inaccuracies of our accounting estimates, the uncertainty and economic impact of pandemics, epidemics or other public health emergencies or fear of such events, such as the ongoing COVID-19 pandemic, the impact of and changes to various government programs, including in response to COVID-19, and our ability to dispose of selected hotel properties on the terms and timing we expect, if at all. Given these uncertainties, undue reliance should not be placed on such statements. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect future events or circumstances or to reflect the occurrence of unanticipated events. The forward-looking statements should also be read in light of the risk factors identified in the “Risk Factors” section in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 as updated by the Company’s subsequent filings with the SEC under the Exchange Act.

Overview

We are a self-advised hotel investment company organized in October 2009 that commenced operations in April 2010. Our investment strategy is to invest in upscale extended-stay and premium-branded select-service hotels in geographically diverse markets with high barriers to entry near strong demand generators. We may acquire portfolios of hotels or single hotels. We expect that a significant portion of our portfolio will consist of hotels in the upscale extended-stay or select-service categories, including brands such as Homewood Suites by Hilton®, Residence Inn by Marriott®, Hyatt Place®, Courtyard by Marriott®, SpringHill Suites by Marriott®, Hilton Garden Inn by Hilton®, Embassy Suites®, Hampton Inn®, Hampton Inn and Suites®, Home2 Suites by Hilton® and TownePlace Suites by Marriott®.

The Company's future hotel acquisitions may be funded by issuances of both common and preferred shares or the issuance of partnership interests in our operating partnership, Chatham Lodging, L.P. (the "Operating Partnership"), draw-downs under our revolving credit facility, the incurrence or assumption of debt, available cash, or proceeds from dispositions of assets. We intend to acquire quality assets at attractive prices and improve their returns through knowledgeable asset management and seasoned, proven hotel management while remaining prudently leveraged.

At June 30, 2022, our leverage ratio was 28.4% measured as the ratio of our net debt (total debt outstanding before deferred financing costs less unrestricted cash and cash equivalents) to hotel investments at cost. Over the past several years, we have maintained a leverage ratio between the high 20s and the low 50s. As of June 30, 2022, we have total debt of \$489.6 million at an average interest rate of approximately 4.9%.

We are a real estate investment trust ("REIT") for federal income tax purposes. In order to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), we cannot operate our hotels. Therefore, the Operating Partnership and its subsidiaries lease our hotel properties to taxable REIT subsidiary lessees ("TRS Lessees"), who in turn engage eligible independent contractors to manage the hotels. Each of the TRS Lessees is treated as a taxable REIT subsidiary for federal income tax purposes and is consolidated within our financial statements for accounting purposes. However, since we control both the Operating Partnership and the TRS Lessees, our principal source of funds on a consolidated basis is from the operations of our hotels. The earnings of the TRS Lessees are subject to taxation as regular C corporations, as defined in the Code, potentially reducing the TRS Lessees' cash available to pay dividends to us, and therefore our funds from operations and the cash available for distribution to our shareholders.

Key Indicators of Operating Performance and Financial Condition

We measure financial condition and hotel operating performance by evaluating non-financial and financial metrics and measures such as:

- Average Daily Rate ("ADR"), which is the quotient of room revenue divided by total rooms sold,
- Occupancy, which is the quotient of total rooms sold divided by total rooms available,
- Revenue Per Available Room ("RevPAR"), which is the product of occupancy and ADR, and does not include food and beverage revenue, or other operating revenue,
- Funds From Operations ("FFO"),
- Adjusted FFO,
- Earnings before interest, taxes, depreciation and amortization ("EBITDA"),
- EBITDA_{re},
- Adjusted EBITDA, and
- Adjusted Hotel EBITDA.

We evaluate the hotels in our portfolio and potential acquisitions using these metrics to determine each hotel's contribution toward providing income to our shareholders through increases in distributable cash flow and increasing long-term total returns through appreciation in the value of our common shares. RevPAR, ADR and Occupancy are hotel industry measures commonly used to evaluate operating performance.

See "Non-GAAP Financial Measures" for further discussion of FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA.

Results of Operations

Industry Outlook

The lodging industry has been impacted by the COVID-19 pandemic and there has been a decline in travel relative to 2019, but trends are improving and we expect continued strong growth in 2022 relative to 2021. Smith Travel Research reported that U.S. lodging industry RevPAR increased 38.8% for the three months ended June 30, 2022, with RevPAR up 54.5% in April 2022, up 39.6% in May 2022 and up 26.8% in June 2022. We expect that over the remainder of 2022, RevPAR will continue to increase significantly versus 2021 and 2020, and that in some markets RevPAR may exceed levels achieved in 2019.

Comparison of the three months ended June 30, 2022 to the three months ended June 30, 2021

Results of operations for the three months ended June 30, 2022 include the operating activities of our 39 wholly owned hotels that were owned for the entire period and operating activities for four hotels sold during the period during the periods of our ownership. We sold one hotel located in Burlington, MA on May 6, 2022, and sold three hotels located in Dallas, TX and Houston, TX on May 13, 2022. We acquired one hotel located in Miramar Beach, FL on March 8, 2022. We developed and opened on January 24, 2022 one hotel located in Los Angeles, CA. We acquired two hotels located in Austin, TX on August 3, 2021. The comparisons below are influenced by the COVID-19 pandemic, the sales of four hotels, the acquisition of three hotels, and the opening of one hotel.

Revenues

Revenue, which consists primarily of room, food and beverage and other operating revenues from our wholly owned hotels, was as follows for the periods indicated (dollars in thousands):

	For the three months ended		
	June 30, 2022	June 30, 2021	% Change
Room	\$ 75,761	\$ 46,514	62.9 %
Food and beverage	1,968	756	160.3 %
Other	3,674	2,647	38.8 %
Cost reimbursements from unconsolidated entities	358	327	9.5 %
Total revenue	\$ 81,761	\$ 50,244	62.7 %

Total revenue was \$81.8 million for the quarter ended June 30, 2022, up \$31.6 million compared to total revenue of \$50.2 million for the corresponding 2021 period. The increase in total revenue primarily was related to the recovery from the COVID-19 pandemic. Four hotels owned during the three months ended June 30, 2022 which were not owned during the three months ended June 30, 2021 contributed \$7.8 million of revenue during the three months ended June 30, 2022. Four other hotels which were sold during the three months ended June 30, 2022 contributed \$1.7 million of revenue during the three months ended June 30, 2022, down \$1.5 million from the \$3.2 million these hotels contributed during the three months ended June 30, 2021. Since all of our hotels are select-service or limited-service hotels, room revenue is the primary revenue source as these hotels do not have significant food and beverage revenue or large group conference facilities. Room revenue comprised 92.7% and 92.6% of total revenue for the three months ended June 30, 2022 and 2021, respectively. Room revenue was \$75.8 million and \$46.5 million for the three months ended June 30, 2022 and 2021, respectively, and the increase in room revenue primarily was related to the recovery from the COVID-19 pandemic.

Food and beverage revenue was \$2.0 million for the quarter ended June 30, 2022, up \$1.2 million compared to \$0.8 million for the corresponding 2021 period. The increase in food and beverage revenue primarily was related to an increase in occupancies at our hotels due to the recovery from the COVID-19 pandemic.

Other operating revenue, comprised of parking, meeting room, gift shop, in-room movie and other ancillary amenities revenue, was up \$1.1 million for the three months ended June 30, 2022. Other operating revenue was \$3.7 million and \$2.6 million for the quarters ended June 30, 2022 and 2021, respectively. The increase in other operating revenue primarily was related to an increase in occupancies at our hotels due to the recovery from the COVID-19 pandemic.

Reimbursable costs from unconsolidated entities were \$0.4 million and \$0.3 million for the three months ended June 30, 2022 and 2021, respectively. The cost reimbursements were offset by the reimbursed costs from unconsolidated entities included in operating expenses.

As reported by Smith Travel Research, U.S. lodging industry RevPAR for the three months ended June 30, 2022 and 2021 increased 38.8% and increased 160.4%, respectively, in the 2022 and 2021 periods as compared to the respective prior periods. Smith Travel Research reported that U.S. lodging industry RevPAR increased 54.5% in April 2022, increased 39.6% in May 2022 and increased 26.8% in June 2022. We expect that over the remainder of 2022, U.S. lodging industry RevPAR will continue to increase significantly versus 2021 and 2020.

In the table below, we present both actual and same property room revenue metrics. Actual Occupancy, ADR and RevPAR metrics reflect the performance of the hotels for the actual days such hotels were owned by the Company during the periods presented. Same property Occupancy, ADR, and RevPAR reflect results for the 37 hotels wholly owned by the Company as of June 30, 2022 that have been in operation for a full year regardless of our ownership during the period presented, which is a non-GAAP financial measure. Results for the hotels for periods prior to our ownership were provided to us by prior owners and have not been adjusted by us.

	For the three months ended June 30,				Percentage Change	
	2022		2021		Same Property (37 hotels)	Actual (43 / 39 hotels)
	Same Property (37 hotels)	Actual (43 hotels)	Same Property (37 hotels)	Actual (39 hotels)		
Occupancy	77.2 %	76.8 %	70.0 %	68.2 %	10.3 %	12.6 %
ADR	\$ 178.62	\$ 176.33	\$ 131.24	\$ 127.06	36.1 %	38.8 %
RevPAR	\$ 137.93	\$ 135.35	\$ 91.86	\$ 86.63	50.2 %	56.2 %

For the three months ended June 30, 2022 same property RevPAR increased 50.2% due to an increase in ADR of 36.1% and an increase in occupancy of 10.3% primarily related to the recovery from the COVID-19 pandemic. Same property RevPAR increased 55.4% in April 2022, increased 43.2% in May 2022, and increased 52.6% in June 2022. Same property RevPAR was \$123.42 in April 2022, \$132.95 in May 2022, and \$157.60 in June 2022.

Hotel Operating Expenses

Hotel operating expenses consist of the following for the periods indicated (dollars in thousands):

	For the three months ended		
	June 30, 2022	June 30, 2021	% Change
Hotel operating expenses:			
Room	\$ 14,480	\$ 9,486	52.6 %
Food and beverage	1,429	491	191.0 %
Telephone	359	348	3.2 %
Other hotel operating	879	544	61.6 %
General and administrative	6,804	5,056	34.6 %
Franchise and marketing fees	6,559	4,091	60.3 %
Advertising and promotions	1,230	835	47.3 %
Utilities	2,784	2,352	18.4 %
Repairs and maintenance	3,347	2,720	23.1 %
Management fees	2,727	1,760	54.9 %
Insurance	747	707	5.7 %
Total hotel operating expenses	\$ 41,345	\$ 28,390	45.6 %

Hotel operating expenses increased \$12.9 million, or 45.6%, to \$41.3 million for the three months ended June 30, 2022 from \$28.4 million for the three months ended June 30, 2021. The primary cause of the increase in hotel operating expenses was related to the increase in revenues and occupancy caused by the recovery from the COVID-19 pandemic. Four hotels owned during the three months ended June 30, 2022 that were not owned during the three months ended June 30, 2021 contributed \$4.0 million of operating expenses during the three months ended June 30, 2022. Four other hotels that were sold during the three months ended June 30, 2022 contributed \$1.3 million of operating expenses during the three months ended June 30, 2022, down \$0.7 million from the \$2.0 million these hotels contributed during the three months ended June 30, 2021.

Room expenses, which are the most significant component of hotel operating expenses, increased \$5.0 million from \$9.5 million for the three months ended June 30, 2021 to \$14.5 million for the three months ended June 30, 2022. The increase in room expenses primarily was related to an increase in occupancies and revenues at our hotels due to the recovery from the COVID-19 pandemic.

The remaining hotel operating expenses increased \$8.0 million, from \$18.9 million for the three months ended June 30, 2021 to \$26.9 million for the three months ended June 30, 2022. The increase in other remaining expenses primarily was related to an increase in occupancies and revenues at our hotels due to the recovery from the COVID-19 pandemic.

Depreciation and Amortization

Depreciation and amortization expense increased \$1.9 million from \$13.4 million for the three months ended June 30, 2021 to \$15.3 million for the three months ended June 30, 2022. The increase was primarily due to higher depreciation expense from the four hotels owned during three months ended June 30, 2022 that were not owned during than the three months ended June 30, 2021 than the depreciation expense from four other hotels which were sold during the three months ended June 30, 2022. Depreciation is generally recorded on our assets over 40 years for buildings, 20 years for land improvements, 15 years for building improvements and one to ten years for furniture, fixtures and equipment from the date of acquisition on a straight-line basis. Depreciable lives of hotel furniture, fixtures and equipment are generally assumed to be the difference between the date of acquisition and the date that the furniture, fixtures and equipment will be replaced. Amortization of franchise fees is recorded on a straight-line basis over the term of the respective franchise agreement.

Property Taxes, Ground Rent and Insurance

Total property taxes, ground rent and insurance expenses decreased from \$6.0 million for the three months ended June 30, 2021 to \$5.9 million for the three months ended June 30, 2022.

General and Administrative

General and administrative expenses principally consist of employee-related costs, including base payroll, bonuses and amortization of restricted stock and awards of long-term incentive plan units. These expenses also include corporate operating costs, professional fees and trustees' fees. Total general and administrative expenses (excluding amortization of stock based compensation of \$1.4 million and \$1.2 million for the three months ended June 30, 2022 and 2021, respectively) was \$3.0 million for the three months ended June 30, 2022 versus \$3.1 million for the three months ended June 30, 2021.

Other Charges

Other charges decreased from \$0.3 million for the three months ended June 30, 2021 to \$0.2 million for the three months ended June 30, 2022. Other charges for both periods primarily relate to the payment of insurance deductibles.

Reimbursable Costs from Unconsolidated Entities

Reimbursable costs from unconsolidated entities, comprised of corporate payroll and rent costs were \$0.4 million and \$0.3 million for the three months ended June 30, 2022 and 2021, respectively. The cost reimbursements were offset by the cost reimbursements from unconsolidated entities included in revenues.

Gain on Sale of Hotel Properties

Gain on sale of hotel properties increased \$2.0 million for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 due to the sale of the HGI Burlington hotel property on May 6, 2022, and the sale of the HWS Dallas hotel property, CY Houston West U hotel property, and RI Houston West U hotel property on May 13, 2022.

Interest Expense, Including Amortization of Deferred Fees

Interest expense increased \$0.5 million from \$6.4 million for the three months ended June 30, 2021 to \$6.9 million for the three months ended June 30, 2022 and is comprised of the following (dollars in thousands):

	For the three months ended		% Change
	June 30, 2022	June 30, 2021	
Mortgage debt interest	\$ 5,107	\$ 5,268	(3.1) %
Credit facility interest and unused fees	689	1,065	(35.3) %
Interest rate cap	(45)	(4)	1025.0 %
Construction loan interest	817	495	65.1 %
Capitalized interest	—	(842)	(100.0) %
Amortization of deferred financing costs	368	374	(1.6) %
Total	\$ 6,936	\$ 6,356	9.1 %

The increase in interest expense for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021 is primarily due to an increase in construction loan interest and decrease in capitalized interest due to the opening of the Home2 Woodland Hills on January 24, 2022. This was partially offset by a decrease in revolving credit facility interest due to the decreased outstanding principal amount compared to the prior period.

Income Tax Expense

Income tax expense for the three months ended June 30, 2022 and 2021 was \$0 and \$0, respectively. We are subject to income taxes based on the taxable income of our TRS Lessees at a combined federal and state tax rate of approximately 25%. The Company's TRS is expecting taxable losses in 2022 and recognizes a full valuation allowance equal to 100% of the gross deferred tax assets due to the uncertainty of the TRS's ability to utilize these deferred tax assets.

Net Income (Loss)

Net income was \$9.3 million for the three months ended June 30, 2022, compared to a net loss of \$8.7 million for the three months ended June 30, 2021. The change in net income (loss) was primarily due to an improvement in performance at our hotels due to the continued recovery from the COVID-19 pandemic, and the sale of four hotels which resulted in a gain on sale of hotel properties of \$2.0 million during the three months ended June 30, 2022, combined with the other factors discussed above.

Comparison of the six months ended June 30, 2022 to the six months ended June 30, 2021

Results of operations for the six months ended June 30, 2022 include the operating activities of our 37 wholly owned hotels that were owned for the entire period and operating activities for one hotel that was opened during the period, one hotel that was acquired during the period and four hotels sold during the period during the periods of our ownership of these hotels. We sold one hotel located in Burlington, MA on May 6, 2022, and sold three hotels located in Dallas, TX and Houston, TX on May 13, 2022. We acquired one hotel located in Miramar Beach, FL on March 8, 2022. We developed and opened on January 24, 2022 one hotel located in Los Angeles, CA. We acquired two hotels located in Austin, TX on August 3, 2021. We sold our investment in the NewINK JV on March 18, 2021 and sold our investment in the Inland JV on September 23, 2021. The comparisons below are influenced by the COVID-19 pandemic, the sale of four hotels, the acquisition of three hotels, the opening of one hotel, and the sale of our investments in the NewINK JV and the Inland JV.

Revenues

Revenue, which consists primarily of room, food and beverage and other operating revenues from our wholly owned hotels, was as follows for the periods indicated (dollars in thousands):

	For the six months ended		
	June 30, 2022	June 30, 2021	% Change
Room	\$ 125,926	\$ 75,905	65.9 %
Food and beverage	3,382	1,120	202.0 %
Other	6,654	4,218	57.8 %
Cost reimbursements from unconsolidated entities	684	1,114	(38.6) %
Total revenue	\$ 136,646	\$ 82,357	65.9 %

Total revenue was \$136.6 million for the six months ended June 30, 2022, up \$54.2 million compared to total revenue of \$82.4 million for the corresponding 2021 period. The increase in total revenue primarily was related to the recovery from the COVID-19 pandemic. Four hotels owned during the six months ended June 30, 2022 that were not owned during the six months ended June 30, 2021 contributed \$11.7 million of revenue during the six months ended June 30, 2022. Four other hotels that were sold during the six months ended June 30, 2022 contributed \$4.9 million of revenue during the six months ended June 30, 2022, down \$0.4 million from the \$5.3 million these hotels contributed during the six months ended June 30, 2021. Since all of our hotels are select-service or limited-service hotels, room revenue is the primary revenue source as these hotels do not have significant food and beverage revenue or large group conference facilities. Room revenue comprised 92.2% and 92.2% of total revenue for the six months ended June 30, 2022 and 2021, respectively. Room revenue was \$125.9 million and \$75.9 million for the six months ended June 30, 2022 and 2021, respectively, and the increase in room revenue primarily was related to the recovery from the COVID-19 pandemic.

Food and beverage revenue was \$3.4 million for the six months ended June 30, 2022, up \$2.3 million compared to food and beverage revenue of \$1.1 million for the corresponding 2021 period. The increase in food and beverage revenue primarily was related to an increase in occupancies at our hotels due to the recovery from the COVID-19 pandemic.

Other operating revenue, comprised of parking, meeting room, gift shop, in-room movie and other ancillary amenities revenue was up \$2.5 million for the six months ended June 30, 2022. Other operating revenue was \$6.7 million and \$4.2 million for the six months ended June 30, 2022 and June 30, 2021, respectively. The increase in other operating revenue primarily was related to an increase in occupancies at our hotels due to the recovery from the COVID-19 pandemic.

Reimbursable costs from unconsolidated real estate entities were \$0.7 million and \$1.1 million for the six months ended June 30, 2022 and 2021, respectively. The cost reimbursements were offset by the reimbursed costs from unconsolidated real estate entities included in operating expenses. The decrease in cost reimbursements primarily was related to the sale of the NewINK JV.

As reported by Smith Travel Research, U.S. lodging industry RevPAR for the six months ended June 30, 2022 and 2021 increased 49.4% and increased 27.4%, respectively, in the 2022 and 2021 periods as compared to the respective prior year periods. We expect that over the remainder of 2022, U.S. lodging industry RevPAR will continue to increase significantly versus 2021 and 2020.

In the table below, we present both actual and same property room revenue metrics. Actual Occupancy, ADR and RevPAR metrics reflect the performance of the hotels for the actual days such hotels were owned by the Company during the periods presented. Same property Occupancy, ADR, and RevPAR reflect results for the 37 hotels wholly owned by the Company as of June 30, 2022 that have been in operation for a full year regardless of our ownership during the period presented, which is a non-GAAP financial measure. Results for the hotels for periods prior to our ownership were provided to us by prior owners and have not been adjusted by us.

	For the six months ended June 30,					
	2022		2021		Percentage Change	
	Same Property (37 hotels)	Actual (43 hotels)	Same Property (37 hotels)	Actual (39 hotels)	Same Property (37 hotels)	Actual (43 / 39 hotels)
Occupancy	69.2 %	68.2 %	61.7 %	60.0 %	12.2 %	13.7 %
ADR	\$ 165.57	\$ 162.94	\$ 121.53	\$ 118.38	36.2 %	37.6 %
RevPAR	\$ 114.54	\$ 111.19	\$ 74.96	\$ 71.08	52.8 %	56.4 %

For the six months ended June 30, 2022 same property RevPAR increased 52.8% due to an increase in ADR of 36.2% and an increase in occupancy of 12.2% primarily related to the recovery from the COVID-19 pandemic.

Hotel Operating Expenses

Hotel operating expenses consist of the following for the periods indicated (dollars in thousands):

	For the six months ended		
	June 30, 2022	June 30, 2021	% Change
Hotel operating expenses:			
Room	\$ 26,074	\$ 16,653	56.6 %
Food and beverage	2,476	775	219.5 %
Telephone	760	748	1.6 %
Other hotel operating	1,611	909	77.2 %
General and administrative	12,153	8,870	37.0 %
Franchise and marketing fees	10,966	6,688	64.0 %
Advertising and promotions	2,419	1,592	51.9 %
Utilities	5,673	4,638	22.3 %
Repairs and maintenance	6,792	5,180	31.1 %
Management fees	4,645	2,956	57.1 %
Insurance	1,457	1,356	7.4 %
Total hotel operating expenses	\$ 75,026	\$ 50,365	49.0 %

Hotel operating expenses increased \$24.6 million to \$75.0 million for the six months ended June 30, 2022 from \$50.4 million for the six months ended June 30, 2021. The primary cause of the increase in hotel operating expenses was related to the increase in revenues and occupancy caused by the recovery from the COVID-19 pandemic.

Room expenses, which are the most significant component of hotel operating expenses, increased \$9.4 million from \$16.7 million for the six months ended June 30, 2021 to \$26.1 million for the six months ended June 30, 2022. The increase in room expenses primarily was related to an increase in occupancies and revenues at our hotels due to the recovery from the COVID-19 pandemic.

The remaining hotel operating expenses increased \$15.3 million, from \$33.7 million for the six months ended June 30, 2021 to \$49.0 million for the six months ended June 30, 2022. The increase in other remaining expenses primarily was related to an increase in occupancies and revenues at our hotels due to the recovery from the COVID-19 pandemic and the contribution from four additional hotels owned during the six months ended June 30, 2022.

Depreciation and Amortization

Depreciation and amortization expense increased \$3.6 million from \$26.7 million for the six months ended June 30, 2021 to \$30.3 million for the six months ended June 30, 2022. The increase was primarily due to higher depreciation expense from the four hotels owned during six months ended June 30, 2022 that were not owned during than the six months ended June 30, 2021 than the depreciation expense from four other hotels which were sold during the six months ended June 30, 2022. Depreciation is generally recorded on our assets over 40 years for buildings, 20 years for land improvements, 15 years for building improvements and one to ten years for furniture, fixtures and equipment from the date of acquisition on a straight-line basis. Depreciable lives of hotel furniture, fixtures and equipment are generally assumed to be the difference between the date of acquisition and the date that the furniture, fixtures and equipment will be replaced. Amortization of franchise fees is recorded on a straight-line basis over the term of the respective franchise agreement.

Property Taxes, Ground Rent and Insurance

Total property taxes, ground rent and insurance expenses decreased \$0.9 million from \$11.8 million for the six months ended June 30, 2021 to \$10.9 million for the six months ended June 30, 2022. The decrease was primarily related to reductions in property tax assessments as a result of the COVID-19 pandemic.

General and Administrative

General and administrative expenses principally consist of employee-related costs, including base payroll, bonuses and amortization of restricted stock and awards of LTIP units. These expenses also include corporate operating costs, professional fees and trustees' fees. Total general and administrative expenses (excluding amortization of stock based compensation of \$2.7 million and \$2.4 million for the six months ended June 30, 2022 and 2021, respectively) increased \$0.2 million to \$5.7 million for the six months ended June 30, 2022 from \$5.5 million for the six months ended June 30, 2021.

Other Charges

Other charges were \$0.4 million and \$0.4 million for the six months ended June 30, 2022 and 2021, respectively. Other charges for both periods primarily relate to the payment of insurance deductibles.

Reimbursable Costs from Unconsolidated Entities

Reimbursable costs from unconsolidated entities, comprised of corporate payroll and rent costs were \$0.7 million and \$1.1 million for the six months ended June 30, 2022 and 2021, respectively. The cost reimbursements were offset by the cost reimbursements from unconsolidated entities included in revenues. The decrease in cost reimbursements primarily was related to the sale of the NewINK JV.

Gain (Loss) on Sale of Hotel Properties

Gain on sale of hotel properties increased \$2.0 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 due to the sale of the HGI Burlington hotel property on May 6, 2022, and the sale of the HWS Dallas hotel property, CY Houston West U hotel property, and RI Houston West U hotel property on May 13, 2022.

Interest Expense, Including Amortization of Deferred Fees

Interest expense increased \$0.5 million from \$12.8 million for the six months ended June 30, 2021 to \$13.3 million for the six months ended June 30, 2022 and is comprised of the following (dollars in thousands):

	For the six months ended		% Change
	June 30, 2022	June 30, 2021	
Mortgage debt interest	\$ 10,184	\$ 10,624	(4.1) %
Credit facility interest and unused fees	1,703	2,168	(21.4) %
Interest rate cap	(289)	(44)	556.8 %
Construction loan interest	1,355	845	60.4 %
Capitalized interest	(330)	(1,532)	(78.5) %
Amortization of deferred financing costs	702	765	(8.2) %
Total	\$ 13,325	\$ 12,826	3.9 %

The increase in interest expense for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 is primarily due to an increase in construction loan interest and decrease in capitalized interest due to the opening of the Home2 Woodland Hills on January 24, 2022. This was partially offset by a decrease in revolving credit facility interest due to the decreased outstanding principal amount compared to the prior period.

Loss from Unconsolidated Real Estate Entities

Loss from unconsolidated real estate entities decreased \$1.2 million from a loss of \$1.2 million for the six months ended June 30, 2021 to \$0 for the six months ended June 30, 2022. The loss in 2021 is primarily due to losses within the NewINK JV prior to sale.

Gain on Sale of Investment in Unconsolidated Real Estate Entities

Gain on sale of investment in unconsolidated real estate entities decreased \$23.8 million from a gain of \$23.8 million for the six months ended June 30, 2021 to \$0 for the six months ended June 30, 2022. The gain in 2021 is due to the sale of the NewINK JV.

Income Tax Expense

Income tax expense for the six months ended June 30, 2022 and 2021 was \$0 and \$0, respectively. We are subject to income taxes based on the taxable income of our TRS Lessees at a combined federal and state tax rate of approximately 25%. The Company's TRS is expecting taxable losses in 2022 and recognizes a full valuation allowance equal to 100% of the gross deferred tax assets due to the uncertainty of the TRS's ability to utilize these deferred tax assets.

Net Loss

Net loss was \$0.4 million for the six months ended June 30, 2022, compared to a net loss of \$6.0 million for the six months ended June 30, 2021. The change in net loss was primarily due to an increase in occupancies and revenues at our hotels due to the recovery from the COVID-19 pandemic, the sale of four hotels which resulted in a gain on sale of hotel properties of \$2.0 million during the six months ended June 30, 2022, and the sale of the NewINK JV in 2021 which resulted in a large gain on sale of investment in unconsolidated real estate entities, combined with the factors discussed above.

Non-GAAP Financial Measures

We consider the following non-GAAP financial measures useful to investors as key supplemental measures of our operating performance: (1) FFO, (2) Adjusted FFO, (3) EBITDA, (4) EBITDA_{re}, (5) Adjusted EBITDA and (6) Adjusted Hotel EBITDA. These non-GAAP financial measures should be considered along with, but not as alternatives to, net income or loss as prescribed by GAAP as a measure of our operating performance.

FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not represent cash generated from operating activities under GAAP and should not be considered as alternatives to net income or loss, cash flows from operations or any other operating performance measure prescribed by GAAP. FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA are not measures of our liquidity, nor are FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA indicative of funds available to fund our cash needs, including our ability to make cash distributions. These measurements do not reflect cash expenditures for long-term assets and other items that have been and will be incurred. FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA may include funds that may not be available for management's discretionary use due to functional requirements to conserve funds for capital expenditures, property acquisitions, and other commitments and uncertainties.

We calculate FFO in accordance with standards established by Nareit, which defines FFO as net income or loss (calculated in accordance with GAAP), excluding gains or losses from sales of real estate, impairment write-downs, the cumulative effect of changes in accounting principles, plus depreciation and amortization (excluding amortization of deferred financing costs), and after adjustments for unconsolidated partnerships and joint ventures following the same approach. We believe that the presentation of FFO provides useful information to investors regarding our operating performance because it measures our performance without regard to specified non-cash items such as real estate depreciation and amortization, gain or loss on sale of real estate assets and certain other items that we believe are not indicative of the property level performance of our hotel properties. We believe that these items reflect historical cost of our asset base and our acquisition and disposition activities and are less reflective of our ongoing operations, and that by adjusting to exclude the effects of these items, FFO is useful to investors in comparing our operating performance between periods and between REITs that also report FFO using the Nareit definition.

We calculate Adjusted FFO by further adjusting FFO for certain additional items that are not addressed in Nareit's definition of FFO, including other charges, losses on the early extinguishment of debt and similar items related to our unconsolidated real estate entities that we believe do not represent costs related to hotel operations. We believe that Adjusted FFO provides investors with another financial measure that may facilitate comparisons of operating performance between periods and between REITs that make similar adjustments to FFO.

The following is a reconciliation of net income to FFO and Adjusted FFO for the three and six months ended June 30, 2022 and 2021 (in thousands, except share data):

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Funds From Operations ("FFO"):				
Net income (loss)	\$ 9,322	\$ (8,718)	\$ (376)	\$ (6,016)
Preferred dividends	(1,987)	—	(3,975)	—
Net income (loss) attributable to common shares and common units	7,335	(8,718)	(4,351)	(6,016)
(Gain) loss on sale of hotel properties	(2,020)	(28)	(2,020)	15
Gain on sale of investment in unconsolidated real estate entities	—	—	—	(23,817)
Depreciation	15,223	13,292	30,193	26,566
Adjustments for unconsolidated real estate entity items	—	—	—	568
FFO attributable to common share and unit holders	20,538	4,546	23,822	(2,684)
Other charges	150	322	400	377
Adjustments for unconsolidated real estate entity items	—	—	—	46
Adjusted FFO attributable to common share and unit holders	\$ 20,688	\$ 4,868	\$ 24,222	\$ (2,261)
Weighted average number of common shares and units				
Basic	50,010,107	49,613,586	49,928,420	48,823,781
Diluted	50,231,943	49,794,765	50,139,358	48,823,781

Diluted weighted average common share and unit count used for calculation of adjusted FFO per share may differ from diluted weighted average common share count used for calculation of GAAP Net Income per share due to the inclusion of LTIP units, which may be converted to common shares of beneficial interest if Net Income per share is negative and Adjusted FFO is positive. Unvested restricted shares and unvested LTIP units that could potentially dilute basic earnings per share in the future would not be included in the computation of diluted loss per share for the periods where a loss has been recorded because they would have been anti-dilutive for the periods presented.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") is defined as net income or loss excluding: (1) interest expense; (2) provision for income taxes, including income taxes applicable to sales of assets; (3) depreciation and amortization; and (4) unconsolidated real estate entity items including interest, depreciation and amortization excluding gains and losses from sales of real estate. We consider EBITDA useful to an investor in evaluating and facilitating comparisons of our operating performance between periods and between REITs by removing the impact of our capital structure (primarily interest expense) and asset base (primarily depreciation and amortization) from our operating results. In addition, EBITDA is used as one measure in determining the value of hotel acquisitions and dispositions.

In addition to EBITDA, we present EBITDA_{re} in accordance with Nareit guidelines, which defines EBITDA_{re} as net income or loss excluding interest expense, income tax expense, depreciation and amortization expense, gains or losses from sales of real estate, impairment, and adjustments for unconsolidated joint ventures. We believe that the presentation of EBITDA_{re} provides useful information to investors regarding the Company's operating performance and can facilitate comparisons of operating performance between periods and between REITs.

We also present Adjusted EBITDA, which includes additional adjustments for items such as other charges, gains or losses on extinguishment of indebtedness, the amortization of share-based compensation, and certain other expenses that we consider outside the normal course of operations. We believe that Adjusted EBITDA provides useful supplemental information to investors regarding our ongoing operating performance that, when considered with net income, EBITDA and EBITDA_{re}, is beneficial to an investor's understanding of our performance.

The following is a reconciliation of net income to EBITDA, EBITDA_{re} and Adjusted EBITDA for the three and six months ended June 30, 2022 and 2021 (in thousands):

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”):				
Net income (loss)	\$ 9,322	\$ (8,718)	\$ (376)	\$ (6,016)
Interest expense	6,936	6,356	13,325	12,826
Depreciation and amortization	15,277	13,353	30,313	26,687
Adjustments for unconsolidated real estate entity items	—	—	—	1,184
EBITDA	31,535	10,991	43,262	34,681
(Gain) loss on sale of hotel properties	(2,020)	(28)	(2,020)	15
Gain on sale of investment in unconsolidated real estate entities	—	—	—	(23,817)
EBITDA _{re}	29,515	10,963	41,242	10,879
Other charges	150	322	400	377
Adjustments for unconsolidated real estate entity items	—	—	—	46
Share based compensation	1,419	1,194	2,713	2,351
Adjusted EBITDA	\$ 31,084	\$ 12,479	\$ 44,355	\$ 13,653

Adjusted Hotel EBITDA is defined as net income before interest, income taxes, depreciation and amortization, corporate general and administrative, impairment loss, loss on early extinguishment of debt, other charges, interest and other income, losses on sales of hotel properties and income or loss from unconsolidated real estate entities. We present Adjusted Hotel EBITDA because we believe it is useful to investors in comparing our hotel operating performance between periods and comparing our Adjusted Hotel EBITDA margins to those of our peer companies. Adjusted Hotel EBITDA represents the results of operations for our wholly owned hotels only.

The following is a presentation of Adjusted Hotel EBITDA for the three and six months ended June 30, 2022 and 2021 (in thousands):

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 9,322	\$ (8,718)	\$ (376)	\$ (6,016)
Add:				
Interest expense	6,936	6,356	13,325	12,826
Depreciation and amortization	15,277	13,353	30,313	26,687
Corporate general and administrative	4,462	4,316	8,405	7,950
Other charges	150	322	400	377
Loss from unconsolidated real estate entities	—	—	—	1,184
Loss on sale of hotel property	—	—	—	15
Less:				
Interest and other income	(1)	(28)	(1)	—
Gain on sale of hotel properties	(2,020)	(28)	(2,020)	—
Gain on sale of investment in unconsolidated real estate entities	—	—	—	(23,817)
Adjusted Hotel EBITDA	\$ 34,126	\$ 15,573	\$ 50,046	\$ 24,272

Although we present FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA because we believe they are useful to investors in comparing our operating performance between periods and between REITs that report similar measures, these measures have limitations as analytical tools. Some of these limitations are:

- FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect funds available to make cash distributions;
- EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may need to be replaced in the future, and FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect any cash requirements for such replacements;
- Non-cash compensation is and will remain a key element of our overall long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period using Adjusted EBITDA;
- Adjusted FFO, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect the impact of certain cash charges (including acquisition transaction costs) that result from matters we consider not to be indicative of the underlying performance of our hotel properties; and
- Other companies in our industry may calculate FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA differently than we do, limiting their usefulness as a comparative measure.

In addition, FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA do not represent cash generated from operating activities as determined by GAAP and should not be considered as alternatives to net income or loss, cash flows from operations or any other operating performance measure prescribed by GAAP. FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA are not measures of our liquidity. Because of these limitations, FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using FFO, Adjusted FFO, EBITDA, EBITDA_{re}, Adjusted EBITDA and Adjusted Hotel EBITDA only supplementally. Our consolidated financial statements and the notes to those statements included elsewhere are prepared in accordance with GAAP.

Sources and Uses of Cash

Our principal sources of cash include net cash from operations, availability under our revolving credit facility, proceeds from debt and equity issuances, and proceeds from the sale of hotel properties. Our principal uses of cash include acquisitions, capital expenditures, operating costs, corporate expenditures, interest costs, debt repayments and distributions to equity holders.

Cash, cash equivalents, and restricted cash totaled \$27.8 million as of June 30, 2022, a decrease of \$2.1 million from December 31, 2021, primarily due to net cash provided by operating activities of \$21.7 million, net cash provided by investing activities of \$35.9 million, and net cash used in financing activities of \$59.7 million.

Cash from Operations

Net cash flows provided by operating activities increased \$23.9 million to \$21.7 million during the six months ended June 30, 2022 compared to (\$2.2) million during the six months ended June 30, 2021. The increase in cash from operating activities was primarily due to improving operating results from our hotels which generated RevPAR growth of 52.5% during the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

Investing Activities Cash Flows

Net cash flows provided by investing activities increased \$52.5 million to \$35.9 million during the six months ended June 30, 2022 compared to (\$16.6) million during the six months ended June 30, 2021. For the six months ended June 30, 2022, net cash flows provided by investing activities of \$35.9 million consisted of \$79.6 million in net proceeds related to the sale of four hotel properties, \$0.4 million of deferred key money received for the development of the Home2 Woodland Hills, partially offset by \$31.0 million related to the acquisitions of the HGI Destin hotel, \$9.4 million related to capital improvements on our 39 wholly owned hotels, and \$3.6 million related to the development of the Home2 Woodland Hills. For the six months ended June 30, 2021, net cash flows used in investing activities of \$16.6 million consisted of \$4.2 million related to capital improvements on our 39 wholly owned hotels, \$15.2 million related to the development of the Home2 Woodland Hills, partially offset by \$2.8 million of proceeds from the sale of an unconsolidated real estate entity (the NewINK JV).

We expect to invest approximately \$10.2 million on renovations, discretionary and emergency expenditures on our existing hotels during the remainder of 2022, including improvements required under any brand PIP.

Financing Activities Cash Flows

Net cash flows used in financing activities increased \$189.3 million to (\$59.7) million during the six months ended June 30, 2022 compared to \$129.6 million during the six months ended June 30, 2021. For the six months ended June 30, 2022, net cash flows used in financing activities of (\$59.7) million were comprised of net repayments of our senior unsecured revolving credit facility of \$55.0 million, principal payments on mortgage debt of \$4.5 million, payments of deferred financing and offering costs of \$0.3 million, distributions to unit holders of \$0.1 million, and distributions on preferred shares of \$4.0 million, partially offset by net borrowings on our construction loan of \$4.1 million. For the six months ended June 30, 2021, net cash flows provided by financing activities of \$129.6 million were comprised \$116.2 million of net proceeds from our Series A Preferred Shares offering, \$24.6 million of common equity proceeds raised through sales under our DRSP and ATM Plan, and net borrowings on our construction loan of \$14.2 million, partially offset by net repayments of our senior unsecured revolving credit facility of \$7.3 million, principal payments on mortgage debt of \$16.9 million which included the repayment of the \$12.5 million mortgage loan on the Residence Inn New Rochelle, payments of financing and offering costs of \$1.0 million, and distributions to unit holders of \$0.3 million.

We declared total dividends of \$0 and \$0 per common share and LTIP unit, respectively, for the six months ended June 30, 2022, and \$0 and \$0 per common share and LTIP unit, respectively, for the six months ended June 30, 2021. We declared total dividends of \$0.82812 and \$0 per Series A preferred share for the six months ended June 30, 2022 and 2021, respectively.

Material Cash Requirements

Our material cash requirements include the following contractual obligations:

- At June 30, 2022, we had total debt principal and interest obligations of \$532.0 million with \$97.2 million of principal and interest payable within the next 12 months from June 30, 2022. \$64.9 million of debt principal obligations payable during the next 12 months relate to the Company's credit facility which has an initial maturity date of March 8, 2023 and the Company's mortgage loans secured by the Homewood Suites San Antonio, Residence Inn Tysons, and Courtyard Houston Medical Center hotel properties. The Company has options to extend the maturity of the credit facility to March 8, 2024. See Note 8, "Debt" to our consolidated financial statements for additional information relating to our property loans and revolving credit facility.
- Lease payments due within the next 12 months from June 30, 2022 total \$2.1 million. See Note 14, "Leases" to our consolidated financial statements for additional information relating to our corporate office and ground leases.

Liquidity and Capital Resources

At June 30, 2022, our leverage ratio was approximately 28.4% measured as the ratio of our net debt (total debt outstanding before deferred financing costs less unrestricted cash and cash equivalents) to hotel investments at cost. Over the past several years, we have maintained a leverage ratio between the high 20s and the low 50s. At June 30, 2022, we have total debt of \$489.6 million at an average interest rate of approximately 4.9%.

At June 30, 2022 and December 31, 2021, we had \$15.0 million and \$70.0 million, respectively, in outstanding borrowings under our \$250.0 million revolving credit facility. We had \$39.1 million and \$35.0 million, respectively, in outstanding borrowings under our \$40 million construction loan for the Home2 Woodland Hills hotel development at June 30, 2022 and December 31, 2021. We also had mortgage debt on individual hotels aggregating \$435.5 million and \$439.9 million at June 30, 2022 and December 31, 2021, respectively.

Our revolving credit facility contains representations, warranties, covenants, terms and conditions customary for credit facilities of this type, including a maximum leverage ratio, a minimum fixed charge coverage ratio and minimum net worth financial covenants, limitations on (i) liens, (ii) incurrence of debt, (iii) investments, (iv) distributions, and (v) mergers and asset dispositions, covenants to preserve corporate existence and comply with laws, covenants on the use of proceeds of the revolving credit facility and default provisions, including defaults for non-payment, breach of representations and warranties, insolvency, non-performance of covenants, cross-defaults and guarantor defaults. We were in compliance with all financial covenants at June 30, 2022.

Our mortgage debt agreements contain "cash trap" provisions that are triggered when the hotel's operating results fall below a certain debt service coverage ratio or debt yield. When these provisions are triggered, all of the excess cash flow generated by the hotel is deposited directly into cash management accounts for the benefit of our lenders until a specified debt service coverage ratio or debt yield is reached. Such provisions do not allow the lender the right to accelerate repayment of the underlying debt. As of June 30, 2022, the debt service coverage ratios or debt yields for seven of our mortgage loans were below the minimum thresholds such that the cash trap provision of each respective loan could be enforced. As of June 30, 2022, one of our mortgage debt lenders has enforced cash trap provisions. We do not expect that such cash traps will affect our ability to satisfy our short-term liquidity requirements.

In December 2017, we established a \$50 million dividend reinvestment and stock purchase plan. We filed a new \$50 million shelf registration statement for the dividend reinvestment and stock purchase plan (the "DRSPP") on December 22, 2020 to replace the prior plan. Under the DRSPP, shareholders may purchase additional common shares by reinvesting some or all of the cash dividends received on common shares. Shareholders may also make optional cash purchases of common shares subject to certain limitations detailed in the prospectuses for the DRSPP. During the three months ended June 30, 2022, the Company issued 1,522 common shares under the DRSPP at a weighted average price of \$12.47, which generated \$19 thousand of proceeds. As of June 30, 2022, there was approximately \$47.9 million in common shares available for issuance under the DRSPP.

In January 2021, we established an "at-the-market" offering program (the "ATM Program") whereby, from time to time, we may publicly offer and sell our common shares having an aggregate maximum offering price up to \$100 million by means of ordinary brokers transactions on the New York Stock Exchange (the "NYSE"), in negotiated transactions or in transactions that are deemed to be "at-the-market" offerings as defined in Rule 415 under the Securities Act of 1933, as amended. Cantor Fitzgerald & Co., Barclays Capital Inc., BMO Capital Markets Corp., BofA Securities, Inc., BTIG, LLC, Citigroup Global Markets Inc., Regions Securities LLC, Stifel, Nicolaus & Company, Incorporated and Wells Fargo Securities act as sales agents under the ATM Program. The Company did not issue any shares under the ATM Program during the three months ended June 30, 2022. As of June 30, 2022, there was approximately \$77.5 million in common shares available for issuance under the ATM Program.

We expect to meet our short-term liquidity requirements generally through existing cash balances and availability under our credit facility. We believe that our existing cash balances and availability under our credit facility will be adequate to fund operating obligations, pay interest on any borrowings and fund dividends in accordance with the requirements for qualification as a REIT under the Code. We expect to meet our long-term liquidity requirements, such as hotel property acquisitions and debt maturities or repayments through additional long-term secured and unsecured borrowings, the issuance of additional equity or debt securities or the possible sale of existing assets.

The COVID-19 pandemic has caused, and is continuing to cause, significant disruption in the financial markets both globally and in the United States, and will continue to impact, possibly materially, our business, financial condition and results of operations. We cannot predict the degree, or duration, to which our operations will continue to be affected by the COVID-19 outbreak, and the effects could be material. While we believe the liquidity provided by our unrestricted cash and credit facility availability, and aggressive cost reduction initiatives, will enable us to fund our current obligations for the foreseeable future, COVID-19 has resulted in significant disruption of global financial markets, which could have a negative impact on our ability to access capital in the future.

We intend to continue to invest in hotel properties as suitable opportunities arise. We intend to finance our future investments with free cash flow, the net proceeds from additional issuances of common and preferred shares, issuances of

common units in our Operating Partnership or other securities, borrowings or asset sales. The success of our acquisition strategy depends, in part, on our ability to access additional capital through other sources. There can be no assurance that we will continue to make investments in properties that meet our investment criteria. Additionally, we may choose to dispose of certain hotels as a means to provide liquidity.

We had no material off-balance sheet arrangements at June 30, 2022.

Dividend Policy

Our common share dividend policy has been to distribute, annually, approximately 100% of our annual taxable income. We suspended common share dividends after the March 2020 payment due to the decline in operating performance caused by the COVID-19 pandemic. We plan to pay dividends required to maintain REIT status. There were no dividends and distributions declared for the six months ended June 30, 2022 per common share and LTIP unit. The amount of any dividends is determined by our Board of Trustees.

Chatham declared total dividends of \$0.82812 per share of 6.625% Series A Cumulative Redeemable Preferred Shares during the six months ended June 30, 2022.

Inflation

Operators of hotels, in general, possess the ability to adjust room rates daily to reflect the effects of inflation. However, competitive pressures may limit the ability of our management companies to raise room rates. Inflation may also affect our expenses and costs of capital investments by increasing, among other things, the costs of construction, labor, employee-related benefits, food, commodities and other materials, taxes, property and casualty insurance and utilities.

Seasonality

Demand for our hotels is affected by recurring seasonal patterns. Generally, we expect that we will have lower revenue, operating income and cash flow in the first and fourth quarters and higher revenue, operating income and cash flow in the second and third quarters. These general trends are, however, influenced by overall economic cycles and the geographic locations of our hotels. To the extent that cash flow from operations is insufficient during any quarter, due to temporary or seasonal fluctuations in revenue, we expect to utilize cash on hand or borrowings under our credit facility to pay expenses, debt service or to make distributions to our equity holders.

Critical Accounting Estimates

Our consolidated financial statements have been prepared in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting estimates, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We may be exposed to interest rate changes primarily as a result of our assumption of long-term debt in connection with our acquisitions and upon refinancing of existing debt. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we seek to borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to fixed rates. With respect to variable rate financing, we will assess interest rate risk by identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities.

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates. Rates take into consideration general market conditions, maturity and fair value of the underlying collateral. The estimated fair value of the Company's fixed rate debt at June 30, 2022 and December 31, 2021 was \$417.6 million and \$443.4 million, respectively.

At June 30, 2022, our consolidated debt was comprised of floating and fixed interest rate debt. The fair value of our fixed rate debt indicates the estimated principal amount of debt having the same debt service requirements that could have been borrowed at the date presented, at then current market interest rates. The following table provides information about the maturities of our financial instruments as of June 30, 2022 that are sensitive to changes in interest rates (dollars in thousands):

	2022	2023	2024	2025	2026	Thereafter	Total/ Weighted Average	Fair Value
Floating rate:								
Debt	—	\$ 15,000	\$39,143	—	—	—	\$54,143	\$ 54,181
Average interest rate	—	3.38%	7.98%	—	—	—	6.71%	
Fixed rate:								
Debt	\$4,773	\$117,919	\$296,812	\$15,947	—	—	\$435,451	\$417,623
Average interest rate	4.63%	4.66%	4.64%	4.25%	—	—	4.63%	

Our credit facility is currently subject to a 0.5% LIBOR floor and our construction loan is subject to a 0.25% LIBOR floor. At June 30, 2022, 1-month LIBOR was 1.80%. We estimate that a hypothetical 100 basis points increase in LIBOR would result in additional interest of approximately \$0.5 million annually. This assumes that the amount of floating rate debt outstanding on our revolving credit facility remains \$15.0 million and the amount outstanding on our construction loan remains \$39.1 million, the balances as of June 30, 2022.

Item 4. Controls and Procedures.***Disclosure Controls and Procedures*****Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit 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 our management to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is subject to various claims, lawsuits and legal proceedings, including routine litigation arising in the ordinary course of business, regarding the operation of its hotels, its managers and other Company matters. While it is not possible to ascertain the ultimate outcome of such matters, the Company believes that the aggregate identifiable amount of such liabilities, if any, will not have a material adverse impact on its financial condition or results of operations.

As previously disclosed in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, Chatham RIMV LLC (a wholly owned subsidiary of the Company) is a defendant in a lawsuit brought by the City of San Diego and other related entities, San Diego Housing Commission et al. v. Neil et al. (Superior Court of California, County of San Diego, Case No. 37-2021-00033006-CU-BC-CTL), filed in connection with the sale of the Residence Inn Mission Valley to the City of San Diego. The City of San Diego is seeking a return of monies spent on the acquisition as well as a declaration that the purchase agreement executed in connection with the acquisition is void. At the time of this filing, the City of San Diego and the other Plaintiffs have made no allegations of wrongdoing by Chatham RIMV LLC or any other Company entity. We believe this lawsuit is without merit and we are defending our case vigorously. For the six months ended June 30, 2022, we have incurred \$143 thousand of legal costs related to this matter. At this time we believe potential future costs related to this lawsuit are not probable and estimable.

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for the year ended December 31, 2021 includes detailed discussions of our risk factors under the heading "Risk Factors."

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following exhibits are filed as part of this report:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.1	Articles of Amendment and Restatement of Chatham Lodging Trust ⁽¹⁾
3.2 *	Second Amended and Restated Bylaws of Chatham Lodging Trust as amended May 26, 2022
3.3	Articles Supplementary to the Company's Declaration of Trust designating the 6.625% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, \$0.01 par value per share ⁽²⁾
10.1 *†	Chatham Lodging Trust Equity Incentive Plan, Amended and Restated as of May 17, 2013, as amended on May 24, 2022
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 **	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.

* Filed herewith.

** Furnished herewith. Such certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

† Denotes management contract or compensation plan or arrangement in which trustees or officers are eligible to participate.

(1) Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the SEC on February 29, 2016 (File No. 001-34693).

(2) Incorporated by reference to Exhibit 3.3 of the Company's Registration Statement on Form 8-A filed with the SEC on June 25, 2021 (File No. 001-34693).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHATHAM LODGING TRUST

Dated: August 3, 2022

By: /s/ JEREMY B. WEGNER

Jeremy B. Wegner

Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer and duly authorized officer of the registrant)

CHATHAM LODGING TRUST

THIRD AMENDED AND RESTATED BYLAWS

ARTICLE I

OFFICES

Section 1. *PRINCIPAL OFFICE*. The principal office of the Trust in the State of Maryland shall be located at such place as the Board of Trustees may designate.

Section 2. *ADDITIONAL OFFICES*. The Trust may have additional offices, including a principal executive office, at such places as the Board of Trustees may from time to time determine or the business of the Trust may require.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. *PLACE*. All meetings of shareholders shall be held at the principal executive office of the Trust or at such other place as shall be set in accordance with these Bylaws and stated in the notice of the meeting.

Section 2. *ANNUAL MEETING*. An annual meeting of shareholders for the election of Trustees and the transaction of any business within the powers of the Trust shall be held on the date and at the time and place set by the Board of Trustees. Failure to hold an annual meeting does not invalidate the Trust's existence or affect any otherwise valid acts of the Trust.

Section 3. *SPECIAL MEETINGS*. The chairman of the board, chief executive officer, president or Board of Trustees shall have the exclusive power to call a special meeting of the shareholders.

Section 4. *NOTICE*. Not less than ten nor more than 90 days before each meeting of shareholders, the secretary shall give to each shareholder entitled to vote at such meeting and to each shareholder not entitled to vote who is entitled to notice of the meeting notice in writing or by electronic transmission stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, by mail, by presenting it to such shareholder personally, by leaving it at the shareholder's residence or usual place of business or by any other means permitted by Maryland law. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder at the shareholder's address as it appears on the records of the Trust, with postage thereon prepaid. If transmitted electronically, such notice shall be deemed to be given when transmitted to the shareholder by an electronic transmission to any address or number of the shareholder at which the shareholder receives electronic transmissions. The Trust may give a single notice to all shareholders who share an address, which single notice shall be effective as to any shareholder at such address, unless a shareholder objects to receiving such single notice or revokes a prior consent to receiving such single notice. Failure to give notice of any meeting to one or more shareholders, or any irregularity in such notice, shall not affect the validity of any meeting fixed in accordance with this Article II, or the validity of any proceedings at any such meeting.

Subject to Section 11(a) of this Article II, any business of the Trust may be transacted at an annual meeting of shareholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of shareholders except as specifically designated in the notice. The Trust may postpone or cancel a meeting of shareholders by making a "public announcement" (as defined in Section 11(c)(3) of this Article II) of such postponement or cancellation prior

to the meeting. Notice of the date, time and place to which the meeting is postponed shall be given not less than ten days prior to such date and otherwise in the manner set forth in this section.

Section 5. *ORGANIZATION AND CONDUCT.* Every meeting of shareholders shall be conducted by an individual appointed by the Board of Trustees to be chairman of the meeting or, in the absence of such appointment or appointed individual, by the chairman of the board or, in the case of a vacancy in the office or absence of the chairman of the board, by one of the following officers present at the meeting in the following order: the vice chairman of the board, if there is one, the chief executive officer the president the vice presidents in their order of rank and seniority, the secretary or, in the absence of such officers, a chairman chosen by the shareholders by the vote of a majority of the votes cast by shareholders present in person or by proxy. The secretary, or, in the secretary's absence, an assistant secretary, or in the absence of both the secretary and assistant secretaries, an individual appointed by the Board of Trustees or, in the absence of such appointment, an individual appointed by the chairman of the meeting shall act as secretary. In the event that the secretary presides at a meeting of shareholders, an assistant secretary, or, in the absence of all assistant secretaries, an individual appointed by the Board of Trustees or the chairman of the meeting, shall record the minutes of the meeting. The order of business and all other matters of procedure at any meeting of shareholders shall be determined by the chairman of the meeting. The chairman of the meeting may prescribe such rules, regulations and procedures and take such action as, in the discretion of the chairman and without any action by the shareholders, are appropriate for the proper conduct of the meeting, including, without limitation, (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to shareholders of record of the Trust, their duly authorized proxies and such other individuals as the chairman of the meeting may determine; (c) limiting participation at the meeting on any matter to shareholders of record of the Trust entitled to vote on such matter, their duly authorized proxies and other such individuals as the chairman of the meeting may determine; (d) limiting the time allotted to questions or comments; (e) determining when and for how long the polls should be opened and when the polls should be closed; (f) maintaining order and security at the meeting; (g) removing any shareholder or any other individual who refuses to comply with meeting procedures, rules or guidelines as set forth by the chairman of the meeting; (h) concluding a meeting or recessing or adjourning the meeting to a later date and time and at a place announced at the meeting; and (i) complying with any state or local laws and regulations concerning safety and security. Unless otherwise determined by the chairman of the meeting, meetings of shareholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 6. *QUORUM.* At any meeting of shareholders, the presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting on any matter shall constitute a quorum; but this section shall not affect any requirement under any statute or the Declaration of Trust of the Trust (the "Declaration of Trust") for the vote necessary for the approval of any matter. If such quorum is not established at any meeting of the shareholders, the chairman of the meeting may adjourn the meeting *sine die* or from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

The shareholders present either in person or by proxy, at a meeting which has been duly called and at which a quorum has been established, may continue to transact business until adjournment, notwithstanding the withdrawal from the meeting of enough shareholders to leave fewer than would be required to establish a quorum.

Section 7. *VOTING.* A plurality of all the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a Trustee. Each share may be voted for as many individuals as there are Trustees to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required by statute or by the Declaration of Trust. Unless otherwise provided by statute or by the Declaration of Trust, each outstanding share of beneficial interest, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders. Voting on any question or in any election may be viva voce unless the chairman of the meeting shall order that voting be by ballot or otherwise.

Section 8. *PROXIES.* A holder of record of shares of beneficial interest of the Trust may cast votes in person or by proxy executed by the shareholder or by the shareholder's duly authorized agent in any manner permitted by law. Such proxy or evidence of authorization of such proxy shall be filed with the secretary of the

Trust before or at the meeting. No proxy shall be valid more than eleven months after its date, unless otherwise provided in the proxy.

Section 9. *VOTING OF SHARES BY CERTAIN HOLDERS.* Shares of beneficial interest of the Trust registered in the name of a corporation, partnership, trust, limited liability company or other entity, if entitled to be voted, may be voted by the president or a vice president, general partner, trustee or managing member thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such shares pursuant to a bylaw or a resolution of the governing body of such corporation or other entity or agreement of the partners of a partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such shares. Any trustee or fiduciary may vote shares of beneficial interest registered in the name of such person in the capacity of such trustee or fiduciary, either in person or by proxy.

Shares of beneficial interest of the Trust directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

The Board of Trustees may adopt by resolution a procedure by which a shareholder may certify in writing to the Trust that any shares of beneficial interest registered in the name of the shareholder are held for the account of a specified person other than the shareholder. The resolution shall set forth the class of shareholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date, the time after the record date within which the certification must be received by the Trust; and any other provisions with respect to the procedure which the Board of Trustees considers necessary or desirable. On receipt by the Trust of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the shareholder of record of the specified shares of beneficial interest in place of the shareholder who makes the certification.

Section 10. *INSPECTORS.* The Board of Trustees or the chairman of the meeting may appoint, before or at the meeting, one or more inspectors for the meeting and any successor to the inspector. Except as otherwise provided by the chairman of the meeting, the inspectors, if any, shall (i) determine the number of shares of beneficial interest represented at the meeting in person or by proxy and the validity and effect of proxies, (ii) receive and tabulate all votes, ballots or consents, (iii) report such tabulation to the chairman of the meeting, (iv) hear and determine all challenges and questions arising in connection with the right to vote, and (v) do such acts as are proper to fairly conduct the election or vote. Each such report shall be in writing and signed by the inspector or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be *prima facie* evidence thereof.

Section 11. *NOMINATIONS AND PROPOSALS BY SHAREHOLDERS.*

(a) Annual Meetings of Shareholders.

(1) Nominations of individuals for election to the Board of Trustees and the proposal of other business to be considered by the shareholders may be made at an annual meeting of shareholders (i) pursuant to the Trust's notice of meeting, (ii) by or at the direction of the Board of Trustees or (iii) by any shareholder of the Trust who was a shareholder of record both at the time of giving of notice by the shareholder as provided for in this Section 11(a) and at the time of the annual meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business, and who has complied with this Section 11(a).

(2) For any nomination or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (iii) of paragraph (a)(1) of this Section 11, the shareholder must have given timely notice thereof in writing to the secretary of the Trust and such other business must otherwise be a proper matter for action by the shareholders. To be timely, a shareholder's notice shall set forth all information required under this Section 11 and shall be delivered to the secretary at the principal executive office of the Trust not earlier than the 150th day nor later than 5:00 p.m., Eastern Standard Time, on the 120th day prior to the first anniversary of the date of the

proxy statement (as defined in Section 11(c)(3) of this Article II) for the preceding year's annual meeting (which for the annual meeting in 2011 shall be deemed to be April 30, 2011); provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, notice by the shareholder to be timely must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 p.m., Eastern Standard Time, on the later of the 120th day prior to the date of such annual meeting, as originally convened, or the tenth day following the day on which public announcement of the date of such meeting is first made. The public announcement of a postponement or adjournment of an annual meeting shall not commence a new time period for the giving of a shareholder's notice as described above.

(3) Such shareholder's notice shall set forth:

(i) as to each individual whom the shareholder proposes to nominate for election or reelection as a trustee (each, a "Proposed Nominee"), all information relating to the Proposed Nominee that would be required to be disclosed in connection with the solicitation of proxies for the election of the Proposed Nominee as a trustee in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such solicitation, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act and the rules thereunder;

(ii) as to any business that the shareholder proposes to bring before the meeting, a description of such business, the shareholder's reasons for proposing such business at the meeting and any material interest in such business of such shareholder and any Shareholder Associated Person (as defined below), individually or in the aggregate, including any anticipated benefit to the shareholder or the Shareholder Associated Person therefrom;

(iii) as to the shareholder giving the notice, any Proposed Nominee and any Shareholder Associated Person,

(A) the class, series and number of all shares of beneficial interest in the Trust or other securities of the Trust (collectively, the "Trust Securities"), if any, which are owned (beneficially or of record) by such shareholder or any Proposed Nominee or Shareholder Associated Person, the date on which each such Trust Security was acquired and the investment intent of such acquisition, and any short interest (including any opportunity to profit or share in any benefit from any decrease in the price of such shares or other securities) in any Trust Securities of any such person,

(B) the nominee holder for, and number of, any Trust Securities owned beneficially but not of record by such shareholder, Proposed Nominee or Shareholder Associated Person,

(C) whether and the extent to which such shareholder, Proposed Nominee or Shareholder Associated Person, directly or indirectly (through brokers, nominees or otherwise), is subject to or during the last six months has engaged in any hedging, derivative or other transaction or series of transactions or entered into any other agreement, arrangement or understanding (including any short interest, any borrowing or lending of securities or any proxy or voting agreement), the effect or intent of which is to (I) manage risk or benefit of changes in the price of Trust Securities for such shareholder, Proposed Nominee or Shareholder Associated Person or (II) increase or decrease the voting power of such shareholder, Proposed Nominee or Shareholder Associated Person in the Trust disproportionately to such person's economic interest in the Trust Securities;

(D) any substantial interest, direct or indirect (including, without limitation, any existing or prospective commercial, business or contractual relationship with the Trust), by security holdings or otherwise, of such shareholder, Proposed Nominee or Shareholder Associated Person, in the Trust, other than an interest

arising from the ownership of Trust Securities where such shareholder, Proposed Nominee or Shareholder Associated Person receives no extra or special benefit not shared on a *pro rata* basis by all other holders of the same class or series; and

(E) any proxy, contract, arrangement, understanding, or relationship pursuant to which such shareholder, Proposed Nominee or Shareholder Associated Person has a right to vote any shares of any class or series of shares of the Trust;

(iv) as to the shareholder giving the notice, any Shareholder Associated Person with an interest or ownership referred to in clauses (ii) or (iii) of this paragraph (3) of this Section 11(a) and any Proposed Nominee,

(A) the name and address of such shareholder, as they appear on the Trust's share ledger and the current name and business address, if different, of each such Shareholder Associated Person and any Proposed Nominee and

(B) the investment strategy or objective, if any, of such shareholder and each such Shareholder Associated Person who is not an individual and a copy of the prospectus, offering memorandum or similar document, if any, provided to investors or potential investors in such shareholder and each such Shareholder Associated Person;

(v) the name and address of any person who contacted or was contacted by the shareholder giving the notice or any Shareholder Associated Person about the Proposed Nominee or other business proposal prior to the date of such shareholder's notice; and

(vi) to the extent known by the shareholder giving the notice, the name and address of any other shareholder supporting the nominee for election or reelection as a Trustee or the proposal of other business on the date of such shareholder's notice.

(4) Such shareholder's notice shall, with respect to any Proposed Nominee, be accompanied by a certificate executed by the Proposed Nominee (i) certifying that such Proposed Nominee (a) is not, and will not become, a party to any agreement, arrangement or understanding with any person or entity in connection with nomination for election, or service, as a Trustee of the Trust which would cause the Proposed Nominee to fail to be qualified to be nominated for election, or to serve, as a Trustee of the Trust pursuant to Article III, Section 2 of these Bylaws, (b) is not, and will not become, a party to any agreement, arrangement or understanding with any person or entity in connection with nomination for election, or service, as a Trustee of the Trust that is permissible under Article III, Section 2 of these Bylaws that has not been disclosed to the Trust, (c) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such Proposed Nominee, if elected as a Trustee of the Trust, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Trust or (2) any Voting Commitment that could limit or interfere with such Proposed Nominee's ability to comply, if elected as a Trustee of the Trust, with such Proposed Nominee's duties under applicable law, (d) will serve as a trustee of the Trust if elected and (e) in such Proposed Nominee's personal capacity and on behalf of any person or entity on whose behalf, directly or indirectly, the nomination is being made, would be in compliance, if elected as a trustee of the Trust, and will comply, with all applicable corporate governance, conflict of interest, confidentiality, stock ownership, trading and other policies and guidelines of the Trust publicly disclosed from time to time; (ii) attaching a completed Proposed Nominee questionnaire (which questionnaire shall be provided by the Trust, upon request, to the shareholder providing the notice and shall include all information relating to the Proposed Nominee that would be required to be disclosed in connection with the solicitation of proxies for the election of the Proposed Nominee as a trustee in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such solicitation in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act and the rules thereunder, or would be required pursuant to the rules of any national securities exchange on which any securities of the Trust are listed or over-the-counter market on which any securities of the Trust are traded); and (iii) setting forth all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, any other material relationships and any agreement,

arrangement or understanding entered into in connection with nomination for election, or service, as a Trustee of the Trust (or selection for such nomination or service), between or among such shareholder or any Shareholder Associated Person, on the one hand, and the Proposed Nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if such shareholder or any Shareholder Associated Person of such shareholder were the “registrant” for purposes of such rule and the nominee were a director or executive officer of such registrant).

(5) Notwithstanding anything in this subsection (a) of this Section 11 to the contrary, in the event that the number of trustees to be elected to the Board of Trustees is increased, and there is no public announcement of such action at least 130 days prior to the first anniversary of the date of the proxy statement for the preceding year’s annual meeting, a shareholder’s notice required by this Section 11(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive office of the Trust not later than 5:00 p.m., Eastern Standard Time, on the tenth day following the day on which such public announcement is first made by the Trust.

(6) For purposes of this Section 11, “Shareholder Associated Person” of any shareholder shall mean (i) any person acting in concert with such shareholder, (ii) any beneficial owner of shares of beneficial interest of the Trust owned of record or beneficially by such shareholder (other than a shareholder that is a depository) and (iii) any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such shareholder or Shareholder Associated Person.

(b) *Special Meetings of Shareholders.* Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Trust’s notice of meeting. Nominations of individuals for election to the Board of Trustees may be made at a special meeting of shareholders at which Trustees are to be elected only by or at the direction of the Board of Trustees. In the event the Trust calls a special meeting of shareholders for the purpose of electing one or more individuals to the Board of Trustees, any such shareholder may nominate an individual or individuals (as the case may be) for election as a Trustee as specified in the Trust’s notice of meeting, if the shareholder’s notice, containing the information required by paragraph (a)(3) of this Section 11, shall be delivered to the secretary at the principal executive office of the Trust not earlier than the 120th day prior to such special meeting and not later than 5:00 p.m., Eastern Standard Time, on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Trustees to be elected at such meeting. The public announcement of a postponement or adjournment of a special meeting shall not commence a new time period for the giving of a shareholder’s notice as described above.

(c) *General.*

(1) If information submitted pursuant to this Section 11 by any shareholder proposing a nominee for election as a Trustee or any proposal for other business at a meeting of shareholders shall be inaccurate in any material respect, such information may be deemed not to have been provided in accordance with this Section 11. Any such shareholder shall notify the Trust of any inaccuracy or change (within two Business Days (as defined below) of becoming aware of such inaccuracy or change) in any such information. Upon written request by the secretary of the Trust or the Board of Trustees, any such shareholder shall provide, within five Business Days of delivery of such request (or such other period as may be specified in such request), (A) written verification, satisfactory, in the discretion of the Board of Trustees or any authorized officer of the Trust, to demonstrate the accuracy of any information submitted by the shareholder pursuant to this Section 11 and (B) a written update of any information (including, if requested by the Trust, written confirmation by such shareholder that it continues to intend to bring such nomination or other business proposal before the meeting) submitted by the shareholder pursuant to this Section 11 as of an earlier date. If a shareholder fails to provide such written verification or written update within such period, the information as to which written verification or a written update was requested may be deemed not to have been provided in accordance with this Section 11.

(2) Only such individuals who are nominated in accordance with this Section 11 and qualified to be nominated as a Trustee pursuant to Article III, Section 2 of these Bylaws shall be

eligible for election by shareholders or by Trustees, and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with this Section 11. The chairman of the meeting shall have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with this Section 11.

(3) For purposes of this Section 11, “the date of the proxy statement” shall have the same meaning as the “date of the company’s proxy statement released to shareholders” as used in Rule 14a-8(e) promulgated under the Exchange Act, as interpreted by the Securities and Exchange Commission from time to time. “Public announcement” shall mean disclosure (i) in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or other widely circulated news or wire service or (ii) in a document publicly filed by the Trust with the Securities and Exchange Commission pursuant to the Exchange Act.

(4) Notwithstanding the foregoing provisions of this Section 11, a shareholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 11. Nothing in this Section 11 shall be deemed to affect any right of a shareholder to request inclusion of a proposal in, nor the right of the Trust to omit a proposal from, the Trust’s proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act. Nothing in this Section 11 shall require disclosure of revocable proxies received by the shareholder or Shareholder Associated Person pursuant to a solicitation of proxies after the filing of an effective Schedule 14A by such shareholder or Shareholder Associated Person under Section 14(a) of the Exchange Act.

(5) For purposes of these Bylaws, “Business Day” shall mean any date other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

Section 12. *TELEPHONE MEETINGS*. The Board of Trustees or the chairman of the meeting may permit one or more shareholders to participate in meetings of the shareholders by means of a conference telephone or other communications equipment by which all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes presence in person at the meeting.

Section 13. *CONTROL SHARE ACQUISITION ACT*. Notwithstanding any other provision of the Declaration of Trust or these Bylaws, Title 3, Subtitle 7 of the Maryland General Corporation Law (or any successor statute) (“the MGCL”) shall not apply to any acquisition by any person of shares of beneficial interest of the Trust. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

Section 14. *SHAREHOLDERS’ CONSENT IN LIEU OF MEETING*. Any action required or permitted to be taken at any meeting of shareholders may be taken without a meeting if a unanimous consent setting forth the action is given in writing or by electronic transmission by each shareholder entitled to vote on the matter and filed with the minutes of proceedings of the shareholders.

ARTICLE III

TRUSTEES

Section 1. *GENERAL POWERS*. The business and affairs of the Trust shall be managed under the direction of its Board of Trustees.

Section 2. *NUMBER, TENURE AND QUALIFICATIONS*. At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Trustees may establish, increase or decrease the number of Trustees, provided that the number thereof shall never be less than the minimum number required by the Maryland REIT Law (the “MRL”), nor more than 15, and further provided that the tenure of office of a Trustee shall not be affected by any decrease in the number of Trustees. In case of failure to elect trustees at the designated time, the trustees holding over shall continue to serve as trustees until their successors are elected and qualify. Any

Trustee of the Trust may resign at any time by delivering his or her written notice of resignation to the Board of Trustees, the chairman of the board or the secretary. Any resignation shall take effect immediately upon its receipt or at such later time specified in the resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation

Section 3. *ANNUAL AND REGULAR MEETINGS.* An annual meeting of the Board of Trustees shall be held immediately after and at the same place as the annual meeting of shareholders, no notice other than this Bylaw being necessary. In the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Trustees. The Board of Trustees may provide, by resolution, the time and place for the holding of regular meetings of the Board of Trustees without notice other than such resolution.

Section 4. *SPECIAL MEETINGS.* Special meetings of the Board of Trustees may be called by or at the request of the chairman of the board, the chief executive officer, the president or by a majority of the Trustees then in office. The person or persons authorized to call special meetings of the Board of Trustees may fix any place as the place for holding any special meeting of the Board of Trustees called by them. The Board of Trustees may provide, by resolution, the time and place for the holding of special meetings of the Board of Trustees without notice other than such resolution.

Section 5. *NOTICE.* Notice of any special meeting of the Board of Trustees shall be delivered personally or by telephone, electronic mail, facsimile transmission, United States mail or courier to each Trustee at his or her business or residence address. Notice by personal delivery, telephone, electronic mail or facsimile transmission shall be given at least 24 hours prior to the meeting. Notice by United States mail shall be given at least three days prior to the meeting. Notice by courier shall be given at least two days prior to the meeting. Telephone notice shall be deemed to be given when the Trustee or his or her agent is personally given such notice in a telephone call to which the Trustee or his or her agent is a party. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Trust by the Trustee. Facsimile transmission notice shall be deemed to be given upon completion of the transmission of the message to the number given to the Trust by the Trustee and receipt of a completed answer back indicating receipt. Notice by United States mail shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid.

Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Trustees need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 6. *QUORUM.* A majority of the Trustees shall constitute a quorum for transaction of business at any meeting of the Board of Trustees, provided that, if less than a majority of such Trustees is present at such meeting, a majority of the Trustees present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to applicable law, the Declaration of Trust or these Bylaws, the vote of a majority or other percentage of a particular group of Trustees is required for action, a quorum must also include a majority or such percentage of such group.

The Trustees present at a meeting which has been duly called and at which a quorum has been established may continue to transact business until adjournment, notwithstanding the withdrawal from the meeting of enough Trustees to leave fewer than required to establish a quorum.

Section 7. *VOTING.* The action of the majority of the Trustees present at a meeting at which a quorum is present shall be the action of the Board of Trustees, unless the concurrence of a greater proportion is required for such action by applicable law, the Declaration of Trust or these Bylaws. If enough Trustees have withdrawn from a meeting to leave fewer than required to establish a quorum, but the meeting is not adjourned, the action of the majority of that number of Trustees necessary to constitute a quorum at such meeting shall be the action of the Board of Trustees, unless the concurrence of a greater proportion is required for such action by applicable law, the Declaration of Trust or these Bylaws.

Section 8. *ORGANIZATION.* At each meeting of the Board of Trustees, the chairman of the board or, in the absence of the chairman, the vice chairman of the board, if any, shall act as chairman of the meeting. In the absence of both the chairman and vice chairman of the board, the chief executive officer or, in the absence of the chief executive officer, the president or, in the absence of the president, a Trustee chosen by a majority of the Trustees present, shall act as chairman of the meeting. The secretary or, in his or her absence, an assistant secretary of the Trust, or, in the absence of the secretary and all assistant secretaries, an individual appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 9. *TELEPHONE MEETINGS*. Trustees may participate in a meeting by means of a conference telephone or other communications equipment if all individuals participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 10. *CONSENT BY TRUSTEES WITHOUT A MEETING*. Any action required or permitted to be taken at any meeting of the Board of Trustees may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by a majority of the Trustees and is filed with the minutes of proceedings of the Board of Trustees.

Section 11. *VACANCIES*. If for any reason any or all of the Trustees cease to be Trustees, such event shall not terminate the Trust or affect these Bylaws or the powers of the remaining Trustees hereunder. Except as may be provided by the Board of Trustees in setting the terms of any class or series of preferred shares of beneficial interest, any vacancy on the Board of Trustees may be filled only by a majority of the remaining Trustees, even if the remaining Trustees do not constitute a quorum. Any Trustee elected to fill a vacancy shall serve for the remainder of the full term of the class in which the vacancy occurred and until a successor is elected and qualifies.

Section 12. *COMPENSATION; FINANCIAL ASSISTANCE*. Trustees shall not receive any stated salary for their services as Trustees but, by resolution of the Trustees, may receive compensation per year and/or per meeting and/or per visit to real property or other facilities owned or leased by the Trust and for any service or activity they performed or engaged in as Trustees. Trustees may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Trustees or of any committee thereof and for their expenses, if any, in connection with each property visit and any other service or activity they performed or engaged in as Trustees; but nothing herein contained shall be construed to preclude any Trustees from serving the Trust in any other capacity and receiving compensation therefor.

Section 13. *RELIANCE*. Each Trustee and officer of the Trust shall, in the performance of his or her duties with respect to the Trust, be entitled to rely on any information, opinion, report or statement, including any financial statement or other financial data, prepared or presented by an officer or employee of the Trust whom the Trustee or officer reasonably believes to be reliable and competent in the matters presented, by a lawyer, certified public accountant or other person, as to a matter which the Trustee or officer reasonably believes to be within the person's professional or expert competence, or, with respect to a Trustee, by a committee of the Board of Trustees on which the Trustee does not serve, as to a matter within its designated authority, if the Trustee reasonably believes the committee to merit confidence.

Section 14. *RATIFICATION*. The Board of Trustees or the shareholders may ratify and make binding on the Trust any action or inaction by the Trust or its officers to the extent that the Board of Trustees or the shareholders could have originally authorized the matter. Moreover, any action or inaction questioned in any shareholders' derivative proceeding or any other proceeding on the ground of lack of authority, defective or irregular execution, adverse interest of a trustee, officer or shareholder, non-disclosure, miscomputation, the application of improper principles or practices of accounting, or otherwise, may be ratified, before or after judgment, by the Board of Trustees or by the shareholders, and if so ratified, shall have the same force and effect as if the questioned action or inaction had been originally duly authorized, and such ratification shall be binding upon the Trust and its shareholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned action or inaction.

Section 15. *CERTAIN RIGHTS OF TRUSTEES AND OFFICERS*. The Trustees shall have no responsibility to devote their full time to the affairs of the Trust. Any Trustee or officer of the Trust, in his or her personal capacity or in a capacity as an affiliate, employee, or agent of any other person, or otherwise, may have business interests and engage in business activities similar to, in addition to or in competition with those of or relating to the Trust.

Section 16. *EMERGENCY PROVISIONS*. Notwithstanding any other provision in the Declaration of Trust or these Bylaws, this Section 16 shall apply during the existence of any catastrophe, or other similar emergency condition, as a result of which a quorum of the Board of Trustees under Article III of these Bylaws cannot readily be obtained (an "Emergency"). During any Emergency, unless otherwise provided by the Board of Trustees: (a) a meeting of the Board of Trustees or a committee thereof may be called by any Trustee or officer by any means feasible under the circumstances; (b) notice of any meeting of the Board of Trustees during such an Emergency may be given less than 24 hours prior to the meeting to as many Trustees and by such means as may be feasible at the time, including publication, television or radio; and (c) the number of Trustees necessary to constitute a quorum shall be one-third of the entire Board of Trustees.

Section 17. *INTERESTED TRUSTEE TRANSACTIONS*. Section 2-419 of the MGCL shall be available for and apply to any contract or other transaction between the Trust and any of its trustees or between the Trust and any other trust, corporation, firm or other entity in which any of its trustees is a trustee or director or has a material financial interest.

Section 18. *CHAIRMAN OF THE BOARD*. The Board of Trustees shall designate a chairman of the board. The chairman of the board shall preside over the meetings of the Board of Trustees and of the shareholders at which he or she shall be present. The chairman of the board shall perform such other duties as may be assigned to him or her by the Board of Trustees.

ARTICLE IV

COMMITTEES

Section 1. *NUMBER, TENURE AND QUALIFICATIONS*. The Board of Trustees may appoint from among its members an Executive Committee, an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and other committees, composed of one or more Trustees, to serve at the pleasure of the Board of Trustees.

Section 2. *POWERS*. The Board of Trustees may delegate to committees appointed under Section 1 of this Article IV any of the powers of the Board of Trustees.

Section 3. *MEETINGS*. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Trustees. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting of the committee. The act of a majority of the committee members present at a meeting shall be the act of such committee. The Board of Trustees may designate a chairman of any committee, and such chairman or, in the absence of a chairman, any two members of any committee (if there are at least two members of the committee) may fix the time and place of its meeting unless the Board shall otherwise provide. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint another Trustee to act in the place of such absent member.

Section 4. *TELEPHONE MEETINGS*. Members of a committee of the Board of Trustees may participate in a meeting by means of a conference telephone or other communications equipment if all individuals participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 5. *CONSENT BY COMMITTEES WITHOUT A MEETING*. Any action required or permitted to be taken at any meeting of a committee of the Board of Trustees may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by a majority of the members of the committee and is filed with the minutes of proceedings of such committee.

Section 6. *VACANCIES*. Subject to the provisions hereof, the Board of Trustees shall have the power at any time to change the membership of any committee, to fill any vacancy, to designate an alternate member, to replace any absent or disqualified member or to dissolve any such committee.

ARTICLE V

OFFICERS

Section 1. *GENERAL PROVISIONS*. The officers of the Trust shall include a president, a secretary and a treasurer and may include a chairman of the board, a vice chairman of the board, a chief executive officer, one or more vice presidents, a chief operating officer, a chief financial officer, a chief investment officer, one or more assistant secretaries and one or more assistant treasurers. In addition, the Board of Trustees may from time to time elect such other officers with such powers and duties as they shall deem necessary or desirable. The officers of the Trust shall be elected annually by the Board of Trustees, except that the chief executive officer or president may

from time to time appoint one or more vice presidents, assistant secretaries and assistant treasurers or other officers. Each officer shall serve until his or her successor is elected and qualifies or until his or her death, or his or her resignation or removal in the manner hereinafter provided. Any two or more offices except president and vice president may be held by the same individual. Election of an officer or agent shall not of itself create contract rights between the Trust and such officer or agent.

Section 2. *REMOVAL AND RESIGNATION*. Any officer or agent of the Trust may be removed, with or without cause, by the Board of Trustees if in its judgment the best interests of the Trust would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the individual so removed. Any officer of the Trust may resign at any time by delivering his or her resignation to the Board of Trustees, the chairman of the board, the chief executive officer, the president or the secretary. Any resignation shall take effect immediately upon its receipt or at such later time specified in the resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Trust.

Section 3. *VACANCIES*. A vacancy in any office may be filled by the Board of Trustees for the balance of the term.

Section 4. *CHIEF EXECUTIVE OFFICER*. The Board of Trustees may designate a chief executive officer. In the absence of such designation, the chairman of the board shall be the chief executive officer of the Trust. The chief executive officer shall have general responsibility for implementation of the policies of the Trust, as determined by the Board of Trustees, and for the management of the business and affairs of the Trust. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of chief executive officer and such other duties as may be prescribed by the Board of Trustees from time to time.

Section 5. *CHIEF OPERATING OFFICER*. The Board of Trustees may designate a chief operating officer. The chief operating officer shall have the responsibilities and duties as determined by the Board of Trustees or the chief executive officer.

Section 6. *CHIEF FINANCIAL OFFICER*. The Board of Trustees may designate a chief financial officer. The chief financial officer shall have the responsibilities and duties as determined by the Board of Trustees or the chief executive officer.

Section 7. *CHIEF INVESTMENT OFFICER*. The Board of Trustees may designate a chief investment officer. The chief investment officer shall have the responsibilities and duties as determined by the Board of Trustees or the chief executive officer.

Section 8. *PRESIDENT*. In the absence of a chief executive officer, the president shall in general supervise and control all of the business and affairs of the Trust. In the absence of a designation of a chief operating officer by the Board of Trustees, the president shall be the chief operating officer. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Trustees from time to time.

Section 9. *VICE PRESIDENTS*. In the absence of the president or in the event of a vacancy in such office, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the president and when so acting shall have all the powers of and be subject to all the restrictions upon the president; and shall perform such other duties as from time to time may be assigned to such vice president by the president or by the Board of Trustees. The Board of Trustees may designate one or more vice presidents as executive vice president, senior vice president, or as vice president for particular areas of responsibility.

Section 10. *SECRETARY*. The secretary shall (a) keep the minutes of the proceedings of the shareholders, the Board of Trustees and committees of the Board of Trustees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the trust records and of the seal of the Trust; (d) keep a register of the post office address of each shareholder which shall be furnished to the secretary by such shareholder; (e) have general charge of the share

transfer books of the Trust; and (f) in general perform such other duties as from time to time may be assigned to him or her by the chief executive officer, the president or by the Board of Trustees.

Section 11. *TREASURER*. The treasurer shall have the custody of the funds and securities of the Trust and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Trust and shall deposit all moneys and other valuable effects in the name and to the credit of the Trust in such depositories as may be designated by the Board of Trustees and in general perform such other duties as from time to time may be assigned to him or her by the chief executive officer, the president or the Board of Trustees. In the absence of a designation of a chief financial officer by the Board of Trustees, the treasurer shall be the chief financial officer of the Trust.

The treasurer shall disburse the funds of the Trust as may be ordered by the Board of Trustees, taking proper vouchers for such disbursements, and shall render to the president and Board of Trustees, at the regular meetings of the Board of Trustees or whenever it may so require, an account of all his or her transactions as treasurer and of the financial condition of the Trust.

Section 12. *ASSISTANT SECRETARIES AND ASSISTANT TREASURERS*. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the president or the Board of Trustees.

Section 13. *COMPENSATION*. The compensation of the officers shall be fixed from time to time by or under the authority of the Board of Trustees and no officer shall be prevented from receiving such compensation by reason of the fact that he or she is also a Trustee.

ARTICLE VI

CONTRACTS, CHECKS AND DEPOSITS

Section 1. *CONTRACTS*. The Board of Trustees may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Trust and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document shall be valid and binding upon the Trust when duly authorized or ratified by action of the Board of Trustees and executed by an authorized person.

Section 2. *CHECKS AND DRAFTS*. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Trust shall be signed by such officer or agent of the Trust in such manner as shall from time to time be determined by the Board of Trustees.

Section 3. *DEPOSITS*. All funds of the Trust not otherwise employed shall be deposited or invested from time to time to the credit of the Trust as the Board of Trustees, the chief executive officer, the chief financial officer, or any other officer designated by the Board of Trustees may determine.

ARTICLE VII

SHARES

Section 1. *CERTIFICATES*. Except as may be otherwise provided by the Board of Trustees, shares of beneficial interest will be issued without certificates, and shareholders of the Trust are not entitled to certificates evidencing the shares of beneficial interest held by them. In the event that the Trust issues shares of beneficial interest evidenced by certificates, such certificates shall be in such form as prescribed by the Board of Trustees or a duly authorized officer, shall contain the statements and information required by the MRL and shall be signed by the officers of the Trust in any manner permitted by the MRL. In the event that the Trust issues shares of beneficial interest without certificates, to the extent then required by the MRL, the Trust shall provide to the record holders of such shares a written statement of the information required by the MRL to be included on share certificates. There

shall be no differences in the rights and obligations of shareholders based on whether or not their shares are evidenced by certificates.

Section 2. *TRANSFERS*. All transfers of shares shall be made on the books of the Trust, by the holder of the shares, in person or by his or her attorney, in such manner as the Board of Trustees or any officer of the Trust may prescribe and, if such shares are certificated, upon surrender of certificates duly endorsed. The issuance of a new certificate upon the transfer of certificated shares is subject to the determination of the Board of Trustees that such shares shall no longer be evidenced by certificates. Upon the transfer of uncertificated shares, to the extent then required by the MRL, the Trust shall provide to record holders of such shares a written statement of the information required by the MRL to be included on share certificates.

The Trust shall be entitled to treat the holder of record of any share of beneficial interest as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by the laws of the State of Maryland.

Notwithstanding the foregoing, transfers of shares of any class or series of beneficial interest will be subject in all respects to the Declaration of Trust and all of the terms and conditions contained therein.

Section 3. *REPLACEMENT CERTIFICATE*. Any officer of the Trust may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Trust alleged to have been lost, destroyed, stolen or mutilated, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, destroyed, stolen or mutilated; *provided, however*, if such shares have ceased to be certificated, no new certificate shall be issued unless requested in writing by such shareholder and the Board of Trustees has determined such certificates may be issued. Unless otherwise determined by an officer of the Trust, the owner of such lost, destroyed, stolen or mutilated certificate or certificates, or his or her legal representative, shall be required, as a condition precedent to the issuance of a new certificate or certificates, to give the Trust a bond in such sums as it may direct as indemnity against any claim that may be made against the Trust.

Section 4. *FIXING OF RECORD DATE*. The Board of Trustees may set, in advance, a record date for the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or determining shareholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of shareholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of shareholders, not less than ten days, before the date on which the meeting or particular action requiring such determination of shareholders of record is to be held or taken.

When a record date for the determination of shareholders entitled to notice of and to vote at any meeting of shareholders has been set as provided in this section, such record date shall continue to apply to the meeting if adjourned or postponed, except if the meeting is adjourned or postponed to a date more than 120 days after the record date originally fixed for the meeting, in which case a new record date for such meeting may be determined as set forth herein.

Section 5. *SHARE LEDGER*. The Trust shall maintain at its principal office or at the office of its counsel, accountants or transfer agent an original or duplicate share ledger containing the name and address of each shareholder and the number of shares of each class held by such shareholder.

Section 6. *FRACTIONAL SHARES; ISSUANCE OF UNITS*. The Board of Trustees may authorize the Trust to issue fractional shares or authorize the issuance of scrip, all on such terms and under such conditions as it may determine. Notwithstanding any other provision of the Declaration of Trust or these Bylaws, the Board of Trustees may issue units consisting of different securities of the Trust. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Trust, except that the Board of Trustees may provide that for a specified period securities of the Trust issued in such unit may be transferred on the books of the Trust only in such unit.

ARTICLE VIII
ACCOUNTING YEAR

The Board of Trustees shall have the power, from time to time, to fix the fiscal year of the Trust by a duly adopted resolution.

ARTICLE IX
DISTRIBUTIONS

Section 1. *AUTHORIZATION*. Dividends and other distributions upon the shares of beneficial interest of the Trust may be authorized by the Board of Trustees, subject to the provisions of law and the Declaration of Trust. Dividends and other distributions may be paid in cash, property or shares of beneficial interest in the Trust, subject to the provisions of law and the Declaration of Trust.

Section 2. *CONTINGENCIES*. Before payment of any dividends or other distributions, there may be set aside out of any assets of the Trust available for dividends or other distributions such sum or sums as the Board of Trustees may from time to time, in its absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the Trust or for such other purpose as the Board of Trustees shall determine, and the Board of Trustees may modify or abolish any such reserve.

ARTICLE X
INVESTMENT POLICY

Subject to the provisions of the Declaration of Trust, the Board of Trustees may from time to time adopt, amend, revise or terminate any policy or policies with respect to investments by the Trust as it shall deem appropriate in its sole discretion.

ARTICLE XI
SEAL

Section 1. *SEAL*. The Board of Trustees may authorize the adoption of a seal by the Trust. The seal shall contain the name of the Trust and the year of its formation and the words "Formed Maryland." The Board of Trustees may authorize one or more duplicate seals and provide for the custody thereof.

Section 2. *AFFIXING SEAL*. Whenever the Trust is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word "(seal)" adjacent to the signature of the person authorized to execute the document on behalf of the Trust.

ARTICLE XII

INDEMNIFICATION AND ADVANCE OF EXPENSES

To the maximum extent permitted by Maryland law in effect from time to time, the Trust shall indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former Trustee or officer of the Trust and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity or (b) any individual who, while a Trustee or officer of the Trust and at the request of the Trust, serves or has served as a trustee, director, officer, partner, member, or manager of another real estate investment trust, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity. The rights to indemnification and advance of expenses provided by the Declaration of Trust and these Bylaws shall vest immediately upon election of a Trustee or officer. The Trust may, with the approval of its Board of Trustees, provide such indemnification and advance for expenses to an individual who served a predecessor of the Trust in any of the capacities described in (a) or (b) above and to any employee or agent of the Trust or a predecessor of the Trust. The indemnification and payment or reimbursement of expenses provided in these Bylaws shall not be deemed exclusive of or limit in any way other rights to which any person seeking indemnification or payment or reimbursement of expenses may be or may become entitled under any bylaw, resolution, insurance, agreement or otherwise.

Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Bylaws or Declaration of Trust inconsistent with this Article, shall apply to or affect in any respect the applicability of the preceding paragraph with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

ARTICLE XIII

WAIVER OF NOTICE

Whenever any notice of a meeting is required to be given pursuant to the Declaration of Trust or these Bylaws or pursuant to applicable law, a waiver thereof in writing or by electronic transmission, given by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XIV

EXCLUSIVE FORUM FOR CERTAIN LITIGATION

Unless the Trust consents in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Trust, (b) any action asserting a claim of breach of any duty owed by any trustee or officer or other employee of the Trust to the Trust or to the shareholders of the Trust, (c) any action asserting a claim against the Trust or any trustee or officer or other employee of the Trust arising pursuant to any provision of the MRL, the MGCL (to the extent applicable to the Trust), or the Declaration of Trust or these Bylaws, or (d) any action asserting a claim against the Trust or any trustee or officer or other employee of the Trust that is governed by the internal affairs doctrine.

ARTICLE XV

AMENDMENT OF BYLAWS

The Board of Trustees shall have the exclusive power to adopt, alter or repeal any provision of these Bylaws and to make new Bylaws: provided that these Bylaws may also be adopted, altered or repealed, and new Bylaws may be made, pursuant to a binding, legally compliant proposal consistent with applicable law that is (a) submitted to the shareholders for approval at a duly called meeting of shareholders by (i) the Board of Trustees or (ii) one or more shareholders who have individually been a shareholder of the Trust for at least one year continuously (which holding period is also the holding period contemplated by Exchange Act Rule 14a-8) and who provides to the Trust a timely and compliant notice of such proposal that satisfies the notice procedures and all other relevant provisions of these Bylaws and the Declaration of Trust, including Article II, Section 11 of the Bylaws and who is, at the time such notice is delivered to the Trust and as of such meeting, a shareholder of the Trust, and (b) approved by the affirmative vote of the holders representing at least a majority of all of the shares of beneficial interest of the Trust then outstanding and entitled to vote on such proposal.

ARTICLE XVI

MISCELLANEOUS

All references to the Declaration of Trust shall include all amendments and supplements thereto and any other documents filed with and accepted for record by the State Department of Assessments.

**CHATHAM LODGING TRUST
EQUITY INCENTIVE PLAN**

**As Amended and Restated Effective May 17, 2013
As Amended on May 24, 2022**

TABLE OF CONTENTS

Section	Page
Article I DEFINITIONS	4
1.01	4
1.02	4
1.03	4
1.04	4
1.05	4
1.06	4
1.07	5
1.08	5
1.09	5
1.10	5
1.11	5
1.12	5
1.13	5
1.14	5
1.15	5
1.16	5
1.17	5
1.18	5
1.19	6
1.20	6
1.21	6
1.22	6
1.23	6
1.24	6
1.25	6
1.26	6
1.27	6
Article II PURPOSES	6
Article III ADMINISTRATION	7
Article IV ELIGIBILITY	7
Article V COMMON SHARES SUBJECT TO PLAN	7
5.01	7
5.02	7
5.03	7
5.04	8

Article VI OPTIONS			8
	6.01	Award	8
	6.02	Option Price	8
	6.03	Maximum Option Period	8
	6.04	Nontransferability	8
	6.05	Transferable Options	8
	6.06	Employee Status	8
	6.07	Exercise	8
	6.08	Payment	9
	6.09	Shareholder Rights	9
	6.10	Disposition of Shares	9
Article VII SARS			9
	7.01	Award	9
	7.02	Maximum SAR Period	9
	7.03	Nontransferability	9
	7.04	Transferable SARS	9
	7.05	Exercise	9
	7.06	Employee Status	10
	7.07	Settlement	10
	7.08	Shareholder Rights	10
	7.09	No Reduction of Initial Value	10
Article VIII SHARE AWARDS			10
	8.01	Award	10
	8.02	Vesting	10
	8.03	Employee Status	10
	8.04	Shareholder Rights	10
Article IX PERFORMANCE UNIT AWARDS			10
	9.01	Award	10
	9.02	Earning the Award	10
	9.03	Payment	11
	9.04	Shareholder Rights	11
	9.05	Nontransferability	11
	9.06	Transferable Performance Units	11
	9.07	Employee Status	11
Article X OTHER EQUITY-BASED AWARDS			11
	10.01	Award	11
	10.02	Terms and Conditions	11
	10.03	Payment or Settlement	11
	10.04	Employee Status	11
	10.05	Shareholder Rights	12
Article XI INCENTIVE AWARDS			12
	11.01	Award	12
	11.02	Terms and Conditions	12
	11.03	Nontransferability	12

11.04	Employee Status	12
11.05	Settlement	12
11.06	Shareholder Rights	12
Article XII ADJUSTMENTS UPON CHANGE IN COMMON STOCK		12
Article XIII COMPLIANCE WITH LAW AND APPROVAL OF REGULATORY BODIES		13
Article XIV GENERAL PROVISIONS		13
14.01	Effect on Employment and Service	13
14.02	Unfunded Plan	13
14.03	Rules of Construction	13
14.04	Withholding Taxes	13
14.05	REIT Status	14
14.06	Return of Awards; Repayment	14
Article XV CHANGE IN CONTROL		14
15.01	Impact of Change in Control	14
15.02	Assumption Upon Change in Control	14
15.03	Cash-Out Upon Change in Control	14
15.04	Limitation of Benefits	14
Article XVI AMENDMENT		15
Article XVII DURATION OF PLAN		15
Article XVIII EFFECTIVE DATE OF PLAN		15

DEFINITIONS

Affiliate

Affiliate means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, the Company (including, but not limited to, joint ventures, limited liability companies and partnerships). For this purpose, the term “control” shall mean ownership of 50% or more of the total combined voting power or value of all classes of shares or interests in the entity, or the power to direct the management and policies of the entity, by contract or otherwise.

Agreement

Agreement means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of a Share Award, an award of Performance Units, an Option, SAR, Other Equity-Based Award (including an LTIP) or Incentive Award granted to such Participant.

Board

Board means the Board of Trustees of the Company.

Change in Control

“Change in Control” shall mean a change in control of the Company which will be deemed to have occurred after the date hereof if:

(a) any “person” as such term is used in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof except that such term shall not include (A) the Company or any of its subsidiaries, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, (D) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of the Company’s common shares, or (E) any person or group as used in Rule 13d-1(b) under the Exchange Act, is or becomes the Beneficial Owner, as such term is defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of securities of the Company representing at least 50% of the combined voting power or common shares of the Company;

(b) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new trustee (other than (A) a trustee designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a), (c), or (d) of this Section 1.05 or (B) a trustee whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of trustees of the Company) whose election by the Board or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds (2/3) of the trustees then still in office who either were trustees at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(c) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, more than 50% of the combined voting power and common shares of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(d) there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets (or any transaction having a similar effect, including a liquidation) other than a sale or disposition by the Company of all or substantially all of the Company’s assets to an entity, more than fifty percent (50%) of the combined voting power and common shares of which is owned by shareholders of the Company in substantially the same proportions as their ownership of the common shares of the Company immediately prior to such sale.

If a change in control constitutes a payment event with respect to any Option, SAR, Share Award, Performance Unit or Other Equity-Based Award that provides for the deferral of compensation and is subject to Section 409A of the Code, no payment will be made under that award on account of a Change in Control unless the event described in (1), (2), (3) or (4) above, as applicable, constitutes a “change in control event” under Treasury Regulation Section 1.409A-3(i)(5).

Code

Code means the Internal Revenue Code of 1986, and any amendments thereto.

Committee

Committee means the Compensation Committee of the Board. Unless otherwise determined by the Board, the Committee shall consist solely of two or more non-employee members of the Board, each of whom is intended to qualify as a “non-employee director” as defined by Rule 16b-3 of the Exchange Act or any successor rule, an “outside director” for purposes of Section 162(m) of the Code (if awards under the Plan are subject to the deduction limitation of Section 162(m) of the Code) and an “independent director” under the rules of any exchange or automated quotation system on which the Common Shares are listed, traded or quoted, provided, that any action taken by the Committee shall be valid and effective, whether or not the members of

the Committee at the time of such action are later determined not to have satisfied the foregoing requirements or otherwise provided in any charter of the Committee. If there is no Compensation Committee, then "Committee" means the Board; and provided, further that with respect to awards made to a member of the Board who is not an employee of the Company or an Affiliate, "Committee" means the Board.

Common Share

Common Share means common shares of beneficial interest, par value \$0.01 per share, of the Company.

Company

Company means Chatham Lodging Trust, a Maryland real estate investment trust.

Control Change Date

Control Change Date means the date on which a Change in Control occurs. If a Change in Control occurs on account of a series of transactions, the "Control Change Date" is the date of the last of such transactions.

Corresponding SAR

Corresponding SAR means an SAR that is granted in relation to a particular Option and that can be exercised only upon the surrender to the Company, unexercised, of that portion of the Option to which the SAR relates.

Dividend Equivalent Right

Dividend Equivalent Right means the right, subject to the terms and conditions prescribed by the Committee, of a Participant to receive (or have credited) cash, shares or other property in amounts equivalent to the cash, shares or other property dividends declared on Common Shares with respect to specified Performance Units or Common Shares subject to an Other Equity-Based Award, as determined by the Committee, in its sole discretion. The Committee may provide that such Dividend Equivalents (if any) shall be distributed only when, and to the extent that, the underlying award is vested or earned and also may provide that Dividend Equivalents (if any) shall be deemed to have been reinvested in additional Common Shares or otherwise reinvested and the Committee shall provide that Dividend Equivalent Rights payable with respect to an award that does not vest or become earned solely on account of continued employment or service shall be distributed only when, and to the extent that, the underlying award is vested or earned.

Exchange Act

Exchange Act means the Securities Exchange Act of 1934, as amended.

Fair Market Value

Fair Market Value means, on any given date, the reported "closing" price of a Common Share on the New York Stock Exchange for such date or, if there is no closing price for a Common Share on the date in question, the closing price for a Common Share on the last preceding date for which a quotation exists. If, on any given date, the Common Shares are not listed for trading on the New York Stock Exchange, then Fair Market Value shall be the "closing" price of a Common Share on such other exchange on which the Common Shares are listed for trading for such date (or, if there is no closing price for a Common Share on the date in question, the closing price for a Common Share on the last preceding date for which such quotation exists) or, if the Common Shares are not listed on any exchange, the amount determined by the Committee using any reasonable method in good faith and in accordance with the regulations under Section 409A of the Code.

Incentive Award

Incentive Award means an award under Article XI which, subject to the terms and conditions prescribed by the Committee, entitles the Participant to receive a payment from the Company or an Affiliate.

Initial Value

Initial Value means, with respect to a Corresponding SAR, the option price per share of the related Option and, with respect to an SAR granted independently of an Option, the price per Common Share as determined by the Committee on the date of grant; provided, however, that the price shall not be less than the Fair Market Value on the date of grant.

LTIP Unit

LTIP Unit means an "LTIP Unit" as defined in the Operating Partnership's partnership agreement. An LTIP Unit granted under this Plan represents the right to receive the benefits, payments or other rights in respect of an LTIP Unit set forth in that partnership agreement, subject to the terms and conditions of the applicable Agreement and that partnership agreement.

Operating Partnership

Operating Partnership means Chatham Lodging, L. P.

Option

Option means a share option that entitles the holder to purchase from the Company a stated number of Common Shares at the price set forth in an Agreement.

Other Equity-Based Award

Other Equity-Based Award means any award other than an Option, SAR, a Performance Unit award or a Share Award which, subject to such terms and conditions as may be prescribed by the Committee, entitles a Participant to receive Common Shares or rights or units valued in whole or in part by reference to, or otherwise based on, Common Shares (including securities convertible into Common Shares) or other equity interests including LTIP Units.

Participant

Participant means an employee or officer of the Company or an Affiliate, a member of the Board, or an individual who provides bona fide services to the Company or an Affiliate (including an individual who provides services to the Company or an Affiliate by virtue of employment with, or providing services to, the Operating Partnership), and who satisfies the requirements of Article IV and is selected by the Committee to receive an award of Performance Units or a Share Award, Option, SAR, Other Equity-Based Award, Incentive Award or a combination thereof.

Performance Goal

Performance Goal means a performance objective that is stated with respect to one or more of the following, alone or in combination: (i) funds from operations (“FFO”) or FFO per Common Share; (ii) adjusted FFO or adjusted FFO per Common Share; (iii) earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization (“EBITDA”)); (iv) adjusted EBITDA; (v) hotel-level EBITDA; (vi) hotel revenues; (vii) net income; (viii) operating income; (ix) total earnings or earnings per Common Share; (x) earnings growth; (xi) book value or book value per Common Share; (xii) return on capital; (xiii) return on shareholders’ equity; (xiv) expense management; (xv) Fair Market Value; (xvi) dividends per Common Share; (xvii) revenues; (xviii) cash flow; (xix) return on assets or net assets and (xx) total shareholder return.

A Performance Goal may be expressed on an absolute basis or relative to the performance of one or more similarly situated companies or a published index. When establishing Performance Goals, the Committee may exclude any or all special, unusual or extraordinary items as determined under U.S. generally accepted accounting principles, including, without limitation, the charges or costs associated with restructurings of the Company, discontinued operations, other unusual or non-recurring items and the cumulative effects of accounting changes. To the extent permitted under Section 162(m) of the Code (for any award that is intended to constitute “performance based compensation” under Section 162(m) of the Code), the Committee may also adjust the Performance Goals as it deems equitable in recognition of unusual or non-recurring events affecting the Company, changes in applicable tax laws or accounting principles or such other factors as the Committee may determine.

Performance Units

Performance Units means an award, in the amount determined by the Committee, stated with reference to a specified number of Common Shares or other securities or property, that in accordance with the terms of an Agreement entitles the holder to receive a payment for each specified unit equal to the value of the Performance Unit on the date of payment.

Plan

Plan means this Chatham Lodging Trust Equity Incentive Plan, as amended and restated herein effective May 17, 2013.

REIT

REIT means a real estate investment trust within the meaning of Sections 856 through 860 of the Code.

SAR

SAR means a share appreciation right that in accordance with the terms of an Agreement entitles the holder to receive, with respect to each Common Share encompassed by the exercise of the SAR, the excess, if any, of the Fair Market Value at the time of exercise over the Initial Value. References to “SARs” include both Corresponding SARs and SARs granted independently of Options, unless the context requires otherwise.

Share Award

Share Award means Common Shares awarded to a Participant under Article VIII.

Ten Percent Shareholder

Ten Percent Shareholder means any individual owning more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or of a “parent corporation” or “subsidiary corporation” (as such terms are defined in Section 424 of the Code) of the Company. An individual shall be considered to own any voting shares owned (directly or indirectly) by or for his or her brothers, sisters, spouse, ancestors or lineal descendants and shall be considered to own proportionately any voting shares owned (directly or indirectly) by or for a corporation, partnership, estate or trust of which such individual is a shareholder, partner or beneficiary.

PURPOSES

The Plan is intended to assist the Company and its Affiliates in recruiting and retaining individuals and other service providers with ability and initiative by enabling such persons or entities to participate in the future success of the Company and its Affiliates and to associate their interests with those of the Company and its shareholders. The Plan is intended to permit the grant of both Options qualifying under Section 422 of the Code (“incentive stock options”) and Options not so qualifying, and the grant of SARs, Share Awards, Performance Units, and Other Equity-Based Awards in accordance with the Plan and any

procedures that may be established by the Committee. No Option that is intended to be an incentive stock option shall be invalid for failure to qualify as an incentive stock option. The proceeds received by the Company from the sale of Common Shares pursuant to this Plan shall be used for general corporate purposes.

ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall have authority to grant SARs, Share Awards, Performance Units, Options, Incentive Awards and Other Equity-Based Awards upon such terms (not inconsistent with the provisions of this Plan), as the Committee may consider appropriate. Such terms may include conditions (in addition to those contained in this Plan), on the exercisability of all or any part of an Option or SAR or on the transferability or forfeitability of a Share Award, an award of Performance Units, an Incentive Award or an Other Equity-Based Award. Notwithstanding any such conditions, the Committee may, in its discretion, accelerate the time at which any Option or SAR may be exercised, or the time at which a Share Award or Other Equity-Based Award may become transferable or nonforfeitable or the time at which an Other Equity-Based Award, an Incentive Award or an award of Performance Units may be settled. In addition, the Committee shall have complete authority to interpret all provisions of this Plan; to prescribe the form of Agreements; to adopt, amend, and rescind rules and regulations pertaining to the administration of the Plan (including rules and regulations that require or allow Participants to defer the payment of benefits under the Plan); and to make all other determinations necessary or advisable for the administration of this Plan. The Committee's determinations under the Plan (including without limitation, determinations of the individuals to receive awards under the Plan, the form, amount and timing of such awards, the terms and provisions of such awards and the Agreements) need not be uniform and may be made by the Committee selectively among individuals who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. Any decision made, or action taken, by the Committee in connection with the administration of this Plan shall be final and conclusive. The members of the Committee shall not be liable for any act done in good faith with respect to this Plan or any Agreement, Option, SAR, Share Award, Other Equity-Based Award, Incentive Award or award of Performance Units. All expenses of administering this Plan shall be borne by the Company.

ELIGIBILITY

Any employee of the Company or an Affiliate (including a trade or business that becomes an Affiliate after the adoption of this Plan) and any member of the Board is eligible to participate in this Plan. In addition, any other individual who provides significant services to the Company or an Affiliate (including an individual who provides services to the Company or an Affiliate by virtue of employment with, or providing services to, the Operating Partnership) is eligible to participate in this Plan if the Committee, in its sole discretion, determines that the participation of such individual is in the best interest of the Company.

COMMON SHARES SUBJECT TO PLAN

Common Shares Issued

Upon the award of Common Shares pursuant to a Share Award, an Other Equity-Based Award or in settlement of an Incentive Award or an award of Performance Units, the Company may deliver to the Participant Common Shares from its treasury shares or authorized but unissued Common Shares. Upon the exercise of any Option, SAR or Other Equity-Based Award denominated in Common Shares, the Company may deliver to the Participant (or the Participant's broker if the Participant so directs), Common Shares from its treasury shares or authorized but unissued Common Shares.

Aggregate Limit

(a) The maximum aggregate number of Common Shares that may be issued under this Plan pursuant to Options, SARs, Share Awards, Other Equity-Based Awards, Performance Units and Incentive Awards granted on or after May 17, 2013 is 4,600,000 shares. Other Equity-Based Awards granted on or after May 17, 2013, that are LTIP Units shall reduce the maximum aggregate number of Common Shares that may be issued under this Plan on a one-for-one basis, *i.e.*, each such unit shall be treated as an award of Common Shares. For the avoidance of doubt, Common Shares issued pursuant to awards granted before May 17, 2013, shall not reduce the number of Common Shares that may be issued under this Section 5.02 (but shall instead be issued pursuant to the share authorization of the Plan prior to this amendment and restatement of the Plan).

(b) The maximum number of Common Shares that may be issued under this Plan in accordance with Section 5.02(a) shall be subject to adjustment as provided in Article XII.

(c) The maximum number of Common Shares that may be issued upon the exercise of Options that are incentive stock options or Corresponding SARs that are related to incentive stock options and that are granted on or after May 17, 2013, shall be determined in accordance with Sections 5.02(a) and 5.02(b).

Reallocation of Shares

If, on or after May 17, 2013, any award (including LTIP Units) granted under the Plan (including awards granted under the Plan prior to this amendment and restatement) expires, is forfeited or is terminated without having been exercised or is paid in cash without delivery of Common Shares, then any Common Shares covered by such lapsed, cancelled, expired, unexercised or cash-settled portion of such award or grant and any forfeited, lapsed, cancelled or expired LTIP Units shall be available for the grant of other Options, SARs, Share Awards, Other Equity-Based Awards and settlement of Incentive Awards and Performance Units under this Plan. Any Common Shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any award shall reduce the number of Common Shares available under the Plan and shall not be available for future grants or awards. If Common Shares are issued in settlement of an SAR granted on or after May 17, 2013, the number of Common Shares available under the Plan shall be reduced by the number of Common Shares for which the SAR was exercised rather than the number of Common Shares issued in settlement of the SAR. To the extent permitted by applicable law

or the rules of any exchange on which the Common Shares are listed for trading, Common Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any Affiliate shall not reduce the number of Common Shares available for issuance under the Plan.

Individual Grant Limits

(a) Except as provided in Section 5.04(b), in any calendar year a Participant may not be granted Options with respect to more than 200,000 Common Shares, SARs with respect to more than 400,000 Common Shares, Share Awards with respect to more than 400,000 Common Shares, Performance Units with respect to more than 400,000 Common Shares or Other Equity-Based Awards with respect to more than 400,000 Common Shares. For purposes of the preceding sentence, an Option and a Corresponding SAR that relates to that Option will be treated as a single grant.

(b) Section 5.04(a) to the contrary notwithstanding, a Participant who is a member of the Board and who is not an employee of the Company or an Affiliate on the date of grant may not be granted awards under the Plan in any calendar year with respect to more than 100,000 Common Shares. For purposes of the preceding sentence, an Option and a Corresponding SAR that relates to that Option will be treated as a single grant.

(c) The individual grant limitations prescribed by this Section 5.04 shall be subject to adjustment as provided in Article XII.

OPTIONS

Award

In accordance with the provisions of Article IV, the Committee will designate each individual to whom an Option is to be granted and will specify the number of Common Shares covered by such awards.

Option Price

The price per Common Share purchased on the exercise of an Option shall be determined by the Committee on the date of grant, but shall not be less than the Fair Market Value on the date the Option is granted. Notwithstanding the preceding sentence, the price per Common Share purchased on the exercise of any Option that is an incentive stock option granted to an individual who is a Ten Percent Shareholder on the date such option is granted, shall not be less than one hundred ten percent (110%) of the Fair Market Value on the date the Option is granted. Except as provided in Article XI, the price per share of an outstanding Option may not be reduced (by amendment, cancellation and new grant or otherwise) without the approval of shareholders. In addition, no payment shall be made in cancellation of an Option without the approval of shareholders if, on the date of cancellation, the option price per share exceeds Fair Market Value.

Maximum Option Period

The maximum period in which an Option may be exercised shall be determined by the Committee on the date of grant except that no Option shall be exercisable after the expiration of ten years from the date such Option was granted. In the case of an incentive stock option granted to a Participant who is a Ten Percent Shareholder on the date of grant, such Option shall not be exercisable after the expiration of five years from the date of grant. The terms of any Option may provide that it is exercisable for a period less than such maximum period.

Nontransferability

Except as provided in Section 6.05, each Option granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. In the event of any transfer of an Option (by the Participant or his transferee), the Option and any Corresponding SAR that relates to such Option must be transferred to the same person or persons or entity or entities. Except as provided in Section 6.05, during the lifetime of the Participant to whom the Option is granted, the Option may be exercised only by the Participant. No right or interest of a Participant in any Option shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

Transferable Options

Section 6.04 to the contrary notwithstanding, if the Agreement provides, an Option that is not an incentive stock option may be transferred by a Participant to the Participant's children, grandchildren, spouse, one or more trusts for the benefit of such family members or a partnership in which such family members are the only partners, on such terms and conditions as may be permitted under Rule 16b-3 under the Exchange Act as in effect from time to time. The holder of an Option transferred pursuant to this Section shall be bound by the same terms and conditions that governed the Option during the period that it was held by the Participant; provided, however, that such transferee may not transfer the Option except by will or the laws of descent and distribution. In the event of any transfer of an Option (by the Participant or his transferee), the Option and any Corresponding SAR that relates to such Option must be transferred to the same person or persons or entity or entities. Notwithstanding the foregoing, an Option may not be transferred for consideration absent shareholder approval.

Employee Status

For purposes of determining the applicability of Section 422 of the Code (relating to incentive stock options), or in the event that the terms of any Option provide that it may be exercised only during employment or continued service or within a specified period of time after termination of employment or continued service, the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous employment or service.

Exercise

Subject to the provisions of this Plan and the applicable Agreement, an Option may be exercised in whole at any time or in part from time to time at such times and in compliance with such requirements as the Committee shall determine; provided, however, that incentive stock options (granted under the Plan and all plans of the Company and its Affiliates) may not be first

exercisable in a calendar year for Common Shares having a Fair Market Value (determined as of the date an Option is granted) exceeding \$100,000. An Option granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the Option could be exercised. A partial exercise of an Option shall not affect the right to exercise the Option from time to time in accordance with this Plan and the applicable Agreement with respect to the remaining shares subject to the Option. The exercise of an Option shall result in the termination of any Corresponding SAR to the extent of the number of shares with respect to which the Option is exercised.

Payment

Subject to rules established by the Committee and unless otherwise provided in an Agreement, payment of all or part of the Option price may be made in cash, certified check, by tendering Common Shares, by attestation of ownership of Common Shares, by a broker-assisted cashless exercise or in such other form or manner acceptable to the Committee. If Common Shares are used to pay all or part of the Option price, the sum of the cash and cash equivalent and the Fair Market Value (determined as of the date of exercise) of the shares surrendered or other consideration paid must not be less than the Option price of the shares for which the Option is being exercised.

Shareholder Rights

No Participant shall have any rights as a shareholder with respect to Common Shares subject to an Option until the date of exercise of such Option.

Disposition of Shares

A Participant shall notify the Company of any sale or other disposition of Common Shares acquired pursuant to an Option that was an incentive stock option if such sale or disposition occurs (i) within two years of the grant of an Option or (ii) within one year of the issuance of the Common Shares to the Participant. Such notice shall be in writing and directed to the Secretary of the Company.

SARS

Award

In accordance with the provisions of Article IV, the Committee will designate each individual to whom SARs are to be granted and will specify the number of Common Shares covered by such awards. No Participant may be granted Corresponding SARs (under the Plan and all plans of the Company and its Affiliates) that are related to incentive stock options which are first exercisable in any calendar year for Common Shares having an aggregate Fair Market Value (determined as of the date the related Option is granted) that exceeds \$100,000.

Maximum SAR Period

The term of each SAR shall be determined by the Committee on the date of grant, except that no SAR shall have a term of more than ten years from the date of grant. In the case of a Corresponding SAR that is related to an incentive stock option granted to a Participant who is a Ten Percent Shareholder on the date of grant, such Corresponding SAR shall not be exercisable after the expiration of five years from the date of grant. The terms of any SAR may provide that it has a term that is less than such maximum period.

Nontransferability

Except as provided in Section 7.04, each SAR granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. In the event of any such transfer, a Corresponding SAR and the related Option must be transferred to the same person or persons or entity or entities. Except as provided in Section 7.04, during the lifetime of the Participant to whom the SAR is granted, the SAR may be exercised only by the Participant. No right or interest of a Participant in any SAR shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

Transferable SARs

Section 7.03 to the contrary notwithstanding, if the Agreement provides, an SAR, other than a Corresponding SAR that is related to an incentive stock option, may be transferred by a Participant to the Participant's children, grandchildren, spouse, one or more trusts for the benefit of such family members or a partnership in which such family members are the only partners, on such terms and conditions as may be permitted under Rule 16b-3 under the Exchange Act as in effect from time to time. The holder of an SAR transferred pursuant to this Section shall be bound by the same terms and conditions that governed the SAR during the period that it was held by the Participant; provided, however, that such transferee may not transfer the SAR except by will or the laws of descent and distribution. In the event of any transfer of a Corresponding SAR (by the Participant or his transferee), the Corresponding SAR and the related Option must be transferred to the same person or person or entity or entities. Notwithstanding the foregoing, in no event may an SAR be transferred for consideration absent shareholder approval.

Exercise

Subject to the provisions of this Plan and the applicable Agreement, an SAR may be exercised in whole at any time or in part from time to time at such times and in compliance with such requirements as the Committee shall determine; provided, however, that a Corresponding SAR that is related to an incentive stock option may be exercised only to the extent that the related Option is exercisable and only when the Fair Market Value exceeds the option price of the related Option. An SAR granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the SAR could be exercised. A partial exercise of an SAR shall not affect the right to exercise the SAR from time to time in accordance with this Plan and the applicable Agreement with respect to the remaining shares subject to the SAR. The exercise of a Corresponding SAR shall result in the termination of the related Option to the extent of the number of shares with respect to which the SAR is exercised.

Employee Status

If the terms of any SAR provide that it may be exercised only during employment or continued service or within a specified period of time after termination of employment or continued service, the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability or other reasons shall not be deemed interruptions of continuous employment or service.

Settlement

At the Committee's discretion, the amount payable as a result of the exercise of an SAR may be settled in cash, Common Shares, or a combination of cash and Common Shares. No fractional share will be deliverable upon the exercise of an SAR but a cash payment will be made in lieu thereof.

Shareholder Rights

No Participant shall, as a result of receiving an SAR, have any rights as a shareholder of the Company or any Affiliate until the date that the SAR is exercised and then only to the extent that the SAR is settled by the issuance of Common Shares. Notwithstanding the foregoing, the Committee may provide in an Agreement that the holder of an SAR is entitled to Dividend Equivalents during the period beginning on the date of the award and ending on the date the SAR is exercised.

No Reduction of Initial Value

Except as provided in Article XII, the Initial Value of an outstanding SAR may not be reduced (by amendment, cancellation and new grant or otherwise) without the approval of shareholders. In addition, no payment shall be made in cancellation of a SAR without the approval of shareholders if, on the date of cancellation, the Initial Value exceeds Fair Market Value.

SHARE AWARDS**Award**

In accordance with the provisions of Article IV, the Committee will designate each individual to whom a Share Award is to be made and will specify the number of Common Shares covered by such awards.

Vesting

The Committee, on the date of the award, may prescribe that a Participant's rights in a Share Award shall be forfeitable or otherwise restricted for a period of time or subject to such conditions as may be set forth in the Agreement. By way of example and not of limitation, the Committee may prescribe that a Participant's rights in a Share Award shall be forfeitable or otherwise restricted subject to the attainment of objectives stated with reference to the Company's, an Affiliate's or a business unit's attainment of objectives stated with respect to performance criteria established by the Committee, including the attainment of objectives stated with respect to one or more Performance Goals.

Employee Status

In the event that the terms of any Share Award provide that shares may become transferable and nonforfeitable thereunder only after completion of a specified period of employment or continuous service, the Committee may decide in each case to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous employment or service.

Shareholder Rights

Unless otherwise specified in accordance with the applicable Agreement, while the Common Shares granted pursuant to the Share Award may be forfeited or are nontransferable, a Participant will have all rights of a stockholder with respect to a Share Award, including the right to receive dividends and vote the shares; provided, however, that dividends payable on Common Shares subject to a Share Award that does not become nonforfeitable and transferable solely on account of continued employment or service shall be distributed only when, and to the extent that, the underlying Share Award is nonforfeitable and transferable and the Committee may provide that such dividends shall be deemed to have been reinvested in additional Common Shares. During the period that the Common Shares subject to a Share Award may be forfeited or are nontransferable (i) a Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of shares granted pursuant to a Share Award, (ii) the Company shall retain custody of the certificates evidencing shares granted pursuant to a Share Award, and (iii) the Participant will deliver to the Company a stock power, endorsed in blank, with respect to each Share Award. The limitations set forth in the preceding sentence shall not apply after the shares granted under the Share Award are transferable and are no longer forfeitable.

PERFORMANCE UNIT AWARDS**Award**

In accordance with the provisions of Article IV, the Committee will designate each individual to whom an award of Performance Units is to be made and will specify the number of Common Shares or other securities or property covered by such awards. The Committee also will specify whether Dividend Equivalent Rights are granted in conjunction with the Performance Units.

Earning the Award

The Committee, on the date of the grant of an award, shall prescribe that the Performance Units will be earned, and the Participant will be entitled to receive payment pursuant to the award of Performance Units, only upon the satisfaction of

performance objectives and such other criteria as may be prescribed by the Committee, including the attainment of objectives stated with respect to one or more Performance Goals.

Payment

In the discretion of the Committee, the amount payable when an award of Performance Units is earned may be settled in cash, by the issuance of Common Shares, by the delivery of other securities or property or a combination thereof. A fractional Common Share shall not be deliverable when an award of Performance Units is earned, but a cash payment will be made in lieu thereof. The amount payable when an award of Performance Units is earned shall be paid in a lump sum.

Shareholder Rights

A Participant, as a result of receiving an award of Performance Units, shall not have any rights as a shareholder until, and then only to the extent that, the award of Performance Units is earned and settled in Common Shares. After an award of Performance Units is earned and settled in Common Shares, a Participant will have all the rights of a shareholder as described in Section 8.05.

Nontransferability

Except as provided in Section 9.06, Performance Units granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. No right or interest of a Participant in any Performance Units shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

Transferable Performance Units

Section 9.05 to the contrary notwithstanding, if the Agreement provides, an award of Performance Units may be transferred by a Participant to the Participant's children, grandchildren, spouse, one or more trusts for the benefit of such family members or a partnership in which such family members are the only partners, on such terms and conditions as may be permitted under Rule 16b-3 under the Exchange Act as in effect from time to time. The holder of Performance Units transferred pursuant to this Section shall be bound by the same terms and conditions that governed the Performance Units during the period that they were held by the Participant; provided, however that such transferee may not transfer Performance Units except by will or the laws of descent and distribution. Notwithstanding the foregoing, in no event may a Performance Unit be transferred for consideration absent shareholder approval.

Employee Status

In the event that the terms of any Performance Unit award provide that no payment will be made unless the Participant completes a stated period of employment or continued service, the Committee may decide to what extent leaves of absence for government or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous employment or service.

OTHER EQUITY-BASED AWARDS

Award

In accordance with the provisions of Article IV, the Committee will designate each individual to whom an Other Equity-Based Award is to be made and will specify the number of Common Shares or other equity interests (including LTIP Units) covered by such awards; provided, however, that the grant of LTIP Units must satisfy the requirements of the partnership agreement of the Operating Partnership as in effect on the date of grant. The Committee also will specify whether Dividend Equivalent Rights are granted in conjunction with the Other Equity-Based Award.

Terms and Conditions

The Committee, at the time an Other Equity-Based Award is made, shall specify the terms and conditions which govern the award. The terms and conditions of an Other Equity-Based Award may prescribe that a Participant's rights in the Other Equity-Based Award shall be forfeitable, nontransferable or otherwise restricted for a period of time or subject to such other conditions as may be determined by the Committee, in its discretion and set forth in the Agreement, including the attainment of objectives stated with respect to one or more Performance Goals. Other Equity-Based Awards may be granted to Participants, either alone or in addition to other awards granted under the Plan, and Other Equity-Based Awards may be granted in the settlement of other Awards granted under the Plan.

Payment or Settlement

Other Equity-Based Awards valued in whole or in part by reference to, or otherwise based on, Common Shares, shall be payable or settled in Common Shares, cash or a combination of Common Shares and cash, as determined by the Committee in its discretion; provided, however, that any Common Shares that are issued on account of the conversion of LTIP Units into Common Stock shall not be issued under the Plan. Other Equity-Based Awards denominated as equity interests other than Common Shares may be paid or settled in shares or units of such equity interests or cash or a combination of both as determined by the Committee in its discretion.

Employee Status

If the terms of any Other Equity-Based Award provides that it may be earned or exercised only during employment or continued service or within a specified period of time after termination of employment or continued service, the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability or other reasons shall not be deemed interruptions of continuous employment or service.

Shareholder Rights

A Participant, as a result of receiving an Other Equity-Based Award, shall not have any rights as a shareholder until, and then only to the extent that, the Other Equity-Based Award is earned and settled in Common Shares.

INCENTIVE AWARDS**Award**

In accordance with the provisions of Article IV, the Committee will designate each individual to whom an Incentive Award is to be made. The amount payable under all Incentive Awards shall be finally determined by the Committee; provided, however, that the maximum amount payable to an individual under all Incentive Awards granted in the same calendar year is \$2,500,000.

Terms and Conditions

The Committee, at the time an Incentive Award is made, shall specify the terms and conditions that govern the award. Such terms and conditions may prescribe that the Incentive Award shall be earned only to the extent that the Participant, the Company or an Affiliate, during a performance period of at least one year, achieves objectives stated with reference to one or more performance measures or criteria prescribed by the Committee, including the attainment of objectives stated with respect to one or more Performance Goals. Such terms and conditions also may include other limitations on the payment of Incentive Awards including, by way of example and not of limitation, requirements that the Participant complete a specified period of employment or service with the Company or an Affiliate or that the Company, an Affiliate, or the Participant attain stated objectives or goals (in addition to those prescribed in accordance with the preceding sentence) as a prerequisite to payment under an Incentive Award.

Nontransferability

Incentive Awards granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. No right or interest of a Participant in an Incentive Award shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

Employee Status

If the terms of an Incentive Award provide that a payment will be made thereunder only if the Participant completes a stated period of employment or continued service the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability or other reasons shall not be deemed interruptions of continuous employment or service.

Settlement

An Incentive Award that is earned shall be settled with a single lump sum payment which may be in cash, shares of Common Stock or a combination of cash and Common Stock, as determined by the Committee.

Shareholder Rights

No participant shall, as a result of receiving an Incentive Award, have any rights as a shareholder of the Company or an Affiliate until the date that the Incentive Award is settled and then only to the extent that the Incentive Award is settled by the issuance of shares of Common Stock.

ADJUSTMENT UPON CHANGE IN COMMON STOCK

The maximum number of Common Shares as to which Options, SARs, Performance Units, Share Awards, Incentive Awards and Other Equity-Based Awards may be granted, the per individual annual grant limitations and the terms of outstanding Share Awards, Options, SARs, Performance Units, Incentive Awards and Other Equity-Based Awards shall be adjusted as the Board determines is equitably required in the event that (i) the Company (a) effects one or more nonreciprocal transactions between the Company and its shareholders such as a share dividend, extra-ordinary cash dividend, share split-up, subdivision or consolidation of shares that affects the number or kind of Common Shares (or other securities of the Company) or the Fair Market Value (or the value of other Company securities) and causes a change in the Fair Market Value of the Common Shares subject to outstanding awards or (b) engages in a transaction to which Section 424 of the Code applies or (ii) there occurs any other event which, in the judgment of the Board necessitates such action. Any determination made under this Article XII by the Board shall be nondiscretionary, final and conclusive.

The issuance by the Company of shares of any class, or securities convertible into shares of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the maximum number of shares as to which Options, SARs, Performance Units, Share Awards, Incentive Awards and Other Equity-Based Awards may be granted, the per individual annual grant limitations or the terms of outstanding Share Awards, Options, SARs, Performance Shares, Incentive Awards or Other Equity-Based Awards.

The Committee may make Share Awards and may grant Options, SARs, Performance Units, Incentive Awards or Other Equity-Based Awards in substitution for performance shares, phantom shares, stock awards, stock options, stock appreciation rights, or similar awards held by an individual who becomes an employee of the Company or an Affiliate in connection with a transaction described in the first paragraph of this Article XII. Notwithstanding any provision of the Plan, the terms of such substituted Share Awards, SARs, Other Equity-Based Awards, Options, Incentive Awards or Performance Units shall be as the Committee, in its discretion, determines is appropriate.

COMPLIANCE WITH LAW AND APPROVAL OF REGULATORY BODIES

No Option or SAR shall be exercisable, no Common Shares shall be issued, no certificates for Common Shares shall be delivered, and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations (including, without limitation, withholding tax requirements), any listing agreement to which the Company is a party, and the rules of all domestic stock exchanges on which the Company's shares may be listed. The Company shall have the right to rely on an opinion of its counsel as to such compliance. Any certificate issued to evidence Common Shares when a Share Award is granted, a Performance Unit, Incentive Award or Other Equity-Based Award is settled or for which an Option or SAR is exercised may bear such legends and statements as the Committee may deem advisable to assure compliance with federal and state laws and regulations. No Option or SAR shall be exercisable, no Share Award or Performance Unit shall be granted, no Common Shares shall be issued, no certificate for Common Shares shall be delivered, and no payment shall be made under this Plan until the Company has obtained such consent or approval as the Committee may deem advisable from regulatory bodies having jurisdiction over such matters.

GENERAL PROVISIONS

Effect on Employment and Service

Neither the adoption of this Plan, its operation, nor any documents describing or referring to this Plan (or any part thereof), shall confer upon any individual or entity any right to continue in the employ or service of the Company or an Affiliate or in any way affect any right and power of the Company or an Affiliate to terminate the employment or service of any individual or entity at any time with or without assigning a reason therefor.

Unfunded Plan

This Plan, insofar as it provides for grants, shall be unfunded, and the Company shall not be required to segregate any assets that may at any time be represented by grants under this Plan. Any liability of the Company to any person with respect to any grant under this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

Rules of Construction

Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

All awards made under this Plan are intended to comply with, or otherwise be exempt from, Section 409A of the Code ("Section 409A"), after giving effect to the exemptions in Treasury Regulation sections 1.409A-1(b)(3) through (b)(12). This Plan and all Agreements shall be administered, interpreted and construed in a manner consistent with Section 409A. If any provision of this Plan or any Agreement is found not to comply with, or otherwise not be exempt from, the provisions of Section 409A, it shall be modified and given effect, in the sole discretion of the Committee and without requiring the Participant's consent, in such manner as the Committee determines to be necessary or appropriate to comply with, or effectuate an exemption from, Section 409A. Each payment under an award granted under this Plan shall be treated as a separate identified payment for purposes of Section 409A.

If a payment obligation under an award or an Agreement arises on account of the Participant's termination of employment and such payment obligation constitutes "deferred compensation" (as defined under Treasury Regulation section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation sections 1.409A-1(b)(3) through (b)(12)), it shall be payable only after the Participant's "separation from service" (as defined under Treasury Regulation section 1.409A-1(h)); provided, however, that if the Participant is a "specified employee" (as defined under Treasury Regulation section 1.409A-1(i)), any such payment that is scheduled to be paid within six months after such separation from service shall accrue without interest and shall be paid on the first day of the seventh month beginning after the date of the Participant's separation from service or, if earlier, within fifteen days after the appointment of the personal representative or executor of the Participant's estate following the Participant's death.

Withholding Taxes

Each Participant shall be responsible for satisfying any income and employment tax withholding obligations attributable to participation in the Plan. Unless otherwise provided by the Agreement, any such withholding tax obligations may be satisfied in cash (including from any cash payable in settlement of an award of Performance Units, SARs, Incentive Awards or Other Equity-Based Award) or a cash equivalent acceptable to the Committee. Except to the extent prohibited by Treasury Regulation Section 1.409A-3(j), any minimum statutory federal, state, district or city withholding tax obligations also may be satisfied (a) by surrendering to the Company Common Shares previously acquired by the Participant; (b) by authorizing the Company to withhold or reduce the number of Common Shares otherwise issuable to the Participant upon the exercise of an Option or SAR, the settlement of a Performance Unit award, an Incentive Award or an Other Equity-Based Award (if applicable) or the grant or vesting of a Share Award; or (c) by any other method as may be approved by the Committee. If Common Shares are used to pay all or part of such withholding tax obligation, the Fair Market Value of the shares surrendered, withheld or reduced shall be determined as of the day the tax liability arises and the number of Common Shares which may be withheld or surrendered shall be limited to the number of shares which have a Fair Market Value on the date of withholding equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income.

REIT Status

The Plan shall be interpreted and construed in a manner consistent with the Company's status as a REIT. No award shall be granted or awarded, and with respect to any award granted under the Plan, such award shall not vest, be exercisable or be settled (i) to the extent that the grant, vesting, exercise or settlement could cause the Participant or any other person to be in violation of the common stock ownership limit or aggregate stock ownership limit prescribed by the Company's Articles of Incorporation or Charter, as amended from time to time) or (ii) if, in the discretion of the Committee, the grant, vesting, exercise or settlement of the award could impair the Company's status as a REIT.

Return of Awards; Repayment

Each Stock Award, Option, SAR, Performance Unit award, Incentive Award and Other Equity-Based Award granted under the Plan is subject to the condition that the Company may require that such award be returned and that any payment made with respect to such award must be repaid if such action is required under the terms of any Company "clawback" policy as in effect on the date that the payment was made, on the date the award was granted or, as applicable, the date the Option or SAR was exercised or the date the Stock Award, Performance Unit award, Incentive Award or Other Equity-Based Award is vested or earned.

CHANGE IN CONTROL**Impact of Change in Control**

Upon a Change in Control, the Committee is authorized to cause (i) outstanding Options and SARs to become fully exercisable, (ii) outstanding Share Awards to become transferable and nonforfeitable and (iii) outstanding Performance Units, Incentive Awards and Other Equity-Based Awards to become earned and nonforfeitable in their entirety.

Assumption Upon Change in Control

In the event of a Change in Control, the Committee, in its discretion and without the need for a Participant's consent, may provide that an outstanding Option, SAR, Share Award, Performance Unit, Incentive Award or Other Equity-Based Award shall be assumed by, or a substitute award granted by, the surviving entity in the Change in Control. Such assumed or substituted award shall be of the same type of award as the original Option, SAR, Share Award, Performance Unit, Incentive Award or Other Equity-Based Award being assumed or substituted. The assumed or substituted award shall have a value, as of the Control Change Date, that is substantially equal to the value of the original award (or the difference between the Fair Market Value and the option price or Initial Value in the case of Options and SARs) as the Committee determines is equitably required and such other terms and conditions as may be prescribed by the Committee.

Cash-Out Upon Change in Control

In the event of a Change in Control, the Committee, in its discretion and without the need of a Participant's consent, may provide that each Option, SAR, Share Award, Performance Unit, Incentive Award and Other Equity-Based Award shall be cancelled in exchange for a payment. The payment may be in cash, Common Shares or other securities or consideration received by shareholders in the Change in Control transaction. The amount of the payment shall be an amount that is substantially equal to (i) the amount by which the price per share received by shareholders in the Change in Control exceeds the option price or Initial Value in the case of an Option and SAR, (ii) the price per share received by shareholders for each Common Share subject to a Share Award, Performance Unit or Other Equity-Based Award, (iii) the value of the other securities or property in which the Performance Unit or Other Equity-Based award is denominated or (iv) the amount payable under an Incentive Award on account of meeting all Performance Goals or other performance objectives. If the option price or Initial Value exceeds the price per share received by shareholders in the Change in Control transaction, the Option or SAR may be cancelled under this Section 15.03 without any payment to the Participant.

Limitation of Benefits

The benefits that a Participant may be entitled to receive under this Plan and other benefits that a Participant is entitled to receive under other plans, agreements and arrangements (which, together with the benefits provided under this Plan, are referred to as "Payments"), may constitute Parachute Payments that are subject to Code Sections 280G and 4999. As provided in this Section 15.04, the Parachute Payments will be reduced pursuant to this Section 15.04 if, and only to the extent that, a reduction will allow a Participant to receive a greater Net After Tax Amount than a Participant would receive absent a reduction.

The Accounting Firm will first determine the amount of any Parachute Payments that are payable to a Participant. The Accounting Firm also will determine the Net After Tax Amount attributable to the Participant's total Parachute Payments.

The Accounting Firm will next determine the largest amount of Payments that may be made to the Participant without subjecting the Participant to tax under Code Section 4999 (the "Capped Payments"). Thereafter, the Accounting Firm will determine the Net After Tax Amount attributable to the Capped Payments.

The Participant will receive the total Parachute Payments or the Capped Payments, whichever provides the Participant with the higher Net After Tax Amount. If the Participant will receive the Capped Payments, the total Parachute Payments will be adjusted by first reducing the amount of any benefits under this Plan or any other plan, agreement or arrangement that are not subject to Section 409A of the Code (with the source of the reduction to be directed by the Participant) and then by reducing

the amount of any benefits under this Plan or any other plan, agreement or arrangement that are subject to Section 409A of the Code (with the source of the reduction to be directed by the Participant) in a manner that results in the best economic benefit to the Participant (or, to the extent economically equivalent, in a pro rata manner). The Accounting Firm will notify the Participant and the Company if it determines that the Parachute Payments must be reduced to the Capped Payments and will send the Participant and the Company a copy of its detailed calculations supporting that determination.

As a result of the uncertainty in the application of Code Sections 280G and 4999 at the time that the Accounting Firm makes its determinations under this Section 15.04, it is possible that amounts will have been paid or distributed to the Participant that should not have been paid or distributed under this Section 15.04 (“Overpayments”), or that additional amounts should be paid or distributed to the Participant under this Section 15.04 (“Underpayments”). If the Accounting Firm determines, based on either the assertion of a deficiency by the Internal Revenue Service against the Company or the Participant, which assertion the Accounting Firm believes has a high probability of success or controlling precedent or substantial authority, that an Overpayment has been made, the Participant must repay to the Company, without interest; provided, however, that no loan will be deemed to have been made and no amount will be payable by the Participant to the Company unless, and then only to the extent that, the deemed loan and payment would either reduce the amount on which the Participant is subject to tax under Code Section 4999 or generate a refund of tax imposed under Code Section 4999. If the Accounting Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the Accounting Firm will notify the Participant and the Company of that determination and the amount of that Underpayment will be paid to the Participant promptly by the Company.

For purposes of this Section 15.04, the term “Accounting Firm” means the independent accounting firm engaged by the Company immediately before the Control Change Date. For purposes of this Section 15.04, the term “Net After Tax Amount” means the amount of any Parachute Payments or Capped Payments, as applicable, net of taxes imposed under Code Sections 1, 3101(b) and 4999 and any State or local income taxes applicable to the Participant on the date of payment. The determination of the Net After Tax Amount shall be made using the highest combined effective rate imposed by the foregoing taxes on income of the same character as the Parachute Payments or Capped Payments, as applicable, in effect on the date of payment. For purposes of this Section 15.04, the term “Parachute Payment” means a payment that is described in Code Section 280G(b)(2), determined in accordance with Code Section 280G and the regulations promulgated or proposed thereunder.

Notwithstanding any other provision of this Section 15.04, the limitations and provisions of this Section 15.04 shall not apply to any Participant who, pursuant to an agreement with the Company or the terms of another plan maintained by the Company, is entitled to indemnification for any liability that the Participant may incur under Code Section 4999. In addition, nothing in this Section 15.04 shall limit or otherwise supersede the provisions of any other agreement or plan which provides that a Participant cannot receive Payments in excess of the Capped Payments.

AMENDMENT

The Board may amend or terminate this Plan at any time; provided, however, that no amendment may adversely impair the rights of Participants with respect to outstanding awards. In addition, an amendment will be contingent on approval of the Company’s shareholders if such approval is required by law or the rules of any exchange on which the Common Shares are listed or if the amendment would materially increase the benefits accruing to Participants under the Plan, materially increase the aggregate number of Common Shares that may be issued under the Plan or materially modify the requirements as to eligibility for participation in the Plan.

DURATION OF PLAN

No Share Award, Performance Unit Award, Option, SAR, Incentive Award or Other Equity-Based Award may be granted under this Plan after May 22, 2032. Share Awards, Performance Unit awards, Options, SARs, Incentive Award and Other Equity-Based Awards granted before such date shall remain valid in accordance with their terms.

EFFECTIVE DATE OF PLAN

Options, Share Awards, Performance Units, Incentive Awards and Other Equity-Based Awards may be granted under this Plan, as amended and restated herein, on and after the date that the Plan, as amended and restated herein, is adopted by the Board, provided that this amendment and restatement of the Plan shall not be effective unless, within twelve months after the Board’s action, the amended and restated Plan is approved by holders of a majority of the outstanding Common Shares entitled to vote and present or represented by properly executed and delivered proxies at a duly held shareholders’ meeting at which a quorum is present and provided further that no award shall be exercisable, vested or settled until such shareholder approval is obtained.

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey H. Fisher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Chatham Lodging Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
1. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

CHATHAM LODGING TRUST

Dated: August 3, 2022

/s/ JEFFREY H. FISHER

Jeffrey H. Fisher

Chairman, President and Chief Executive Officer

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeremy B. Wegner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Chatham Lodging Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
1. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

CHATHAM LODGING TRUST

Dated: August 3, 2022

/s/ JEREMY B. WEGNER

Jeremy B. Wegner

Senior Vice President and Chief Financial Officer

**Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Chatham Lodging Trust (the "Company") on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey H. Fisher, Chairman, President and Chief Executive Officer of the Company and I, Jeremy B. Wegner, Senior Vice President and Chief Financial Officer of the Company, certify, to our knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

CHATHAM LODGING TRUST

Dated: August 3, 2022

/s/ JEFFREY H. FISHER

Jeffrey H. Fisher

Chairman, President and Chief Executive Officer

/s/ JEREMY B. WEGNER

Jeremy B. Wegner

Senior Vice President and Chief Financial Officer